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## **Items Disclosed on the Internet Concerning the Notice of the 15th Annual General Meeting of Shareholders**

The 15th Term (from April 1, 2019 to March 31, 2020)

1. Notes to Consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2020
2. Notes to Non-consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2020

**JAPAN POST HOLDINGS CO., Ltd.**

Pursuant to laws and regulations and the provision of Article 16 of the Articles of Incorporation, notes to consolidated financial statements and notes to non-consolidated financial statements are disclosed to our shareholders through postings on our website (<https://www.japanpost.jp/en/>).

## Notes to Consolidated Financial Statements

Amounts of less than one million yen are rounded down.

Subsidiaries and affiliates are defined based on Article 2, Paragraph 8 of the Banking Act and Article 4-2 of the Order for Enforcement of the Banking Act.

### Basis of Presentation of Consolidated Financial Statements

#### 1. Scope of consolidation

##### (1) Consolidated subsidiaries: 260

Principal companies:

Japan Post Co., Ltd.

Japan Post Bank Co., Ltd.

Japan Post Insurance Co., Ltd.

1 subsidiary of Toll Holdings Limited (hereinafter referred to as “Toll”) was included in the scope of consolidation due to its 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 additional purchase of its stock from the fiscal year ended March 31, 2020. JP Mitsukoshi Merchandising Co., Ltd. and 6 subsidiaries of Toll were excluded from the scope of consolidation due to the liquidation and Japan Post Sankyu Global Logistics Co., Ltd. was excluded from the scope of consolidation due to the sale of its stock from the fiscal year ended March 31, 2020.

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

##### (2) Non-consolidated subsidiaries: 3

Silent partnerships investing in real estate 3

The non-consolidated subsidiaries are excluded from the scope of consolidation because their assets, ordinary 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

##### (1) Non-consolidated subsidiaries accounted for by the equity method

None

##### (2) Affiliates accounted for by the equity method: 17

JA Foods Oita Co., Ltd.

Ring Bell Co., Ltd.

Saison Asset Management Co., Ltd.

ATM Japan Business Service, Ltd.

JP Asset Management Co., Ltd.

Toll’s affiliates

From 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 additional purchase of its stock. 1 of Toll’s

affiliates was excluded from the scope of the equity method due to the liquidation and 2 of Toll's affiliates were excluded from the scope of the equity method due to the sale of its stock.

(3) Non-consolidated subsidiaries that are not accounted for by the equity method: 3

Silent partnerships investing in real estate 3

(4) Affiliates that are not accounted for by the equity method: 2

BPO.MP COMPANY LIMITED

Palma Co., Ltd.

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, etc. of consolidated subsidiaries

(1) Fiscal year-end dates of consolidated subsidiaries

June 30: 5

December 31: 31

March 31: 224

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

4. 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.

5. Summary of significant accounting policies

(1) Valuation criteria and methods for trading account securities

Trading account securities are carried at fair value.

(2) Valuation criteria and methods for securities

- 1) 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”.

- 2) Securities included in “Money Held in Trust” 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”.

- (3) Valuation criteria and methods for derivative transactions

All derivative transactions are valued at fair value.

- (4) Depreciation methods of fixed assets

- 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.

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 using the straight-line method over the lease term.

- 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.

- (5) 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 for the fiscal year ended March 31, 2020.

- (6) 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.

- (7) 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.

- (8) 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.

- (9) 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.

- (10) Reserve for insurance claims and others

To provide for measures to compensate for the disadvantages caused in relation to the cases which have been discovered as a result of the investigation of insurance policies to have potentially caused disadvantages to customers, not in line with their intentions, a reserve is provided for the estimated future payments of insurance claims based on past performance.

- (11) Accounting method for 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	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.
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Actuarial difference	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
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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) 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) 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.

- (12) 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 mainly 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”.

- (13) Hedge accounting

- 1) Hedge accounting for interest rate risks

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

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

As for portfolio hedges on groups of large-volume, small-value monetary debts, the banking subsidiary applies the deferred hedge method as stipulated in “Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry” (JICPA Industry 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 or the fair value hedge method translating the foreign currency receivables at forward rates for hedges of foreign exchange fluctuation risk arising from the securities denominated in foreign currencies.

