



郵政創業150年

JAPAN POST GROUP
Annual Report

Year ended March 31, 2021

2021

150th Anniversary of the Foundation of the Japan Post Group

Returning to the founding transforming ourselves customer-oriented

MAEJIMA Hisoka, the founder of the new postal service system who is referred to as the father of Japan's modern postal service, is said to have this creed: "Do not hesitate to work behind the scenes. Always aspire yourself to bring others good."

At the occasion of the 150th anniversary of the foundation, we at the Japan Post Group affirm our commitment to returning to the spirit and becoming a corporate group which customers feel the most familiar and approachable.



MAEJIMA Hisoka, the father of Japan's modern postal service

Our History

1871

Modern postal service was established. Issuance of postage stamps was commenced.

The new postal service between Tokyo, Kyoto, and Osaka was established and postage stamps for prepayment of postage charges were issued.

1872

The nationwide postal service network was completed.

1873

The nationwide uniform postage charge system was implemented. Issuance of postcards was commenced.



A scene of sorting mails by destination and routing for delivery from the "Mail Handling Picture Book"/1884

1875

Postal money order service and postal savings service were established.

The postal money order service was established as a new measure for remittance and, in the same year, the postal savings service was established both in Tokyo and Yokohama.

1885

The Ministry of Communications was established.



"〒" was established as the mark of the Ministry of Communications.

1892

The parcel post service was launched.



1901

Red post boxes were introduced.

1908

Current outstanding balance of postal savings: 100 million yen

1911

The express mail service was launched.

1916

Postal life insurance service was established.

The service was established with the social mission of "protecting the means of fundamental livelihood of the public through simple procedures."



The first poster at the time when the postal life insurance service was established

purpose and
into a truly
corporate group

縁の下の力持ちに
なることを厭うな
人のためによかれと
願う心を常に持てよ

前島密

1928

National Health Exercise Program (precursor of the Radio Exercise Program) was established.

The Postal Life Insurance Bureau of the Ministry of Communications created the Radio Exercise Program in an effort to maintain and improve people's health. The Ministry introduced the program in celebration of the enthronement ceremony of the Showa Emperor.



1949

The Ministry of Posts and Telecommunications was established.



A scene of mail delivery/1971

1960

Current outstanding balance of postal savings:
1 trillion yen

1971

Educational endowment insurance and special whole life insurance services were established.

1984

The nationwide online network for postal savings was completed.

1985

Current outstanding balance of postal savings: 100 trillion yen



Paperwork at the postal savings counter/1983

2001

The Postal Services Agency was established.

2003

Japan Post was established.

2007

The Japan Post Group was established.

The Japan Post Group was established following privatization and the subsequent dissolution of Japan Post. With Japan Post Holdings Co., Ltd. serving as a holding company, the Group mainly consisted of Japan Post Service Co., Ltd., Japan Post Network Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd.



2012

Reorganized into the current four-company structure

The Japan Post Group was reorganized from the former five-company structure into the current four-company structure after the merger of Japan Post Service and Japan Post Network into Japan Post Co., Ltd.



2015

Listed on the First Section of the Tokyo Stock Exchange

On November 4, 2015, Japan Post Holdings, Japan Post Bank, and Japan Post Insurance were simultaneously listed on the First Section of the Tokyo Stock Exchange.



2021

The commemorative logo for the 150th anniversary of the foundation of the Japan Post Group was determined.

The logo was determined upon deliberation by the project team consisting of young employees who are expected to lead the next generation. The logo will be presented in various locations including decorations in post offices throughout Japan.



郵政創業150年

Japan Post Group Management Philosophy

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

Group Management Policy

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

Company Outline

Company name:
JAPAN POST HOLDINGS Co., Ltd.
Head Office:
3-1, Otemachi 2-chome, Chiyoda-ku,
Tokyo 100-8791, Japan
Date of establishment: January 23, 2006
Paid-in capital: ¥3,500 billion
Securities code: 6178
Total number of shareholders:
649,610
(As of March 31, 2021)

Date of Publication: November 2021

Editorial Policy

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

This Report has been combined with the Disclosure Report.

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

Subject of Reporting

Reporting period: April 2020–March 2021 (Part of this Report includes information after this period.)

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

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

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

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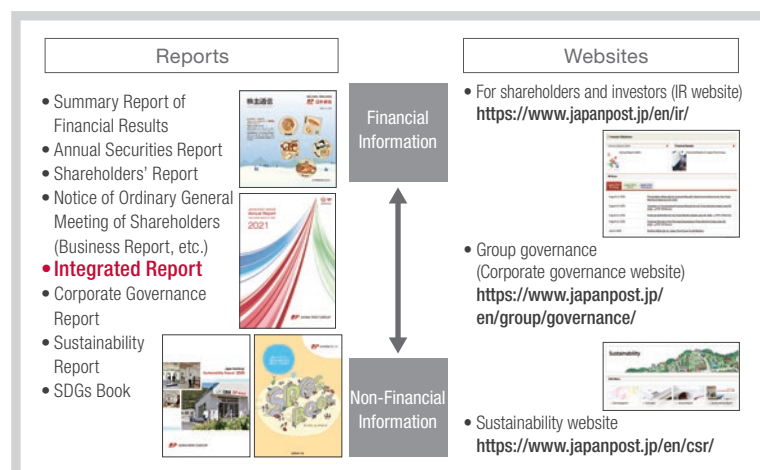
Disclaimer with Respect to Forward-Looking Statements

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

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

Figures and percentages shown in this Report have been rounded off, except for financial numbers in the accounting statements, etc., that have been truncated without rounding. As a consequence, sums of figures may not match the totals presented. Figures and percentages, with exceptions as specifically indicated, are as of March 31, 2021.

Publications and Their Positioning



Message from the President



MASUDA Hiroya

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

The Japan Post Group will leverage its greatest strength—the post office network—to realize a “Co-creation Platform” supporting customers and local communities.

Introduction

Thank you for your support of the Japan Post Group. I would like to express our heartfelt sympathy to all those affected by the COVID-19 pandemic.

We have prepared Annual Report 2021 to provide investors and all stakeholders with a deeper understanding of the Group. We hope you find it useful.

Celebrating our 150th anniversary

For the 150th year since the founding of Japan’s modern postal service, the Japan Post Group is looking back to its origins, and reaffirming the principle of “Everything for Our Customers.”

The Group was founded in 1871, and celebrated its 150th anniversary on April 20, 2021. I would like to thank you for your continued support over the years.

MAEJIMA Hisoka, the father of Japan’s modern postal service, famously said, “Do not hesitate to work behind the scenes. Always aspire yourself to bring

others good.” Based on this founding credo, the national postal service has continued to serve and contribute to local communities as Japan has grown and changed, from the Meiji era to the present day. The trust built with customers during that time is the foundation for today’s Japan Post Group.

As a corporate group that plays an integral part in local communities and lifestyles, we believe that all of our services are designed to please and satisfy our customers throughout Japan. This has not changed from the beginning, and never will. In our recently announced Medium-Term Management Plan “JP Vision 2025,” we present a vision for the Japan Post Group as a “Co-creation Platform” supporting

customers and local communities, providing a new level of value to people of all ages everywhere.

As we mark this important milestone of 150 years since the founding of Japan’s modern postal service, the Group is looking back to its origins. With simple honesty, sincerity, and humility, as well as a sense of gratitude, we are reaffirming the principle of “Everything for Our Customers.”

Business environment facing the Japan Post Group and results of the fiscal year ended March 31, 2021

Despite tough business conditions, Japan Post Group companies focused on providing customer-oriented services.

The Group placed priority on regaining customer trust during the fiscal year ended March 31, 2021, making a concerted effort as a corporate group. The business environment for Group companies continued to be strained by the COVID-19 pandemic, a decline in mail volume, and ultra-low interest rates.

In the postal and domestic logistics business segment, ordinary income from parcels rose with the increase in use of Yu-Pack to meet the growth in e-commerce due mainly to stay-at-home consumption, but this was insufficient to offset declines in income from a falloff in international and standard mail, among others. Net ordinary income fell as a result.

In the post office business segment, net ordinary income decreased due to a sharp decline in insurance commission income, as post offices refrained from proactively selling Japan Post Insurance products.

In the international logistics business segment, the global express, logistics, and forwarding businesses operated by Toll Holdings Limited recorded revenue declines, centered on the global express business. However, ordinary income rose in the Asia division of the global logistics business on large-scale handling of supplies for preventing the spread of COVID-19, which

along with cost-cutting measures that kept ordinary expenses below the increase in ordinary income, resulted in an overall gain in net ordinary income. Of note, in April 2021, Toll Holdings decided to sell its global express business to affiliated companies of Allegro Funds Pty Ltd.

In the banking business segment, business environment continued to be strained by continued low interest rates. Net interest income fell owing to a decline in interest from securities, but this was offset by a gain in net other operating income from a decrease in foreign currency funding costs, and net ordinary income rose overall.

In the life insurance business segment, ordinary income declined mainly as a result of the decrease in policies held, but net ordinary income rose owing to lower operating expenses reflecting a decline in new policies.

As a result, for the Japan Post Group overall, consolidated ordinary income in the fiscal year ended March 31, 2021, amounted to ¥11,720.4 billion, with net ordinary income of ¥914.1 billion, and net income attributable to Japan Post Holdings of ¥418.2 billion.

Aiming to realize a “Co-creation Platform” supporting the lives and lifestyles of customers.

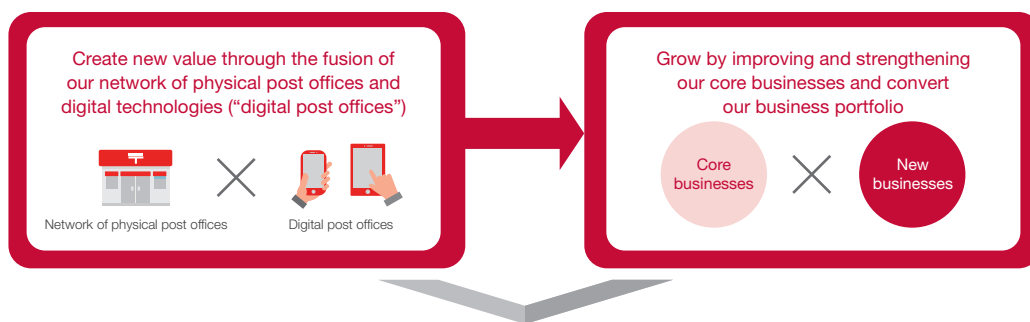
The Japan Post Group announced its new Medium-Term Management Plan “JP Vision 2025” in May 2021. The aim of this plan, amid a harsh operating environment, is to take our greatest asset, the network of more than 24,000 post offices deeply rooted in the communities throughout Japan, and make this business foundation stronger and more valuable. The plan was formulated based on the basic concept for the new management plan announced in November 2020, and incorporates a wide range of viewpoints, including those of frontline employees at each of our Group companies, and people outside the Group. For details, please see pages 12–19.

Our ultimate goal is to realize a “Co-creation Platform” supporting customers and local communities.

“Co-creation” means creating, together with partners, products and services that offer value, and that when combined produce even greater value. By

thinking of our approximately 24,000 post office network as a platform, and actively pursuing collaboration with a wide range of companies and local communities, we aim to jointly create new products and services.

Specifically, by embracing digital transformation (DX), we will fuse “digital post offices” with our network of physical post offices. By combining the security and trust of a physical location with the convenience of digital service, we will provide customers throughout Japan with greater usefulness, peace of mind, expediency, and abundance. In addition to enhancing and strengthening the core businesses (postal and logistics service, banking, and life insurance), which include universal service, by expanding our real estate business, pursuing new businesses including M&A, and investing in venture companies, we plan to transform our existing business portfolio and achieve new growth for the corporate group.



A “Co-creation Platform” supporting customers and local communities

We will leverage our network of post offices, the Group's greatest strength, to provide integrated services of the Group while seeking partnership with a diverse range of companies, etc., outside the Group, which we have never had before.

Such efforts will help local customers enjoy safe, secure, comfortable, and prosperous lives.



One of the measures the Japan Post Group has taken to realize this vision of a “Co-creation Platform” supporting customers and local communities is the capital and business alliance launched with the Rakuten Group in March 2021. By combining the unique aspects and strengths of both the digital and

physical sectors, we will maximize the synergistic benefits of the partnership and create new value for customers. We will continue to explore the broader potential for deepening our collaborative relationship with the Rakuten Group.

Japan Post Group's sustainability

JP Vision 2025 takes ESG management to a new stage.

By building a “Co-creation Platform” supporting customers and local communities, the Japan Post Group aims to support people throughout their lives in this era of the 100-year lifespan, contribute to the development and revitalization of local communities across Japan, and realize a sustainable society.

Regarding the global issue of climate change, we recognize that the Japan Post Group has a significant role to play, considering that its business operations comprise a great many facilities, vehicles, and

employees both in Japan and overseas. As such, the JP Vision 2025 calls for achieving carbon neutrality by 2050. Along with accelerating existing measures to switch to electric vehicles (EVs), we will take steps to achieve carbon neutrality for local communities utilizing the post office network, and pursue environmental, social, and governance (ESG) investment related to climate change, in order to support the realization of carbon neutrality for Japan and the world.

Japan Post Group
Environmental Challenge 

Japan Post Group's GHG Emission Reduction Target **2031/3** (Compared to the 2020/3 level) **46% reduction** → **We will aim to be carbon neutral by 2050.**

Targets are for Scope 1 and Scope 2, and exclude increases due to new businesses such as the real estate business.

JP JAPAN POST GROUP



One specific initiative is an agreement concluded in April 2021 between Tokyo Electric Power Company Holdings, Incorporated, Japan Post Holdings, and Japan Post for a strategic alliance to jointly pursue measures to promote carbon neutrality for Japan Post. Starting in fall 2021, we plan to conduct a demonstration experiment that includes installing fast-charging stations for local EV users at post offices in Numazu (Shizuoka Prefecture) and Oyama (Tochigi Prefecture), as well as switching to renewable energy and utilizing solar power generation. Amid the current focus around

the world on measures to address climate change, through such partnerships with various companies we will utilize our respective management resources and know-how to contribute to achieving carbon neutrality for Japan.

For further information on the Group's ESG management, please see pages 50–57. We recognize that this is just the first step, and that we will need to maintain and enhance our efforts going forward. By implementing the strategies in JP Vision 2025, we will advance ESG management to a new stage.

Everything for Our Customers

Gain trust through customer-oriented services and fundamental reform of our corporate culture

Since the revelation of issues concerning solicitation quality of Japan Post Insurance products in 2019, the Japan Post Group has refrained from selling life insurance and investment trust products. In October 2020, we commenced operations aimed at regaining customer trust, issuing an apology as a corporate group and vowing to abide by the principles in our “Pledge to Regain Customers’ Trust.” We will continue measures to make a fresh start as a truly customer-oriented corporate group, drawing on the advice of the outside

experts on the JP Reform Execution Committee, and providing customer-oriented services as we work toward fundamental reform of our corporate culture.

We believe that everything about the Japan Post Group must change to a form desired by customers. We have taken to heart the maxim of “Everything for Our Customers” and are striving with simple honesty, sincerity, and humility in a full-fledged effort to be an organization trusted by customers.

Pledge to Regain Customers’ Trust

Pledge for our vision

We pledge to remain close beside each and every one of our customers, giving top priority to customer satisfaction and peace of mind, and to be a company that they can trust.

Pledge for our activities

- We are committed to customer-oriented business operations and providing satisfying and courteous services for customers.
- We will carefully listen to feedback from customers in order to reflect it in the improvement of our services.
- We will enhance the expertise of our employees so that they can provide accurate and easy-to-understand explanations to satisfy our customers.
- We will comply with laws and regulations and provide high-quality services that our customers can use with a peace of mind.
- We will provide products and services that will bring joy to our customers based on their needs.

In conclusion

We have adopted JP Vision 2025 as the guiding principle for the Japan Post Group going forward, and will work steadily for its implementation. For the concept of a “Co-creation Platform” supporting customers and local communities, we are determined to make the Group an indispensable part of society. During this first year of growth as we mark the major milestone of our 150th anniversary, the Japan Post Group will accelerate its efforts to realize a “Co-creation Platform” supporting customers and local communities. We appreciate your continued support.



Top Messages from Each Company

JAPAN POST



KINUGAWA Kazuhide

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

Combining the post office network with digital services to achieve a “Co-creation Platform”

I would first of all like to express my appreciation for the tremendous cooperation everyone has shown regarding our measures to ensure the safety of post office customers and employees during this unprecedented time of the COVID-19 pandemic. As part of the social infrastructure supporting the lives of citizens, and to maintain universal service, we will continue to carry out post office operations with awareness of our societal mission.

The business environment for Japan Post has changed considerably, including expansion of the e-commerce market, continued low interest rates, the advance of digitization, and a growing need for remote and contactless services.

At the same time, the continued vitality of local economies has become a more pronounced social issue in the face of Japan’s aging population combined with low birthrates and depopulation.

In light of such circumstances, the Japan Post Group has set the goal of realizing a “Co-creation Platform” supporting customers and local communities in its “JP Vision 2025.”

JAPAN POST BANK



IKEDA Norito

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

Aiming to establish the significance of JAPAN POST BANK’s purpose of existence, based on the slogan “Deepening trust, and taking on the challenge for financial innovations”

I would like to express my heartfelt sympathy to all those who were affected by the COVID-19 pandemic.

During the coronavirus crisis, the business environment surrounding domestic manufacturing industry is changing dramatically enough to be described as the Forth Industrial Revolution. To continue to grow, create social value, and enhance corporate value necessitates making full use of the Bank’s strengths and management resources.

Under these circumstances, in May 2021, Japan Post Bank reaffirmed our purpose, “We aim for the happiness of customers and employees, and will contribute to the development of society and the region.” Looking ahead to how the operating environment was changing, we held lively internal discussions, and announced a new Medium-Term Management Plan (fiscal year ending March 31, 2022 through fiscal year ending March 31, 2026).

JAPAN POST INSURANCE



SENDA Tetsuya

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

We will devote ourselves to our new Medium-Term Management Plan, endeavoring to achieve the transformation of Japan Post Insurance.

I’d like to begin by expressing my sympathies to everyone affected by the COVID-19 pandemic. The postal life insurance service was established in 1916 with the social mission to “protect the means of fundamental livelihood of the public through simple procedures.” Japan Post Insurance continues that social mission under a management philosophy of “Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.” We will continue to focus on customer-oriented operations, and regaining customers’ trust.

Considering the sudden shifts in social conditions due to COVID-19, we formulated a new Medium-Term Management Plan (FY2021–FY2025) aimed at fundamentally reforming our business model. This new plan looks back to our original management philosophy, and clarifies our social mission to “protect customers’ lives through the power of insurance by being trusted by them and remaining their choice.”

Through the implementation of this “Co-creation Platform” we aim to maintain and grow our business, but first and foremost, we do our utmost to regain customers’ trust that has been greatly damaged by providing customer-oriented services and pursuing reform of the corporate culture.

In addition, we will create new value by combining our network of physical post offices and digital transformation (DX) technologies and develop real-world services by utilizing the excess resources created by enhanced productivity.

Specifically, in the postal and domestic logistics business, we will work to boost operational efficiency based on digitalized data and promote data-driven business reform such as creation of a system that makes it easier for customers to send and receive packages.

In addition, by implementing digitalization of post office operations, we will boost efficiency and will optimize arrangement of post office locations and make operating hours more flexible based on customers’ convenience. Further, we will

expand the range of services that post offices can provide, including handling administrative work contracts from local governments partnership with regional financial institutions.

Of note, in the international logistics business, we proceeded the sales procedure of the perpetually loss-making global express business operated by Toll Holdings Limited. We will continue to pursue cost reductions, and achieve growth by transitioning to a business model centered on Japan and other areas of Asia.

The postal business marked its 150th anniversary in 2021 since the founding of Japan’s modern postal service. We are looking back to the principles of our founder MAEJIMA Hisoka, who famously said, “Do not hesitate to work behind the scenes. Always aspire yourself to bring others good.” We are making a concerted effort as a company to be the preferred provider for local customers, and a welcome presence in the community.

This new plan, under the slogan “Deepening trust, and taking on the challenge for financial innovations,” aims to aggressively promote business model reforms and strengthen business sustainability through five key strategies: 1) Innovating retail business into a new form by realizing complementarity between the physical and the digital; 2) Business reforms and productivity improvement through the active utilization of digital technology; 3) Enhancing funds flow to regional communities and the regional relationship functions through various frameworks; 4) Deepening market operations and risk management with an awareness of stress tolerance; and 5) Strengthening the management base to become a more trusted bank.

In this addition, based on the issue of dealing with fraudulent use cases by malicious third parties with regards to cashless payment services last year, all executives and employees will realize customer-oriented business operations. To become a trusted company, we will promote sustainable organizational culture reforms and strengthen internal control systems, all executives and employees will work together to take on the challenge for financial innovations.

Going forward, Japan Post Bank aims to establish the significance of the Bank’s purpose of existence in Japan, by focusing on regional co-creation, management centered on the realization of a regional financial platforms, business that integrates the real and the digital, including the post office and ATM network, and proactive investment in growth fields centered on expansion into more sophisticated fund management sectors.

In 2021, the Japan Post Group is marking 150 years since its founding in the postal business. 146 Years have passed since its establishment when, in line with the times, the postal savings system changed from state to private ownership, but its mission of “creating a form of social infrastructure that everyone can use fairly” has continued to be handed down to this day.

Although the Bank is operating in an adverse environment, if all executive and employees can unite and take on challenges, I believe that we can create new value for all our stakeholders.

In the hope that they are as excited as I am about the Bank’s future prospects, I would like to take this opportunity to thank our shareholders and investors and ask for their continued support and understanding in the coming years.

As the basic policy of the plan we have set out the following themes: “reconstruction” of Japan Post Insurance to transform us into a company truly trusted by customers through continuous efforts to regain trust and enhancement of the business foundation; “sustainable growth,” which we will pursue by improving customer experience value and promoting ESG (environment, social, and governance) management and, as the foundation for achieving these, corporate culture and workstyle reform as well as enhanced governance and capital policy.

Specifically, to “reconstruct” the Company and carry out sales activities while ensuring quality, the proper condition of a life insurance company, we will drastically change our sales process and ensure that the customers using our products and services are well-informed and satisfied.

To strengthen the business foundation to support our “reconstruction,” Japan Post Insurance is building a new Japan Post Insurance sales system incorporating approximately 13,000 consultants from Japan Post, mainly employees who engaged in visiting customer homes. In addition, as the proportion of voting rights held by Japan Post Holdings was reduced to approximately 49.9%

in June 2021, additional restrictions regarding new business operations were relaxed from a license system to an advance notification system. Accordingly, Japan Post Insurance will develop products that meet customers’ requirements with a sense of speed.

In order to achieve “sustainable growth,” we will expand customer experience that move customers by integrating the “physical” channel of post offices, which are the strength of the Japan Post Group, with the new digital power to improve customer experience value. In addition, to help address the societal issue of sustainability, we are tackling issues related to the declining birthrate and aging population, as well as applying the ESG investment strategy to all assets in our portfolio and carrying out investments that give a sense of “warmth” common to Japan Post Insurance.

We will listen sincerely to the thoughts and opinions of each and every stakeholder, aiming to improve our corporate value in a sustainable way. We ask for your continued support with our program of “reconstruction” and “sustainable growth” for the future of Japan Post Insurance.

JP Vision 2025, the New Medium-Term Management Plan

In order to advance our business foundation of the nationwide network of 24,000 post offices to make it stronger and more valuable, we formulated the new Medium-Term Management Plan “JP Vision 2025” which ends in 2025 with the aim of realizing a “Co-creation Platform,” by which we create new products and services together with our partners and support customers and local communities.

Amid the business environment with a decline in mail volume, persistent low interest rates, and significant changes in society due to COVID-19, in order to increase corporate value and contribute to sustainable development of society in the future, it is indispensable for the Japan Post Group to transform our business portfolio by, for

example, improving and strengthening our core businesses (the postal and domestic logistics business, the banking business, and the life insurance business including universal services) through utilization of digital technology, and in addition, securing earnings opportunities through development of new businesses. The Japan Post Group has been devoting itself entirely to regaining customers’ trust through a concerted effort to transform ourselves into a truly customer-oriented group. As we reach the historic milestone of the 150th anniversary of the foundation of Japan’s modern postal service, we will take the Group into a new era by steadily implementing the growth strategies under the JP Vision 2025.

Dialog with stakeholders concerning the formulation of the Medium-Term Management Plan

Prior to the formulation of the Medium-Term Management Plan, the Japan Post Group announced the “Japan Post Group Basic Approach to the Group Medium-Term Management Plan (2021–2025)” in November 2020. In addition, the Group solicited opinions through the use of a website for Group employees among other means and held direct opinion exchanges between the President & CEO of Japan Post Holdings and frontline employees across Japan.

Employees expressed many opinions concerning goals that the Japan Post Group should strive to achieve in the future, such as

reviewing sales management methods from the perspectives of front-line employees and customers, increasing efficiency and productivity of operations, and developing new businesses.

In addition, external experts including the Postal Service Privatization Committee and the JP Reform Execution Committee provided a wide variety of opinions such as strategies for future growth (Co-creation Platform), promotion of digital transformation (DX), and setting financial and non-financial targets.

The JP Vision 2025 has been built up based on these opinions, etc.

Achievements under the previous Medium-Term Management Plan (2018–2020)

Basic policies	1	Development of business that supports the total lifestyles of customers	3	Development of environment that enables employees to demonstrate their full capabilities
	2	Securing stable income for the Group	4	Development of new businesses aimed at future growth

Numerical targets and results on a Group consolidated basis

	2021/3 business targets (Announced May 2018)		Results of 2021/3
Group consolidated	Earnings per share	At least 100 yen	103.44 yen
	(Net income attributable to Japan Post Holdings)	(410.0 billion yen + α)	(418.2 billion yen)
	Dividends per share	At least 50 yen	50 yen

* The estimated value of “410.0 billion yen + α” for “net income attributable to Japan Post Holdings” for the fiscal year ended March 31, 2021 under the Medium-term Management Plan is calculated using the holding ratio of Japan Post Bank and Japan Post Insurance as of May 2018 (89%). The holding ratio of Japan Post Insurance for the fiscal year ended March 31, 2021 was 64.5%, which was different from the precondition.

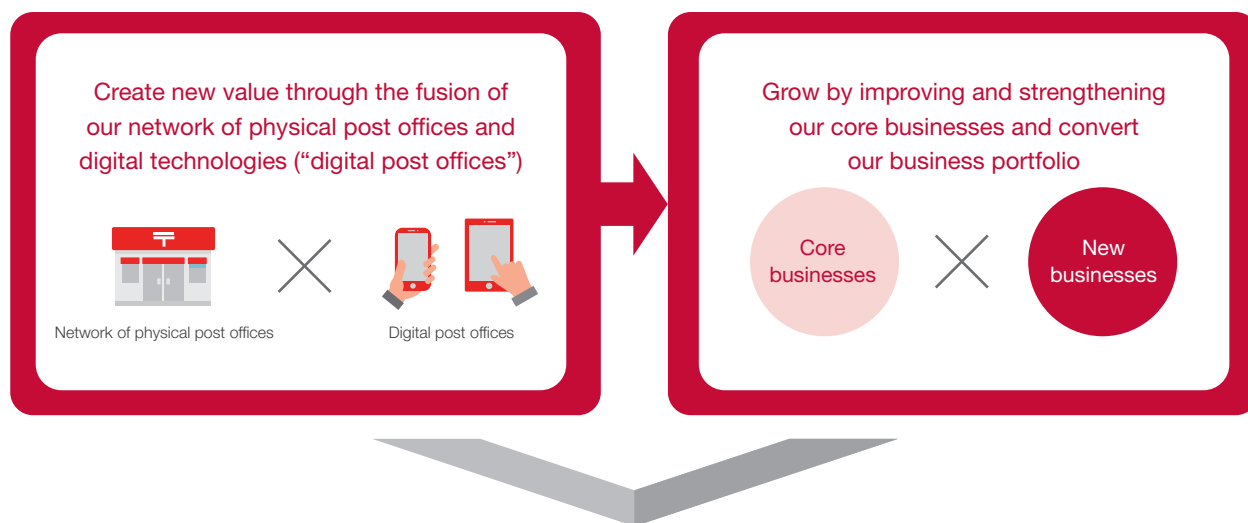
Vision of the Japan Post Group

A “Co-creation Platform” supporting customers and local communities is a concept based on which the Japan Post Group strives to support livelihood and life of customers across Japan by deeming the post office network, the greatest strength of the Group, as a platform; promoting participation of and actively collaborating with various corporations and local communities; creating new products and services together with our partners; and thereby providing heightened convenience, security, comfortability, and prosperity to those customers.

In order to realize the foregoing, the Japan Post Group works to combine both real and digital components through promotion of DX and transform our business portfolio.

With respect to the promotion of DX, the Japan Post Group will increase the value of the platform itself and provide new value to customers through a fusion of our network of physical post offices, the strength of the Group, and “digital post offices.”

As for the conversion of our business portfolio, the Japan Post Group will work not only to improve and strengthen our core businesses such as the postal and domestic logistics business, the banking business, and the life insurance business, but also to expand the real estate business and promote new businesses, etc. The Japan Post Group will achieve new growth through enhancement of our universal services and business expansion supported by these services.



A “Co-creation Platform” supporting customers and local communities

We will leverage our network of post offices, the Group’s greatest strength, to provide integrated services of the Group while seeking partnership with a diverse range of companies, etc., outside the Group, which we have never had before.

Such efforts will help local customers enjoy safe, secure, comfortable, and prosperous lives.



Challenges we face to realize the “Co-creation Platform” supporting customers and local communities, and our Group’s strengths

Changes in social environmental surrounding the Group

Continuing low birth rate and aging population



Increasing need for responding to ultra-aging society



Rising social concerns over the increase in elderly single-person households, etc.



Concerns over the sustainability of social infrastructure

Further digitalization



Increasing use of services that can be fully used via smartphones



Penetration of cashless transactions



Emergence of digital divide issues

Identify challenges that we should tackle to grow

JP JAPAN POST

- Utilizing motorcycle mobility for the last one mile of logistics
- Service and operational reforms with maximum use of data we possess

JP JAPAN POST BANK

- Enhancing safe and secure services and business reform through the promotion of DX
- Boosting the flow of funds into local communities; strengthen community relations functions

JP JAPAN POST INSURANCE

- Transitioning to a new sales style
- Providing insurance services satisfying diverse protection needs of customers in all age groups

JP JAPAN POST HOLDINGS

- Strengthening coordination within the Group
- Proactively forming partnership with companies, etc., outside the Group
- Growth strategies to provide new value

JP Vision 2025

Value Creation

Regaining customers' trust

Aiming for new growth

A "Co-creation Platform" supporting customers and local communities

Providing lifelong support in an era of the 100-year lifespan



[Customers]

Providing high quality customer-oriented services



[Local communities]

Contributing to regional development and revitalization



[Shareholders]

Enhancing shareholder returns



[Employees]

Creating friendly workplaces for employees



[Environment]

Creating a sustainable society



Group's Strengths

Nationwide network of post offices

Delivery network and finance network

Vast customer base

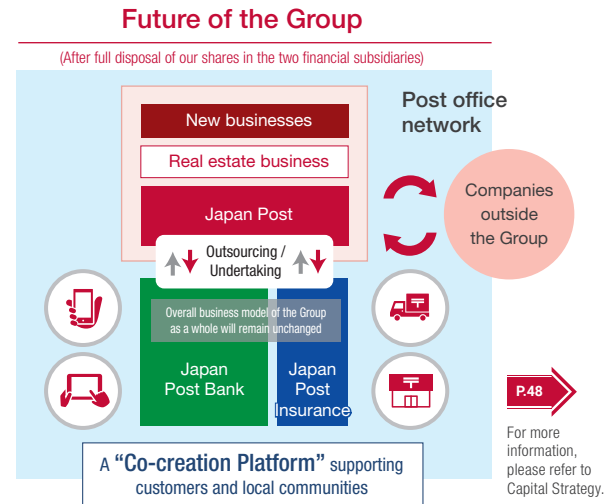
Trust in post offices and deep understanding of local communities

Extensive customer data

Disposal of shares in our two financial subsidiaries and the future of the Japan Post Group

We aim to reduce our stakes in Japan Post Bank and Japan Post Insurance to 50% or less as early as possible in the JP Vision 2025 period. While we also look to full disposal of our shares in the two financial subsidiaries in the future, our vision that we conduct business together as a group with our post office network at the core remains unchanged.