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

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

(14) Reserve for price fluctuations

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

(15) Consumption taxes

All figures are net of consumption taxes.

(16) Method of accumulating 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 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, additional policy reserves are accumulated in the fiscal year ended March 31, 2018, in preparation for future performance of obligations for lump-sum payment annuities.

In addition, 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 (hereinafter referred to as the "Japan Postal Service Organization" in this note), which is an independent administrative institution. As a result, the amount of provision for additional policy reserves was ¥176,734 million for the fiscal year ended March 31, 2020.

(17) Others

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

(Tax effect accounting for the transition from the consolidated tax payment system to the group tax sharing system)

Concerning items which transitioned to the group tax sharing system and those for which the non-consolidated tax payment system were reviewed in line with the transition to the group tax sharing system, which was established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020), the Company and certain domestic consolidated subsidiaries will not apply the provisions stipulated in Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment set out in Paragraph 3 of the "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), and apply the provisions of the tax regime before the revision for the amount of deferred tax assets and deferred tax liabilities.

## Changes in Accounting Policies

Toll and its subsidiaries and affiliates

Effective from the fiscal year ended March 31, 2020, “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 has been recorded under retained earnings at the beginning of the fiscal year ended March 31, 2020.

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

## New Accounting Pronouncements

“Revised Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)

“Revised Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)

### 1. Overview

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

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

### 2. Effective date

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

### 3. Effects of the application of the standards

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

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)

“Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)

“Revised Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)

“Revised Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)

“Revised Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

#### 1. Overview

To increase the international comparability of accounting standards, “Accounting Standard for Fair Value Measurement” and “Guidance on Accounting Standard for Fair Value Measurement” (hereinafter referred to as the “Fair Value Measurement Standards, etc.”) were developed, and guidance and other rules were established with regard to the method for fair value measurement. Fair Value Measurement Standards, etc. will be applicable for the fair values of the following items.

- Financial instruments included in “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes included in “Accounting Standard for Measurement of Inventories”



In addition, “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.

2. Effective date

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

3. Effects of the application of the standards

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

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

1. Overview

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

2. Effective date

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

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

1. Overview

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

2. Effective date

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

## Changes in Presentation

### Consolidated Balance Sheets

“Borrowed money” included in “other liabilities” in the previous fiscal year has been separately presented from the fiscal year ended March 31, 2020, due to its increased significance.

Borrowed money amounted to ¥281,021 million as of March 31, 2019.

## Changes in Accounting Estimates

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

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

## 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 and the number of shares of the treasury stock was 528 thousand shares as of March 31, 2020.

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

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 Investigative 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 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 inappropriate solicitation 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. Japan Post Group

accepts the seriousness of administrative dispositions 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 Japan Post Group in the future.

## Notes to Consolidated Balance Sheet

1. Total amount of stocks and investments in capital of non-consolidated subsidiaries and affiliates  
¥36,708 million

2. Unsecured and secured loaned securities for which borrowers have the right to sell or pledge in the amount of ¥3,190,143 million were included in Japanese government bonds and other in “Securities”.

Securities borrowed with cash collateral for which the Group has the right to sell or pledge amounted to ¥64,499 million for pledged securities and ¥8,939,257 million for securities held as of March 31, 2020 without being sold or pledged.

3. The amount of non-accrual delinquent loans was ¥0 million. There were no loans to bankrupt borrowers, past-due loans for three months or more and restructured loans. The total amount of loans to bankrupt borrowers, non-accrual delinquent loans, past-due loans for three months or more and restructured loans was ¥0 million. The above loan amounts are before deduction of reserve for possible loan losses.

4. Assets pledged as collateral were as follows:

Assets pledged as collateral:

Securities	¥21,115,079 million
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Liabilities corresponding to assets pledged as collateral:

Deposits	¥939,049 million
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Payables under repurchase agreements	¥14,841,880 million
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Payables under securities lending transactions	¥6,459,065 million
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Borrowed money	¥10,100 million
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(Note) “Borrowed money” included in “other liabilities” in the previous fiscal year has been separately presented from the fiscal year ended March 31, 2020, due to its increased significance. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified. Borrowed money on liabilities corresponding to assets pledged as collateral amounted to ¥3,980 million as of March 31, 2019.