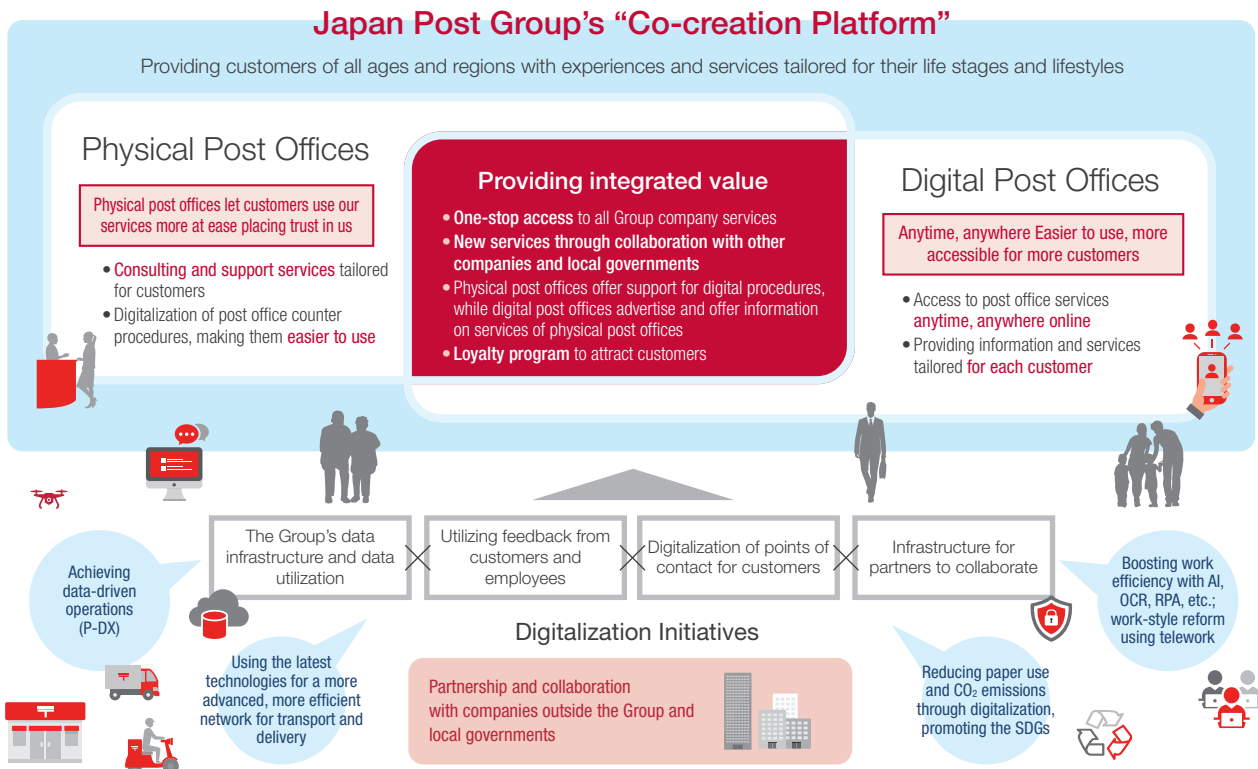
* We sold shares in Japan Post Insurance corresponding to the treasury stock acquired by Japan Post Insurance in May 2021, and established a stock disposal trust in June 2021. Accordingly, our stake in Japan Post Insurance became approximately 49.9%.



Group-wide promotion of DX to provide new value

Group-wide promotion of DX will integrate the security of our network of physical post offices with the convenience of "digital post offices," providing new value to customers of a wide range of ages and communities.

More specifically, we will promote partnership and collaboration with companies outside the Group and local governments by driving creation of infrastructure for partnership and utilization of data within the Group. In addition, digitalization of all work processes will create a workplace where employees can work efficiently at ease, allowing them to focus on services for customers.



Regaining customers' trust and reforming corporate culture

We will faithfully do our utmost to regain customers' trust which has been greatly damaged by the scandals since the year before last. An effort to regain customers' trust and a step toward growth strategies are not two separate initiatives but are the ones required to be jointly tackled in order for us to be needed and selected by customers and local communities.

In addition, in order to enable us to provide customer-oriented services, we will boldly reform the Japan Post Group's corporate culture from aspects of both strengthening of governance and HR development and strategy.

With respect to strengthening of governance, we will introduce a system of Group CxOs who implement cross-organizational adjustments and provide advice for the Group's main fields including finance and accounting, IT, risk management, human resources, etc. We will build a system that can detect and respond to "conduct risks" promptly and thoroughly manage risks of the Group as a whole. In addition, we will promote integrated management of Japan Post

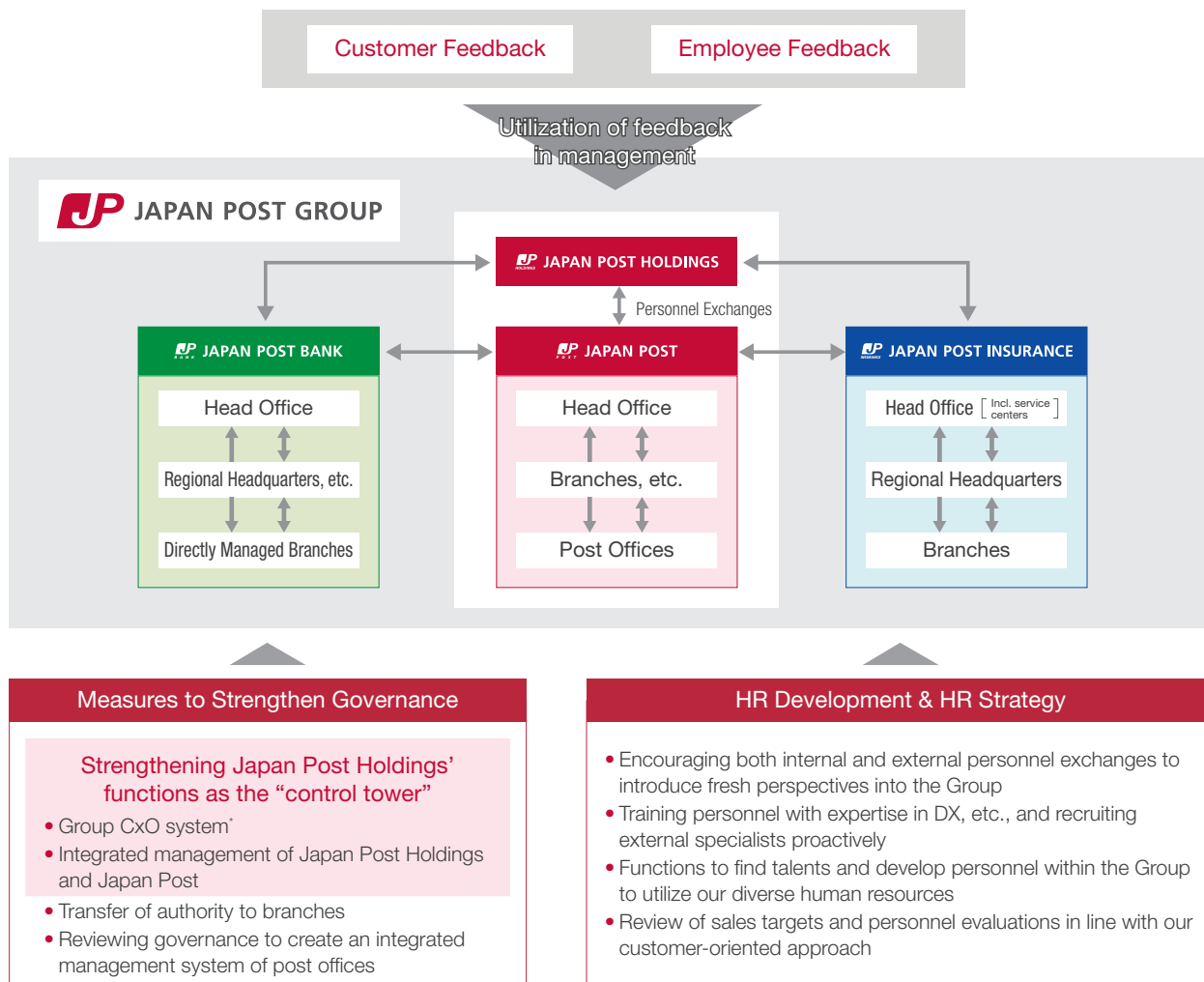
Holdings and Japan Post. At the same time, Japan Post will transfer part of its authority to branches and review the management structure to operate post offices in an integrated manner. As described above, we will work to strengthen group governance so that both the speed of management decision-making and the frontline mobility and ability to respond are heightened concurrently.

As for HR development and strategy, we will review sales targets and the personnel evaluation system focused mainly on sales amounts. We will also push forward with creation of a framework in which we promote personnel exchanges within the Group, recruit external specialists, and find and develop diverse Group human resources.

In addition, we will reform ourselves into an organization which is open to feedback from customers and employees and allows for open communication inside and outside the Group.

Through these and other measures, we will faithfully do our utmost to reform our corporate culture.

Group's Corporate Culture Reformation



* Introduction of a system with Group CEO (Chief Executive Officer), Group CFO (Chief Financial Officer), Group CCO (Chief Compliance Officer), etc.

Major targets

Japan Post Group

Financial Targets

Consolidated net income	510 billion yen Note: Includes consolidated net income attributable to noncontrolling interests (interests other than the parent company, Japan Post)
Consolidated net income attributable to Japan Post Holdings	280 billion yen* Note: Assuming an approx. 89% stake in Japan Post Bank, we aim to achieve a net income of 420 billion yen
ROE (based on shareholders' equity)	Approx. 4% (Aiming for further improvement in future)
Dividend policy	Stable issue of annual dividend of 50 yen per share

ESG Targets

To build a sustainable society, the Group will provide lifelong support in an era of the 100-year lifespan, and contribute to the development and revitalization of regional communities all over Japan.

Greenhouse gas emissions	46% reduction by 2031/3 (compared to 2020/3) ^{*1,*2} ▼ Aiming to achieve carbon neutral by 2050 ^{*2}
Women in management roles	Ratio of women in management positions at our Head Office: 30% by 2031/3 ^{*3,*4}

Financial Targets * Calculated on the assumption of a 50% stake in Japan Post Bank and a 49.9% stake in Japan Post Insurance.

ESG Targets *1 Includes Scope 1 (direct emissions from our companies) and Scope 2 (emissions from the use of electricity, etc., supplied by other companies) emissions. Increases due to new businesses, including real estate business, are not included.
*2 The achievement of these targets assumes that Japan will become carbon neutral to a considerable degree through the widespread adoption of renewable energy, etc. The Group will assist the push toward carbon neutral societies in both Japan and the rest of the world.
*3 The figure is the percentage of management positions filled by women at the head offices of our four main Group companies. The target is the percentage as of April 1, 2031 as the results of initiatives up to the end of the fiscal year ending March 31, 2031.
*4 The Group will also work to improve the work environment and train human resources to boost the number of employees pursuing management and executive positions, thereby increasing the number of women in management positions in locations other than our head offices.

Japan Post	
Consolidated net operating income	49 billion yen
Consolidated net income	22 billion yen
Operating income	
Postal and domestic logistics business	33 billion yen
Post office business	5 billion yen
International logistics business	12 billion yen
Revenue from package delivery, etc.	890 billion yen
Number of Yu-Pack handled	1,360 million

Japan Post Bank	
Consolidated net income	At least 350 billion yen
ROE (based on shareholders' equity)	At least 3.6%
Capital adequacy ratio/CET1 ratio ^{*1} (Level to be secured)	Approx. 10%
OHR ^{*2} (based on inclusion of profit/loss, etc. from money trust management)	66% or less
General and administrative expenses (compared to 2021/3)	Down 55 billion yen
Targeting the level of approximately 50 to 60% payout ratio and aiming to increase DPS from the initial forecast in the fiscal year ending March 31, 2022 (Please refer to JPB's Medium-Term Management Plan for the details.)	

Japan Post Insurance	
Consolidated net income	91 billion yen
EV growth ratio (RoEV ³)	Aim for 6% to 8% growth
Customer satisfaction	Aim for 90% or more
NPS ⁴	Aim for one of the highest in the industry
Number of policies in force	20 million or more policies
Dividends per share (DPS)	In principle aim not to decrease but to increase dividend per share for the period of the Medium-Term Management Plan.

*1 The capital adequacy ratio based on the domestic standard and the CET1 ratio based on the international standard.
(Basel III totally implemented, ordinary base excluding net unrealized gains on available-for-sale securities)

*2 Costs = (net interest income + income from fees and commissions, etc.)

*3 Calculated by excluding economic variance factors.

*4 NPS[®] is an abbreviation for "Net Promoter Score" and a registered trademark of Bain & Company, Inc., Fred Reichheld, and Satmetrix Systems, Inc.

Investment for growth

We will make investment in three priority areas, namely, strategic IT investment, real estate investment, and investment in new businesses, etc., to realize our growth strategies.

In our strategic IT investment, we will promote DX on a group-wide basis by combining both real and digital components. In our real estate investment, we will integrate and improve the efficiency of business facilities, which are assets of the Japan Post Group, and promote their use in the real estate business. In our investment in new businesses, etc., we will make investment in collaboration partners

outside the Group for the realization of the “Co-creation Platform” supporting customers and local communities.

In addition, we will make investment in businesses to improve and strengthen our core businesses.

For the aforementioned investment, we will make decisions deliberately yet boldly, taking into account past experience, lessons learned, etc., and utilizing specialized knowledge starting from the investigation stage, while ensuring compliance and risk management.

Amounts of investment in the 5 years to 2026/3

Strategic DX/IT investment	Real estate investment	Investment in new businesses, etc.
<ul style="list-style-type: none"> Postal and domestic logistics business (P-DX promotion, etc.) approx. 180 billion yen Our two financial subsidiaries (Digital service enhancement, etc.) approx. 230 billion yen Digital post offices, etc. (Co-creation Platform, digitalization of post office operations, etc.) approx. 20 billion yen <p>Approx. 430 billion yen</p>	<ul style="list-style-type: none"> Group real estate holdings approx. 300 billion yen Real estate outside the Group approx. 200 billion yen <p>Approx. 500 billion yen</p>	<ul style="list-style-type: none"> New business including M&As, etc. approx. 500 billion yen–approx. 1 trillion yen Investment in venture businesses, etc. approx. 50 billion yen <p>Approx. 550 billion yen–Approx. 1 billion yen</p>

* The strategic IT investment includes non-personnel expenses related to strategic IT as well as the investment component of financial accounting.

* The real estate investment is investment by Japan Post Co., Ltd. and Japan Post Real Estate Co., Ltd.

* The investment in venture businesses, etc., is investment by Japan Post Capital Co., Ltd.

Initiatives to improve efficiency and productivity

The entire Group will strive to boost operating efficiency and invest in priority areas to improve productivity. We expect that improved

efficiency will reduce workforce by an amount equivalent to approx. 35,000 employees at our four main Group companies.

	Overview of initiatives to improve efficiency and productivity	Workforce forecasts	Cost reductions
Japan Post	<ul style="list-style-type: none"> Boosting efficiency by fully implementing measures including P-DX promotion, operational reforms, and digitalization of post office operations. A 30,000-personnel or 8% decrease in our workforce between April 2020 and April 2025 after reducing workloads through more efficient operations and optimal staff placement while maintaining the current level of network. Strengthening investment in priority areas to improve productivity and boost our future profitability. 	<p>Decrease by an amount equivalent to 30,000 employees</p> <p>* Excluding the effects of the dispatch of consultants, etc. (approx. 13,000 employees), to Japan Post Insurance for the creation of a new sales system</p>	<p>Decrease by 160 billion yen</p> <p>* Including the effects of the dispatch of consultants, etc. (approx. 13,000 employees), to Japan Post Insurance for the creation of a new sales system</p>
Japan Post Bank	<ul style="list-style-type: none"> In addition to increasing personnel in enhancement areas such as our digitization response, etc., through planned skill increases, we will drastically reduce workloads through work reforms and plan for a reduction in overall personnel of 3,000 individuals. In addition to assertive investments into focal areas such as DX advancement, we will drastically reduce predetermined expenses and drastically reduce expenses overall by 55 billion yen. 	<p>Decrease by 3,000 employees</p>	<p>Decrease by 55 billion yen</p>
Japan Post Insurance	<ul style="list-style-type: none"> Improving productivity of back-office operations, etc. by promoting DX to shift personnel to priority areas, including customer support Ensuring the efficient use of existing costs necessary for operational management and boosting investments in priority areas. 	<p>Decrease by 1,500 employees</p>	<p>Decrease by 28 billion yen</p>

(Notes) 1. The workload forecasts are based on the current projected workload. Actual workload may vary due to increases / decreases in workload.

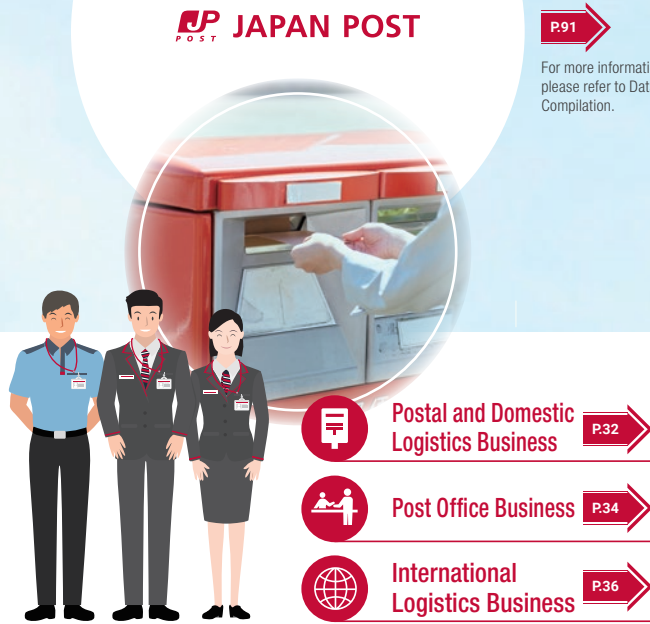
2. The workload forecasts compare the figures for April 2020 and April 2025 (forecast). The cost reductions compare the figures for the fiscal year ended March 31, 2021 and the fiscal year ending March 31, 2026 (forecast). For Japan Post Insurance, however, the figures compare those for the fiscal year ending March 31, 2022, which is after the transition to the new sales stance, and the fiscal year ending March 31, 2026 (forecast) due to the suspension of operations in the fiscal year ended March 31, 2021.

3. Data includes that of employees on fixed-term contracts.

4. The cost reductions at each company are calculated by each company, and adjustments resulting from the Group consolidation have not been taken into account. The figure for Japan Post is for employment costs, while those for Japan Post Bank and Japan Post Insurance are for general and administrative expenses.

Structure of the Japan Post Group

The Japan Post Group aims to realize a “Co-creation Platform” which is engaged in all aspects / an integral part of customers’ lives and supports customers and local communities by providing a variety of products and services mainly in its three core businesses of postal services, banking, and life insurance through its nationwide post office network.



JP JAPAN POST

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For more information, please refer to Data Compilation.

- Postal and Domestic Logistics Business P.32
- Post Office Business P.34
- International Logistics Business P.36



JP BANK JAPAN POST BANK

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For more information, please refer to Data Compilation.

- Banking Business P.38

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

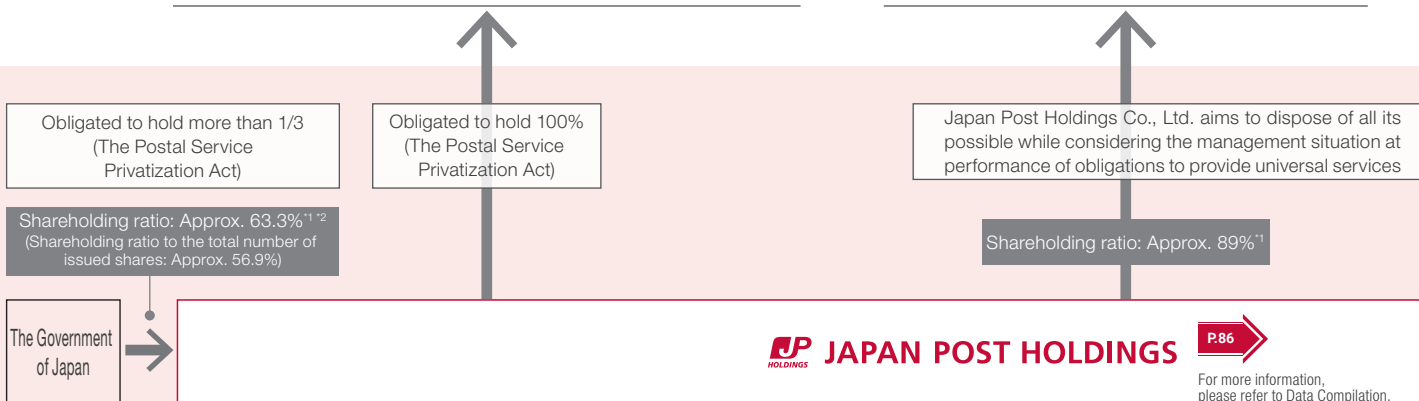
In addition to fairly providing postal services at the lowest possible rates across Japan, Japan Post Co., Ltd. uses its post offices to provide customers nationwide with banking counter operations commissioned from Japan Post Bank Co., Ltd. and insurance counter operations commissioned from Japan Post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

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

Supporting our customers’ daily lives through our banking services

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

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





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For more information, please refer to Data Compilation.



Life Insurance Business

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

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

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



Constantly supporting customers and local communities by realizing a “Co-creation Platform”

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

Shareholding ratio: Approx. 64.5%^{*1*}

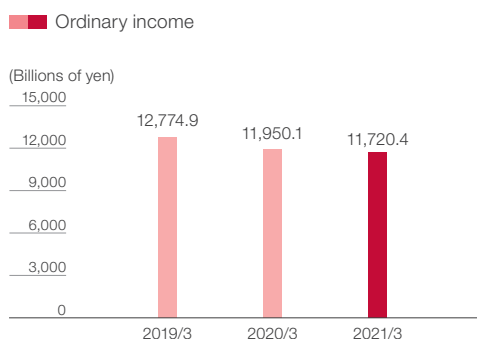
^{*1} Shareholding ratio to the voting shares except for treasury shares (as of March 31, 2021)
^{*2} The shareholding ratio became approximately 60.6% (the shareholding ratio to the total number of issued shares: approximately 60.6%) after the treasury stock acquisition and cancellation in June 2021.
^{*3} Japan Post Holdings sold shares in response to the acquisition of treasury stock by Japan Post Insurance in May 2021 and established a stock disposal trust in June 2021. Accordingly, our stake in Japan Post Insurance became approximately 49.9%.

Financial and Non-Financial Highlights

Financial Information

Ordinary Income

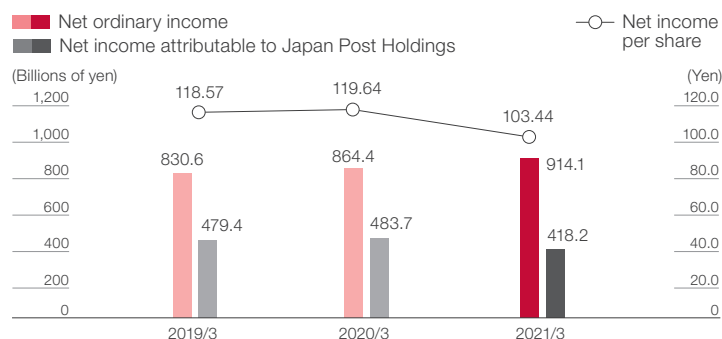
¥11,720.4 billion



Ordinary income in the fiscal year ended March 31, 2021, declined 1.9% from the previous fiscal year, to ¥11,720.4 billion.

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

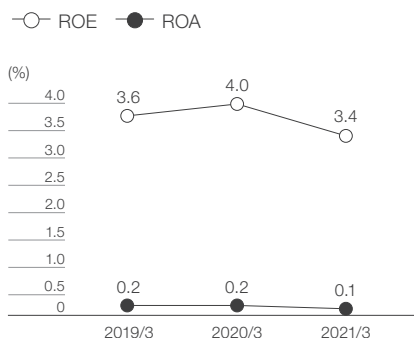
Net ordinary income **¥914.1** billion
 Net income attributable to Japan Post Holdings **¥418.2** billion
 Net income per share **¥103.44**



Net ordinary income in the fiscal year ended March 31, 2021, increased 5.8% from the previous fiscal year, to ¥914.1 billion, net income attributable to Japan Post Holdings decreased 13.5% from the previous fiscal year, to ¥418.2 billion, and net income per share amounted to ¥103.44.

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

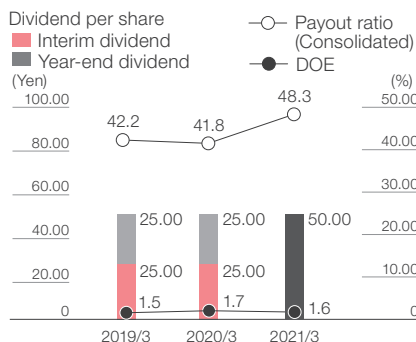
Return on equity (ROE) **3.4%**
 Return on assets (ROA) **0.1%**



ROE in the fiscal year ended March 31, 2021, decreased 0.6 percentage points from the previous fiscal year, to 3.4%. ROA came to 0.1%.

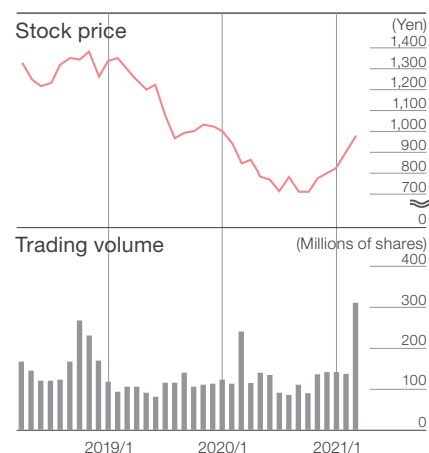
Dividend per Share / Payout Ratio (Consolidated) / Dividend on Equity (DOE)

Dividend per share **¥50**
 Payout ratio (Consolidated) **48.3%**
 Dividend on equity (DOE) **1.6%**



Annual dividend per share in the fiscal year ended March 31, 2021, amounted to ¥50. The payout ratio (consolidated) came to 48.3%. DOE came to 1.6%.

Stock Chart



Overview of Stocks of Japan Post Holdings (As of March 31, 2021)
 Securities code: 6178
 Business year: April 1 to March 31
 Stock exchange listing: Tokyo Stock Exchange
 Settlement date: March 31
 Annual General Meeting of Shareholders: June (voting rights record date: March 31)
 Dividend record date: March 31 for year-end dividends, September 30 for interim dividends (when interim dividends are paid out)
 Unit number of shares: 100 shares
 Total number of issued shares: 4,500,000,000
 Class of shares: Common stock
 Total number of shareholders: 649,010

Non-Financial Information

Greenhouse Gas (GHG) Emissions



Total CO₂ emissions

929 kt-CO₂

Basic unit (Facility)

0.055 t-CO₂/m²

Basic unit (Vehicle)

0.000142 t-CO₂/km

Note: Scope 1 and 2 emissions in the fiscal year ended March 31, 2020



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



Number of comprehensive partnership agreements (Prefectures) (Agreements)

40

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

1,706 / 98.0%

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

1,589 / 91.3%



Letter-Writing Workshop Programs / Financial Education Classes



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

20,821



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

294

Note: Cumulative number of schools visited during the period from the fiscal year ended March 31, 2015, to the fiscal year ended March 31, 2021



Number of Women in Management Positions / Female Executive Officers



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

3,092

9.2%

* As of April 1, 2021

Number of female executive officers (Persons)*

20

* As of July 1, 2021



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



Number of persons taking childcare leave (Persons)

4,067

Note: Number of persons taking childcare leave in the fiscal year ended March 31, 2021



Average number of paid holidays taken (Days)

18.5

Note: Number of paid holidays taken in the fiscal year ended March 31, 2021



Rating



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

AA+

(Stable)

* As of October 23, 2020

Strengths of the Japan Post Group

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

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

Strength 1

Network

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

Number of post offices nationwide
24,311

Number of postboxes nationwide
178,211

Number of countries included in the international logistics network
Approx. 150

Number of ATMs nationwide
31,901

Number of ordinary deposit accounts
Approx. 120 million

Number of Japan Post Insurance customers*
Approx. 22.83 million

Strength 2

Customer Base

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

Number of postal deliveries made per day
Approx. 31 million



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

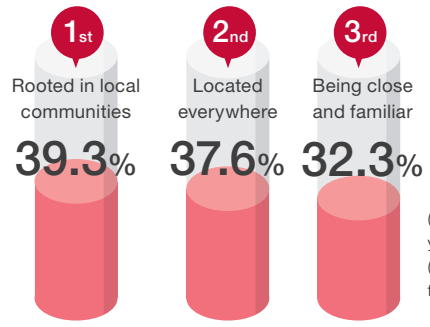
Strength 3

Post Office Brand

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



▶ Top 3 customers' perceived images of post offices



(Q: Please mark all images that you have for post offices.)
(Multiple choice survey conducted from January 13 to 17, 2021)

Strength 4

Employees

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



▶ Number of employees in the four Group companies

Approx. 404,000

Regular employees: Approx. **217,000**

Non-regular employees: Approx. **187,000**
(As of March 31, 2021)

▶ Insurance Agent Certification:

108,871

▶ Securities Sales Representative Certification:

104,503

▶ Financial Planner Certification:

66,573

Strength 5

Financial Base

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

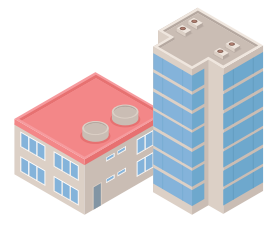
Equity capital

Approx. ¥13.8 trillion



Real estate held by the Group

Approx. ¥2.8 trillion



Promotion of Group DX

Toward creation of new value which can only come from post offices through promotion of Group DX



IIDA Yasuhisa

Executive Officer
Japan Post Holdings Co., Ltd.

We believe that post offices are capable of providing fresh and incredible experience even more to customers. Our hope is to greatly expand the possibility through maximum use of the power of digital technology. We intend to realize the hope under the concept of “digital post offices.” JP Digital Co., Ltd. is a new company established on July 1, 2021, as a team to promote the realization of the “digital post offices” concept at an earlier stage.

What we are aspiring for are: First, we enable everyone in a wider variety of age groups and local communities to use post office services more easily and comfortably. They can access post offices anytime via personal computers and smartphones even if there is no physical post office nearby. A wide variety of services including postal, financial, and insurance services are available for use more smoothly through digital tools. We aspire to create a framework to do just that.

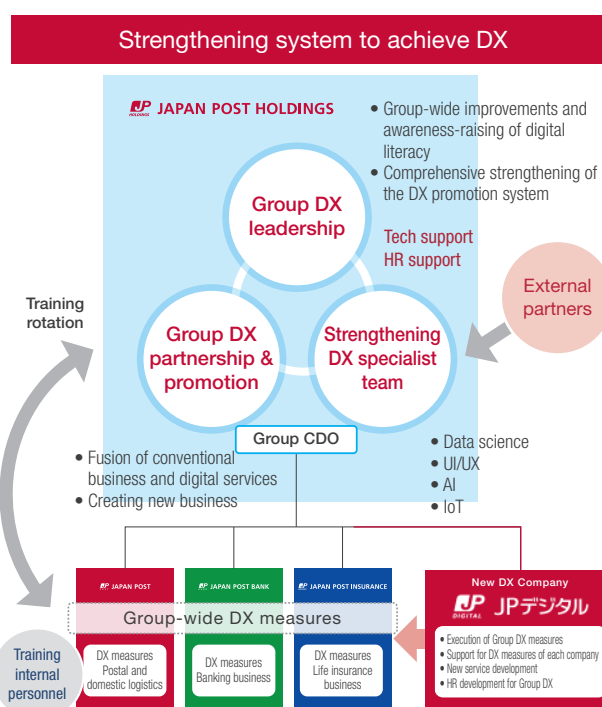
Second, we produce new service experience which can only come from post offices. Post offices should have a wider range of possibilities. We believe that completely new value is highly likely to come into existence in the digital domain through connection of and co-creation by various corporations, municipal governments, academic institutions, and people.

To this date, post offices have continued creating services which are devised from the point of view of ordinary citizens and are helpful to them. Now, we are placing even more focus on that spirit to realize completely new “future post offices” which combine the power of physical post offices and the power of cutting-edge digital technology.