In addition to the above, securities of ¥1,974,615 million 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.

“Other assets” include margins for future transactions of ¥147,125 million, guarantee deposits of ¥16,519 million, margins with central counterparty of ¥692,575 million and cash collateral paid for financial instruments of ¥294,696 million.

5. The consolidated balance sheet amount, fair value and the outline of the risk management policy of policy-reserve-matching bonds are as follows:

(1) The consolidated balance sheet amount and the fair value of policy-reserve-matching bonds are ¥9,574,646 million and ¥10,578,535 million, respectively.

(2) 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.

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

6. 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 unused commitments on loans amounted to ¥49,700 million. Of this amount, there was unused commitments of ¥20,000 million with a term of less than one year or that may be cancelled unconditionally at any point of time.

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 unused commitments on loans amounted to ¥17,717 million at the insurance subsidiary.

7. Accumulated depreciation of tangible fixed assets ¥1,522,375 million

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

8. Deferred gains on tangible fixed assets not recognized for tax purposes ¥88,722 million

9. Changes in reserve for policyholder dividends

Balance at the beginning of the fiscal year	¥1,513,634 million
Policyholder dividends paid	¥185,042 million
Interest accrual, etc.	¥8 million
Reduction due to the acquisition of additional annuity	¥301 million
Provision for reserve for policyholder dividends	¥109,236 million
Balance at the end of the fiscal year	¥1,437,535 million

10. 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 was ¥473 million. In addition, policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance was ¥967 million.

11. The insurance subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥34,524 million as of March 31, 2020 pursuant to Article 259 of the Insurance Business Act.

These obligations are recognized as operating expenses when they are paid.

12. 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). Accordingly, policy reserves (excluding contingency reserve) of ¥33,324,093 million was provided.

In addition, contingency reserve of ¥1,320,677 million and reserve for price fluctuations of ¥631,990 million were provided for this category of reinsurance.

13. "Bonds" in the consolidated balance sheet is subordinated bonds with the special provision which ranks below other debts with regard to fulfillment of obligation.

14. Future payments on service contracts for system-related services (such as usage of hardware, software, telecommunication services and maintenance) are as follows:

Due within 1 year    ¥406 million

Due after  
1 year                ¥149 million

15. 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 amount of uncollectible investment. The possible amount of compensation was ¥68,829 million as of March 31, 2020.

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.

## Notes to Consolidated Statement of Income

1. Provision for reserve for policyholder dividends, which is provided for the Management Organization for Postal Savings and Postal Life Insurance (name changed to "Organization for Postal Savings, Postal Life Insurance and Post Office Network" on April 1, 2019; hereinafter referred to as "Management Organization") based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Management Organization, was ¥93,775 million for the fiscal year ended March 31, 2020.
2. 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.

Accordingly, ¥11,304 million of "Post office refurbishment expenses" was recorded as extraordinary losses.

## Notes to Consolidated Statement of Changes in Net Assets

### 1. Type and number of shares issued

(Thousands of shares)

	April 1, 2020	Increase	Decrease	March 31, 2020	Remarks
Shares issued					
Common stock	4,500,000	-	-	4,500,000	

### 2. Type and number of treasury stock

(Thousands of shares)

	April 1, 2020	Increase	Decrease	March 31, 2020	Remarks
Treasury stock					
Common stock	456,796	-	128	456,667	(Notes) 1, 2

Notes: 1. The number of treasury stock at the beginning of the fiscal year includes the shares of the Company held by the management board benefit trust of 656 thousand shares. The number of treasury stock at the end of the fiscal year includes the shares of the Company held by the management board benefit trust of 528 thousand shares.

2. A decrease of 128 thousand shares of treasury stock is due to the benefits paid of the shares of the Company by the management board benefit trust.

### 3. Information concerning 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 for the fiscal year ended March 31, 2020

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

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

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

#### (2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2020 (scheduled)

Resolution	Class of shares	Total amount (Millions of Yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2020	Common stock	101,096	Retained earnings	25.00	March 31, 2020	June 18, 2020

Notes: 1. Dividends are subject to approval from the Minister for Internal Affairs and Communications by the above effective date.

2. The total amount of dividends includes dividends of ¥13 million for the Company's shares held by the management board benefit trust.

## Financial Instruments

### 1. Status of 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

The banking subsidiary and insurance subsidiary use the VaR method to quantify and manage market risk exposure, in accordance with the respective rules of the companies on market risk management.

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.



## 2. Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheet, fair values and the difference between them are as follows. Unlisted stocks and others for which fair values are extremely difficult to determine are not included in the table below (see Note 2).

(Millions of Yen)

	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
<b>Total</b>	<b>275,867,278</b>	<b>283,975,424</b>	<b>8,108,145</b>
(1) Deposits	181,377,859	181,422,722	44,863
(2) Payables under repurchase agreements	14,855,624	14,855,624	-
(3) Payables under securities lending transactions	6,509,525	6,509,525	-
(4) Borrowed money	302,200	302,265	65
(5) Bonds	100,000	98,740	(1,260)
<b>Total</b>	<b>203,145,210</b>	<b>203,188,878</b>	<b>43,668</b>
Derivative transactions (* 2)			
Hedge accounting not applied	863	863	-
Hedge accounting applied	(499,408)	(499,408)	-
<b>Total derivative transactions</b>	<b>(498,544)</b>	<b>(498,544)</b>	<b>-</b>

(\*1) General reserve for possible loan losses corresponding to loans has been deducted.

(\*2) Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums.

Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses.

Additionally, those subject to exceptional treatment for interest rate swaps are jointly disclosed with hedged loans. Therefore, their fair values are included in the relevant loans.

## (Changes in Presentation)

“Borrowed money” has been presented from the fiscal year ended March 31, 2020 due to an increase in its materiality. The consolidated balance sheet amount, the fair value of borrowed money and the net unrealized gains (losses) is ¥281,021 million, ¥281,118 million and ¥96 million, respectively.

Notes: 1. Calculation method for fair values of financial instruments is as follows:

### Assets

#### (1) Cash and due from banks

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

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

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

#### (5) Monetary claims bought

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

#### (6) Trading account securities

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

#### (7) Money held in trust

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

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

#### (8) Securities

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

Notes to securities by categories based on holding purposes are provided in Note “Securities”.

#### (9) Loans

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

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

### Liabilities

#### (1) Deposits

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

#### (2) Payables under repurchase agreements and (3) Payables under securities lending transactions

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

#### (4) Borrowed money

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

#### (5) Bonds

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

#### Derivatives

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

2. 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.

(Millions of Yen)

Class	Consolidated balance sheet amount
Money held in trust (* 1)	679,576
Securities	
Unlisted stocks (* 2)	38,759
Investment trusts (* 3)	1,692,354
Investments in partnerships (* 4)	48,485
Total	2,459,175

- (\*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.

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

(Millions of Yen)

	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						
Held-to-maturity bonds	4,229,790	17,970,815	5,114,461	2,487,256	7,550,165	22,075,212
Policy-reserve-matching bonds	416,864	1,639,654	1,363,681	511,400	1,857,700	3,572,773
Available-for-sale securities with maturities	12,189,031	16,183,879	13,636,672	7,644,259	10,690,819	16,303,375
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

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

(Millions of Yen)

	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 (*)	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	-	-	-	-	-
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

(\*) Demand deposits are included in "Within 1 year".

## Securities

The amount shown in the following tables include “Trading account securities”, negotiable certificates of deposit included in “Cash and due from banks”, and “Monetary claims bought”, in addition to “Securities”.

### 1. Trading securities (As of March 31, 2020)

There were no valuation gains (losses) associated with trading securities recorded under gains or losses for the fiscal year ended March 31, 2020.