Creating a foundation for Group DX (Investment, security, responding to the digital divide, and strengthening of our systems)

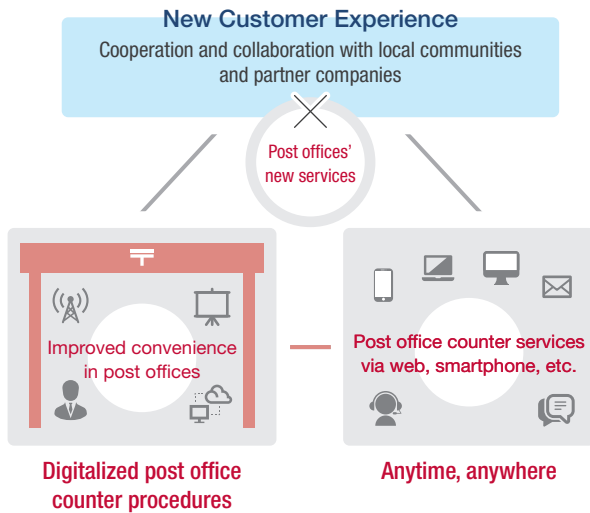
Strategic IT investments		
Investment	Initiative details	Amount*
Data-driven reform of postal and domestic logistics business	P-DX promotion • More convenient services for sending and receiving parcels • More efficient operations	Approx. 180 billion yen
Enhancing high-quality digital financial services with safety and peace of mind as our top priorities	Enhancing digital services • Security measures, fraud prevention • Expanded Bankbook App functions • Digitalization of customer contact points	Approx. 230 billion yen
Fusion of a network of physical post offices with digital post offices	Co-creation platform • Group customer data foundation • Working with partners • Data analysis/AI utilization • Smartphone app (Group platform app)	Approx. 10 billion yen
	Digitalization of post office operations • Use of tablets, digitalization of procedures • Boosting consulting services • Responses to the digital divide	Approx. 10 billion yen

* Includes non-personnel expenses related to strategic IT in addition to the investment component of financial accounting.



Toward the realization of the “digital post office” concept

“Digital post office” image



The Japan Post Group will make a group-wide effort to promote digital transformation (DX) toward the realization of the concept of new “digital post offices.”

“Digital post offices” provide customers with more easy and convenient access to various experiences in post offices through use of digital technology, with a primary focus on perspectives of customers. In addition, digital post offices will be designed to provide customer counter services equivalent to those of physical post offices accessible “anytime” and “anywhere” through smartphones, websites, etc., even when customers are outside of post offices. Furthermore, “digital post offices” will strive to co-create new value in proactive collaboration with local communities and partner corporations so as to meet diverse needs of customers promptly.

With the support from inside and outside of the Group in terms of human resources, JP Digital Co., Ltd., established on July 1, 2021,

Establishment of a new DX company (JP Digital)



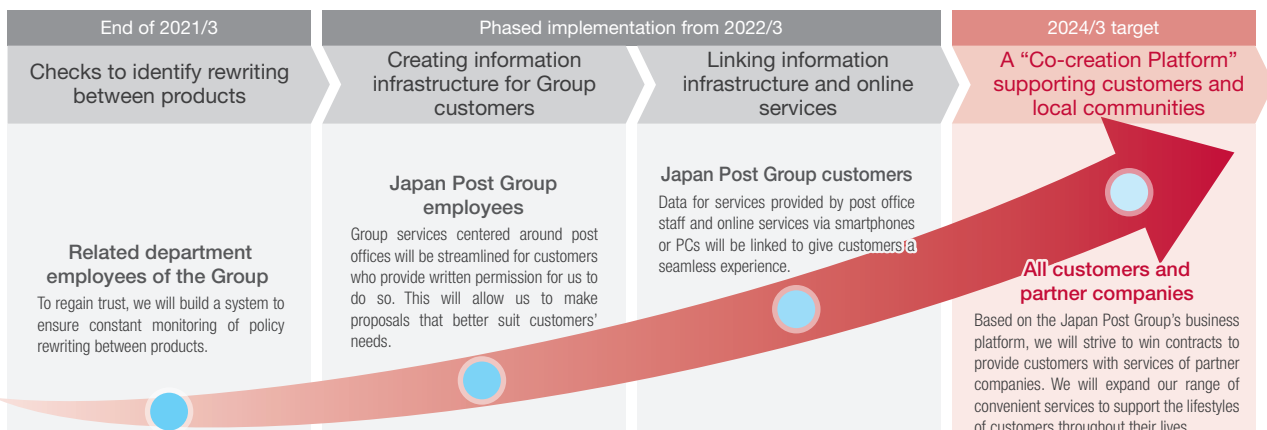
Company name	JP Digital Co., Ltd.
Establishment date	July 1, 2021 (Start of operations scheduled for August 2021)
Location	3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan
Capital (Investment ratio)	60 million yen (Japan Post Holdings Co., Ltd. 100%)

brought specialists in the fields of data, AI, UI/UX, digital marketing, etc., together. DX and human resource development departments at JP Digital will lead group-wide and cross-functional DX initiatives and develop DX human resources.

We believe that the establishment of a safe and secure environment, such as strengthening of cyber security measures, and the promotion of sustainability (initiatives toward SDGs), such as reduction of CO₂ emissions, are highly important perspectives in promoting such new initiatives in the digital domain.

The combination of “digital post offices” which make post office services available “anytime, anywhere” and the network of approximately 24,000 “reliable and trustworthy” physical post offices, together with external partners, gives birth to services truly beneficial for customers and local communities. We aim to realize such a “Co-creation Platform.”

Expanded use of data



Real Estate Business Strategy

We will grow our real estate business into one of the earnings pillars of the Japan Post Group.



IWASAKI Yoshifumi

Representative Executive Officer and Executive Vice President,
Japan Post Holdings Co., Ltd.
President & Representative Director, Japan Post Real Estate Co., Ltd.

During the fiscal year ended March 31, 2021, we have steadily proceeded with five large-scale development projects in Hiroshima Station South Exit, Kuramae, Toranomon / Azabudai, Gotanda, and Umeda 3 Chome. In addition, with respect to investments in real estate outside the Group, we have made investments in select blue-chip real estate projects as exemplified by participation in the Nakano Station North Exit project and completion of “Hulic JP Akasaka Building” in partnership with Hulic Co., Ltd.

Although we implemented reductions in tenant rent, etc., due to an impact of the COVID-19 pandemic, operating income in the fiscal year ended March 31, 2021, stood at 40.0 billion yen, exceeding the targeted operating income of 33.0 billion yen for that period.

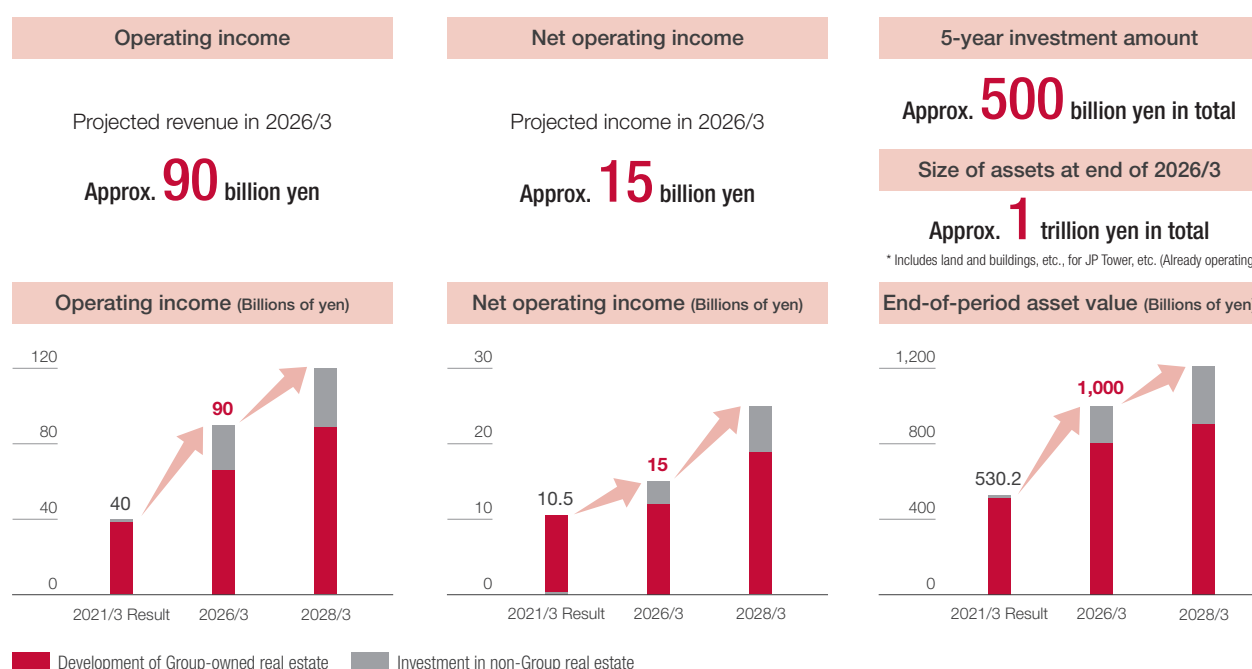
The recently announced JP Vision 2025 positions the real estate business, which is to be grown as one of the earnings pillars of the Japan Post Group, as part of the Japan Post Group's growth strategies, with the numerical targets of operating income of approximately 90.0 billion yen and net operating income of approximately 15.0 billion yen to be achieved in the fiscal year ending March 31, 2026. For this reason, we are planning to make investments of 300.0 billion yen in development projects concerning Group real estate and of 200.0

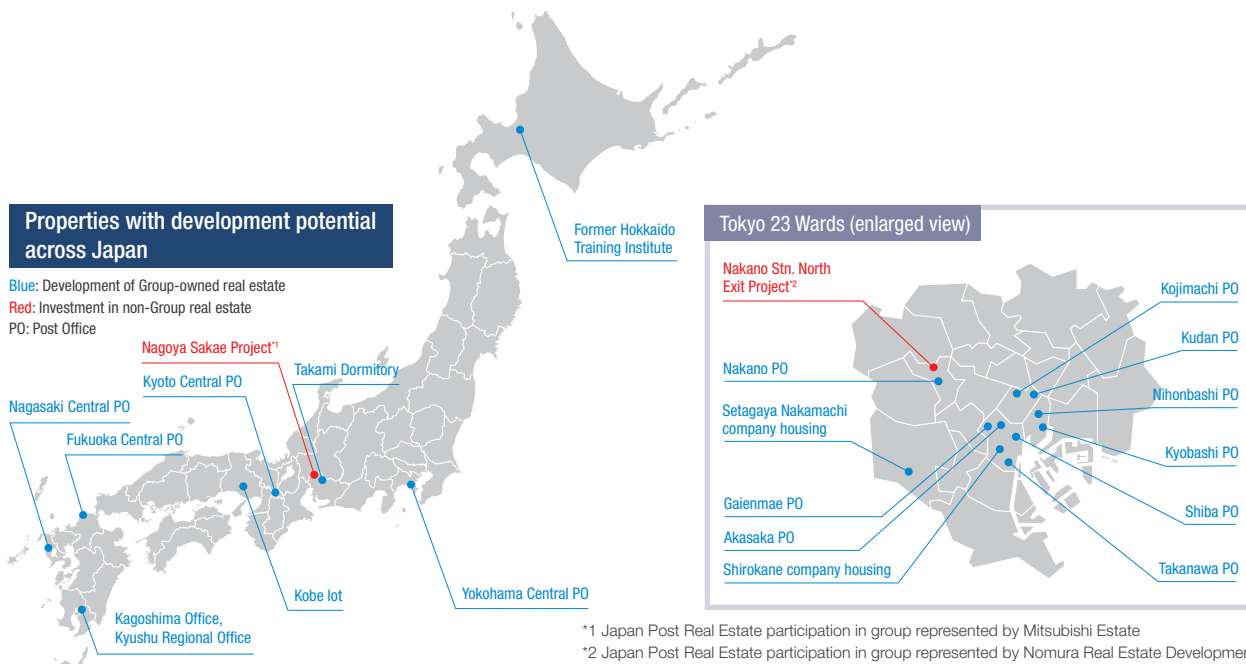
billion yen in non-Group real estate, a total of approximately 500.0 billion, over five years.

In addition, we keep ourselves closely tied to local communities through development of daycare centers and facilities for senior citizens and other means in partnership with local governments and partner with post offices through development of logistics facilities and other means; and in such a way, we conduct development so that synergy with other businesses within the Group is generated. Furthermore, we aim to strengthen and expand our real estate business and build up profits through partnerships with other companies and M&As.

Delay in completion of projects and a decrease in rent revenues are expected to occur in the future as well due to developments in the COVID-19 pandemic. In addition, there is a possibility that setups for real estate change due to changes in work styles and human behavioral patterns. We will continue to monitor activity and impacts on the market, and implement necessary measures, and grow our real estate business into one of the earnings pillars which support the Group's management base.

Numerical Targets for Real Estate Business





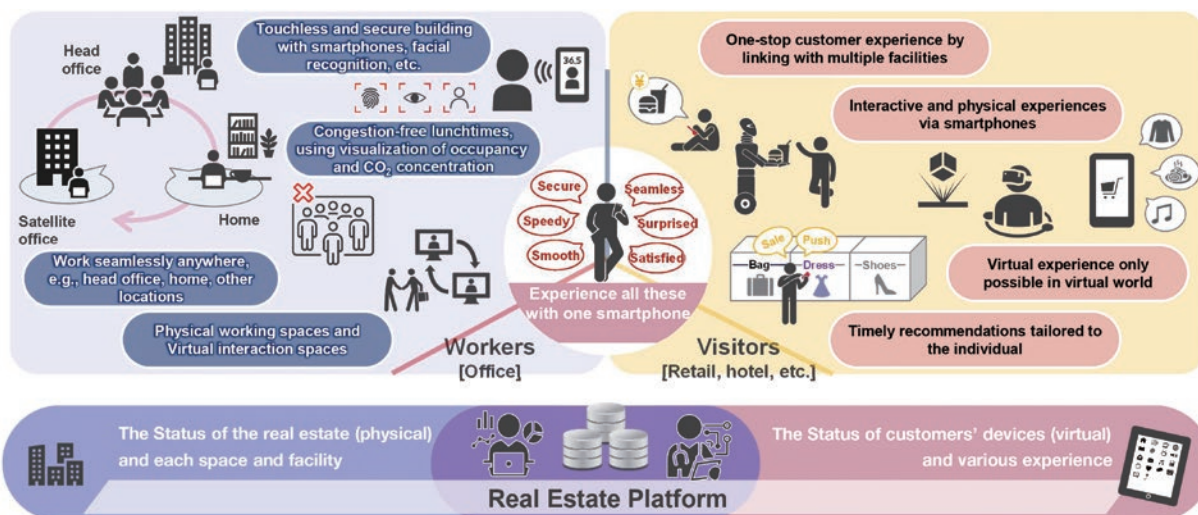
Listed above are the real properties with development potential in the future which are anticipated in the JP Vision 2025. In addition, in such development projects, with the aim of increasing value of real estate, “ESG management initiatives” and “Promotion of DX” are positioned as priority items to be worked on.

1. ESG management initiatives

In the real estate business, we will work on social issues such as SDGs in our future real estate development projects and property acquisitions by setting ESG materiality issues (global environment, resilience, local communities, and wellness). We will examine and implement concrete measures for reducing greenhouse gas emissions from the Group’s real estate business in particular, and thereby work to achieve sustainable growth of the Group and create corporate value over the medium to long term.

2. Promotion of DX

Not to mention providing space within real estate, we aim to build up buildings and cities that remain in the hearts of people by providing customers with new value in experience in which real and digital components are tied to each other. We will further sophisticate value in customer experience and create new businesses by aggregating, utilizing, and feeding back data from usage of real estate space and facilities and usage of various types of customer experience. In conjunction with the foregoing, we will provide tenants with support for attracting customers, co-create business with city managers, etc., and conduct integrated management of multiple building facility systems.



[Topics in 2022/3] Execution of a share transfer agreement to make Yusen Real Estate Corporation a subsidiary

Japan Post Real Estate entered into a share transfer agreement with Nippon Yusen on May 27, 2021, by which Japan Post Real Estate acquires 51% of the shares issued by Yusen Real Estate Corporation (a wholly owned subsidiary of Nippon Yusen). Yusen Real Estate Corporation will become a consolidated subsidiary of Japan Post Holdings upon obtaining approval from administrative authorities concerning competition-related laws, etc., of related countries.

Through this transaction, we aim to (i) share know-how possessed by Yusen Real Estate Corporation and thereby strengthen building management and operation functions of the Group’s real estate business; and (ii) increase profits from the Group’s real estate business to be generated as rent revenues from blue-chip real estate such as offices and condominium complexes possessed by Yusen Real Estate Corporation.

■ Business alliance overview

Logistics	<ul style="list-style-type: none"> • Creation of shared logistics centers • Creation of shared delivery and pick-up systems • Collaborations and initiatives between Japan Post and Rakuten to expand usage of Rakuten Fulfillment Centers and Japan Post's "Yu-Pack" parcels • Establishment of a new joint venture* by Japan Post and Rakuten to conduct the above initiatives, and joint commercialization of a digital transformation platform for logistics <p>* Company name: JP Rakuten Logistics, Inc. Date of incorporation: July 2021 Capital: 100 million yen Shareholding ratio: Japan Post Co., Ltd.: 50.1%; Rakuten Group: 49.9% Business overview: Logistics business</p>
Mobile	<ul style="list-style-type: none"> • Utilization of post office event space to create customer counters to accept new signup applications for Rakuten Mobile and other functions • Utilization of the Japan Post Group's post office and delivery network to conduct marketing initiatives • Conducting trials ahead of nationwide implementation of the above initiatives (Trials have already started at 10 post offices as of June 2021.)
Digital transformation	<ul style="list-style-type: none"> • Consultation and discussion on Japan Post Group and Rakuten Group personnel exchange to support the digital transformation of the Japan Post Group • Additional support from the Rakuten Group to support the digital transformation of the Japan Post Group
Financial services	<ul style="list-style-type: none"> • Preparations to offer a Japan Post Bank design branded Rakuten Card in 2021 • Consultation and discussion regarding a credit card to be issued by Japan Post Bank using the Rakuten Card platform, based on progress of the Japan Post Bank design branded Rakuten Card • Consultation and discussion on other cashless payment-related collaboration • Consultation and discussion on collaboration in the insurance field
E-commerce (EC)	<ul style="list-style-type: none"> • Consultation and discussion on sales of products offered by Japan Post on Rakuten-operated websites • Consultation and discussion on accepting order applications for products sold on Rakuten Ichiba at post offices

In addition to the items outlined above, both groups will discuss and consider other strategic collaborations that contribute to increasing their respective corporate value

Note: Updated with details of discussions held following the public announcement on April 28, 2021

■ Investment overview

Investment method	Acceptance of share subscription via third-party allotment capital increase
Shares received	131,004 thousand shares
Investment amount	149,999 million yen
Shareholding ratio	8.32%
Investment payment date	Monday, March 29, 2021



Postal and Domestic Logistics Business Segment

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



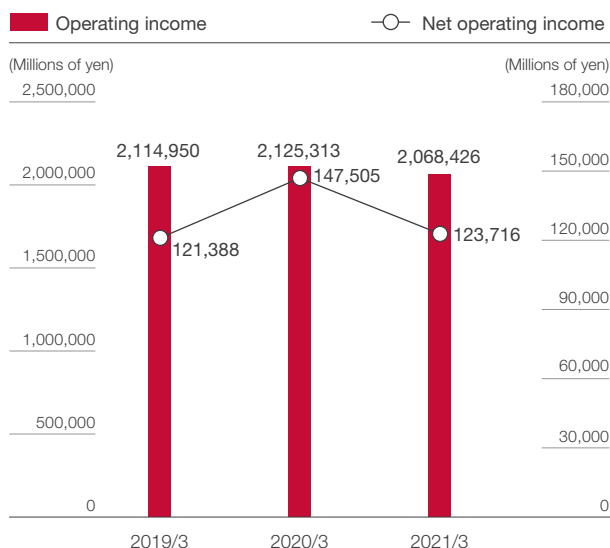
Business Overview

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

Financial Results for the Fiscal Year Ended March 31, 2021

In the postal and domestic logistics business for the fiscal year ended March 31, 2021, ordinary income from parcels rose with the increase in use of Yu-Pack to meet the growth in e-commerce due mainly to stay-at-home consumption, but this was insufficient to compensate for the decrease in income from international and standard mail, among others. As a result, ordinary income amounted to ¥2,071,877 million (down ¥56,310 million year-on-year) and net ordinary income amounted to ¥126,587 million (down ¥22,598 million year-on-year). In addition, operating income amounted to ¥2,068,426 million (down ¥56,887 million year-on-year) and net operating income amounted to ¥123,716 million (down ¥23,788 million year-on-year) in the postal and domestic logistics business of Japan Post Co., Ltd. (on a consolidated basis) for the fiscal year ended March 31, 2021.

Operating income / Net operating income



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

Strengths	<ul style="list-style-type: none"> • Transport network with nationwide coverage capable to deliver to 31 million locations daily • Efficient delivery of small parcels utilizing motorcycle mobility for the last one mile of logistics • Consistently providing high-quality delivery service to our customers
Challenges	<ul style="list-style-type: none"> • A continued decline in the volume of mail and escalating competition in the parcel delivery sector due to further digitalization, etc. • Securing labor and response to rising labor unit costs • Realization of DX through utilization of data we possess
Future policy	<ul style="list-style-type: none"> • Data-driven reform of the postal and domestic logistics business • Boosting competitiveness through a strategic review of products, services, and operations • Utilization of latest technologies to create a more sophisticated delivery network

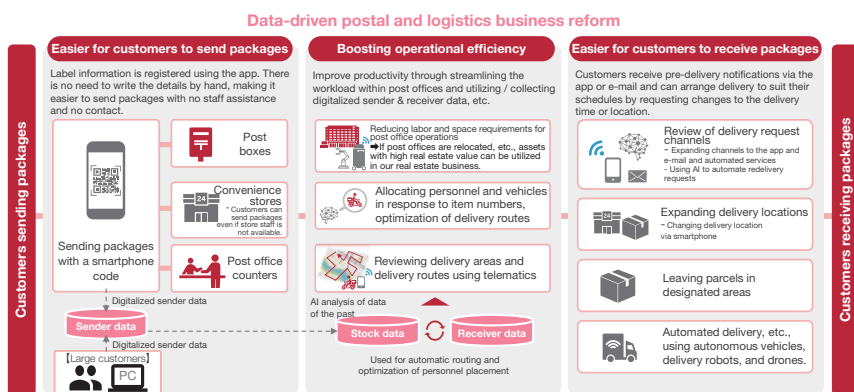
Forthcoming undertakings

Data-driven reform of the postal and domestic logistics business

We will work to boost operational efficiency based on digitalized data, while striving to create a system that makes it easier for customers to send and receive packages.

More specifically, we will work to improve productivity in such ways as automatic routing and optimization of personnel placement by utilizing and collecting digitalized sender and receiver data, etc. In

addition, label information may be registered using an app so that there is no need to write the details by hand, making it easier to send packages with no staff assistance and no contact. Furthermore, customers receive pre-delivery and other notifications and can arrange delivery flexibly according to their schedules by requesting changes to the delivery time or location.



Boosting competitiveness through a strategic review of products, services, and operations

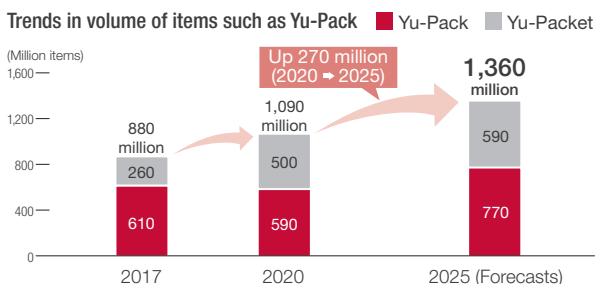
An integrated, strategic review of products, services, and operations according to customer needs and changes in the social environment will ensure that we can take full advantage of the growing e-commerce market and online flea market sectors. In addition, we will expand Third-Party Logistics (3PL) which provides total contracted logistics services including not only parcel deliveries but also inventory management and freight handling by promoting expansion of warehouses, etc., to assist in resolving issues faced by customers running e-commerce businesses.

Utilization of latest technologies to create a more sophisticated delivery network

We will improve productivity by driving operations, etc., that utilize full digitalization and cutting-edge technology and provide high-quality services.

More specifically, we will work to review delivery areas and delivery routes using telematics, allocate personnel and vehicles in response to item numbers, optimize delivery routes, and reduce labor and space requirements for post office operations through utilization of robotics (unmanned transport vehicles, piece-picking robots, etc.).

In addition, we will work on practical application of automated delivery, etc., using autonomous vehicles, delivery robots, and drones.



TOPIC

Non-face-to-face delivery service “Yu-Packet Post”

Yu-Packet Post is a service used in conjunction with “Yu-yu Mercari Bin,” a delivery service provided through a partnership between Mercari and Japan Post to allow senders to post parcels anonymously using specialized packaging material and via mailboxes.



JP JAPAN POST Post Office Business Segment

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



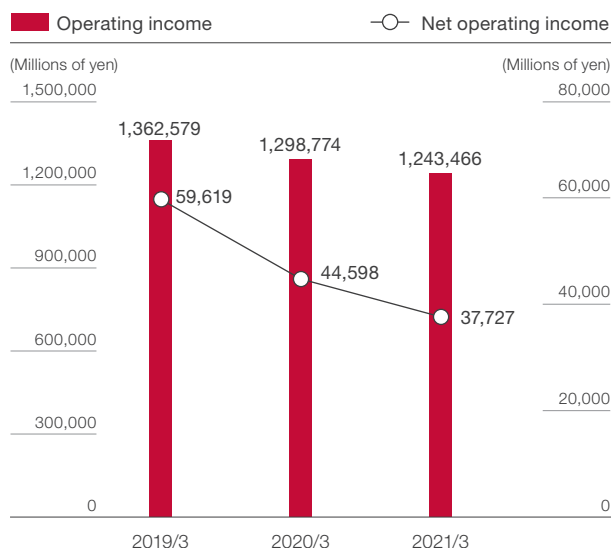
Business Overview

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

Financial Results for the Fiscal Year Ended March 31, 2021

In the post office business for the fiscal year ended March 31, 2021, due to a sharp decline in insurance commissions income, as post offices refrained from making proactive sales proposal activities of Japan Post Insurance products, ordinary income amounted to ¥1,245,179 million (down ¥54,751 million year-on-year) and net ordinary income amounted to ¥38,796 million (down ¥6,290 million year-on-year). In addition, operating income amounted to ¥1,243,466 million (down ¥55,307 million year-on-year) and net operating income amounted to ¥37,727 million (down ¥6,871 million year-on-year) in the post office business of Japan Post Co., Ltd. (on a consolidated basis) for the fiscal year ended March 31, 2021.

Operating income / Net operating income



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

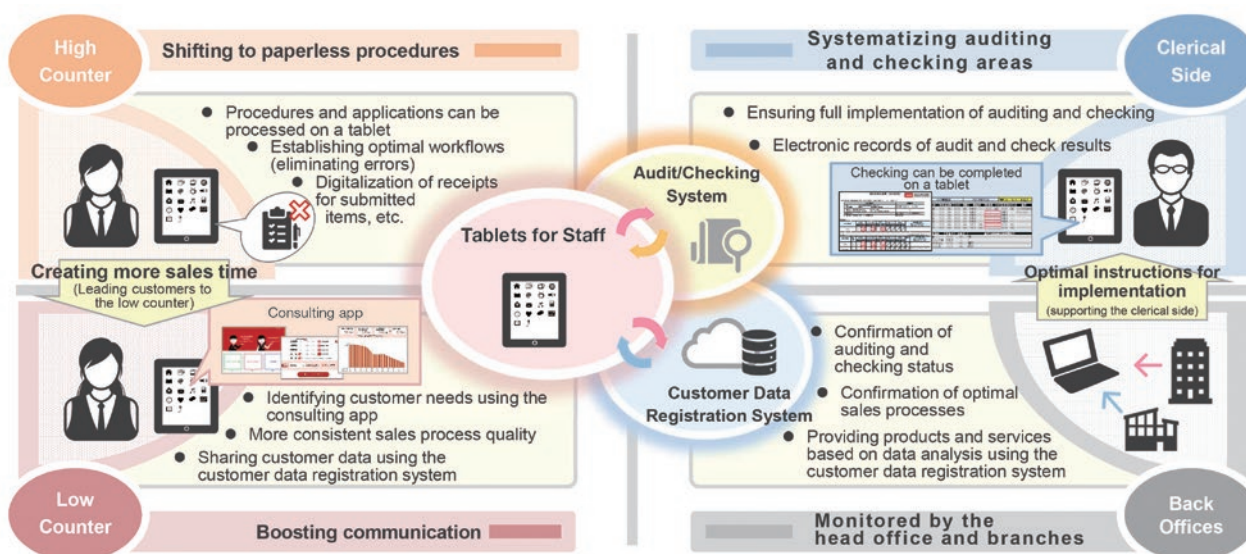
Strengths	<ul style="list-style-type: none"> • A post office network of over 24,000 locations throughout Japan • Provision of diverse products and services inside and outside the Group • Customer base based on which our services are used by many customers in their daily lives
Challenges	<ul style="list-style-type: none"> • Regaining customers' trust • Response to a decrease in handling volume due to population decline and the switch to digital channels • Enhance the value of our post office network
Future policy	<ul style="list-style-type: none"> • Implementation of "Pledge to Regain Customers' Trust" • Promoting digitalization of post office operations • Development of a diverse range of products and services satisfying regional needs

Forthcoming undertakings

■ Promoting digitalization of post office operations

We will digitalize a range of procedures at post office counters by using tablets to ensure more effective operations and, at the same time, develop services which can only come from physical post offices.

More specifically, we will work to shift to paperless procedures to enable various procedures and applications to be processed on tablets and create systems for auditing, checking, etc. Consulting apps and digitalized sales activity records will be utilized to provide consulting services that suit customers' needs.



■ Development of a diverse range of products and services satisfying regional needs

We will leverage our network of post offices, the Group's greatest strength, to provide integrated services of the Group while seeking partnership with a diverse range of companies, etc., outside the Group. Through such efforts, we will increase the value of our network of post offices, which are physical offices serving as regional service hubs.

More specifically, we will utilize the unique advantages of post offices including the trust in post offices that exist in local communities to expand our services through winning administrative work contracts from local governments, strengthening our partnership with regional financial institutions, and winning contracts for station ticket office services, etc.

TOPIC

Providing services of regional financial institutions at post offices

As part of our efforts to further increase convenience for local residents, we have placed ATMs of regional financial institutions inside 10 post offices across Japan, and we also accept and handle banking procedures such as address changes for customers of regional financial institutions at customer counters of nine post offices across Japan (as of the end of March 2021).

We will continue working to increase the value of our network of post offices in partnership with regional financial institutions and explore efforts to further increase convenience for local residents with the aim of fulfilling our role as a hub of local communities.



An ATM of The Nanto Bank, Ltd.
(At the Miminashi Post Office in Nara Prefecture)



Customer counter for banking procedures of
The Nanto Bank, Ltd.
(At the Oritachi Post Office in Nara Prefecture)

JP JAPAN POST International Logistics Business Segment

We will work to improve the business performance of Toll Holdings Limited and will provide one-stop solutions through comprehensive logistics business domestically and internationally, by making a transition to an Asia-focused business model and expanding domestic contract logistics through JP Toll Logistics Co., Ltd.



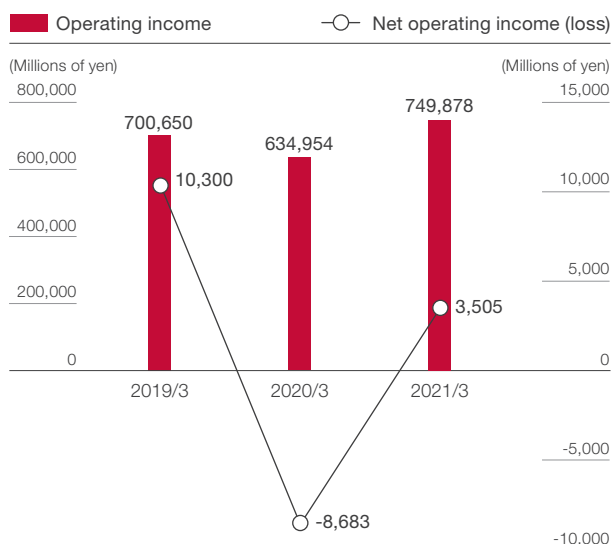
Business Overview

Toll Holdings and the companies under its umbrella provide a full line of international freight forwarding services, chiefly import and export to and from Asia and Oceania, and other logistics services to sectors of natural resources industry and governmental operations as a 3PL provider in the Asia-Oceania region including transport and warehousing services.