### 2. Held-to-maturity bonds (As of March 31, 2020)

(Millions of Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	49,020,592	55,280,312	6,259,720
	Japanese local government bonds	5,756,457	6,030,777	274,320
	Japanese corporate bonds	3,455,252	3,634,851	179,598
	Other	98,000	98,238	238
	Subtotal	58,330,301	65,044,179	6,713,878
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	234,148	233,940	(208)
	Japanese local government bonds	606,652	605,239	(1,412)
	Japanese corporate bonds	735,330	731,575	(3,754)
	Other	-	-	-
	Subtotal	1,576,131	1,570,755	(5,375)
Total		59,906,432	66,614,935	6,708,502

### 3. Policy-reserve-matching bonds (As of March 31, 2020)

(Millions of Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	8,157,329	9,096,775	939,446
	Japanese local government bonds	553,234	578,358	25,124
	Japanese corporate bonds	611,848	654,734	42,885
	Subtotal	9,322,412	10,329,868	1,007,456
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	9,450	9,449	(0)
	Japanese local government bonds	17,033	16,980	(53)
	Japanese corporate bonds	225,751	222,237	(3,513)
	Subtotal	252,234	248,667	(3,567)
Total		9,574,646	10,578,535	1,003,888

4. Available-for-sale securities (As of March 31, 2020)

(Millions of Yen)

	Type	Consolidated balance sheet amount	Cost	Difference
Those for which consolidated balance sheet amount exceeds cost	Stocks	69,623	62,691	6,931
	Bonds	41,393,911	40,442,424	951,487
	Japanese government bonds	30,381,351	29,542,094	839,256
	Japanese local government bonds	4,715,611	4,686,343	29,268
	Japanese short-term corporate bonds	-	-	-
	Japanese corporate bonds	6,296,948	6,213,986	82,961
	Other	22,327,099	20,681,389	1,645,709
	Of which: foreign bonds	17,600,611	16,203,942	1,396,668
	Of which: investment trusts	4,496,831	4,252,191	244,639
	Subtotal	63,790,633	61,186,505	2,604,128
Those for which consolidated balance sheet amount does not exceed cost	Stocks	233,286	282,435	(49,149)
	Bonds	7,715,214	7,767,834	(52,620)
	Japanese government bonds	2,564,027	2,601,945	(37,918)
	Japanese local government bonds	1,074,741	1,076,175	(1,434)
	Japanese short-term corporate bonds	806,975	806,975	-
	Japanese corporate bonds	3,269,471	3,282,738	(13,267)
	Other	49,360,451	52,319,052	(2,958,600)
	Of which: foreign bonds	10,530,434	11,122,497	(592,063)
	Of which: investment trusts	37,795,272	40,161,648	(2,366,376)
	Subtotal	57,308,952	60,369,322	(3,060,370)
Total	121,099,586	121,555,828	(456,242)	

5. Held-to-maturity bonds sold during the fiscal year (From April 1, 2019 to March 31, 2020)

None

6. Policy-reserve-matching bonds sold during the fiscal year (From April 1, 2019 to March 31, 2020)

(Millions of Yen)

	Sales	Gains	Losses
Bonds	198,497	5,779	-
Japanese government bonds	198,497	5,779	-
Total	198,497	5,779	-

7. Available-for-sale securities sold during the fiscal year (From April 1, 2019 to March 31, 2020)

(Millions of Yen)

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

8. 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 for the fiscal year ended March 31, 2020.

**Money Held in Trust**

1. Money held in trust classified as trading (As of March 31, 2020)

None

2. Money held in trust classified as held-to-maturity (As of March 31, 2020)

None

3. Money held in trust classified as other than trading or held-to-maturity (As of March 31, 2020)

(Millions of Yen)

	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)

Notes: 1. “Amount for which consolidated balance sheet amount exceeds cost” and “Amount for which consolidated balance sheet amount does not exceed cost” are sub-items of “Difference” respectively.

2. 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 for the fiscal year ended March 31, 2020.

## Retirement Benefits

### 1. Outline of Retirement Benefits

- (1) 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. The charges concerning share of public service pension and share of another public service pension 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.

- (2) 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) was ¥10,793 million for the fiscal year ended March 31, 2020.

### 2. Defined Benefit Plans

#### (1) Changes in retirement benefit obligations

	(Millions of Yen)
Balance at the beginning of the fiscal year	2,624,564
Service cost	116,279
Interest cost	16,761
Actuarial differences	(13,112)
Benefits paid	(187,100)
Other	(96)
Balance at the end of the fiscal year	<u>2,557,296</u>

#### (2) Changes in plan assets

	(Millions of Yen)
Balance at the beginning of the fiscal year	438,504
Expected return on plan assets	1,009
Actuarial differences	(2,624)
Contributions paid by the employer	232
Benefits paid	(44,760)
Balance at the end of the fiscal year	<u>392,362</u>



(3) Balance of retirement benefit obligations, plan assets and liability (asset) for retirement benefits on the consolidated balance sheet

	(Millions of Yen)
Funded retirement benefit obligations	337,222
Share of public service pension	331,080
Share of another public service pension	396
Corporate pension plan	5,744
Plan assets	(392,362)
Share of public service pension	(385,579)
Share of another public service pension	(228)
Corporate pension plan	(6,554)
	<u>(55,140)</u>
Unfunded retirement benefit obligations	2,220,074
Lump-sum severance indemnity	2,220,074
Net liability (asset) for retirement benefits	<u>2,164,933</u>
Liability for retirement benefits	2,220,241
Asset for retirement benefits	(55,308)
Net liability (asset) for retirement benefits	<u>2,164,933</u>

(4) Retirement benefit costs

	(Millions of Yen)
Service cost	116,279
Interest cost	16,761
Expected return on plan assets	(1,009)
Amortization of actuarial differences	(20,353)
Amortization of prior service cost	(34,373)
Other	(56)
Total	<u>77,246</u>

(5) Adjustments for retirement benefits (before tax effect)

Breakdown of items recognized as adjustments for retirement benefits (before tax effect) is as follows:

	(Millions of Yen)
Prior service cost	(34,373)
Actuarial differences	(9,864)
Total	<u>(44,238)</u>

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

Breakdown of items recognized as accumulated adjustments for retirement benefits (before tax effect) is as follows:

	(Millions of Yen)
Unrecognized prior service cost	135,614
Unrecognized actuarial differences	77,035
Total	<u>212,649</u>

(7) Plan assets

1) Breakdown of plan assets

Composition by main categories contained in plan assets is as follows:

	(%)
Bonds	82
Stocks	0
Life insurance general account	0
Other	18
Total	<u>100</u>

Note: Total plan assets is comprised 98% of retirement benefit trusts, which were set up for share of public service pension and share of another public service pension.

2) Method for determining long-term expected rate of return on plan assets

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

Actuarial assumptions as of March 31, 2020

	(%)
Discount rate	0.2-0.7
Long-term expected rate of return on plan assets	0.1-2.0

3. Defined Contribution Plans

The amount required to be contributed to the defined contribution plans by certain consolidated subsidiaries was ¥14,737 million.

## Business Combinations

(Transaction under common control)

Partial sale of stocks of subsidiaries

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

### 1. Outline of the transactions

#### (1) Overview and purpose of the transaction

In accordance with the Postal Service Privatization Act, the Company is required to dispose of its entire equity interests 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 equity interests in the two financial companies in stages to the extent that its holding ratio is lowered to around 50%.

In accordance with such policy, the Company sold a portion of the shares of common stock of Japan Post Insurance Co., Ltd. (hereinafter referred to as “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 the shares of common stock of 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 the business combination

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 equity interests for cash consideration

#### (5) Name of company after business combination

No change

### 2. Overview of the accounting treatment

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 “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Statement No. 10, January 16, 2019).

3. Matters concerning changes in the Company's equity interest as a result of transaction with non-controlling shareholders
  - (1) Main cause for change in capital surplus  
Partial sale of stocks of subsidiaries
  - (2) Decreased amount of capital surplus as a result of transaction with non-controlling shareholders  
¥50,199 million

### Real Estate for Rent

#### 1. Status of 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.

#### 2. Fair value of real estate for rent

Consolidated balance sheet amount (Millions of Yen)	Fair value (Millions of Yen)
485,565	668,082

- 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 amount was ¥118,919 million.

### Per Share Data

Net assets per share	¥2,704.24
Net income per share	¥119.64

- Notes: 1. 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 as of March 31, 2020.
2. 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 for the fiscal year ended March 31, 2020.

### Subsequent Events

None

## Notes to Non-consolidated Financial Statements

Amounts of less than one million yen are rounded down.

### Significant Accounting Policies

#### 1. Valuation criteria and methods for securities

- (1) Investments in subsidiaries and affiliates are carried at cost and the cost of these securities sold is calculated using the moving-average method. Available-for-sale securities are 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 the moving-average method. Available-for-sale securities with no available market prices 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, net of income taxes, are included in "Net assets".