Financial Results for the Fiscal Year Ended March 31, 2021

In the international logistics business, although revenue of global express business declined, revenue rose in the Asia division of the global logistics business on large-scale handling of supplies for preventing the spread of COVID-19, which along with cost-cutting measures that kept ordinary expenses below the increase in ordinary income. As a result, ordinary income amounted to ¥750,069 million (up ¥114,874 million year-on-year), net ordinary loss amounted to ¥7,003 million (net ordinary loss of ¥21,447 million in the previous fiscal year). In addition, operating income amounted to ¥749,878 million (up ¥114,923 million year-on-year) and net operating income amounted to ¥3,505 million (net operating loss of ¥8,683 million in the previous fiscal year) in the international logistics business of Japan Post Co., Ltd. (on a consolidated basis) for the fiscal year ended March 31, 2021.

Operating income / Net operating income (loss)



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

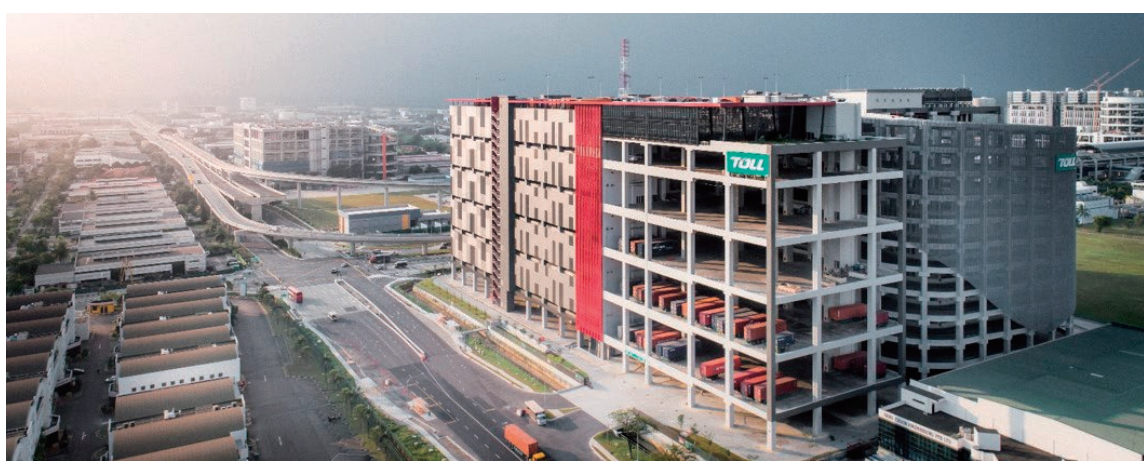
Strengths	<ul style="list-style-type: none"> Number of countries included in the international logistics network Approx. 150 countries "Toll City" that features cutting-edge logistics technologies, such as precision temperature control and smart logistics control systems, and other equipment
Challenges	<ul style="list-style-type: none"> Overcoming Australia-dependent management structure Toll Holdings' business performance improvement Exercise of the synergy between Japan Post and Toll Holdings
Future policy	<ul style="list-style-type: none"> Transition to an Asia-focused business model Thoroughly implement efforts to improve the business performance of the Toll Holdings Advancement of the synergy between Japan Post and Toll Holdings, and expansion of revenue

Forthcoming undertakings

■ Transition to an Asia-focused business model

We will expand business by focusing on a small number of countries with high growth potential in the Asian region, such as Singapore and Vietnam, and on industries where Toll Holdings has an edge, such as

retail and industrials, and take other measures to move away from a business structure dependent on Australia and aim to grow by shifting to a business model focused on Asia including Japan.



The logistics facilities in Singapore's "Toll City"

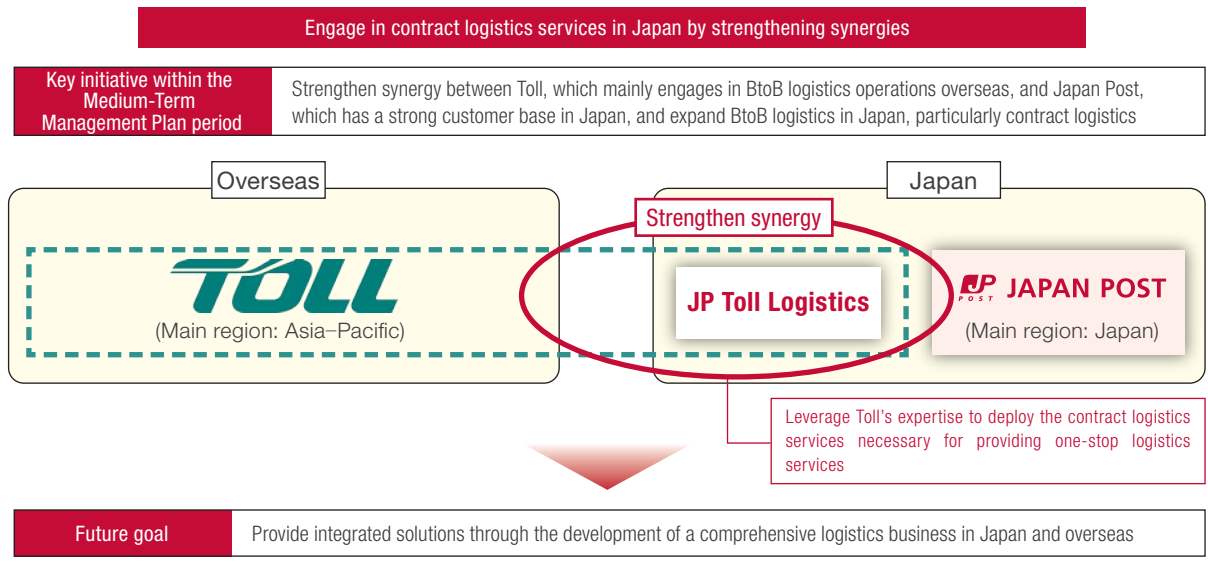
■ Thoroughly implement efforts to improve the business performance of Toll Holdings

The express business has continued to suffer deficits due to such factors as not only the slowdown in Australia's economy and an environment with fierce competition but also an impact of the spread of COVID-19 and targeted cyber attacks, and such deficits were the main cause of the stagnant business performance of Toll Holdings as a whole. This led to our conclusion in April 2021 of an agreement to sell the business to companies under the umbrella of Allegro Funds Pty Ltd.

In order to proceed with the business expansion with a focus on the Asian region, we will work to improve the profitability of the remaining logistics and forwarding businesses through streamlining of personnel placement and other means.

■ Strengthen synergy between Japan Post and Toll and expand revenue

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



JAPAN POST BANK Banking Business Segment

Japan Post Bank Co., Ltd. aims to innovate our business model and enhance business sustainability, based on the slogan “Deepening trust, and taking on the challenge for financial innovations.”



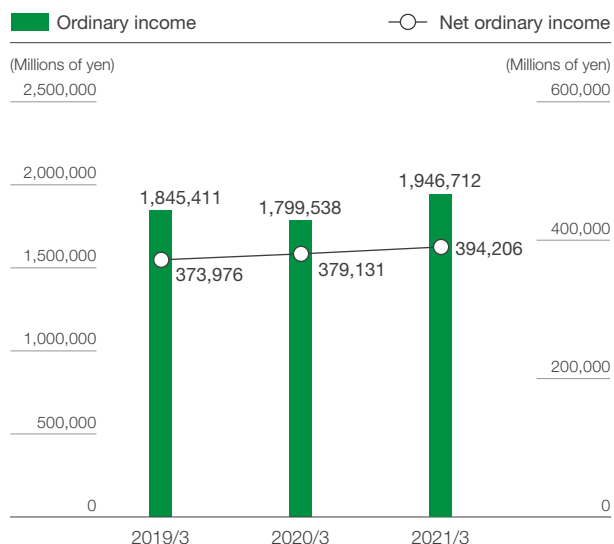
Business Overview

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

Financial Results for the Fiscal Year Ended March 31, 2021

In the banking business for the fiscal year ended March 31, 2021, the deposits balance of Japan Post Bank as of March 31, 2021 totaled ¥189,593,469 million (up ¥6,588,736 million year-on-year). Under difficult business conditions including continued low interest rates, interest income fell owing to a decline in interest from securities, but this was offset by a gain in other operating income from a decrease in foreign currency funding costs. As a result, ordinary income amounted to ¥1,946,712 million (up ¥147,174 million year-on-year), while net ordinary income was ¥394,206 million (up ¥15,074 million year-on-year).

Ordinary income / Net ordinary income



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

Strengths, business environment and business issues, and future policy in the banking business

Strengths	Business environment	Business Issues
<ul style="list-style-type: none"> Japan's largest customer bases Post office and ATM networks encompassing all of Japan Japan's largest assets Diverse and expert human resources 	<ul style="list-style-type: none"> Shrinking population, super-aging society Diversification of lifestyles Local economic downturns Digital innovation Changing to new lifestyles The demands of realizing a sustainable society Low interest rates becoming long term, and increased risk of stress events manifesting 	<ul style="list-style-type: none"> Providing customer-oriented services Expanding products and services Contributions to vitalization of communities Creating new value Addressing the digital divide problem Addressing no-contact and non-face-to-face needs Security enhancements ESG management Deepening market operations and risk management Enhancing the capital base
Business environment and business issues		
Future policy	<ul style="list-style-type: none"> Innovating retail business into a new form by realizing complementarity between the physical and the digital Business reforms and productivity improvement through the active utilization of digital technology Enhancing funds flow to regional communities and the regional relationship functions through various frameworks Deepening market operations and risk management with an awareness of stress tolerance Strengthening the management base to become a more trusted bank 	

Forthcoming undertakings

■ Innovating retail business into a new form by realizing complementarity between the physical and the digital

Placing top priority on safety and security, we will expand digital services that are easy for all customers to use, and promote the spread of digital services by utilizing our post office network.

In addition, we will endeavor to build an open “Co-creation Platform” that leverages our customer base to provide optimal services through collaboration with a wide range of businesses.

In the asset building support business, based on customer-oriented businesses operations, through “our face-to-face channel,” we will offer a lineup of asset management products to suit our customer base, while we will mainly offer cumulate-type investments to beginner investors.

In addition, in the digital channel, we will strive to develop an asset management platform that is easy for everyone to use by expanding services on our website and apps using competitive fee levels.

■ Business reforms and productivity improvement through the active utilization of digital technology

At our branches, we will expand the system to enable self-processing of routine transaction by introducing the teller tablet system, and enhance the digital channel to improve the efficiency of counter operations while expanding the options of transaction channels for our customers.

At Operation Support Centers, we will promote comprehensive business automation of operations by combining digital technologies, such as expanding AI-OCR ¹ and RPA ² as well as introducing BPMS ³.

In addition, while we make investments in priority areas such as promotion of DX proactively, we will reduce overall expenses by reducing predetermined expenses including commission fees to Japan Post drastically.

* 1 AI-OCR: An optical character recognition (OCR) that utilizes artificial intelligence (AI) to enhance increase the recognition rate of ad hoc ledgers, handwritten characters, etc.

* 2 RPA: Acronym for Robotic Process Automation. Technology to shorten work time and improve quality through such measures as the automation of terminal and other operations, which used to undertake manually using a mouse or keyboard

* 3 BPMS: Acronym for Business Process Management System. This system automatically activates RPAs, and systematically control work flows that require human confirmation work, etc., and conducts automatic process management.

■ Enhancing funds flow to regional communities and the regional relationship functions through various frameworks

In order to flow precious customer funds entrusted by our customers to regional communities, we will strive to contribute to the vitalization of regional communities by supplying funds through various frameworks. In particular, we will respond to the risk money needs of regional communities by supplying equity funds through “regional vitalization funds” as well as through the actions of “Japan Platform of Industrial Transformation, Inc. (JPiX)” and “Japan Post Investment Corporation.”

In addition, as the core of a “regional financial platform,” we will work with regional financial institutions to meet the financial needs of each region by utilizing our ATM network and cooperation in administrative work.

With regard to these efforts to revitalize regional communities, we established the new Regional Relations Division in April 2021 to promote these efforts while further strengthening our relationships with local governments and regional financial institutions.

■ Deepening market operations and risk management with an awareness of stress tolerance

Amidst a severe business environment where interest rates remain low, we will expand our global asset allocation based on a “risk appetite framework,” clarifying the types and levels of risks to be taken, while being conscious of returns against risks and aiming to improve profitability. More specifically, we will build up the balance of risk assets, mainly in the investment grade (IG) area. In addition, we will selectively invest in strategic investment areas with the aim of increasing the balance among risk assets.

In addition, in preparation for the occurrence of stress events, we will promote the construction of a stress-resistant portfolio, and make further efforts to deepen our risk management by upgrading stress tests and strengthening monitoring.

TOPIC

Strengthening of the management base to become a more trusted bank

We aim to serve as a more trusted bank in which all of our employees realize customer-oriented business operations, and are therefore engaged in organizational culture reforms.

More specifically, we will work to realize sustainable reforms to our corporate culture whereby each of our employees earnestly listens customer feedbacks and implements customer-oriented work operations in their day-to-day activities, with the “Service Improvement Committee” as an expert Committee chaired by the President and Representative Executive Officer playing a central role.

In addition, as social and economic environmental changes continue in their severity, we will improve risk sensitivity and enhance our various management systems, including those of our external partners, while maintaining a prompt and flexible response to changes.

JAPAN POST INSURANCE Life Insurance Business Segment

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

Business Overview

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

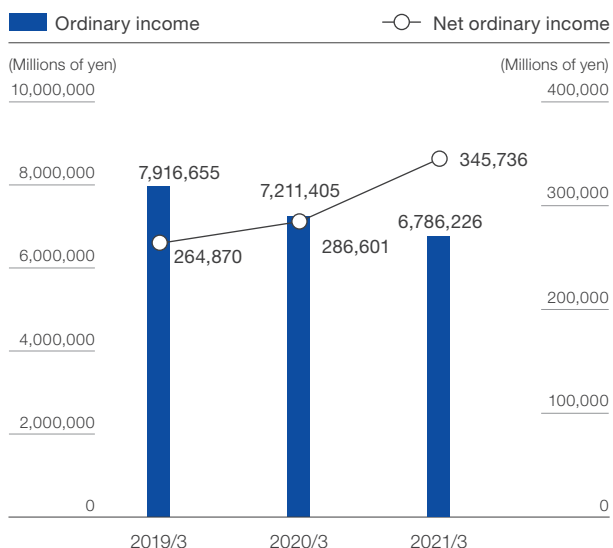
In addition to our own products, directly managed Japan Post Insurance offices also handle other life insurance companies’ products on commission, largely to corporate customers. We have also entered into an operations consignment agreement with Japan Post Co., Ltd. to solicit our insurance products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

Financial Results for the Fiscal Year Ended March 31, 2021

In the life insurance business for the fiscal year ended March 31, 2021, ordinary income amounted to ¥6,786,226 million (down ¥425,178 million year-on-year) due mainly to a decrease in the number of policies in force. Net ordinary income amounted to ¥345,736 million (up ¥59,134 million year-on-year) due partly to lower business expenses which are expenses associated with solicitation following decreased new policies sales.

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

Ordinary income / Net ordinary income



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

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

Strengths	<ul style="list-style-type: none"> • Extremely large customer base • Procedures available at post offices nationwide • Products with easy procedures and smaller coverage amounts
Challenges	<ul style="list-style-type: none"> • Reconstruction into a company that is truly trusted by its customers • Shift to a business model that positions customer experience value as its top priority
Future policy	<ul style="list-style-type: none"> • Continue efforts to regain trust • Reinforcement of the business foundations • Improvement of customer experience value • Promotion of ESG management • Corporate culture and work-style reform • Reinforcement of governance, capital policy

Forthcoming undertakings

■ Continue efforts to regain trust

We will thoroughly implement customer-oriented business operations and regain customers' trust.

■ Reinforcement of the business foundations

We will improve profitability by responding to the protection needs of customers in all age groups and through efficient business operations.

Establishment of new Japan Post Insurance sales system	We will build a new Japan Post Insurance sales system with specialty and extensiveness and realize a comprehensive consulting service across the entire Group.
Enhancement of insurance services	We will progress the development of insurance services that respond to the protection needs of customers of all generations in an age of 100-year life.
Boosting efficiency of business operations	We will improve customer service, boost the efficiency of operations, and reduce costs by promoting digitalization.
Achieving greater depth and sophistication of asset management	We will achieve greater depth and sophistication of asset management in terms of both portfolio building and each investment field such as alternative investment, while responding appropriately to the introduction of the new solvency regulation.

■ Improvement of customer experience value

We will implement a sweeping review of insurance services from the perspective of boosting customer experience value and improve customer convenience and solicitation quality to ensure customers feel truly glad they chose Japan Post Insurance. In addition, we will ensure that customers who are satisfied with the customer experience value will communicate the experience to their family members, friends, regions and society as a whole, expanding our customer base.

■ Promotion of ESG management

We will contribute to resolving social issues related to sustainability through fulfillment of our social mission.

In addition, we will provide services that are closely connected to social issues including health promotion, nursing care, inheritance, etc.

■ Corporate culture and work-style reform

We aim to be a company where employees and management share the future vision, and each and everyone grows together with the Company while feeling employee satisfaction (ES).

We will also strive to establish an environment that allows diversified human resources to choose various work styles.

■ Reinforcement of governance, capital policy

We will conduct strengthening of governance and thoroughly implement customer-first business operation.

In addition, we will position returning profits to shareholders as an important measure for management effectiveness. We will secure revenues while maintaining financial soundness based on ERM, aiming to steadily return profits to shareholders.

TOPIC

Launch of new insurance services which meet customers' needs

We started to sell ordinary term insurance and special endowment insurance with longer insurance periods than before in order to more appropriately meet the coverage needs of young and middle-aged customers. In addition, we also started to make available a policy conversion system, so that customers could change coverage without canceling their existing policies.

We will continue developing insurance services that respond to the protection needs of customers of various generations and situations. In addition, we will provide services which connect generations and support our customers' lives.

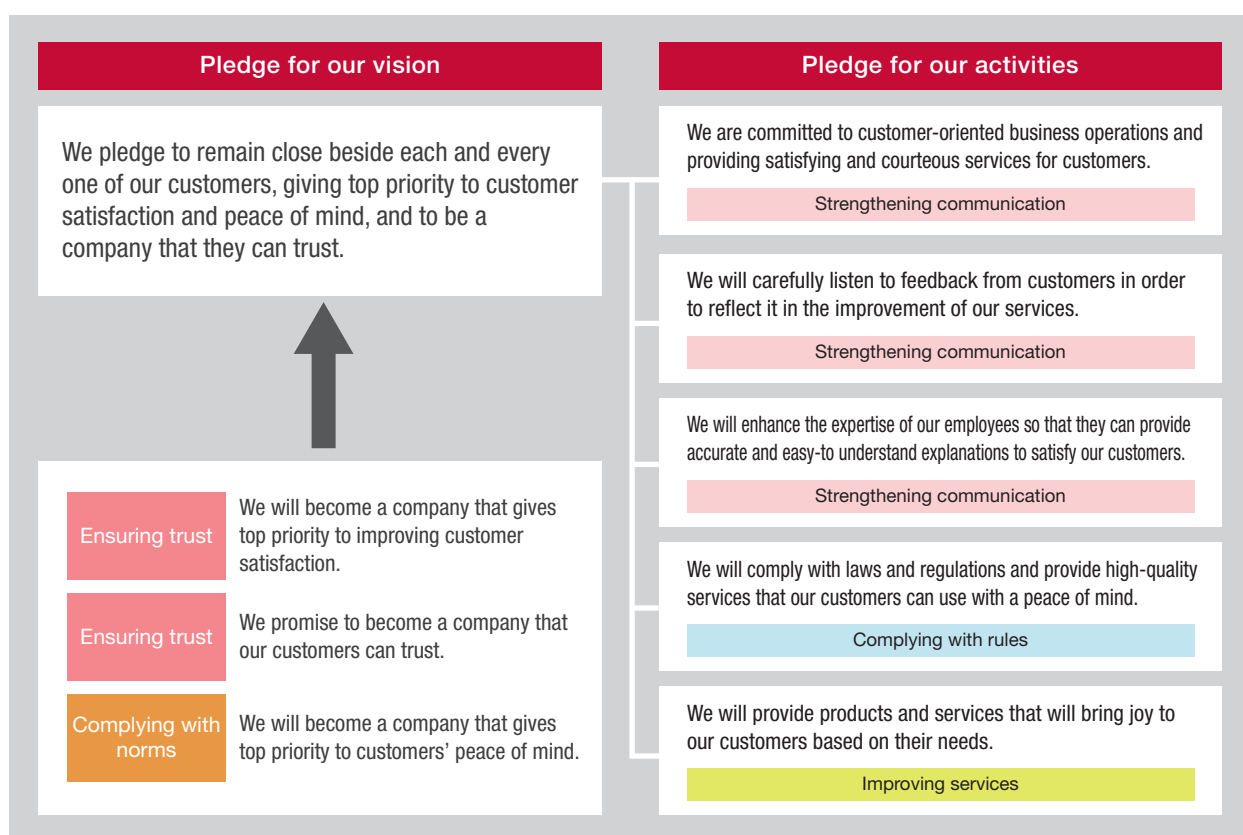
Efforts to Regain Customers' Trust

The scandals concerning sales of financial products, such as issues of Japan Post Insurance products solicitation quality discovered in the fiscal year ended March 31, 2020, and other issues, seriously damaged customers' trust in the Group. In order to regain customers' trust and allowing customers to use our products and services once again with peace of mind, we believe that the Group must not only thoroughly implement measures to prevent

recurrence of similar incidents but also transform itself into a truly customer-oriented corporate group.

With the aim of publicly announcing the determination, we formulated our "Pledge to Regain Customers' Trust" in September 2020 upon receiving advice from the JP Reform Execution Committee, which consists of external experts.

Pledge of a period of restored trust



Commencement of operations aimed at regaining customers' trust and notification thereof

The Group decided to start with operations aimed at regaining customers' trust, which place the priority on expressing our sincere apologies to customers for the trouble, and commenced the specific operations on October 5, 2020.

At first, we provided explanations at post office counters or by visiting customers' home; however, we

also started notification activities by phone and mail due partly to an impact of the COVID-19 pandemic. The number of customers we provided notification totaled 4.476 million by the end of March 2021.

We will continue with activities aimed at regaining customers' trust in the current fiscal year as well.

Status of implementation of activities aimed at regaining customers' trust (up to the end of March 2021)

Date	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	Total
No. of customers received notification	729,000	819,000	896,000	621,000	697,000	714,000	4.476 million

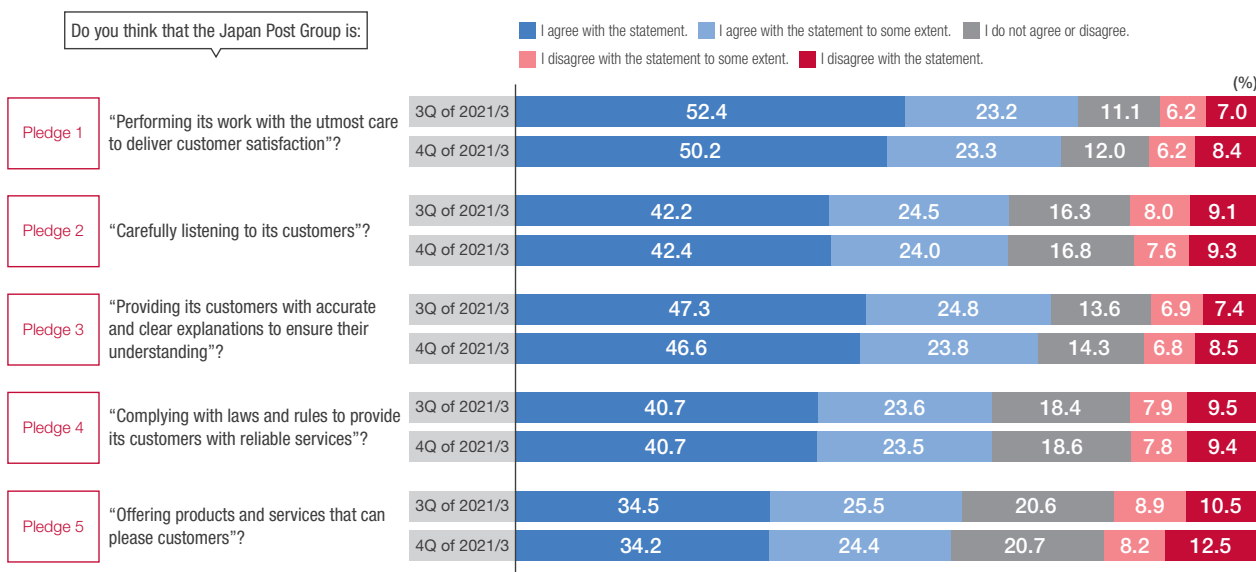
Customer satisfaction (results from a customer questionnaire survey)

The Group has been asking customers their evaluation on our efforts to regain customers' trust.

To obtain the evaluation, the Group conducted a customer questionnaire survey concerning the implementation status of our "Pledge to Regain Customers' Trust,"

in which 60% to 70% of the respondents gave relatively high ratings.

On the other hand, 15% to 20% of the respondents rated negatively. Given the results, we will continue practicing group-wide improvement activities.



Feedback received from customers in relation to each pledge

Commitment and survey question	Positive feedback	Negative feedback
Pledge 1 "Performing its work with the utmost care to deliver customer satisfaction"?	<ul style="list-style-type: none"> Thank you for talking to me face to face or by phone to give me detailed explanations. Cheerful and attentive responses of customer counter staff put me at ease every time I visit a post office. 	<ul style="list-style-type: none"> They seem superficially and apparently diligent, but the emotional connection we had before is now gone. There are some employees who give bad service, and there are some who are very attentive and escort me off the exit. The gap is so big.
Pledge 2 "Carefully listening to its customers"?	<ul style="list-style-type: none"> It was very helpful that they took time to listen to what I had to say and gave me explanations in an easy-to-understand way. Everyone is always kind and listens to me warm-heartedly. I have quite friendly feelings for them. 	<ul style="list-style-type: none"> It's too much a bother for me to explain the same kind of things as the person in charge changes every time. I want them to answer my questions if I ask, even small ones (something so trivial), without thinking that I should have known better.
Pledge 3 "Providing its customers with accurate and clear explanations to ensure their understanding"?	<ul style="list-style-type: none"> They give easy-to-understand explanations to the elderly. Please keep going with the way it is now. Responses I receive from them are much easier to understand than before. 	<ul style="list-style-type: none"> They are not putting themselves in customers' shoes but are giving too vague explanations on their products. I think they should be able to explain their products fully. (As an elderly person,) I wanted them to take more time explaining the insurance product when I purchased it so I could fully understand.
Pledge 4 "Complying with laws and rules to provide its customers with reliable services"?	<ul style="list-style-type: none"> I felt at ease as they gave thoughts on which insurance products suited me and explained to me in an easy to understand manner. I believe rules are necessary to a certain degree, but I also think that affixing a seal impression on behalf of an elderly person with hand impairment and the like is not a misconduct but a supportive act. 	<ul style="list-style-type: none"> I think laws, regulations and rules should be reviewed to fit with the times. I don't think that these are keeping up with the times in local communities. It seems like your employees are burdened with many sales quotas and this is causing their over-the-top sales activities.
Pledge 5 "Offering products and services that can please customers"?	<ul style="list-style-type: none"> It has become more convenient as we can use IC cards for public transportation for payment. I hope that the Group maintains the status quo as it makes a clear distinction from megabanks and local financial institutions by offering free of charge for use of ATMs. 	<ul style="list-style-type: none"> Why don't you offer products that are similar to those offered by other companies? Your products don't fit with the times. I have this image that the Group is putting the entire negative aspects of outdated products and unsimplified, complicated procedures in the hands of front-line employees.

Examples of activities to implement our “Pledge to Regain Customers’ Trust”

[Japan Post Co., Ltd. Tohoku Branch] Encouragement of the Japan Post Group Charter of Corporate Conduct (implemented from January to March 2021)

The branch office implemented a measure in which employees who put the Japan Post Group Charter of Corporate Conduct into practice recognized each other’s efforts and achievements. In addition, the branch office displayed posters created by the branch office independently in all the post offices in the service area.



[Japan Post Co., Ltd. Chugoku Branch] Establishment of Reflection Days (implemented in December 2020)

In December 2020, the branch office established a week of promoting the penetration of the Management Philosophy, etc., and conducted short training sessions at occasions such as morning assemblies. In addition, the branch office established “Reflection Days,” which occur every Friday to encourage employees to reflect on their actions using a Charter of Corporate Conduct checklist.

The branch office started to distribute the mini-sized Management Philosophy Handbook in January 2021 to employees so they can carry the handbook together with their employee ID card, encouraging them to reflect on their actions in connection with the Management Philosophy, etc., anytime.



Provision of services by the Telephone Consultation Desk for Japan Post Insurance, etc. manned by Consumer Affairs Consultants

The “Telephone Consultation Desk for Japan Post Insurance, etc. manned by Consumer Affairs Consultants” was established in August 2020 so that users of Japan Post Insurance, etc., may seek for advice in a more reliable manner.

This customer advising service is provided by consumer affairs consultants who are experts on various types of consultation concerning consumer affairs from a fair and neutral standpoint, and the number of consultation cases to date totaled approximately 2,100 (as of April 30, 2021).



JP Reform Execution Committee

The “JP Reform Execution Committee” was established on April 2, 2020, with the aim of obtaining various types of advice toward regaining public trust from external experts from a fair and neutral standpoint.

JP Reform Execution Committee meetings were held

10 times in total as of the end of April 2021, and the topics in these meetings to date were as listed below.

The JP Reform Execution Committee discusses a wide variety of topics concerning the Group, and we will continue utilizing it for improvement of the Group.

Meeting	Date	Main topics
1st	April 2, 2020	<ul style="list-style-type: none"> The status of progress of the business improvement plan concerning inappropriate insurance solicitation, etc., for Japan Post Insurance products Efforts to regain public trust
2nd	May 27	
3rd	June 18	<ul style="list-style-type: none"> Hearing surveys against and opinion exchange with Group companies
4th	July 16	<ul style="list-style-type: none"> Specific evaluation indicators as conditions for resuming sales of Japan Post Insurance products and the status of progress at each company Formulation of a “Pledge Toward Regaining Public Trust” of the Japan Post Group
5th	September 3	<ul style="list-style-type: none"> The status of progress of the business improvement plan concerning inappropriate insurance solicitation, etc., for Japan Post Insurance products Investigation on the status of operation of whistleblowing contact points at the Japan Post Group “Pledge to Regain Customers’ Trust” of the Japan Post Group

[Japan Post Bank Co., Ltd.]**Implementation of One Inspection Per Day campaign (since October 2020)**

Japan Post Bank promoted understanding and penetration of customer-oriented business operations through sharing of success experiences and other information relating to putting our “Pledge to Regain Customers’ Trust” into practice within offices.

- **Fukuoka Operation Support Center**

The center implemented the One Inspection Per Day campaign in meetings.

- **Kanto Regional Headquarters**

Each person in charge formulated their specific measures to achieve the “Pledge to Regain Customers’ Trust,” and the written oaths to achieve them were displayed.



A scene from a meeting



Displayed written oaths

[Japan Post Insurance Co., Ltd.]**Communication with employees and sharing of information with frontline employees**

Occasions for opinion exchange between branch offices, regional headquarters, etc., and the president and officers, such as frontline meetings, were regularly held (1,101 times).

A suggestion-to-president box was installed as part of the measures toward the corporate culture reform. (The number of opinions collected as of the end of March 2021 was 2,159. Measures were put into consideration taking into account the opinions of frontline employees.)

Efforts toward the corporate culture reform were widely undertaken at regional headquarters, branch offices, and service centers, and those efforts at each base were posted and showcased on the internal portal site (363 cases).

A measure to recognize fine initiatives at each base was implemented to motivate employees and encourage participation in the efforts toward corporate culture reform.

**Management Philosophy Handbook**

The small-sized “Management Philosophy Handbook,” which bundles the Management Philosophy of the Japan Post Group, the Japan Post Group Charter of Corporate Conduct, and management philosophies of other Group companies was distributed to all employees. The handbook provides easy-to-understand explanations on points in putting the Management Philosophy into practice and serves as the cornerstone when employees feel uncertain in their daily operations.

In addition, training sessions were held using a training DVD created with President & CEO MASUDA Hiroya of Japan Post Holdings Co., Ltd. being the trainer.