- (2) Securities included in "Money Held in Trust" are carried using the same method used for securities mentioned above (1).

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".

#### 2. Valuation criteria and methods for inventories

Inventories are stated at cost using the moving-average method (writing down the book value of inventories based on decreased profitability).

#### 3. Depreciation methods of fixed assets

- (1) Tangible fixed assets (excluding leased 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: 2-60 years

- (2) Intangible assets (excluding leased assets)

Amortization of intangible assets is computed using the straight-line method.

The useful lives are determined in accordance with the Corporation Tax Act.

The capitalized development costs of software intended for internal use are amortized over the expected useful lives of mainly 5 years.

#### 4. Allowances and reserves

- (1) Reserve for possible loan losses

For reserve for possible loan losses, 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 nature of loans.

- (2) Allowance for investment loss

For losses from investment in subsidiaries, etc., the amount deemed necessary is provided based on the financial conditions, etc. of the relevant subsidiary.

(3) Reserve for bonuses

A reserve for the employee bonus payment 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.

(4) Reserve for point service program

To provide for the usage of points granted to customers, the Company has recorded at the end of the fiscal year the amounts for points expected to be used in the future.

(5) Reserve for retirement benefits

- 1) To provide for retirement benefits to employees, reserve for retirement benefits is recorded based on the projected retirement benefit obligation at the end of the fiscal year.

The actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (7 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.

The prior service cost is amortized using the straight-line method over a fixed period (7 years) within the estimated average remaining service period for employees as incurred from the 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 “Reserve for retirement benefits”.

The Company has established retirement benefit trusts for the above pension program.

The actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (8 years) within the estimated average remaining payment periods for eligible personnel 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) 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 “Reserve for retirement benefits”.

The Company has established retirement benefit trusts for the above mutual aid pension program.

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

(6) Reserve for management board benefit trust

To provide for the payment of the Company’s shares, etc. to Executive Officers that are determined based on the Stock Benefit Regulations, a reserve is provided based on the estimated amount of stock benefit obligations at the end of the fiscal year.

(7) Reserve for compensation for accidents in the course of duty

To provide for the need to pay compensation to employees (or the families of the deceased) for accidents they were involved in during their duty or during commuting, reserve for compensation for accidents in the course of duty is posted as liabilities at the end of the fiscal year.

The actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (15 years) within the estimated average remaining payment periods for eligible personnel incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

#### 5. Consumption taxes

All figures are net of consumption taxes.

#### 6. Others

(1) The Company adopts the consolidated tax payment system.

Concerning items which transitioned to the group tax sharing system and those for which the non-consolidated tax payment system were reviewed in line with the transition to the group tax sharing system, which was established under the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020), the Company will not apply the provisions stipulated in Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment set out in Paragraph 3 of the “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), and apply the provisions of the tax regime before the revision for the amount of deferred tax assets and deferred tax liabilities.

(2) Accounting treatment for unsettled amounts of unrecognized actuarial differences and unrecognized prior service cost related to retirement benefits is different from the accounting treatment of such amounts on the consolidated financial statements.

### **Changes in Accounting Estimates**

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

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

### **Additional Information**

Transactions granting the Company’s shares, etc. through a trust to Executive Officers

Note for a performance-linked stock compensation system utilizing a trust for the Company’s Executive Officers is omitted because the same contents are described in “Notes to Consolidated Financial Statements”.

## Notes to Non-consolidated Balance Sheet

1. Accumulated depreciation of tangible fixed assets      ¥19,460 million
  
2. Deferred gains on tangible fixed assets not recognized for tax purposes      ¥11,290 million
  
3. Monetary assets and liabilities to subsidiaries and affiliates
  - Short-term monetary assets to subsidiaries and affiliates      ¥350,599 million
  - Long-term monetary assets to subsidiaries and affiliates      ¥2,946 million
  - Short-term monetary liabilities to subsidiaries and affiliates      ¥16,790 million
  
4. Inventories
  - Breakdown of inventories is as follows:
    - Supplies      ¥248 million

## Notes to Non-consolidated Statement of Income

1. Transactions with subsidiaries and affiliates
  - Operating transactions
    - Operating income      ¥256,216 million
    - Operating expenses      ¥13,826 million
    - Other transactions      ¥49,437 million
  
2. Brand royalty income

The Company receives brand royalty income from its subsidiaries for the use of the Japan Post Group brands and trademarks and other benefits derived from their membership in the Japan Post Group.
  