Meeting	Date	Main topics
6th	October 21	<ul style="list-style-type: none"> • The status of activities to put the “Pledge to Regain Customers’ Trust” of the Japan Post Group into practice
7th	December 3	<ul style="list-style-type: none"> • The status of progress of the business improvement plan concerning inappropriate insurance solicitation, etc., for Japan Post Insurance products • Japan Post Group Basic Approach to the Medium-Term Management Plan (2021–2025)
8th	January 29, 2021	<ul style="list-style-type: none"> • Results of verification pertaining to whistleblowing contact points, etc., of the Japan Post Group • Results of verification pertaining to governance, etc., of Japan Post Bank • Growth strategy of the Japan Post Group
9th	March 5	<ul style="list-style-type: none"> • Systems for customer-oriented consultation of the Japan Post Group • Evaluation and areas for improvement concerning Group governance of Japan Post Holdings • Japan Post Group’s efforts toward carbon neutrality
10th	April 21	<ul style="list-style-type: none"> • The desirable form of governance of the Japan Post Group in the future • The interim report on the “Pledge to Regain Customers’ Trust” of the Japan Post Group into practice

Policies of the Japan Post Group companies toward regaining customers' trust

Japan Post Holdings

In order to provide customer-oriented services, we will take bold steps to reform corporate culture of the Group.

More specifically, we will proceed with two major initiatives: measures to strengthen governance and measures for HR development and strategy. As for measures to strengthen governance, we will push forward with the introduction of a Group CxO system which provides a group-wide horizontal functionality, integrated operation of Japan Post Holdings and Japan Post, etc.; on the HR development and strategy front, we will promote personnel exchange inside and outside the Group, develop human resources in fields of specialization such as DX, proactively hire external specialists and take such other measures. In addition, we will reform ourselves into an organization which is open to feedback from customers and employees and allows for open communication inside and outside the Group.

Japan Post

We will implement the business improvement plan steadily and devote ourselves entirely to regain customers' trust. In addition, we will re-establish financial sales targets and evaluation systems, utilize voices of customers and employees in management and take such other measures as part of our efforts to reform our corporate culture. We will also develop products and services that meet customers' needs from a customer-oriented perspective and make group-wide efforts to deliver such products and services to customers in a safe and reliable manner by adopting a style of providing services from customers' viewpoint.

Japan Post Bank

We will work to realize sustainable reforms to our corporate culture whereby each of our employees earnestly listens to customer opinions, and implements customer-oriented work operations in their day-to-day activities.

For the purpose of further promoting and putting into practice customer-oriented business operations, we established the "Service Improvement Committee" as an expert committee chaired by the President and Representative Executive Officer. Management teams lead the Committee in utilizing "customer feedback" and "employee feedback" in efforts to improve and enhance products and services.

Japan Post Insurance

We will radically shift to a new sales approach and thoroughly conduct activities to ensure that "our customers can use our products and services based on their satisfaction and understanding." In addition, throughout the insurance period, we will be engaged in careful follow-up services for strengthening ties with our customers, based on the concept of "providing services in the form of life insurance," thereby rebuilding relationship with them.

As part of its activities to support people throughout their lives in the era of the 100-year lifespan, the Japan Post Group has been sponsoring and supporting sports and para-sports, including the operation of a women's athletics team and the support of OHTANI Momoko, a wheelchair tennis player who is an employee of Japan Post Insurance. Going forward, the Japan Post Group will continue to contribute to the revitalization of local communities and the realization of a diverse society by utilizing its network of 24,000 post offices and 400,000 Group employees nationwide to promote athletic competitions and community-based teams and athletes.

Major sponsorship activities for sports

Contracting entity	Entities to be sponsored (Outline)
Japan Post Holdings Co., Ltd.	Rakuten Baseball, Inc. (Official sponsor)
	JAPAN BASKETBALL ASSOCIATION (Supporting the 3x3 BASKETBALL JAPAN NATIONAL TEAM)
	Japan Goalball Association (Official partner)
Japan Post Co., Ltd.	JAPAN PROFESSIONAL BASKETBALL LEAGUE (B.LEAGUE-partner)
Japan Post Insurance Co., Ltd.	Japan Wheelchair Tennis Association (Top partner)

Support for the Olympic and Paralympic Games Tokyo 2020

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



東京2020オフィシャルパートナー（郵便）

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

Support for the Tokyo 2020 Olympic Torch Relay

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



JP POST JAPAN POST



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

Activities of the Women's Athletics Team

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

The athletes belong to Japan Post Group companies. The Japan Post Women's Athletics Team has competed in the All Japan Industrial Teams Women's Ekiden (nicknamed "Queens' Ekiden" in Miyagi) for six years straight since 2015. The team took first place for the first time in 2016 (the 36th annual championship) and three years later, in 2019 (the 39th annual championship), it won first place for a second time. The team's success continued as it took first place for the second consecutive year in 2020 (the 40th annual championship) with a new record at the championship.

In terms of individuals competitions, team members displayed excellent results as exemplified by SUZUKI Ayuko, who placed second in September 2019 Marathon Grand Championship (MGC) and was selected to represent Japan in the 2020 Tokyo Olympics women's marathon, and in addition, HIRONAKA Ririka, who marked the all-time third best time in Japan in the 68th Japan National Industrial Teams Championships Women's 5000m, and NABESHIMA Rina, who won the first place in Women's 10000m in the same Championships.

Major results in fiscal year ended March 31, 2021

Activity/Competition	Result	Athlete	Record
40th All Japan Industrial Teams Women's Ekiden (Queens' Ekiden in Miyagi)	1st	Leg 1: HIRONAKA Ririka ^{*1,2} Leg 2: SUGATA Miyaka Leg 3: NABESHIMA Rina ^{*2} Leg 4: UTSUNOMIYA Eri Leg 5: SUZUKI Ayuko ^{*1} Leg 6: OHNISHI Hikari ^{*1}	2:13:34 ^{*3}
104th Japan National Championships Distance Events / Winners to be selected to represent Japan in the 2020 Tokyo Olympics Women's 5000m	2nd	HIRONAKA Ririka	15:07:11
68th Japan National Industrial Teams Championships Women's 5000m	3rd	HIRONAKA Ririka	14:59:37 ^{*4}
68th Japan National Industrial Teams Championships Women's 10000m	1st	NABESHIMA Rina	32:03:40

* 1 Stage prize

* 2 MIR (Most Impression Runner) prize

* 3 New record at the championship

* 4 The all-time third best time in Japan



Queens' Ekiden (SUZUKI Ayuko) Japan National Industrial Teams Championships (NABESHIMA Rina (left), HIRONAKA Ririka (right))



Queens' Ekiden (group picture)

Capital Strategy

We will promote postal service privatization and growth of the Japan Post Group through capital strategy.

IIZUKA Atsushi

Japan Post Holdings Co., Ltd.
Representative Executive Officer,
Executive Vice President



In the recently announced JP Vision 2025, Japan Post Holdings Co., Ltd., as a holding company with two financial companies, namely, Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd., under its umbrella together with Japan Post Co., Ltd., presented its policy to reduce its stakes in the aforementioned financial subsidiaries to 50% or less as early as possible in the JP Vision 2025 period (from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2026); and the shareholding ratio in Japan Post Insurance has already reached the targeted level. The shareholding ratios in these financial subsidiaries being 50% or less will relax the additional statutory operational regulations imposed under the Postal Service Privatization Act, allowing the companies to start new operations more flexibly.

This will lead to strengthening of our core business and an increase in profits.

In addition, the Company intends to not only work to increase profits by converting our business portfolio, but also aim to improve ROE by reducing capital costs through flexible acquisition of treasury stock and use of debt financing to increase the financial leverage and improving capital efficiency.

Furthermore, the Company recognizes the importance of shareholder returns. Despite the current adversity of the business environment, the Company aims to continue to pay annual dividend of 50 yen per share stably in the JP Vision 2025 period.

Early Disposal of Shares in the Two Financial Subsidiaries

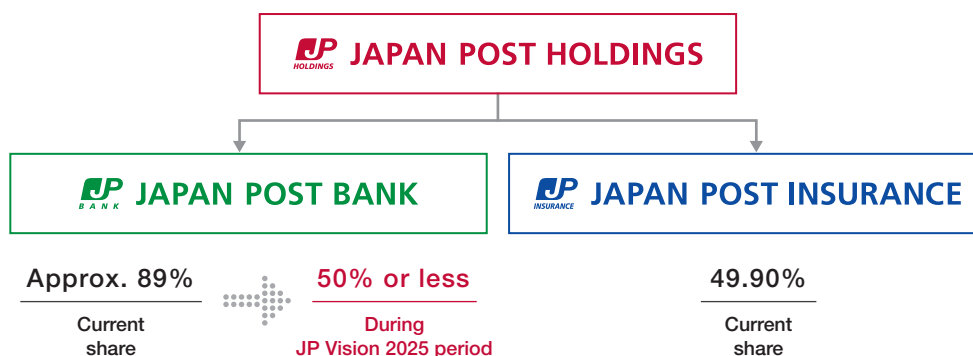
The Postal Service Privatization Act stipulates that all shares in the two financial subsidiaries, namely, Japan Post Bank and Japan Post Insurance, shall be disposed of as early as possible while taking into consideration the status of management of Japan Post Bank and Japan Post Insurance, an impact on their performance of duties to ensure basic services pertaining to the postal business, etc.

The Company aims under the JP Vision 2025 to reduce its stakes in the two financial subsidiaries to 50% or less as early as possible in the JP Vision 2025 period in accordance with the purposes of the Postal Service Privatization Act and from the perspective of enhancing

independence and flexibility of management of these companies. This will relax the additional statutory operational regulations on new operations imposed on these two companies and ensure steady progress in their privatization, including a shift to an advance notification system.

With respect to shares in Japan Post Insurance, as announced in May 2021, through a sale of shares in response to the acquisition of treasury stock by Japan Post Insurance and the Company's establishment of a stock disposal trust, the Company's voting right holding ratio in Japan Post Insurance became 49.90%.

Shareholdings in two financial subsidiaries

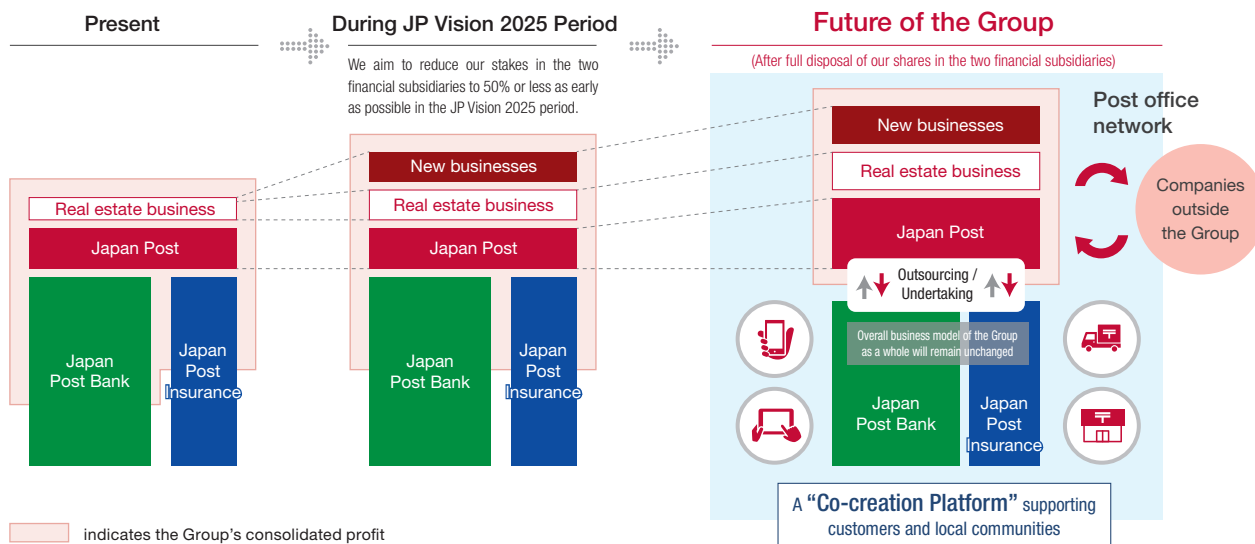


Conversion of Business Portfolio

As a “Co-creation Platform” supporting customers and local communities, we will convert our business portfolio in such ways as securing earnings opportunities by promoting investment in real estate and new business in order to continue contributing to the solution of the SDGs and other social issues and to the sustainable development of society, while improving and strengthening our core businesses, such as the postal and domestic logistics business, the banking business, and the life insurance business.

In making investment, we will proceed with securing new profits while maintaining the soundness of our financial position by undertaking appropriate risk-taking and risk control through the introduction of a new risk appetite framework (RAF) that covers also non-financial business.

The two financial subsidiaries use a business model in which services are provided through post offices, which are the Group's greatest strength; therefore, the group-wide business model with the post office network at the core remains unchanged even if the shares are further disposed of in the future.



Shareholder Returns and Improvement of Capital Efficiency

Shareholder Return Policy during the Period of JP Vision 2025

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

With regard to dividends from retained earnings, the Company aims to provide stable returns to shareholders while maintaining required internal reserves and paying attention to capital efficiency. Accordingly, the Company intends to sustain stable dividends per share with a targeted annual dividend of 50 yen per share until the end of the fiscal year ending March 31, 2026, which is covered by the JP Vision 2025 period. Also, we will flexibly implement acquisition of treasury stock to improve capital efficiency.

As announced in June 2021, we acquired treasury stock of approximately 250.0 billion yen with the aim of improving capital efficiency and strengthening shareholder returns.

The annual dividend for the fiscal year ended March 31, 2021, is decided to be 50 yen per share for common stock based on a comprehensive determination of earnings and other matters. The source of the full amount of dividends for the fiscal year under review is capital surplus.

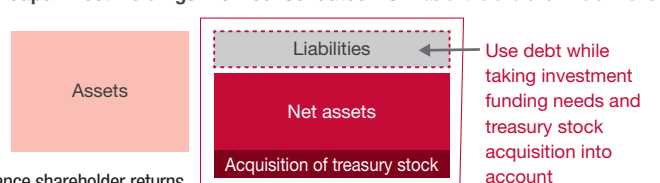
Japan Post's Efforts to Improve Capital Efficiency

In addition to flexible acquisition of treasury stock, we will use debt financing to increase the financial leverage of Japan Post Holdings (non-consolidated) with the aim of reducing capital costs. We will improve capital efficiency (ROE) by reducing capital costs as well as improving profits.

Japan Post Holdings' non-consolidated BS as of March 31, 2021



Japan Post Holdings' non-consolidated BS as of the end of JP Vision 2025



Aiming to improve capital efficiency and enhance shareholder returns

ESG Management

Aiming for Realizing a “Co-creation Platform” to Build a Sustainable Society



NISHIGUCHI Akihito

Managing Executive Officer
Japan Post Holdings Co., Ltd.

The Japan Post Group has 24,000 post offices, a nationwide delivery network, 400,000 employees, and a vast amount of financial assets entrusted to it by its customers. It is our social responsibility as a company to apply these resources toward helping solve social and environmental issues under proper governance. It is also the foundation of the Group's existence to have vibrant local communities and a society where a wide variety of customers, from children to the elderly, can enjoy their lives. There is also a greater risk of losing stakeholder support if our efforts in this regard are insufficient. On the other hand, the Group can increase its corporate value by addressing such issues as quickly as possible. We will continue to manage our business with an awareness of these two aspects of sustainability: contributing to the creation of a sustainable society and achieving sustainable growth and development as a company.

In these initiatives, we need to take a long-term perspective, envision the company we wish to be, and be flexible in our thinking. In the last fiscal year, we established a new Sustainability Committee to discuss important ESG issues with the participation of executive officers responsible for such management issues at each Group company. The thinking behind reducing greenhouse gas emissions and the policy for increasing the ratio of women in management roles embedded in the Medium-Term Management Plan were also decided within this framework. Going forward, we will continue to accurately track progress of milestones to achieve our goals, while also addressing other issues.

In parallel with these activities, we believe it is important to communicate the Group's initiatives in a way that is easy for people to understand and to flexibly incorporate their opinions. The Sustainability Management

Office will play a central role in developing a framework for information disclosure and dialogue with our stakeholders.

Employees' awareness and work styles also need to be changed to be more open and flexible. Each Group company and department will promote such efforts, and ideally there will ultimately be no need for an organization named the Sustainability Management Office.

Various breakthroughs are also needed to resolve issues. For example, the Group has set a goal of reducing greenhouse gas emissions by 46% by fiscal year ending March 31, 2031 and becoming carbon neutral by 2050. Yet there are prerequisites to achieving these goals. Japan as a country must make progress in the diffusion of renewable energy and other forms of energy and smoothly switch to electricity with a low carbon emission factor. At the same time, for our part as the Japan Post Group with its many resources, we must not wait passively but proactively promote initiatives that will encourage a transformation toward carbon neutrality in society and the economy. To cite a few examples, we will build a charging infrastructure for EVs (electric vehicles) at post offices for use by local businesses and customers, install solar power generation equipment and so forth, to promote the transition to a carbon-neutral society in regional areas and improve resilience in the event of disasters. In addition, Japan Post Bank and Japan Post Insurance will allocate a portion of their portfolios toward the renewable energy field.

To make these efforts more effective, the Japan Post Group will become a more open corporate group, and as a “co-creation platform” supporting local communities and customers, it will boldly take on various challenges by utilizing its resources and collaborating with various like-minded entities.

Concept of Sustainability Management

By promoting “sustainability management,” the Japan Post Group will strive to attain its Group management philosophy. It will also contribute to the sustainable growth of the Group and the realization of a sustainable society, while taking a medium- to long-term perspective on the impact of the business environment and social issues surrounding the Group on its management.

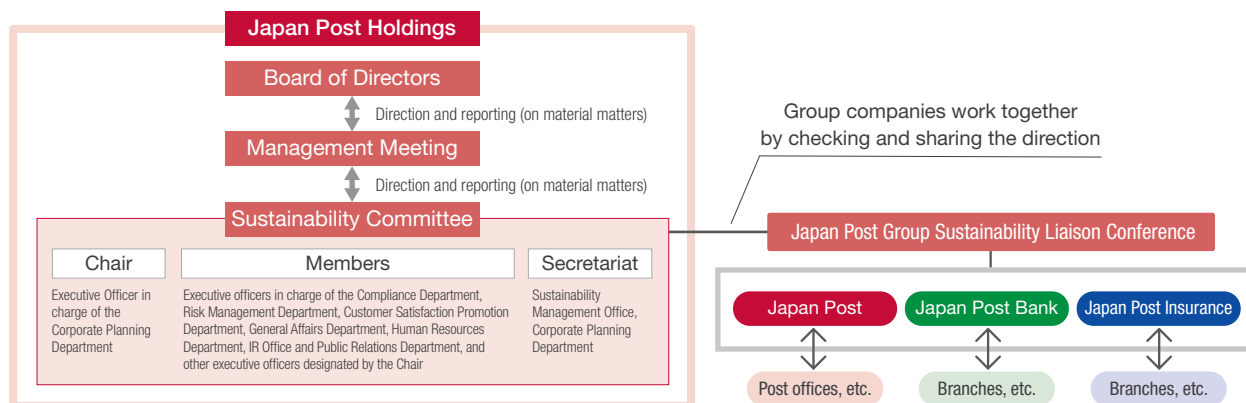
Under the new Medium-Term Management Plan “JP Vision 2025,” we will promote sustainability management while setting the ESG goals of providing lifelong support in the era of the 100-year lifespan, contributing to development and revitalization in local communities across Japan, and building a sustainable society.

Sustainability Promotion System

In January 2021, Japan Post Holdings Co, Ltd. reorganized its CSR Committee, an advisory body to the Management Meeting, into the Japan Post Holdings Sustainability Committee, chaired by the executive officer in charge of the Corporate Planning Department and the Sustainability Management Office was established as its secretariat. This move reflects the need for more in-depth consideration of management strategies and governance systems that incorporate ESG and sustainability concepts, as well as financial analysis of the impact of climate change risks and other factors on the core of management. In addition, to strengthen the structure for promoting sustainability across the entire Group, the Japan Post Group Sustainability Liaison Conference, whose members include the executive officers in charge of the Corporate Planning Department of each Group company, is held with the aim of promoting sustainability management as a unified Group.

In JP Vision 2025, we have discussed and built into the plan such issues as the attainment of carbon neutrality, increasing the ratio of women in management roles, and promoting ESG investments. The committee will continue to deliberate on matters such as the formulation of long-term strategies for the Group’s sustainability management, and important deliberations will be presented and reported to the Management Meeting and the Board of Directors.

Furthermore, in addition to enhancing the Group’s ESG-related initiatives, the Sustainability Management Office and the relevant departments at each Group company will work together to accurately respond to the information disclosure requirements of ESG rating organizations, provide easy-to-understand information about the Group’s initiatives, and encourage dialogue with stakeholders.



Convening of the Sustainability Committee

Year convened	Agenda
2020/3	<ul style="list-style-type: none"> Review of the Group’s greenhouse gas reduction and interim benchmarks (2021/3) Policy on initiatives to strengthen ESG initiatives, etc.
2021/3	<ul style="list-style-type: none"> Toward the realization of “ESG management” in the Group’s Medium-Term Management Plan Review of targets for carbon neutrality Consideration of ESG in the Group’s real estate business Expansion of ESG investments Increasing the ratio of women in management roles Public relations activities for sustainability

Promotion of ESG Management (Sustainability Management)

We will aim for the Group's sustainable growth and the creation of medium- to long-term corporate value by leveraging our network of post offices to contribute to local communities through our business and address social issues such as the SDGs.

Sustainable Growth / Creation of Medium- to Long-Term Corporate Value



Active Contribution to Issues such as SDGs

- Japan Post Group
- Japan Post
- Japan Post Bank
- Japan Post Insurance

	Vision toward 2026/3	Specific efforts (initiatives)
<p>1. Providing lifelong support in an era of the 100-year lifespan</p>	<ul style="list-style-type: none"> Maintain post office network and provide universal services Quality financial services that meet customers' needs / Safe and secure financial services Realize healthy and bountiful lifestyles (radio gymnastic exercises, health support app) Next-generation education (promotion of letter-writing, financial education) 	<ul style="list-style-type: none"> User-friendly services utilizing digital technologies Establish foundations needed for a diverse society and lifestyles that support the era of the 100-year lifespan through establishment of daycare centers, facilities for senior citizens, and cultural facilities Enhance Mimamori (Watch-Over) and End-of-life Planning Services (elderly welfare services utilizing digital technologies) Giving our top priority to making peace of mind and safety by expanding digital services that take into account the needs of the elderly and socially disadvantaged people, etc. Provide basic protection and services for all generations Develop products in light of the social needs of the era of the 100-year lifespan Support our customers' efforts to stay healthy such as the Radio Exercise Program and health support apps
<p>2. Supporting local communities across Japan</p>	<ul style="list-style-type: none"> Maintain post office network and provide universal services Establish resilient logistics infrastructure in response to expansion of EC market Resolve local issues through provision of diverse products and services that meet needs of local communities Provide sustainable universal services through thorough low-cost operations Flow of money to regions 	<ul style="list-style-type: none"> Support for revitalization and creation of excitement in local communities and for building communities, contribute to sustainable town development in partnership with local municipalities, such as construction of disaster-resilient buildings, with the aims of prevention and mitigation of disasters Expand comprehensive administrative work contracts from local governments, strengthen cooperation with regional financial institutions, promote integrated management of post offices and local train stations Promotion of P-DX, utilization of advanced technology Contribute to local communities and support recovery at times of disaster Flow of money to regions (Financing through investment to Regional Fund and various frameworks) Respond to financial needs that correspond to actual circumstances in the regions by strengthening regional relations functions
<p>3. Reduction of environmental footprint</p>	<ul style="list-style-type: none"> Reduce greenhouse gas emissions Promote business activities that consider reduction of regional environmental footprint Strengthen ESG investment 	<ul style="list-style-type: none"> Reduce environmental footprint and address climate change by expanding introduction of renewable energy and environmentally responsible technologies Gradually shift to renewable energy and electricity with low carbon emission factor Promote paperless operations Promote carbon neutrality in local communities using post office network (environmentally responsible post offices, combining electric vehicles, renewable energy utilization, charging / storage facilities, CLT, wood biomass, solar power generation, and LED) Promote ESG investments on climate change and other environmental issues, promote investments in consideration of various international agreements
<p>4. HR strategy</p>	<ul style="list-style-type: none"> Promote work style reform from the perspective of employees Promote diversity (create an organization where diverse human resources can play active roles) Enhance labor productivity (ability and motivation) 	<ul style="list-style-type: none"> Create a comfortable workplace (Reduce overtime work, promote telework, support balance between work and caring for children / elderly relatives or treatment of illness, realize HR schemes that accommodate environmental changes, eradicate harassment (abuse of power and sexual harassment), promote health management) Promote diversity (Awareness raising, behavioral reform, promotion of women's advancement (increase percentage of women in management roles), promote employment of senior citizens, promote employment of people with disabilities, respond to gender diversity) Human resource development (Train human resources capable of providing customer-oriented services and who will support the growth of the Japan Post Group)
<p>5. Governance</p>	<ul style="list-style-type: none"> Strengthen the governance of the Group Strengthen the management functions of branches and the frontline Manage risks of the Group as a whole 	<ul style="list-style-type: none"> Introduction of Group CxO system Integrated management of Japan Post Holdings and Japan Post Transfer of authority to branches Reviewing governance to create an integrated management system of post offices Build a system that can promptly detect and respond to conduct risks

Providing Lifelong Support in an Era of the 100-Year Lifespan

End-of-life Planning Services

Through affiliated companies, the Japan Post Group introduces services by end-of-life service providers to meet the needs of individual customers.

As of May 2021, we were able to introduce businesses engaged in inheritance management, memorial services, private nursing care facility information, disposal of disused items, the creation of personal histories, and on-site family photo shooting service.

Watch Over Service

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



Sukoyakanpo health support app

With the advent of the super-aging society, the role expected of life insurance is no longer limited to conventional services. For example, we make insurance payments in cases such as hospitalization due to illness or injury, but includes providing services for preventing illness and injury, and for promoting and maintaining health. To fulfill such a role, Japan Post Insurance is vigorously supporting healthy and affluent lifestyles, and as a measure of this support it has launched the *Sukoyakanpo* health support app, which helps people pursue health with ease. The app is available for free, and features both the Standard menu for everyone, and the Premium menu with more enhanced content for policyholders and insured people, as well as policyholders' families.

Standard menu Premium menu



Next-generation education

The Japan Post Group is engaged in the following activities as next-generation education initiatives.

Through the writing and exchange of actual letters during class time at school, Japan Post provides opportunities to experience letter writing focused on elementary, junior high, and high school students in the hope that they will learn to enjoy writing letters and experience the joy of receiving letters. Additionally, we hold various other events in collaboration with schools and local residents.

Japan Post Bank has conducted financial education classes and other visiting lessons at schools for elementary and junior high school students since the fiscal year ended March 31, 2015. As a result of the considerable change in the financial environment surrounding children due to economic globalization and the spread of electronic money, there has been a rise in the number of cases in which youth are encountering financial troubles. As a financial institution rooted in regional communities, Japan Post Bank uses its own teaching materials to convey to children the importance of money and how to handle it properly.



Supporting Local Communities

Disaster and COVID-19 initiatives

In the event of a major disaster, the Japan Post Group provides various emergency services to aid affected customers. To eliminate inconveniences for customers to the fullest extent possible, we provide services such as deliveries to evacuation shelters, dispatch of mobile post offices, on-site services to evacuation shelters, mail and Yu-Pack acceptance, cash deposits, and savings repayments.

Further, although the end of COVID-19 is nowhere in sight, the Japan Post Group has taken measures to prevent infections and ensure the safety of our customers and employees, while also providing double payment of insurance benefits to support the people of Japan.

While ensuring the safety of our customers and employees, we will continue to function as a safety net for the Japanese people by responding to the demands of society and earning the trust of customers as an indispensable social infrastructure in all communities.



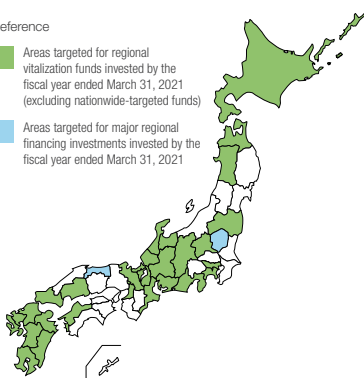
Funds flow to regional communities

Japan Post Bank strives to contribute to regional vitalization by supporting funding through various frameworks in order to circulate vital customer savings entrusted to us throughout the region. Specifically, equity funds are supplied through the Regional Vitalization Fund, and we also respond to regional risk money needs through the Japan Platform of Industrial Transformation, Inc. (JPiX) and Japan Post Investment Corporation.

Additionally, in collaboration with regional financial institutions as the core of "regional financial platforms," we respond to financial needs according to actual conditions in each region, including the utilization of ATM networks and aggregation of operational processes.

Reference

- Areas targeted for regional vitalization funds invested by the fiscal year ended March 31, 2021 (excluding nationwide-targeted funds)
- Areas targeted for major regional financing investments invested by the fiscal year ended March 31, 2021



Integration of post office and Station Ticket Office Services

Based on an agreement between Japan Post and East Japan Railway Company (hereinafter "JR East") on the reinvigoration of local communities and wider Japanese society in June 2018, in an effort to realize functional integration between post offices and train stations, starting in August 2020, at Emi Station on the Uchibo Line (Kamogawa City, Chiba Prefecture), we integrated Station Ticket Office Services into post office operations. At the EMIEKI Post Office counter, which has been relocated and opened on the train station premises, we handle station ticket office services including the sale of regular tickets as well as the sale and refilling of Suica prepaid transit cards. Going forward, we will continue to contribute to the further reinvigoration of local communities and wider Japanese society through collaborations with JR East.



Reducing Environmental Burdens

Passing on the rich natural environment supporting Japan Post business activities into the future.

As a corporate group with many business facilities and vehicles operating in Japan and overseas, we will seriously address issues such as climate change and actively promote business activities in consideration of reducing global environmental burdens.

Aiming to Achieve Carbon Neutrality (Japan Post Group Greenhouse Gas Reduction Target)

The Japan Post Group promotes various initiatives to achieve carbon neutrality by setting as its ESG target under JP Vision 2025 an ultra-long-term goal aiming to achieve carbon neutrality by 2050, with the milestone for steadily promoting this goal set as a 46% reduction in CO₂ by the fiscal year ending March 31, 2031 (compared to the fiscal year ended March 31, 2020).

Additionally, to achieve these goals, it is necessary to promote the spread of renewable energy in Japan, thus the Group will also utilize its management resources to support carbon neutrality in Japan and around the world.

The infographic features a light blue border and a white background. At the top right is the Japan Post Group logo (JP JAPAN POST GROUP). On the left is a watercolor-style illustration of a green tree. In the center, a green circle contains the text 'Japan Post Group's GHG Emission Reduction Target'. To its right, the text '2031/3 (Compared to the 2020/3 level)' is positioned above a large red '46% reduction' with a green arrow pointing downwards. Below this, the text 'We will aim to be carbon neutral by 2050.' is written in blue. At the bottom right, a small green box contains the number '13' and the text 'CLIMATE ACTION' with a globe icon. At the very bottom, small text reads: 'Targets are for Scope 1 and Scope 2, and exclude increases due to new businesses such as the real estate business.'

Endorsement of the TCFD Recommendations

Japan Post Holdings, Japan Post Bank, and Japan Post Insurance announced their support for the TCFD* recommendations in April 2019 and have since promoted analysis and information disclosure regarding the impact of climate change on Group business.



* TCFD: Task Force on Climate-related Financial Disclosures

■ Analysis based on TCFD recommendations

Postal and domestic logistics business

https://www.japanpost.jp/csr/environmental_management/post_scenario.html

Banking business

https://www.jp-bank.japanpost.jp/en/csr/esg/env/en_csr_esg_env_tcf.html

Life insurance business

https://www.jp-life.japanpost.jp/english/aboutus/csr/en_abt_csr_enviroment.html#csrEnv5

Expanding the Introduction of EVs

Japan Post is promoting a transition from gasoline-powered vehicles to electric vehicles (EV) for the delivery of mail and parcels. By the fiscal year ended March 31, 2021, 1,500 light automobiles and 2,200 motorcycles have been replaced for short distances centered on the Tokyo area, but going forward, we plan to employ approximately 12,000 light automobiles and about 21,000 motorcycles by the fiscal year ending March 31, 2026, with the aim of further reducing environmental burdens.



Initiatives to introduce and expand EV vehicles

2009/3	Japan Post proceeded with preparations toward full-scale introduction of EVs, conducting demonstration tests of EVs to verify benefits and issues in terms of the environment and business from various perspectives and asking automakers for cooperation in development.
2014/3	Japan Post introduced EVs on a trial basis and conducted tests on the effect on the environment as well as practicality and efficiency. It switched 10 automobiles over to EVs.
2015/3	Japan Post switched 62 automobiles over to EVs.
2018/3	Japan Post started examining collaboration with Honda Motor Co., Ltd. on demonstration testing for environmentally responsible electric motorcycles for postal deliveries.
2020/3	Japan Post switched 400 automobiles over to EVs and 200 motorcycles over to electric motorcycles.
2021/3	Japan Post switched 1,100 automobiles over to EVs and 2,038 motorcycles over to electric motorcycles.
Up to 2026/3	Japan Post plans to switch approximately 12,000 automobiles over to EVs and approximately 21,000 motorcycles over to electric motorcycles.

Promotion of Carbon Neutrality in the Regions Using the Post Office Network

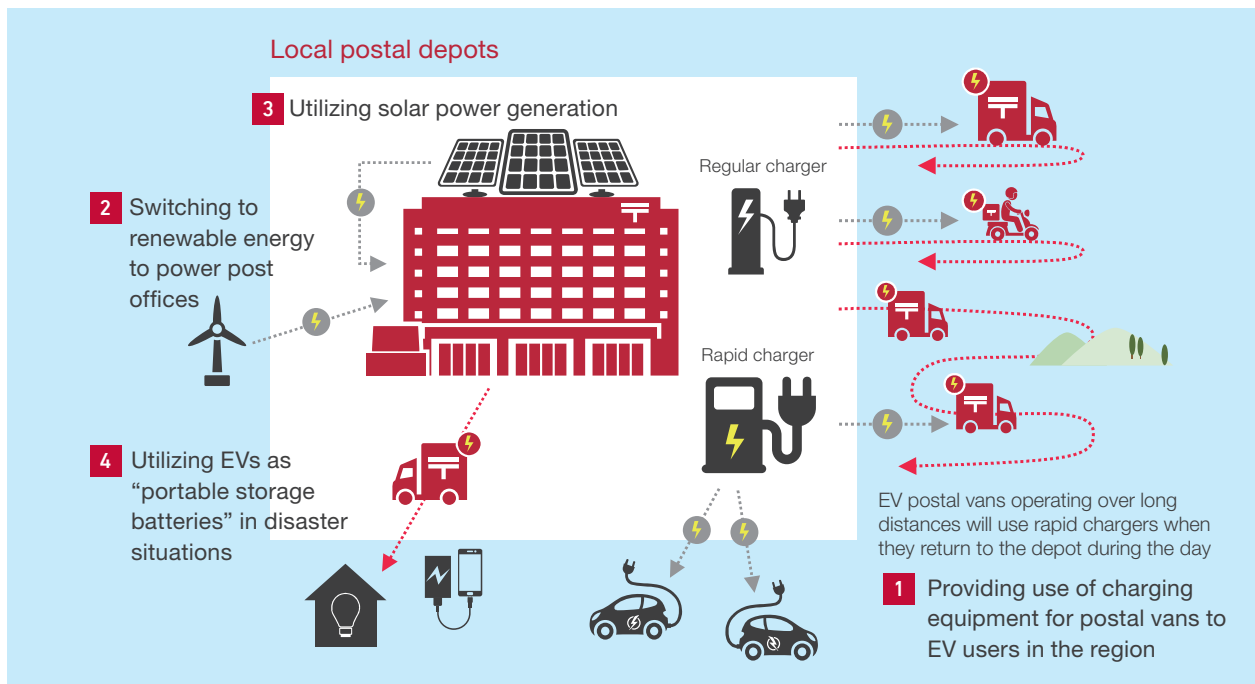
Japan Post is engaged in the promotion of carbon neutrality in local communities utilizing the post office network.

Promoting local carbon neutrality utilizing charging equipment, etc., installed at post offices

In line with the expanded introduction of EVs, the Group will promote local carbon neutrality by installing charging equipment at post offices to provide charging services for local residents.

Based on a strategic alliance between the Japan Post Group and the Tokyo Electric Power Group to promote

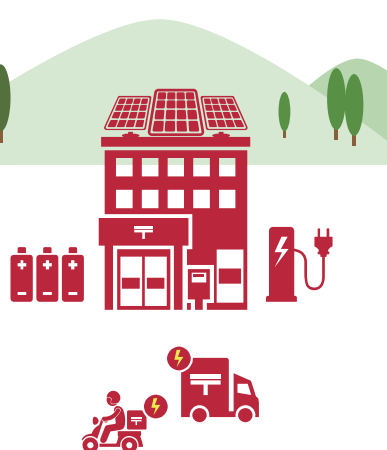
carbon neutrality concluded with Tokyo Electric Power Company Holdings, Incorporated in April 2021, demonstration experiments are scheduled to commence at the Numazu Post Office (Shizuoka Prefecture) and Oyama Post Office (Tochigi Prefecture) starting around autumn 2021.



Promotion of environmentally responsible post offices

Japan Post promotes the construction of environmentally friendly post offices (+eco post offices (tentative name)) that combine the use of CLT* and low-environmental-load private power generation, etc.

* CLT (Cross-laminated timber): Thick wood panels made from gluing together layers of long planks of wood at perpendicular angles to each other to give them excellent strength and insulation, curbing the generation of CO₂ compared with concrete and iron



Category	Measure	Effect
Building	Post office buildings built with CLT	Use of recyclable resources, revitalization of forestry industry
	Private power generation, heating using wood biomass	Use of renewable energy
	Solar power generation / wall-mounted solar power generation	Reduced lighting and heating expenses
	Installation of storage batteries	Use as a disaster-readiness base for the region
	Installation of LED lighting	Energy-saving lighting
	Installation of EV charging stations	No use of gasoline, popularization of EVs
Outside	Introduction of EVs	No use of gasoline
Counter	Energy-conservation devices such as motion sensors on air conditioning equipment	Reduced lighting and heating expenses
	Insulating films, block-out curtains on windows	
Other	Use of recycled paper / paperless operations, installation of collection machines for plastic bottles, etc., reduction in plastic bag use, etc.	Resource conservation

ESG Investment

When managing funds, the Japan Post Group will give due consideration to the public and social nature of funds and actively contribute to the vitalization of the community and the building of a sustainable society.

JAPAN POST BANK

Japan Post Bank established an ESG investment policy based on growing demands from stakeholders for addressing social issues such as climate change and supporting TCFD recommendations, and conducts investments based on this policy.

We invest in green bonds and social bonds issued by companies around the world. In addition, from the perspective of contributing to regional vitalization in Japan, we will respond to the risk money needs of regional communities by supplying funds through regional vitalization funds.

Main regional vitalization funds (2021/3)

Fund name	Year/month of participation
Kansai Innovation Network Investment Limited Partnership	2020/4
Kansai and Chubu Regions Recovery Support Investment Limited Partnership	2020/7
MIYAKO Kyoto University Innovation II L.P.	2020/10
Dogan Regional Value Fund	2020/12

KPI

Balance of ESG-themed Investment*



Note: ESG bonds (green bonds, social bonds including pandemic bonds, sustainability bonds), loans to renewable energy sector, the regional vitalization funds, etc.

Number of regional vitalization fund contributions (cumulative)



Main regional finance projects (2021/3)

Finance project name	Schemes	Project period
Tottori Prefecture hydroelectric plant re-improvement and operation business	PFI	2020/7
Tochigi Prefecture Comprehensive Sports Zone East Area Development Project	PFI	2020/8

Note: Private Finance Initiative. A method that conducts construction of public facilities, and other similar efforts, utilizing the funding and capabilities of the public.

JAPAN POST INSURANCE

Japan Post Insurance invests from the perspective of fulfilling its social responsibilities as a life insurance company based on the ESG Investment Policy with the aim of realizing a sustainable society, improving investment results, and controlling risks in the long term.

In the fiscal year ended March 31, 2021, in addition to investing in bonds aimed at protecting the natural environment and supporting gender equality, we have expanded our ESG investments base to include corona bonds aimed at supporting measures against COVID-19.

Going forward, in addition to considering ESG elements for the entire asset portfolio, we will focus on the “enhancement of well-being,” “development of local communities and society,” and “contribution to environmental protection” as initiative themes and make investments with “warmth” unique to Japan Post Insurance.

Major themed investment examples

Investment in an Education Bond to support school education, vocational training, gender equality, in the Asia-Pacific region (March 2021)



© Asian Development Bank

Investment in a Sustainable Development Bond to support “One Health,” optimal health outcomes in people, animals, and global environment taken as a whole (March 2021)



© Inter-American Development Bank

Investment in a Sustainable Development Bond to support the purchase and distribution of vaccines through the international framework “COVAX” (March 2021)



© Inter-American Development Bank

Investment in a Green Bond to support green recovery (the transition to sustainable low-carbon society under the COVID-19 pandemic) (January 2021)



© World Bank

Investment in a Green Transition Bond to support the transition toward decarbonization of carbon-intensive industries (January 2021)



© European Bank for Reconstruction and Development

Investment in a Sustainable Development Bond in response to the COVID-19 (May 2020)



© Inter-American Development Bank

Investment in a Sustainability Awareness Bond to fight against COVID-19 (May 2020)



Community of Madrid © European Investment Bank

Investment in renewable energy projects such as solar power generation and biomass power generation (project finance) (since 2017)



Human Resource Strategy

Creating Workplaces with a Thorough Customer Orientation Enabling Employees to Maximize Capabilities

SHIMA Toshitaka

Managing Executive Officer
Japan Post Holdings Co., Ltd.



The Japan Post Group is working to restore trust severely damaged by scandals related to products and services of our two financial subsidiaries. We believe that it is of utmost importance to carry out customer-oriented business operations, and we will create an environment in which all Group employees can work sincerely, honestly, and humbly.

First, as a Group, we will thoroughly implement customer-oriented business operations and comprehensively review the sales goals and personnel evaluations of financial operations-related employees in order to raise the customer-oriented mindset of our employees.

Next, to meet the diverse needs of our customers, it is necessary to manage the business as a Group and create an open organization. We will strive to foster a sense of unity within the Group, including

facilitating proactive personnel exchanges within the Group, while also actively utilizing outside human resource specialists to create new value.

Moreover, for each employee to realize a healthy and vibrant work environment, the Japan Post Group will redouble various efforts promoted so far, including overtime work reductions, health management promotion, proactive support for child care, nursing care and illness, diversity management promotion and the improved treatment of fixed-term employees.

We will continue to focus on customer-oriented sales activities and create an environment where all employees can hone their strengths and work vigorously, as we strive to restore customer trust and grow and develop the Group

Sales Target and Human Resource Evaluation Revisions

Restructuring of the Financial Sales Target and Evaluation System

The Group will comprehensively review financial operations-related employee sales targets and personnel evaluations to thoroughly implement customer-oriented sales activities that include proposals in line with customer interests and intentions.

Regarding sales targets, in terms of individual policy sales targets, from the fiscal year ending March 31, 2023, we will incrementally introduce revisions to sales targets enabling a transition away from an emphasis on conventional (the fiscal year ended March 31, 2020 or

earlier) new policy sales targets, to a focus on the amount of net increase (sales amount less extinguished amount) to give new policies and ongoing policies the same weight.

At the same time, we will increase the weight of sales processes, sales quality, and after-sales follow-up evaluations within sales targets, transitioning to a target structure emphasizing customer-oriented sales activities.

Sales target revisions (Individual policies)

Until now (FY2019 or earlier)

* No sales targets set for the fiscal year ended March 31, 2021

- **Emphasis on new policies**
(Cancelled and extinguished policies not considered)

Going forward (under JP Vision 2025)

- **Revise net increase targets (sales amount less extinguished amount) so that new and ongoing policies can be evaluated with the same importance** (no targets set in the fiscal year ending March 31, 2022, incremental introduction from the fiscal year ending March 31, 2023)
- **Transition to a target structure emphasizing customer-oriented sales activities**

Sales processes Sales quality After-sales follow-up Increased weight (the fiscal year ending March 31, 2022, onward)

Regarding investment trusts, sales amount targets were not set for the fiscal year ending March 31, 2022, but we are considering the establishment of net increase targets from the fiscal year ending March 31, 2023, onward.

Regarding human resource evaluations, in line with individual policy sales target revisions, to facilitate a balance between the emphasis on conventional (the fiscal year ended March 31, 2020, or earlier) new policy sales achievements and customer-oriented sales activities to reduce the weight of sales achievements while at the same time increasing the weight of sales processes, sales quality, and after-sales follow-up evaluations.

Further, from the fiscal year ending March 31, 2022, onward, the Group will introduce and expand evaluations based on customer feedback (degree of satisfaction).

These revisions to financial operations-related employee sales target and human resource evaluation systems will enhance the customer-oriented mindset among employees, leading to the restoration of customer trust.

Human resource evaluation revisions (Individual policies)

Until now (FY2019 or earlier)

*No sales targets set for the fiscal year ended March 31, 2021

- Emphasis on new policy sales

Going forward (under JP Vision 2025)

- Revise evaluation weight settings biased toward new policy sales, evaluate customer-oriented approach of sales activities in a well-balanced manner

Sales performance Weight reduction (No targets set in the fiscal year ending March 31, 2022; targets will be incrementally introduced from the fiscal year ending March 31, 2023)

Sales processes Sales quality After-sales follow-up Increased weight (the fiscal year ending March 31, 2022, onward)

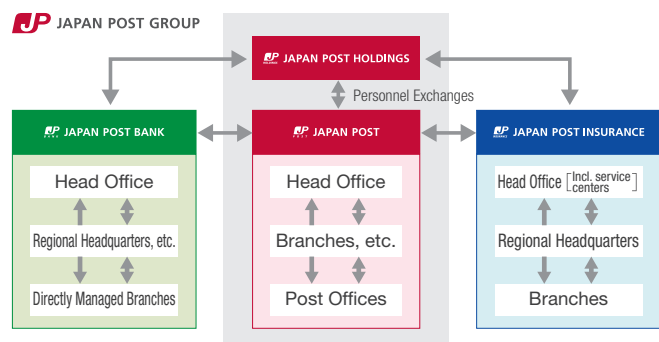
- In addition, from the fiscal year ending March 31, 2022, we will introduce and expand evaluations based on customer feedback (satisfaction).

We will also review investment trusts and other financial products in the same way.

Group Personnel Exchanges

Promoting Personnel Exchanges to Enhance Openness throughout the Group

Japan Post Holdings is a corporate Group providing three businesses: postal services, banking, and insurance through post offices in an integrated manner, thus it is extremely important to foster a sense of unity among Group employees, and to this end, we are actively engaged in inter-Group personnel exchanges in order to optimally allocate personnel throughout the entire Group.



Development of Internal Human Resources, Proactive Recruitment of Outside Specialists

Development of Human Resources able to Contribute to Enhancing Group Corporate Value and the Recruitment of Outside Specialists

The Japan Post Group is a highly public corporate group functioning as social infrastructure centered on post offices seeking Group personnel who are sincere with strong aspirations and passion. Each Group company establishes roles expected for each course according to employee workstyles and conducts training according to position.

Additionally, operating three business comprising postal, banking, and insurance through post offices in an integrated manner, it is extremely important to foster as sense of unity throughout the Group, thus we established the Postal College within Japan Post to provide unified training to officers of each Group company, Head Office planning staff, new hires for general positions, and other employees.

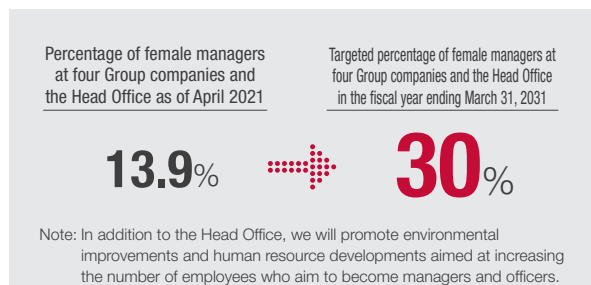
Further, to acquire highly specialized capabilities in line with business characteristics, the Group attempts to recruit and retain mid-career personnel with experience in real estate, legal affairs, IT fields, investment and market management, market risk management, actuaries, and other specializations especially for Head Office positions.

Going forward, to further enhance human resources within the creation of new value through the promotion of digital transformation, the Japan Post Group will be more proactive in terms of hiring outside specialists and developing internal human resources.

Promoting Diversity

Promoting the Active Participation of Women

In recognizing that the further elevation of female employees is indispensable for the growth and development of the Group amid diversifying consumer needs, workstyles, and other changes in the social environment, we established targets for the ratio of women among managers. Additionally, in order to create an environment where employees can work comfortably, we are making efforts to reduce overtime work, enhance systems supporting a balance between work and childcare, and provide training for female employees to foster career awareness.



Promoting Senior Employment

As the labor force population shrinks due to declining birthrates and aging populations, the Group aims to further leverage the abilities and experience of senior employees. Recognizing the need to create an environment where employees can work while maintaining motivation,

we raised the retirement age to 65 years old from the fiscal year ending March 31, 2022. Further, going forward, we will proceed with specific studies on securing employment opportunities up to the age of 70 years old.

Promoting the Employment of People with Disabilities

Recognizing that it is our social responsibility as a corporation to provide appropriate employment opportunities to people with disabilities, the Japan Post group promotes (1) the proactive recruitment of persons with disabilities, (2) the establishment of work environments and training aimed at employment retention and (3) the establishment and proactive utilization of special subsidiaries, with the immediate goal of raising the Group's employment rate for persons with disabilities to 2.5% (2.36% as of June 2020).

Responding to Sexual Diversity

The Japan Post Holdings' Basic Policy on Corporate Governance advocates the promotion of diversity management aimed at creating a work environment where sexual minority employees can work comfortably. Specifically, we provide a hotline for employees to report human rights violations or harassment incidents, we attempt to raise awareness and understanding regarding LGBT issues, including awareness seminars conducted by LGBT-related parties, we extended special paid leave (for marriage or bereavement) to include same-sex partners, and we sponsor and participate in Tokyo Rainbow Pride.

VOICE

JAPAN POST HOLDINGS

We will pay attention to a wide range of issues and promote the creation of a workplace where all employees feel comfortable working so that Group employees can fully demonstrate their individual abilities and provide higher quality services to customers.



OHASHI Shigehiro, Group Leader, Human Resource Planning, Human Resource Department, Japan Post Holdings Co., Ltd.

JAPAN POST

We will further promote understanding and disclosure of diversity management activities so that employees can create a workplace where they can maximize their abilities and create many projects incorporating diverse perspectives.



ICHINO Yoko, Manager, Diversity Promotion Office, Human Resource Department, Japan Post Co., Ltd.

JAPAN POST BANK

We established the Japan Post Bank Diversity Committee, chaired by the Representative Executive Officer, President & CEO, in which representatives from each organization nationwide participate as members to develop actions resolving various organizational issues according to specific conditions at each organization.



OKUDA Yudai, Group Leader, Diversity Promotion Department, Japan Post Bank Co., Ltd.

JAPAN POST INSURANCE

By creating a work environment where diverse human resources can work with peace of mind and employees can engage independently on workstyle reforms, we will lead corporate developments and customer service improvements.



YOKOI Tamaki, Manager, Diversity Promotion Office, Human Resources Development Department, Japan Post Insurance Co., Ltd.

Creating Comfortable Workplaces

Support Measures for Child Care, Nursing Care, and Illness

Regarding child / nursing care, the Japan Post Group has established a support system exceeding the regulations set out by law and is implementing various support measures so that both male and female employees can continue working during times they are needed at home, including from pregnancy to childbirth, for child care and for nursing family members. Additionally, with regard to employee healthcare treatment, we are taking steps to improve work environments and a work-life balance, including the enhancement of paid sick leave, paid holiday, infertility treatments and other paid leave systems so that employees can devote themselves to getting better with peace of mind in the event of illness.

Childcare leave acquisition rate

Men **70.8%** Women **98.8%**
(results for the fiscal year ended March 31, 2021)



Promoting efforts toward **100%** childcare leave acquisition rate for both men and women

Reducing Overtime Work, Promoting Telework

Japan Post Holdings is making efforts to reduce overtime work and introduce a system for ensuring minimal intervals between shifts through improved rationalization (utilization of RPA and AI, revised job descriptions). Further, in promoting telework with the aim of improving productivity and realizing diverse work styles, we have reaffirmed its importance as a COVID-19 countermeasure, thus we will continue to pursue work environment improvements.

Realizing a Human Resource System Adaptive to Environmental Changes

In light of rapid changes in the business environment, the Group is reviewing its labor force composition with an eye on future business and responding to laws and regulations related to equal pay for equal work. Regarding employee treatment, we will continue to promote employees from contract worker to full-time employee status, further improve employee treatment, and make efforts to realize a simple and more acceptable salary system.

Eradicating Harassment

At the Japan Post Group, efforts to eradicate harassment include messages from senior management pertaining to harassment for the enlightenment and edification of all employees, supervisory training using case studies, the distribution of booklets and other materials. We also set up a consultation hotline as a trustworthy method for reporting harassment inside and outside the Group companies.

Additionally, based on a verification report by the JP Reform Execution Committee in January 2021, we will implement thorough protections for whistleblowers and reorganize our investigatory approach by persons in charge who possess sufficient investigation skills.

Promoting Health Management

We believe that a healthy body and mind are vital for each individual employee to take full advantage of his or her skills and work energetically. Therefore, the Group companies are working together with employees to implement health maintenance and promotion measures. These measures include “reducing long work hours,” “health guidance toward prevention of lifestyle diseases,” and “mental healthcare” while establishing the Japan Post Group Health Management Promotion System with presidents of the four Group companies as Health Management Promotion Managers.

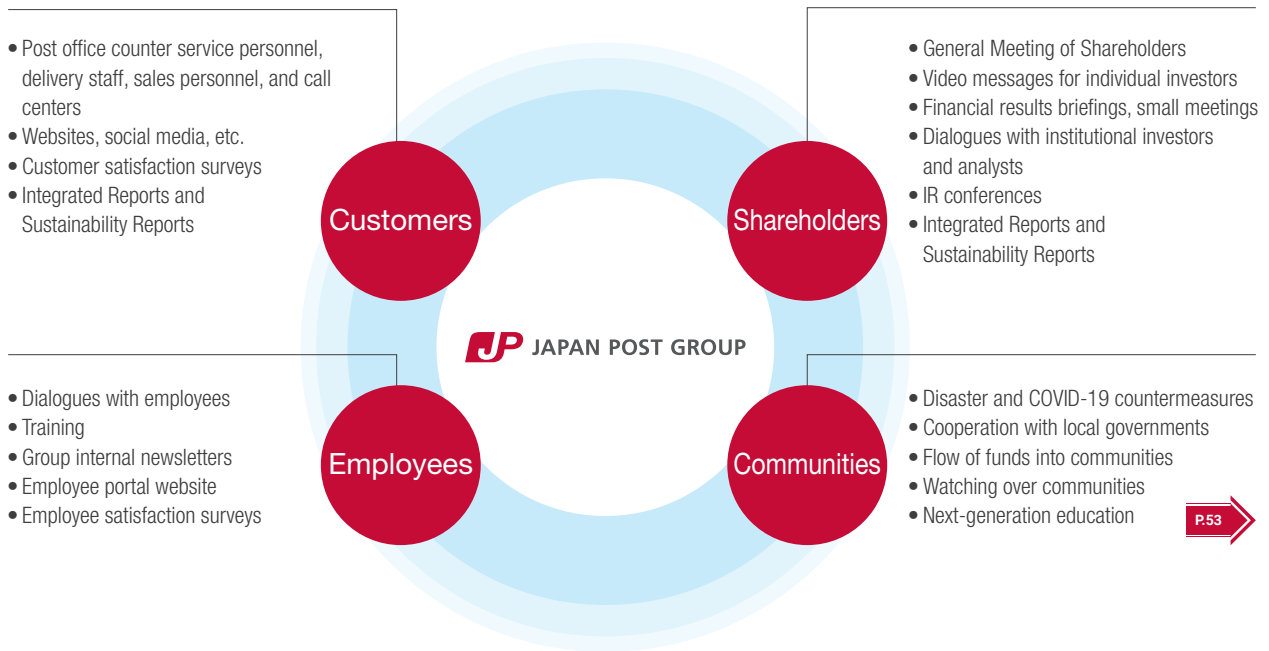
Initiatives Related to Respecting Human Rights

The Japan Post Group recognizes that the respect for human rights of all people involved in our business activities is indispensable to the achievement of a sustainable society. Accordingly, in April 2019 the Group established the Japan Post Group Human Rights Policy in accordance with international principles such as the United Nations Guiding Principles on Business and Human Rights. Further, the Japan

Post Group Charter of Corporate Conduct states that we shall aim for sustainable coexistence by placing importance on maintaining dialogues with diverse stakeholders, respecting human rights, and providing safe and comfortable workplaces.

The Japan Post Group is dedicated to promoting human rights initiatives across the Group.

Dialogue with Stakeholders



Utilizing Customer Feedback in Management

Japan Post Holdings incorporates customer opinions and requests into Group business improvements. The following are examples of service improvements based on customer feedback.

Customer Feedback	Improvements
I want to make cashless payments for stamps purchased at the post office.	Credit card and other cashless payment options have been introduced at approximately 8,500 post offices nationwide.
I want to easily check the balance of my bankbook.	Launched the Japan Post Bank “Yucho Bankbook” app, enabling users to check current deposits and withdrawals at any time using a smartphone.
I want to make hospitalization insurance claims without having to go to a branch office.	Hospitalization and surgical insurance claim documents can now be ordered through the policyholder “My Page” on the Japan Post Insurance website.

Exchanging Opinions with Employees

At the Japan Post Group, part of our efforts to realize an open corporate culture include holding regular meetings at which Group employees working on the front lines are able to exchange opinions with the Japan Post Holdings President.

At these meetings, a lively exchange of opinions takes place in accordance with different themes chosen for each meeting, such as initiatives for new growth and operational improvements discovered through customer feedback. In addition to disseminating senior management intentions to employees throughout the Group, feedback from employees is incorporated to improve management.



President Masuda interacting with employees online during COVID-19

Investor Relations Activities Report

To contribute to sustainable growth and enhancement of corporate value over the medium to long term, the Japan Post Group aims to disclose information accurately and equally to all shareholders and investors. In an effort to engage in constructive dialogues, feedback and requests received through dialogues are shared throughout the Company and utilized to improve management.

Activities in the fiscal year ended March 31, 2021

Activity	Detail
16th Annual General Meeting of Shareholders	Date: June 18, 2021 Attendees: 173
Individual investor video messages	Japan Post Group Director and Representative Executive Officer, President & CEO, MASUDA Hiroya, posts video messages on the Japan Post Holdings website explaining business details and future strategies.
Financial results briefings & small meetings for fiscal year ended March 31, 2021 (for institutional investors & analysts)	Meetings held: 7
Dialogue with institutional investors & analysts	Meetings held: 116 (Including about 58 individual interviews with overseas investors)
Participation in IR conferences in Japan and abroad	Number of times participated: 6 times participated in conferences hosted by securities companies and held meetings



IR annual schedule

Quarter	Month	Activity
First Quarter	Apr.	
	May	Full-year financial results
	Jun.	General Meeting of Shareholders
Second Quarter	Jul.	Integrated Report issued
	Aug.	1Q financial results
	Sep.	
Third Quarter	Oct.	
	Nov.	2Q Financial results
	Dec.	
Fourth Quarter	Jan.	Intermediate disclosure published
	Feb.	3Q financial results
	Mar.	

TOPIC

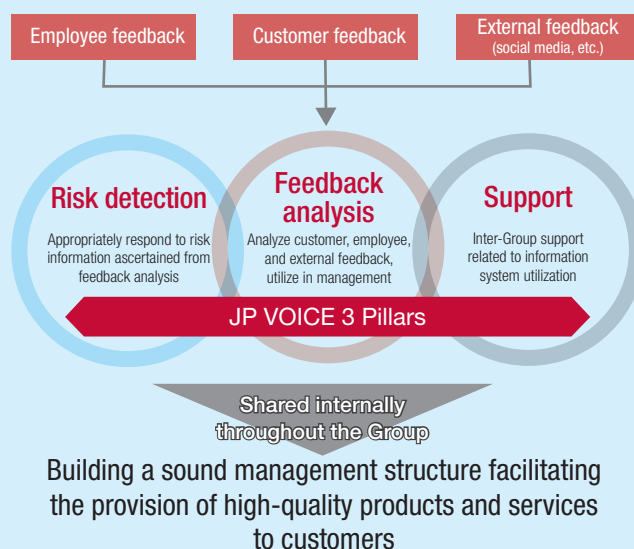
JP VOICE Project Initiatives

In the JP VOICE project, launched in June 2020, to improve Group risk sensitivity we designed several analytical models to understand non-customer-oriented business operations by analyzing a large amount of feedback from customers, employees, and external stakeholders. These analytical models analyze customer feedback using online surveys, social hearings, mined text data, business intelligence, and other tools to analyze and understand trends, which are promptly and accurately reported to senior management, and then feedback into relevant departments at each Group company.

In the fiscal year ended March 31, 2021, the Group implemented the initiatives described on the right.

Going forward, we will consider creating an analysis model utilizing AI and other technologies with the aim of further improving analysis results. Through efforts such as these, the Japan Post Group aims to establish a sound management structure able to provide high-quality products and services to customers.

JP VOICE project initiatives



Major initiatives in the fiscal year ended March 31, 2021

- From customer feedback, we identified actual condition of non-customer-oriented business operations and created a discussion guide for employees.
- From employee feedback, we ascertained, classified, and shared the thoughts and actions of employees, which were used to improve Group company operations.
- From social media, ongoing monitoring enabled us to quickly grasp reactions to press releases.
- We organized data within the Group to share and utilize feedback from each Group company throughout the Group.
- Aiming to improve group-wide risk sensitivity, analysis results were promptly reported and shared with Group executives.

Message from an Outside Director



Japan Post Holdings' Corporate Governance Structure

Japan Post Holdings has a company with a nominating committee structure, and its corporate governance is centered on its Board of Directors and its nomination, compensation, and audit committees. There are a total of 13 directors, four from within the Company and nine from outside; all outside directors are independent directors. The directors come from varied backgrounds and are fully diverse in terms of gender and nationality. All three committees consist of a majority of outside directors, and are chaired by outside directors as well. Under this highly independent and transparent system, the Board of Directors makes decisions on basic management policies and other important matters, supervises execution, and manages risks, while the three committees carry out their respective mandates.

As this shows, the Company's corporate governance system is advanced and its membership is well organized. It goes without saying, however, that simply having the proper structure in place is not enough. It is necessary to thoroughly investigate any issues raised from the perspective of corporate governance, such as the issue of the solicitation of Japan Post Insurance policies that caused serious disadvantages to many of our customers and the major impairment loss booked on the acquired Australian logistics company Toll Holdings Limited.

Discussions on the State of Corporate Governance

Based on this awareness, the Board of Directors has held earnest discussions regarding the Company's corporate governance structure since the beginning of last year. There was also a difficult exchange of opinions with the executive side. I believe the diversity of the Board of Directors contributed greatly to broadening and deepening the horizons of the discussions throughout this process.

One of the key issues is the relationship between the holding company and its Group companies. The Company needs to be involved in the management of its Group companies based on the Japan Post Group Management Agreements. At the same time, a subsidiary is an independent stock company that should be granted management autonomy. The question is what kind of balance should be struck between centralized and autonomous decentralized management systems. Although it is difficult to clearly delineate between the two, in my opinion the basic division should be that the holding company takes a fairly centralized stance on matters that affect the entire Group or that may impact its corporate value, while aiming for as much autonomy and decentralization as possible on other matters. Since last year, the Board of Directors has been engaged in detailed discussions on the management of Group companies based on this understanding.

Another major issue is how to ensure that important information, including the realities at the front lines of Group companies that are developing diverse businesses, reaches the holding company or the Board of Directors. No matter how splendid the structure is or how open the discussion is, it is meaningless if important information does not reach the appropriate parties. Serious discussions were held between the executive departments of the Company and those of Group companies in this regard, and various meeting bodies and information communication frameworks were established. As a result, I feel that key information for the entire Group is now much easier to share than before.

Naturally, it would be difficult for the Company to get the complete picture of everything that is going on in such a massive corporate group, and that should not be a requirement. What is important is to recognize these limitations and to remain vigilant as to ensure communication channels of important information are not clogged. The Board of Directors also recognizes it has the responsibility to do so.