3. Share of post office refurbishment expenses

In order to prevent further deterioration of facilities and other assets, Japan Post Co., Ltd., a consolidated subsidiary of the Company, 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.

As the nature of such construction work, including those which occurred before the transfer of businesses from the former Japan Post Corporation, differ from periodic maintenance work mainly due to insufficient implementation of past maintenance work, the Company, which engages in the Group's management, records such expenses as "Share of post office refurbishment expenses".
  
4. Administrative expenses are negative mainly due to amortization of prior service cost related to share of public service pension under retirement benefit expenses.



## Notes to Non-consolidated Statement of Changes in Net Assets

### 1. Information concerning 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 for the fiscal year ended March 31, 2020

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

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

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

#### (2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2020 (scheduled)

Resolution	Class of shares	Total amount (Millions of Yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2020	Common stock	101,096	Retained earnings	25.00	March 31, 2020	June 18, 2020

Notes: 1. Dividends are subject to approval from the Minister for Internal Affairs and Communications by the above effective date.

2. The total amount of dividends includes dividends of ¥13 million for the Company's shares held by the management board benefit trust.

### 2. Type and number of shares of treasury stock as of March 31, 2020

Common stock 456,667,501 shares

## Deferred Tax Assets and Liabilities

Breakdown of significant components of deferred tax assets and deferred tax liabilities is as follows:

	(Millions of Yen)
Deferred tax assets	
Tax losses carried forward	380,941
Reserve for retirement benefits	126,096
Reserve for bonuses	501
Other	42,052
Subtotal deferred tax assets	549,591
Valuation allowance for tax losses carried forward	(380,941)
Valuation allowance for the total of deductible temporary differences, etc.	(168,650)
Subtotal valuation allowance	(549,591)
Total deferred tax assets	-
Deferred tax liabilities	-
Net deferred tax assets (liabilities)	-

## Business Combinations

(Transaction under common control)

### Partial sale of stocks of subsidiaries

The Company sold a portion of the shares of common stock of Japan Post Insurance Co., Ltd., which is a consolidated subsidiary, as described below. Gains on sales of stocks of subsidiaries and affiliates of ¥129,365 million is recorded due to the sale.

#### 1. Outline of the transactions

##### (1) Overview and purpose of the transaction

In accordance with the Postal Service Privatization Act, the Company is required to dispose of its entire equity interests 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 equity interests in the two financial companies in stages to the extent that its holding ratio is lowered to around 50%.

In accordance with such policy, the Company sold a portion of the shares of common stock of Japan Post Insurance Co., Ltd. (hereinafter referred to as “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 the shares of common stock of 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 the business combination

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 equity interests for cash consideration

##### (5) Name of company after business combination

No change

#### 2. Overview of the accounting treatment

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 “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Statement No. 10, January 16, 2019).

## Related Party Transactions

Type	Company name	Ownership of voting rights held	Relationship with related party	Summary of transactions	Amount of transactions (Millions of Yen)	Account name	Outstanding balance as of March 31, 2020 (Millions of Yen)
Subsidiary	Japan Post Co., Ltd.	Direct 100%	Significant subsidiary which operates postal and domestic logistics business and post office business	Share of construction work expenses (Note)	12,094	Accounts payable	12,094

The above amounts of transactions are net of consumption taxes.

Terms and conditions of transactions and the policy for determining terms and conditions of transactions, etc.

Note: Construction work expenses refer to the actual expenses borne by the Japan Post Co., Ltd., which is equivalent to “Post office refurbishment expenses” recognized by Japan Post Co., Ltd., based on the agreement between the Company and Japan Post Co., Ltd.

## Notes to Per Share Data

Net assets per share	¥1,986.40
Net income per share	¥98.35

- Notes: 1. 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 as of March 31, 2020.
2. 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 for the fiscal year ended March 31, 2020.

## Subsequent Events

None