Formulation of “JP Vision 2025”

Firmly recognizing its role, the Board of Directors has been deeply involved in the formulation of the Medium-Term Management Plan starting in 2021. The plan embodies the vital mission of charting a growth strategy for the Japan Post Group amid a rapidly changing environment, while restoring confidence in the Group as a whole as a major underlying prerequisite. Each director has presented his or her ideas from various perspectives since the Board of Directors began discussing the formulation of the plan in September 2020. At times, revisions were requested to the executive side's proposals, and opinions were expressed on how they should be formulated. In such interactions, it was pointed out that the process of formulating a management plan is of great significance, and accordingly, a wide range of opinions were sought and gathered from senior executives through to young employees within the Group. We also received proposals for the Group's growth from the JP Reform Execution Committee, and had a close exchange of opinions with YAMAUCHI Hirotaka, then chair of the committee. There were also in-depth discussions on a broad range of issues, including the state of Group

management, human resource policy, sustainability, ESG, DX, capital policy, and risk management. A total of 10 meetings of the Board of Directors were held as well as roundtable discussions with directors regarding the plan. In May 2021, the final decisions were made and the plan was announced as “JP Vision 2025.”

Toward the Creation of New Value

The vision begins with the statement, “The Japan Post Group aims to build a ‘Co-Creation Platform’ to support customers and local communities.” To this end, the Group is striving to embody the concepts of “Network of Physical post offices x Digital post offices” and “Core businesses x New businesses.” By doing so, it will do its utmost to create value by providing lifelong support to our customers in this era of the 100-year lifespan, supporting local communities across Japan, enhancing shareholder returns, creating friendly workplaces for employees, and realizing a sustainable society.

The Group's greatest strengths in realizing this vision are its 24,000-strong nationwide network of post offices, the 400,000 people who work in the Group, and the trust that it has earned from our customers over its long history.

The Group must also humbly accept the severe criticism that it has received from society. This is why it is critical for all Group members to work positively and proactively to create new value now. I am convinced that the direction set out in JP Vision 2025 is worthy of proudly publicizing to the world. I would like the employees to have a sense of pride and responsibility in being involved in making this happen. As one of the outside directors, I will do all I can to help the Group realize its vision.

Japan Post Group Corporate Governance

Basic Views

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

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

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

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

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

Group Operation and Management Structure

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

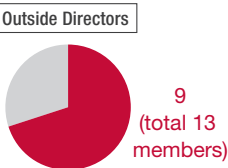
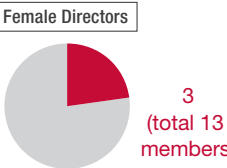

In addition, Japan Post is required to give prior approval or report on matters which must be done in order to conduct Group operations in a smooth and appropriate manner, as well as matters which require management based on laws and regulations. The two financial subsidiaries (Japan Post Bank and Japan Post Insurance) are required to give prior

consultation or reports for the purpose of securing the independence of the two finance corporations, and the Group is promoting consolidated management as a Group and working to ensure appropriate governance.

Moreover, in accordance with the Japan Post Group Management Agreements, the Group Steering Committee was established to discuss and share a common understanding of important matters concerning Group management among the management of the Japan Post Group companies for the purpose of promoting effective and efficient operation of the Japan Post Group. In addition, the Group CxO system has been introduced, and Group CxOs have been appointed from among the executives of Japan Post Holdings to implement cross-organizational adjustments and provide advice of the Group.

Characteristics of the Board of Directors

(As of July 1, 2021)

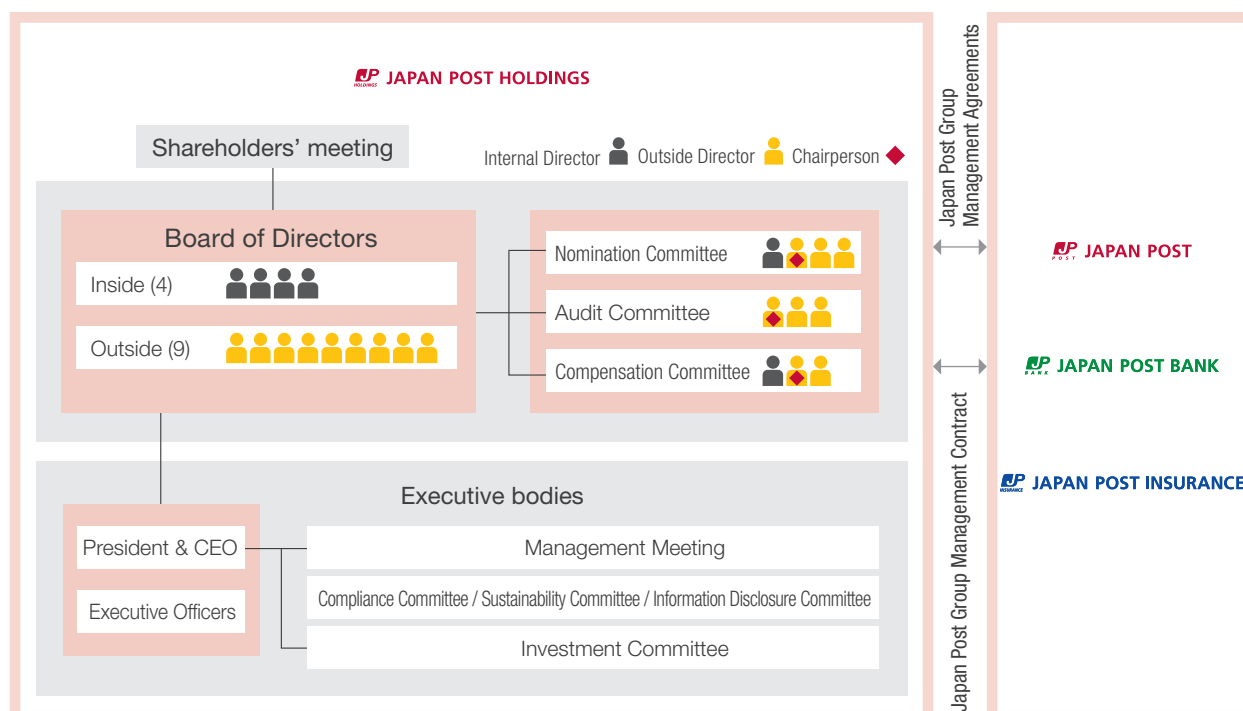
Characteristic (1)	Characteristic (2)	Characteristic (3)	Characteristic (4)
Company with nomination committee, etc.	The majority of the Board are outside directors	Putting diversity into practice	Implementation of Board of Directors' effectiveness evaluation
Since becoming a listed company in November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

Overview of Committees

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

	Role and structure (As of July 1, 2021)	Operation status (Fiscal year ended March 31, 2021)	Meetings in the fiscal year ended March 31, 2021 (average attendance rate)
Board of Directors	The Board of Directors, comprised of 13 Directors (including nine Outside Directors), determines matters such as the basic management policy required by relevant laws and regulations, as well as the matters relating to the important execution of duties, and supervises the execution of duties by Directors and Executive Officers.	In the fiscal year ended March 31, 2021, the Board of Directors discussed strengthening Group governance and Group management strategies and received reports concerning Group performance, important issues of the Group, risk management, and the state of compliance and internal audits.	14 times (99%)
Nomination Committee	The Nomination Committee, comprised of four Directors (including three Outside Directors), submits proposals to the General Meeting of Shareholders concerning the election and dismissal of Directors. In accordance with the provisions of the Act on Japan Post Holdings Co., Ltd., resolutions for the election and dismissal of Directors of the Japan Post Holdings shall not become effective without the approval of the Minister for Internal Affairs and Communications.	In the fiscal year ended March 31, 2021, we decided on candidates for the Board of Directors and discussed the criteria for the nomination and dismissal of Directors.	2 times (100%)
Compensation Committee	The Compensation Committee, comprised of three Directors (including two Outside Directors) establishes the policy for determining the amount of compensation for each Director and Executive Officer, and determines the amount for individual officers on the basis of this policy.	In the fiscal year ended March 31, 2021, the Compensation Committee decided on individual compensation for Directors and Executive Officers and performance-based compensation for Executive Officers. In addition, we examined and discussed the compensation system for Directors and Executive Officers.	6 times (100%)
Audit Committee	The Audit Committee consists of three Directors (including three Outside Directors), who audit the execution of duties by Directors and Executive Officers, audit establishment and operation status of the internal control system, audit the validity of methods and results of auditing of financial statements by accounting auditors, and make audit reports. They also decide on the content of proposals submitted at the general shareholders' meetings regarding the election, dismissal and non-reappointment of accounting auditors.	In the fiscal year ended March 31, 2021, we focused on auditing the establishment and operation of the internal control system and the status of the formulation of the next medium-term management plan. In particular, we audited the progress of the business improvement plan with regard to the issues related to the solicitation quality of Japan Post Insurance products that came to light in the fiscal year ended March 31, 2020. We also audited the status of customer service, investigation of root causes, and measures to prevent recurrence of such problems, including newly uncovered problems as the misuse of cashless settlement services at Japan Post Bank and crimes involving large sums of money committed by the Japan Post's management employee. Furthermore, the Audit Committee made regular reports on these auditing activities to the Board of Directors, and worked to share information with directors outside the Audit Committee. They also stated their opinions to the Board of Directors and executive bodies as necessary. In light of these audit activities, the Audit Committee has submitted an audit report for the fiscal year ended March 31, 2021, but will continue to monitor the solicitation quality of Japan Post Insurance products and the misuse of Japan Post Bank's cashless settlement service as well as thoroughgoing customer-first business operations. In addition, we will continue to monitor the crimes involving large sums of money committed by the Japan Post's management employee to ensure that appropriate measures are taken to prevent recurrence.	20 times (100%)

Japan Post Holdings corporate governance system



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

Evaluation of Effectiveness of the Board of Directors

Method of Evaluation, etc.

At Japan Post Holdings, a questionnaire was sent to Directors, and through the questionnaire and discussions at meetings of Outside Directors, an evaluation of effectiveness based on self-assessment by Directors was conducted.

On December 27, 2019, Japan Post Holdings and its subsidiaries Japan Post and Japan Post Insurance received administrative dispositions pertaining to issues related to the solicitation of Japan Post Insurance products from the Minister for Internal Affairs and Communications and the Financial Services Agency of Japan that ordered Japan Post Holdings to establish a governance system for the Japan Post Group. Japan Post Holdings has been making efforts to improve the Group governance function centered on the Board of Directors in light of the points raised by the supervisory authorities and the recommendations of the Special Investigation Committee regarding the issues related to the solicitation of Japan Post Insurance products established within Japan Post Holdings.

We consider this evaluation of the effectiveness of the Board of Directors to be important in terms of reviewing whether our efforts to date have been appropriate.

Evaluation Results, etc.

We assessed that the Board of Directors is generally functioning adequately.

In January 2020, a new business execution structure was launched under the recognition of “the greatest crisis since our founding,” and the Board of Directors has been deepening discussions to further strengthen the Group’s governance. We believe that the effectiveness of the Board of Directors’ meetings has been greatly improved by providing time prior to resolutions for directors to fully discuss important management decision-making matters, such as management plans and policies, and by providing a wide range of necessary information.

In addition, with regard to the agenda of the Board of Directors meetings, the Chairman of the Board of Directors reports all the regular matters to the Board of Directors after providing explanations in advance, thereby increasing the deliberation time for important matters. We believe that this has been helpful in stimulating discussion.

Future issues to be addressed include receiving a wide range of information on the status of business execution by subsidiaries and other companies in the same industry, as well as agenda items for the Board of Directors’ meetings so that outside directors can better fulfill their roles; following up on matters that have a significant impact on the Group’s management (building the PDCA cycle); and setting up a forum to discuss big-picture themes such as digital transformation.

In order to address these issues, we will work to improve our monitoring of the implementation of business strategies and the business operations of our subsidiaries, and increase opportunities to discuss long-term strategies in response to major changes in the business environment.

Independence Criteria of Outside Directors

All nine Outside Directors have been designated as independent executives having been deemed as meeting the “Standards for Designating Independent Directors of Japan Post Holdings Co. Ltd.” defined by Japan

Post Holdings and being Outside Directors who have no risk of conflicts of interest with general shareholders, as defined by the Tokyo Stock Exchange.

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

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

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

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

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

Training of Directors & Support System for Outside Directors

Training of Directors

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

Support System for Outside Directors

Japan Post Holdings has developed an operation system for Outside Directors with consideration for the coordination of a flexible annual

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

Policy on Appointment of Directors

Scale and Composition of Candidates for Directors

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

Internal Directors

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

- (1) Has expertise in the business of Japan Post Holdings
- (2) Has superior ability in management judgment and management execution

- (3) Has superior ability in leadership, determination, foresight, and planning
- (4) Has an appropriate personality and insight as a Director
- (5) Has no health problems when performing duties as an Internal Director

Outside Directors

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

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

The reasons for nominating Outside Directors are as follows.

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

Compensation System for Directors and Executive Officers

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

Compensation System

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

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

Indicators of Performance-based Compensation, the Reason for Selecting Those Indicators, and the Method for Deciding the Amount of Performance-based Compensation

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

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

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

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

Indicators related to company performance	Goal	Performance in the fiscal year ended March 31, 2021
Consolidated net income attributable to Japan Post Holdings	At least ¥280,000 million	¥418,238 million
Consolidated ordinary income ratio	At least 4.606%	7.800%
Dividend per share	At least ¥50	¥50

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

Classification	Total amount of compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of persons
		Fixed compensation	Performance-based stock compensation, etc.	Non-monetary compensation, etc.	
Directors (excluding Outside Directors)	5	5	–	–	1
Executive Officers	683	581	101	–	29
Outside Directors	79	79	–	–	11

Notes: 1. No compensation as a director is paid to those who concurrently serve as a Director and Executive Officer.

2. Three Directors serve concurrently as Directors and Executive Officers of major consolidated subsidiaries, but they have not been paid compensation as Directors of Japan Post Holdings for the period that they belonged to a major consolidated subsidiary and only executed business of a major consolidated subsidiary. The total amount of compensation received by those three Directors from major consolidated subsidiaries is ¥101 million.

3. Eleven Executive Officers serve concurrently as Directors or Executive Officers of major consolidated subsidiaries, nine of whom have not been paid as Executive Officers of Japan Post Holdings for the period in which they belonged to a major consolidated subsidiary and executed business of a major consolidated subsidiary. The total amount of compensation received by those nine Directors from major consolidated subsidiaries is ¥200 million.

4. Performance-based stock compensation shows the amount recorded as expenses in the current fiscal year. In principle, at the end of each fiscal year, the Company books the amount expected to be incurred in the relevant fiscal year as an expense as a reserve, and reverses the relevant reserve at the time of retirement (when benefits are paid), etc.

5. The Company grants stock-based compensation to Executive Officers as non-monetary compensation, etc., under this system. The stock-based compensation is included in the performance-based compensation, etc.

6. There are no retirement benefits or bonuses for Directors.

Policy Equity

Holding Policy for Policy Equity

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

Methods of Verifying the Rationality of Holding Policy Equity and Results of Verification by the Board of Directors

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

As a result of the Board of Directors conducting a review as described above in April 2021, it was confirmed to be appropriate to continue holding two brand of policy equity held by Japan Post Holdings.

Primary Legal Regulations

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

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

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

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

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

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

The two financial subsidiaries are subject to supervision by the Financial Services Agency, based on the Banking Act and the Insurance Business Act. In particular, they are subject to broad oversight by the Commissioner of the Financial Services Agency, who is appointed by the Prime Minister, which includes revocation of their licenses if they violate any laws or regulations, as well as suspension of their business and conducting of on-site inspections when deemed necessary for the purpose of assuring sound and proper business operations. As a bank holding company and insurance holding company, Japan Post Holdings is also subject to financial services business regulation, including supervision by the Financial Services Agency based on the Banking Act and the Insurance Business Act. However, as a result of the sale of shares by Japan Post Holdings in May 2021 in response to the acquisition of treasury stock by Japan Post Insurance and the Company's establishment of a stock disposal trust in June 2021, the Company's holding ratio of voting rights in Japan Post Insurance became 49.90%. As a result, regulation under the Insurance Business Act changed from regulation as an insurance holding company to regulation as a major insurance shareholder.

The two financial subsidiaries are not permitted to conduct business other than as set forth by the laws based on, respectively, the Banking Act and the Insurance Business Act and other related business regulations. In terms of the capital adequacy

ratio, which is the standard for achieving an adequate level of equity capital, Japan Post Bank is required to maintain a ratio of at least 4.0% (Japanese standard). Japan Post Insurance is required to maintain a solvency margin ratio of at least 200% as an indicator of whether it has a "payment reserve" that enables it to cope with risks that occur beyond normal expectations, such as catastrophic disasters or the massive collapse of stock prices.

As a bank holding company and insurance holding company, Japan Post Holdings is also subject to supervision by the Financial Services Agency based on the Banking Act and the Insurance Business Act, and required to maintain a consolidated capital adequacy ratio of at least 4.0% (Japanese standard) and a solvency margin ratio of at least 200%. Furthermore, it is obligated to maintain a system for protecting the interests of customers and submitting business reports to regulatory authorities every business year. (As mentioned above, due to the disposal of Japan Post Insurance's shares announced in May 2021, Japan Post Holdings is no longer regulated as an insurance holding company but as a major insurance shareholder and is thus no longer subject to consolidated solvency margin ratio regulations.)

As of March 31, 2021, Japan Post Bank has a consolidated capital adequacy ratio of 15.53%, Japan Post Insurance has a consolidated solvency margin ratio of 1,121.2%, and the Japan Post Group has a consolidated capital adequacy ratio of 17.55% and a consolidated solvency margin ratio of 674.9%, all of which have maintained high levels compared to the ratios regulated by law.

(b) Regulations pertaining to Japan Post

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

(c) Licensing required by law

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

License	Related law	Company	Expiration date	Reasons for cancellation, etc.
Bank Holding Company Authorization	Article 52-17, Paragraph 1 of the Banking Act	Japan Post Holdings Co., Ltd.	None	Article 52-34, Paragraph 1 of the Banking Act
Insurance Company's Major Shareholder Authorization	Article 271-10, Paragraph 1 of the Insurance Business Act	Japan Post Holdings Co., Ltd.	None	Article 271-16, Paragraph 1 of the Insurance Business Act
Bank Agency Authorization	Article 52-36, Paragraph 1 of the Banking Act	Japan Post Co., Ltd.	None	Article 52-56, Paragraph 1 of the Banking Act
Life Insurance Solicitor Registration	Article 276 of the Insurance Business Act	Japan Post Co., Ltd.	None	Article 307, Paragraph 1 of the Insurance Business Act
Banking Business License	Article 4, Paragraph 1 of the Banking Act	Japan Post Bank Co., Ltd.	None	Article 26, Paragraph 1; Article 27; Article 28 of the Banking Act
Insurance Business License	Article 3, Paragraph 4 of the Insurance Business Act	Japan Post Insurance Co., Ltd.	None	Article 132, Paragraph 1; Article 133; Article 134 of the Insurance Business Act

(3) Regulations specifically applicable to the Japan Post Group

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

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

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

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

In addition, the Company disposed of 163,306,300 shares of common stock of Japan Post Insurance held by the Company through a sale of shares in response to the acquisition of treasury stock by Japan Post Insurance in May 2021 and the Company's establishment of a stock disposal trust in June 2021. As a result, the Company's holding ratio of voting rights in Japan Post Insurance became 49.90%, and on June 9, 2021, the Company, pursuant to the provisions of Article 62, Paragraph 2 of the Postal Service Privatization Act, notified the Minister of Internal Affairs and Communications that it had disposed of more than one-half of the shares of Japan Post Insurance. After the date of our notification, Japan Post Insurance will no longer be required to obtain authorization, but if it intends to engage in any of the abovementioned businesses, it will be required to determine the details of such business and notify the Prime Minister and the Minister for Internal Affairs and Communications. At the same time, Japan Post Insurance is required to take special care not to impede proper competition with other life insurance companies and the appropriate provision of services to users when conducting its business.

(Reference) Maximum deposit amounts in Japan Post Bank

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

A. Regular savings... ¥13 million

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

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

(Reference) Enrollment limit at Japan Post Insurance

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

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

A. Enrollment limit of the basic policy insurance amount

- i. When the insured person is 15 years old or younger: ¥7 million
- ii. When the insured person is 16 years old or older: ¥10 million (the insurance amount of special endowment insurance for insured persons who are 55 years old or older, in combination with regular fixed term insurance, is ¥8 million)

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

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

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

C. Enrollment limit of rider coverage

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

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

D. Enrollment limit of total paid-in premiums

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

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

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

Directors



MASUDA Hiroya

Director and Representative Executive Officer, President & CEO
Member of the Nomination Committee
Member of the Compensation Committee
Number of shares held: — shares
Number of years as director: 1 year
Attendance at Board of Directors' meetings: 12/12 times (100%)
Attendance at Nomination Committee meetings: 1/1 time (100%)
Attendance at Compensation Committee meetings: 3/5 times (100%)

Significant Concurrent Positions

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

Career Summary

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



IKEDA Norito

Director
Number of shares held: 2,400 shares
Number of years as director: 5 years
Attendance at Board of Directors' meetings: 14/14 times (100%)

Significant Concurrent Positions

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

Career Summary

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



KINUGAWA Kazuhide

Director
Number of shares held: 12,500 shares
Number of years as director: 1 year
Attendance at Board of Directors' meetings: 12/12 times (100%)

Significant Concurrent Position

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

Career Summary

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



SENDA Tetsuya

Director
Number of shares held: 5,200 shares
Number of years as director: 1 year
Attendance at Board of Directors' meetings: 12/12 times (100%)

Significant Concurrent Position

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

Career Summary

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



MIMURA Akio

Outside Director
Chairperson of the Nomination Committee
Number of shares held: — shares
Number of years as director: 8 years
Attendance at Board of Directors' meetings: 13/14 times (92.9%)
Attendance at Nomination Committee meetings: 2/2 times (100%)

Significant Concurrent Positions

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

Career Summary

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



ISHIHARA Kunio

Outside Director
Member of the Nomination Committee
Member of the Compensation Committee
Number of shares held: 11,400 shares
Number of years as director: 5 years
Attendance at Board of Directors' meetings: 14/14 times (100%)
Attendance at Nomination Committee meetings: 2/2 times (100%)
Attendance at Compensation Committee meetings: 6/6 times (100%)

Significant Concurrent Positions

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

Career Summary

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



Charles Ditmars Lake II

Outside Director
Number of shares held: — shares
Number of years as outside director: 5 years
Attendance at Board of Directors' meetings: 14/14 times (100%)

Significant Concurrent Positions

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

Career Summary

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



HIRONO Michiko (FUJII Michiko)

Outside Director
Number of shares held: 4,900 shares
Number of years as outside director: 5 years
Attendance at Board of Directors' meetings: 14/14 times (100%)

Significant Concurrent Position

Outside Director of Nissin Manufacturing Co., Ltd.

Career Summary

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



OKAMOTO Tsuyoshi

Outside Director
Member of the Nomination Committee
Chairperson of the Compensation Committee
Number of shares held: 3,200 shares
Number of years as director: 3 years
Attendance at Board of Directors' meetings: 14/14 times (100%)
Attendance at Nomination Committee: 2/2 times (100%)
Attendance at Compensation Committee meetings: 6/6 times (100%)

Significant Concurrent Positions

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

Career Summary

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



KOETZUKA Miharu

Outside Director
Member of the Audit Committee
Number of shares held: 3,000 shares
Number of years as director: 3 years
Attendance at Board of Directors' meetings: 14/14 times (100%)
Attendance at Audit Committee meetings: 20/20 times (100%)

Significant Concurrent Positions

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

Career Summary

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



AKIYAMA Sakie

Outside Director
Number of shares held: — shares
Number of years as director: 2 years
Attendance at Board of Directors' meetings: 14/14 times (100%)
Attendance at Audit Committee meetings: 5/5 times (100%)

Significant Concurrent Positions

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

Career Summary

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



KAIAMI Makoto

Outside Director
Member of the Audit Committee
Number of shares held: — shares
Number of years as director: 1 year
Attendance at Board of Directors' meetings: 12/12 times (100%)
Attendance at Audit Committee meetings: 15/15 times (100%)

Significant Concurrent Positions

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

Career Summary

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



SATAKE Akira

Outside Director
Chairperson of the Audit Committee
Number of shares held: — shares
Number of years as director: 1 year
Attendance at Board of Directors' meetings: 12/12 times (100%)
Attendance at Audit Committee meetings: 15/15 times (100%)

Significant Concurrent Positions

None

Career Summary

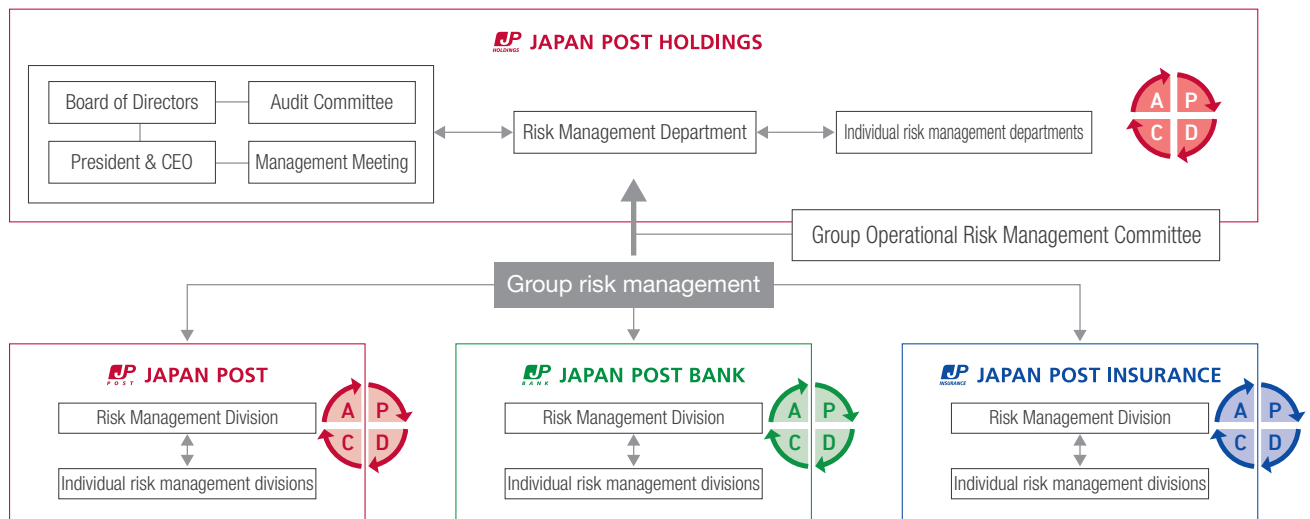
April 1979 Joined SUMITOMO CORPORATION April 2011 Executive Officer and General Manager of Planning & Administration Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit of SUMITOMO CORPORATION April 2013 Managing Executive Officer, General Manager of Finance Dept. of SUMITOMO CORPORATION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

Japan Post Group Risk Management

The Japan Post Holdings Group stipulates basic matters to be observed in risk management, such as risks that are to be managed by each Group company and matters to be reported to Japan Post Holdings, in the Japan Post Group Management Agreements and other documents. In addition, Japan Post Holdings monitors the Group’s risk management and improvement status through the Group Operational Risk Management Committee and other means to manage risk for the entire Group.

Each Group company has designated a department to oversee its own risk management, and proactively identifies, assesses, controls, monitors, and otherwise manages risks according to its own business characteristics and risk profile, as well as reporting necessary matters to Japan Post Holdings.

Group risk management framework of the Japan Post Group

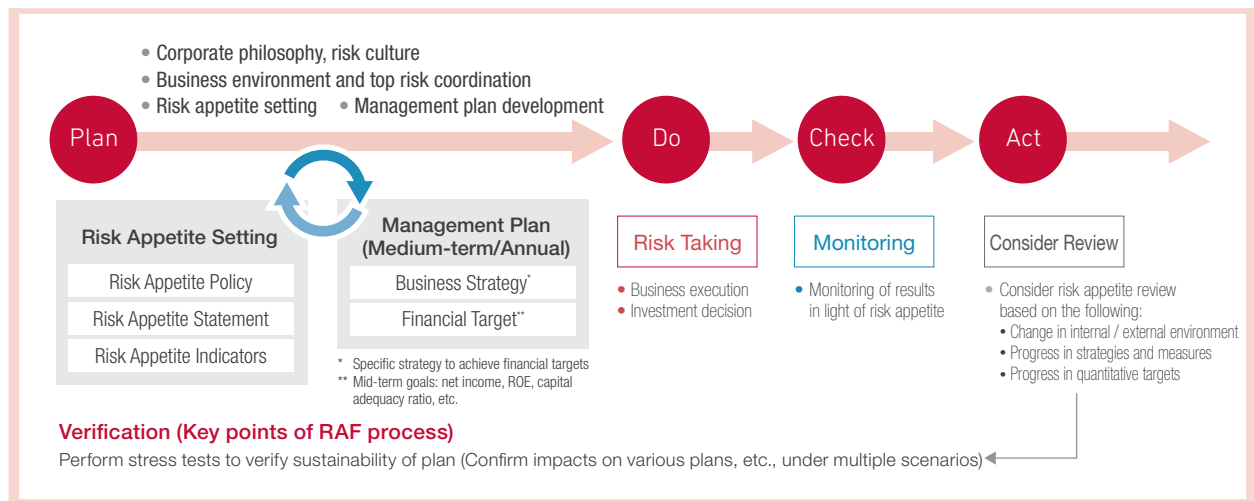


Risk Appetite Framework (RAF)

The Japan Post Group has introduced its Risk Appetite Framework (RAF) from the fiscal year ending March 31, 2022, as a framework to control risks for the entire Group by clarifying the type and amount of risks (risk appetite) to be taken or accepted in order to expand earnings.

Utilizing this framework, the Japan Post Group will approve the risks and types of risks to be taken by its leadership together with the management plan, and aims to enhance corporate value by avoiding unexpected losses, improving the risk-return balance, and ensuring accountability.

RAF operation process



Basic Concept for Risk Appetite by Business

Financial businesses

(Japan Post Bank & Japan Post Insurance)

We aim to secure profits while maintaining financial soundness through appropriate risk-taking and risk control in asset and liability management (ALM), investment operations, and insurance underwriting.

Non-financial Businesses

(Japan Post Holdings & Japan Post)

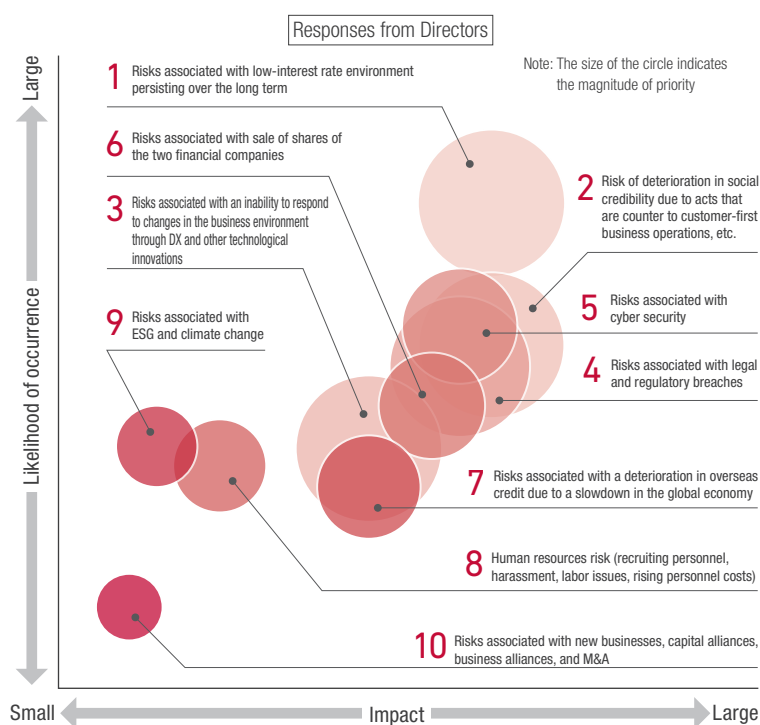
In the postal and domestic logistics business, real estate business, and new businesses, we will aim to secure new earnings while maintaining financial soundness through appropriate risk-taking and risk control within the scope of capital, excluding the financial and existing businesses.

Top Risks

Japan Post Holdings conducts a questionnaire survey of directors and other personnel to identify “risks to the Group’s business and other activities that are of particular importance to management.” As a result, the Company evaluates the magnitude of risks from the perspective of likelihood of occurrence and severity of impact, and designates the most significant risks as “top risks.”

In cooperation with Group companies, Japan Post Holdings monitors the management status of top risks and improvement measures.

In addition, top risks are incorporated into discussions for RAF and management planning.



Top risks and main assumed scenarios for the fiscal year ending March 31, 2022 (Business and other risks of the Group that are of particular importance to the management of the Company)

Top risks		Main assumed scenarios
1	Risks associated with sales of financial products to customers (An integration of risks 2 and 4 in the figure above)	Damage to the Group's social credibility due to the discovery of new cases that are disadvantageous to customers, violations of laws and regulations, or breaches of internal rules
2	Financial risk (Persistent low-interest rate environment and global economic slowdown) (An integration of risks 1 and 7 in the figure above)	A continued decline in the underlying earning power of the two financial companies, whose assets are mainly invested in bonds, or valuation losses arising on assets held by Group companies
3	Risks associated with an inability to respond to changes in the business environment through DX and other technological innovations (An integration of risks 3 and 10 in the figure above)	An inability to respond to changes in the business environment in a timely and appropriate manner resulting in a decline in the competitiveness and efficiency of the Group's operations and products
4	Risks associated with cyber security	Due to the intensification and sophistication of cyber attacks such as targeted attacks, system shutdowns and unauthorized use of various services occur and business operations are suspended or restricted on a large scale and for an extended period of time
5	Risks associated with sale of shares of the two financial companies	An inability to compensate for the profits of the two financial companies reflected in the Company's consolidated financial statements, which will decrease as a result of the ongoing sale of shares
6	Human resources risk (Recruiting personnel, harassment, labor issues, rising personnel costs)	An inability to develop and retain talented human resources, personnel and labor issues, and issues with safety and health management in the workplace lead to an outflow or shortage of human resources and higher personnel costs
7	Risks associated with ESG and climate change	The Group's reputation in the capital markets and other social circles deteriorates when its ESG-related measures are deemed insufficient
8	Risks associated with overseas subsidiaries	Impairment losses are recorded due to lack of improvement in the business conditions of overseas subsidiaries

Note: 8 was added based on events that occurred after the survey was conducted.

Japan Post Group Compliance Framework

The Japan Post Group recognizes compliance as one of its foremost management priorities. In order to permeate and thoroughly implement our customer-oriented management philosophy, we will focus on the promotion of compliance based on risk related to the value of the entire Group (compliance risk management), and promote compliance risk management as an integrated group.

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

All Group companies are working to build an effective compliance framework giving due consideration to the public nature of their businesses.

Japan Post Group Compliance Framework

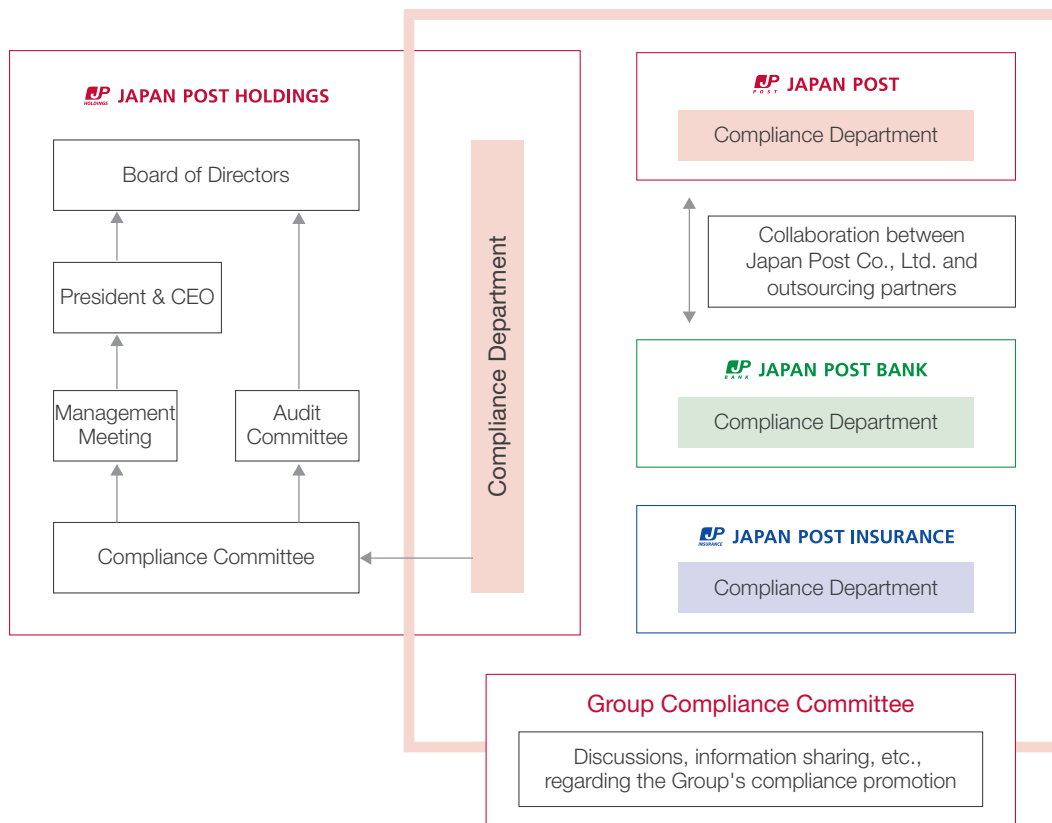
Japan Post Group employs a common compliance framework. Each Group company establishes a Compliance Department to conduct integrated management of compliance-related matters.

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

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

We are working to maintain and improve the compliance functions of our overall Group by sharing information on conducting coordination through regular meetings of the Group Compliance Committee.

Japan Post Group compliance framework



Group Company Compliance Framework

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

Line of Responsibility for Compliance Activities

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

Response to Compliance Violations

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

Penetration and Improvement of the Internal Reporting System

To quickly deal with compliance violations and prevent them from spreading while maintaining a structure to resolve issues at the earliest stage, each Group company has established compliance hotlines and others at the Compliance Department of each company and at a designated external law firm. In light of the recent issues related to the solicitation quality of Japan Post Insurance products, we have set up an internal reporting hotline outside the Company exclusively for inquiries and complaints related financial product sales.

Based on the results of the review by the JP Reform Execution Committee and other factors, we are rebuilding the internal reporting system into one that encourages employees to actively raise their concerns without hesitation, and have issued a message from the top stating that “employees’ voices are valuable assets, and employees who raise their voices are also valuable assets.” In this manner, we have formulated and implemented thorough measures to protect those undertaking internal reporting.

In addition, we are currently working on the establishment of a one-stop consultation and internal reporting platform that can accept various types of reports and consultations in an integrated manner, allow even employees who are completely unfamiliar with the system to report and consult with the appropriate contact point, and ensure the confidentiality of reports and consultations through the use of an information system. We are also working to introduce a system to ensure objectivity and fairness by having an external team of lawyers and other experts conduct the entire process of internal reporting, from receiving the report to investigating and reporting the results of the investigation.

Going forward, we will continue our efforts to detect the first signs of risk at an early stage by listening to the voices of our employees, and make use of them to improve the workplace environment and business operations and thus foster a fair and highly transparent corporate culture and enable the organization to exercise sound self-cleansing actions.

Establishment of Compliance Program and its Initiatives

Each fiscal year, a compliance program is established to provide a plan for specific actions involving compliance.

Specific compliance items have been selected, including anti-corruption such as giving or taking bribes and giving or taking inappropriate gifts and entertainment, and departments have been assigned to take responsibility for individual compliance items in order to promote compliance in a focused manner.

The Compliance Department oversees the compliance promotion activities undertaken by these units and conducts integrated management of compliance-related issues throughout out the Company as a whole.

Preparation and Distribution of Compliance Manual

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

Implementation of Compliance-related Training

Each Group company conducts a variety of training activities for compliance items, in order to promote a better understanding of legal matters and other areas, and to raise awareness of compliance. In conducting the training, we are devising ways to make the training more effective by implementing measures against COVID-19 infection, such as using web conferencing systems.

Measures against Money Laundering and Financing of Terrorism

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

Japan Post Group IT Governance

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

Group IT Governance System

In the Japan Post Group Agreements, the Japan Post Group defines the basic matters for establishing and developing an IT governance system.

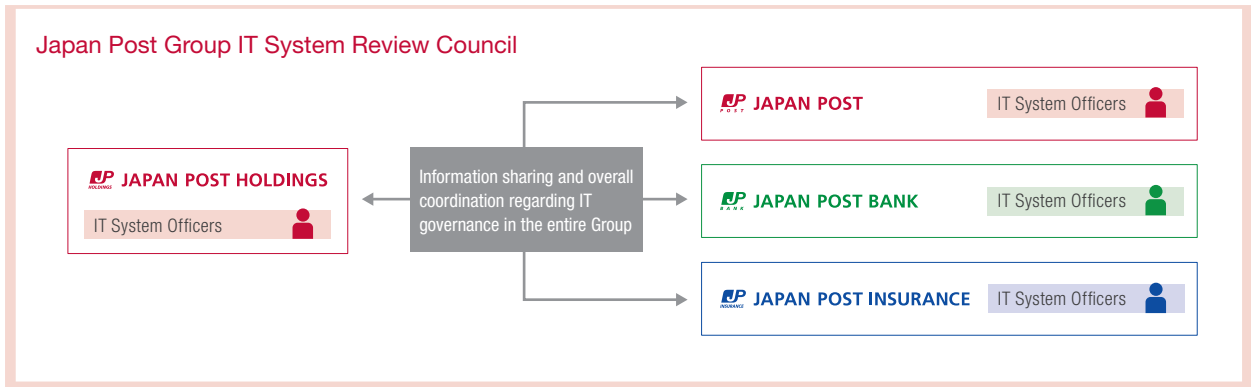
Based on these agreements, through the development and execution of an IT strategy, Group companies improve productivity, streamline management, minimize the risk arising from using IT, and ensure the soundness of Group management. In doing so, they realize the IT governance necessary to maximize corporate value.

Implementing Effective IT Governance

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

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

Organizational Chart of IT Governance in Japan Post Group



IT Strategy to Support Group Management

Aiming to realize a “Co-creation Platform” supporting customers and local communities, the Japan Post Group has established the following three IT strategies to support the promotion of Group-wide digital transformation (DX).

Promoting digital transformation to create new value

- Provide new value to customers by integrating the real and digital worlds
- Provide customer-oriented, high-quality services through a “Co-creation Platform”

Providing an IT infrastructure that can respond agilely to a changing business environment

- Promote the creation of a comfortable workplace and improved productivity based on advanced technology and the social environment
- Build a new IT infrastructure that can respond flexibly by optimizing the system configuration

Promoting IT to restore trust in the Japan Post Group

- Support compliance through cross-Group data utilization
- Ensuring security and peace of mind in the provision of various services and promotion of digitization by upgrading security levels

Japan Post Group Cyber Security Measures

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

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

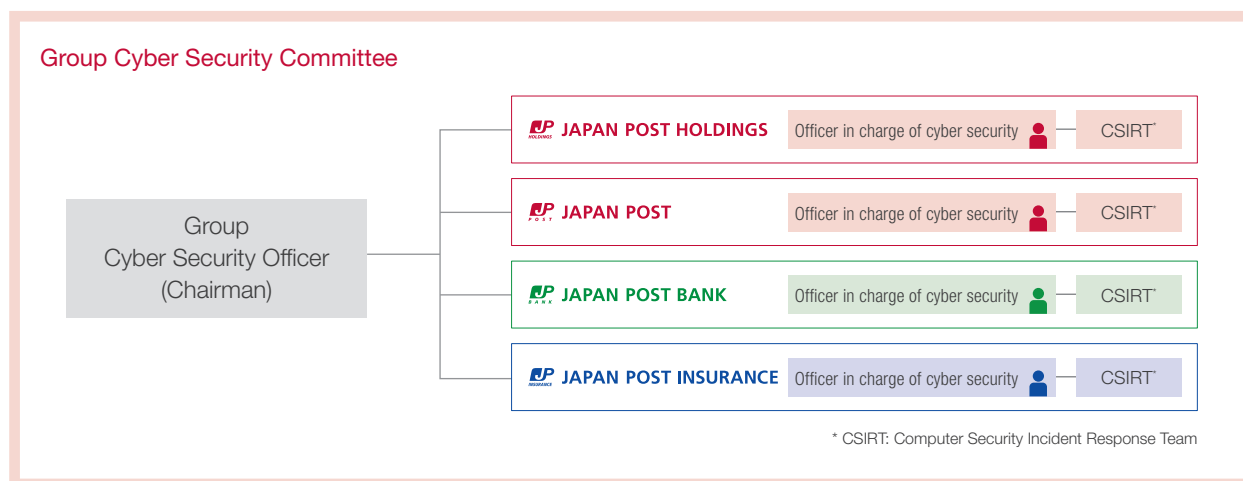
Group Cyber Security System

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

We have established a Group Cyber Security Committee consisting of executives in charge of cyber security from the four main Group companies of the Japan Post Group. This committee develops

Group cyber security strategy, and works to track and evaluate the status of cyber security measures in Group companies.

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



Efforts for Cyber Security Measures by Japan Post Holdings

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

Japan Post Group Internal Audit System

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

Japan Post Group Internal Audit System Framework

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

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

The Internal Audit Department of Japan Post Holdings Co., Ltd.

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

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

Internal Audit System at Group Companies

Overview

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

Implementation of Effective Internal Audits

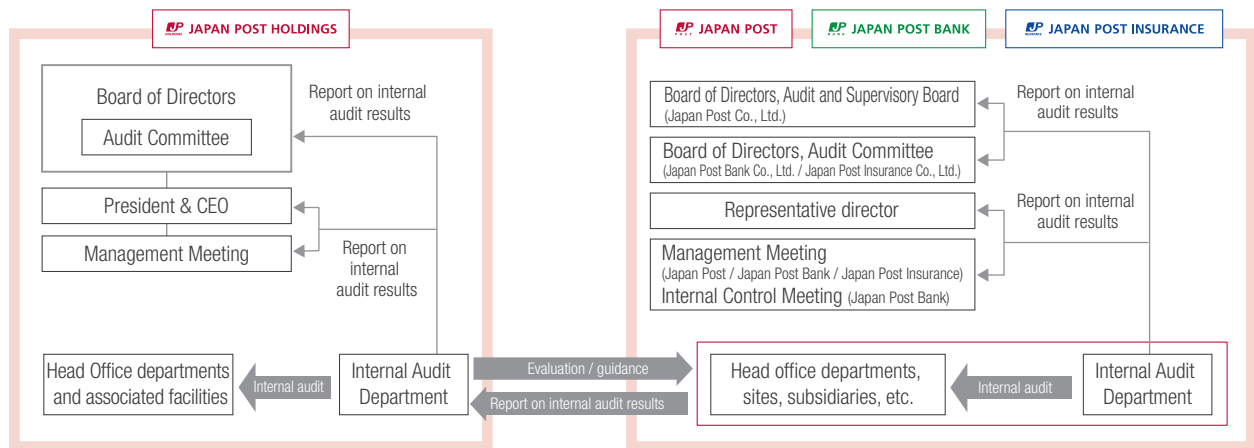
In implementing internal audits, the Internal Audit Department undertakes audits in accordance with IIA's (The Institute of Internal Auditors) *International Standards for the Professional Practice of Internal Auditing (Standards)*. This includes conducting risk-based internal audits, in which audit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

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

Reporting on Results of Internal Audits and Making Improvements

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

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



Initiatives for Transportation Safety

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

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

Initiatives for Transportation Safety

Safety Education for Employees Who Drive Vehicles

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

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

In addition, four-wheeled vehicles are equipped with drive recorders, and employees driving two-wheeled vehicles are required to carry smartphones. On a regular basis, guidance is provided on accident prevention by utilizing data on sudden acceleration, deceleration, and other driving conditions detected by the acceleration sensors mounted on these devices.



Daily training

Safe Driving Instructors

Japan Post stations safe driving instructors who are responsible for teaching safe driving techniques at post offices that conduct delivery and collection work.

We hold the “Safe Driving Contest” in which instructors compete in advanced driving skills, knowledge, and leadership for two-wheeled and four-wheeled vehicles. (In the fiscal year ended March 31, 2021, the contest was cancelled due to the COVID-19 pandemic.)



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

Transportation safety record

Goal	Number of serious accidents: 0
Actual	For the fiscal year ended March 31, 2018: 2 (1 fatal accident, 1 vehicle failure) For the fiscal year ended March 31, 2019: 1 (1 health-caused accident) For the fiscal year ended March 31, 2020: 0 For the fiscal year ended March 31, 2021: 2 (1 case of falling, 1 case of overturning)

Other Business Segment

Hospital Business

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

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



Tokyo Teishin Hospital



Kyoto Teishin Hospital



Hiroshima Teishin Hospital

Hotel Business

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

At Kanpo no Yado inns, we are striving to improve productivity through cost reduction by implementing construction to enhance the attractiveness of guest rooms and other facilities, and by reviewing our operations. Regarding the COVID-19 pandemic, we are taking measures to ensure that our guests can stay in comfort and peace of mind, such as deploying air purifiers in areas where there is a risk of people gathering in high concentrations and thoroughly educating employees regarding the prevention of infection.



Courtyard at Kanpo no Yado Kamogawa



Infinity pool at JP Resort Izukogen

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1. Outline of Japan Post Holdings Co., Ltd.

① Company Outline

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

② Information on Shares

(As of March 31, 2021)

1. Number of Shares

Total number of authorized shares	18,000,000,000
Total number of issued shares	4,500,000,000
Total number of shareholders	649,010

2. Major Shareholders

	Capital contribution to the company	
	Number of shares held	Shareholding ratio
Minister of Finance	2,559,524,700	63.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	128,837,500	3.18
Japan Post Holdings Employee Shareholding Association	78,472,100	1.94
Custody Bank of Japan, Ltd. (Trust Account)	63,100,800	1.56
STATE STREET BANK WEST CLIENT - TREATY 505234	35,110,729	0.86
Custody Bank of Japan, Ltd. (Trust Account 5)	22,168,200	0.54
Custody Bank of Japan, Ltd. (Trust Account 6)	19,650,600	0.48
Custody Bank of Japan, Ltd. (Trust Account 1)	17,632,800	0.43
JP MORGAN CHASE BANK 385771	17,460,232	0.43
STATE STREET BANK AND TRUST COMPANY 505103	17,459,036	0.43

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

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

3. Matters Concerning Stock Acquisition Rights

None.

③ Number of Employees

2,039 (as of March 31, 2021)

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

④ List of Directors, Executive Officers, and Management Committees

(As of July 1, 2021)

1. Directors

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

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

Representative Executive Officer, Executive Vice President	IIZUKA Atsushi	Managing Executive Officer	NAKATA Hirohito
Representative Executive Officer, Executive Vice President	IWASAKI Yoshifumi	Managing Executive Officer	TATEBAYASHI Satoru
Senior Managing Executive Officer	TANIGAKI Kunio	Managing Executive Officer	TANAKA Susumu
Senior Managing Executive Officer	KAWAMOTO Hiroaki	Managing Executive Officer	ICHIKURA Noboru
Senior Managing Executive Officer	ONO Taneki	Executive Officer	OGATA Kenji
Senior Managing Executive Officer	YAMASHIRO Yasuhiko	Executive Officer	SAKURAI Makoto
Managing Executive Officer	FUKUMOTO Kenji	Executive Officer	IZUMI Mamiko
Managing Executive Officer	FURUSATO Hiroyuki	Executive Officer	KAZAMATSURI Makoto
Managing Executive Officer	SHIMA Toshitaka	Executive Officer	MEGURO Kenji
Managing Executive Officer	KINOSHITA Noriko	Executive Officer	YOKOYAMA Akihiko
Managing Executive Officer	NISHIGUCHI Akihito	Executive Officer	KAWANO Youichi
Managing Executive Officer	KATO Nobuyasu	Executive Officer	IIDA Yasuhisa
Managing Executive Officer	SHOMURA Tsutomu	Executive Officer	MITANI Masanobu
Managing Executive Officer	ASAI Tomonori	Executive Officer	ITAGAKI Tadayuki
		Executive Officer	TANAKA Hiroyuki
			TAKEMOTO Tsutomu

3. Nomination Committee

MIMURA Akio (Chair)
ISHIHARA Kunio
OKAMOTO Tsuyoshi
MASUDA Hiroya

4. Audit Committee

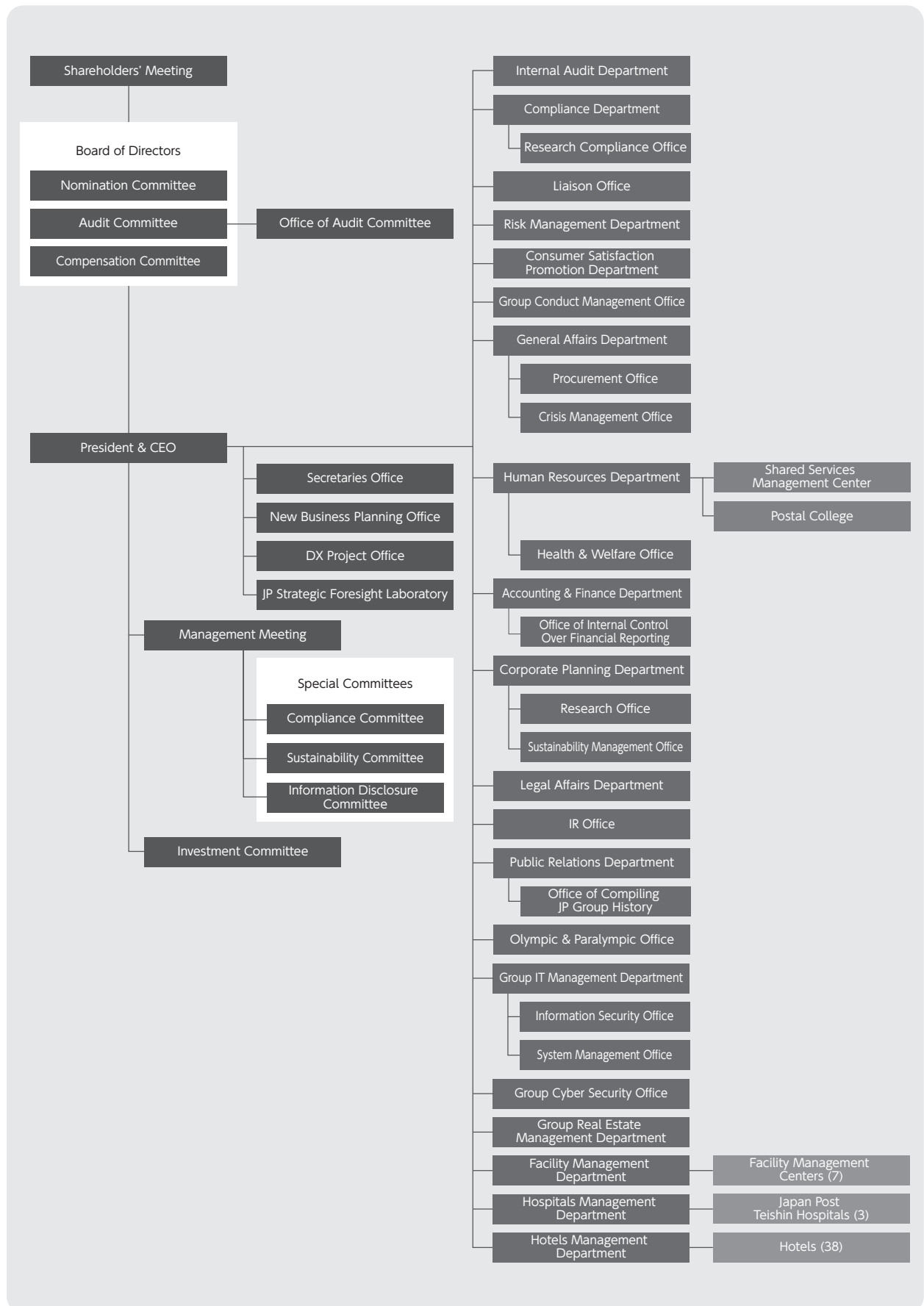
SATAKE Akira (Chair)
KOEZUKA Miharuru
KAIAMI Makoto

5. Compensation Committee

OKAMOTO Tsuyoshi (Chair)
ISHIHARA Kunio
MASUDA Hiroya

5 Organization Chart

(As of July 1, 2021)



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

(As of March 31, 2021)

Affiliation	Company name	Location	Issued capital (Millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000	Postal and domestic logistics business, post office business	October 1, 2007	100.0%
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Postal and domestic logistics business (truck cargo transportation)	November 30, 2007	100.0% (100.0%)
	JAPAN POST MAINTENANCE Co., Ltd.	Koto-ku, Tokyo	¥50	Postal and domestic logistics business (automobile maintenance and machinery maintenance business, product sales business, vehicle maintenance and management business)	March 31, 1991	100.0% (100.0%)
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Postal and domestic logistics business (preparation and posting of postal items)	February 1, 2006	58.5% (58.5%)
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥300	Postal and domestic logistics business (planning, development, and sales of direct mail and contracted shipment of merchandise)	February 29, 2008	51.0% (51.0%)
	Tokyo Beiyu Co., Ltd.	Meguro-ku, Tokyo	¥22	Postal and domestic logistics business (petroleum sales business)	March 10, 1949	81.3% (81.3%)
	Japan Post Trading Service Co., Ltd.	Koto-ku, Tokyo	¥100	Post office business (merchandise business, contracting business for merchandise operations)	September 11, 2007	100.0% (100.0%)
	Japan Post Building Management Co., Ltd.	Chiyoda-ku, Tokyo	¥150	Post office business (property management for commercial buildings)	April 1, 2011	100.0% (100.0%)
	Japan Post Communications Co., Ltd.	Minato-ku, Tokyo	¥350	Post office business (operations related to posting advertisements in post offices)	August 8, 2014	100.0% (100.0%)
	JAPAN POST OFFICE SUPPORT Co., Ltd.	Minato-ku, Tokyo	¥100	Post office business (merchandise sales, facilities management, and contracting business)	March 16, 1971	100.0% (100.0%)
	JP GENERAL INSURANCE AGENCY Co., Ltd.	Chiyoda-ku, Tokyo	¥20	Post office business (non-life insurance and automobile liability insurance agency business)	August 7, 1950	70.0% (70.0%)
	YY Gift Co., Ltd.	Nishi-ku, Yokohama-shi, Kanagawa	¥20	Post office business (sales of catalog products, mail-order business, agency business for sales of alcohol)	April 23, 1996	51.0% (51.0%)
	JP TOKYO TOKUSENKAI Co., Ltd.	Taito-ku, Tokyo	¥30	Post office business (sales of catalog products, mail-order business)	March 2, 2015	51.0% (51.0%)
	Toll Holdings Limited	Melbourne, Australia	AUD2,978	International logistics business (forwarding business, 3PL business, express business)	June 20, 1986	100.0% (100.0%)
	JP TOLL LOGISTICS, Co., Ltd.	Chiyoda-ku, Tokyo	¥100	International logistics business (Forwarding business, 3PL business)	September 16, 2009	100.0% (100.0%)
	TOLL EXPRESS JAPAN CO., LTD.	Ibaraki-shi, Osaka	¥10	International logistics business (express business)	January 29, 2002	100.0% (100.0%)
	JAPAN POST BANK Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000	Banking business	September 1, 2006	89.0%
	JAPAN POST BANK LOAN CENTER Co., Ltd.	Chuo-ku, Tokyo	¥2,000	Banking business (agency operations for personal loans, etc.)	May 28, 1980	100.0% (100.0%)
	Japan Post Investment Corporation	Chiyoda-ku, Tokyo	¥750	Banking business (securities investment management business)	February 9, 2018	75.0% (75.0%) [25.0%]
	JAPAN POST INSURANCE Co., Ltd.	Chiyoda-ku, Tokyo	¥500,000	Life insurance business	September 1, 2006	64.5%
	JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.	Shinagawa-ku, Tokyo	¥500	Life insurance businesses (commissioning of design, development, maintenance and operation of information systems)	March 8, 1985	100.0% (100.0%)
JAPAN POST STAFF Co., Ltd.	Minato-ku, Tokyo	¥640	Other businesses (temporary staffing service, contracted business)	July 3, 2007	100.0%	
YUSEI CHALLENGED CO., Ltd.	Setagaya-ku, Tokyo	¥5	Other businesses (office cleaning)	November 20, 2007	100.0%	
Japan Post Hotel Service Co., Ltd.	Chuo-ku, Saitama-shi, Saitama	¥39	Other businesses (contracted hotel management)	December 25, 1996	100.0%	

Affiliation	Company name	Location	Issued capital (Millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	Japan Post Information Technology Co., Ltd.	Shinjuku-ku, Tokyo	¥3,150	Other businesses (communication network maintenance and management)	January 30, 1987	100.0%
	Japan Post Capital Co., Ltd.	Chiyoda-ku, Tokyo	¥1,500	Other businesses (investment business, consulting business for management and financial matters)	November 1, 2017	100.0%
	Japan Post Real Estate Co., Ltd.	Chiyoda-ku, Tokyo	¥1,500	Other businesses (ownership, leasing and management business of real estate, development business of residential and commercial land, etc.)	April 2, 2018	100.0%
	System Trust Laboratory Co., Ltd.	Shinagawa-ku, Tokyo	¥99	Other businesses (consulting, planning and development business for business systems and basic technologies)	August 1, 1989	100.0% (100.0%)
	JP TWOWAY CONTACT Co., Ltd.	Nishi-ku, Osaka-shi, Osaka	¥182	Other businesses (telemarketing services)	April 18, 1988	82.9% (82.9%)
	and 230 other companies					
Affiliated companies accounted for under the equity method	SAISON ASSET MANAGEMENT Co., Ltd.	Toshima-ku, Tokyo	¥1,000	Post office business (type II financial instruments business operation and investment trust management business, others)	June 12, 2006	40.0% (40.0%)
	JA FOODS OITA CO., LTD.	Kitsuki-shi, Oita	¥493	Post office business (processing and sales of agricultural products, fruits, and vegetables)	December 2, 1991	20.0% (20.0%)
	RINGBELL Co., Ltd.	Chuo-ku, Tokyo	¥354	Post office business (planning, production and sales of gift catalogs, others)	July 3, 1987	20.0% (20.0%)
	JP Asset Management Co., Ltd.	Chuo-ku, Tokyo	¥500	Banking business (type II financial instruments business operation and investment management business)	August 18, 2015	50.0% (50.0%)
	ATM Japan Business Service, Ltd.	Minato-ku, Tokyo	¥100	Banking business (ATM cash loading and collection as well as ATM management)	August 30, 2012	35.0% (35.0%)
	and 10 other companies					

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

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

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

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

Note 5: Toll Holdings Limited's liabilities exceeded its assets by 88 billion yen as of the end of March 2021.

Note 6: As a result of Japan Post Insurance Co., Ltd.'s acquisition of its treasury stock announced in May 2021, Japan Post Holdings' holdings of the voting rights of Japan Post Insurance Co., Ltd. decreased to 49.90%.

Note 7: Among the affiliated companies listed above, the ordinary income (excluding intercompany ordinary income of consolidated companies) of Japan Post, Japan Post Bank, and Japan Post Insurance exceeded 10% of consolidated ordinary income. Information on principal profits and losses of Japan Post is detailed below. Information on Japan Post Bank and Japan Post Insurance is omitted because these companies submit securities reports.

Name	Principal information on profits and losses (Millions of yen)				
	Operating income	Ordinary income	Net income	Net assets	Total assets
Japan Post	¥ 2,975,344	¥ 155,607	¥ 40,544	¥ 675,086	¥ 4,563,551

① Company Outline

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

② Management Philosophy**Management Philosophy**

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

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

③ Information on Shares

(As of March 31, 2021)

1. Number of Shares

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

2. Shareholder

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

④ Number of Employees

194,842* (as of March 31, 2021)

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

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

(As of July 1, 2021)

1. Directors

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

2. Audit and Supervisory Board Members

INASAWA Toru
TAKANO Toshiyuki
SHIDEHARA Hiroshi
OGURO Masayasu

3. Executive Officers

First Executive Officer	ONO Taneki	Executive Officer	ASAMI Kanako
First Executive Officer	SUZUKI Yoshinori	Executive Officer	KAMIOZAKI Koji
First Executive Officer	HIGUCHI Yoshiyuki	Executive Officer	HASEGAWA Atsushi
First Executive Officer	KAWAMOTO Hiroaki	Executive Officer	OGAWA Masato
Senior Executive Officer	WAKASA Norio	Executive Officer	NAKAI Katsunori
Senior Executive Officer	SANO Kimikazu	Executive Officer	NAMIKI Tsukasa
Senior Executive Officer	NEGISHI Kazuyuki	Executive Officer	TANAKA Yutaka
Senior Executive Officer	METOKI Masahiko	Executive Officer	MITOMA Norimasa
Senior Executive Officer	YAMAZAKI Katsuyo	Executive Officer	YOKOYAMA Akihiko
Senior Executive Officer	TAKAHASHI Yasuhiro	(Concurrently holds the position of Executive Officer of Japan Post Holdings Co., Ltd.)	
Senior Executive Officer	KOIKE Shinya	Executive Officer	ICHIKI Miho
Senior Executive Officer	SAKATA Hiroshi	Executive Officer	IZUMI Mamiko
Senior Executive Officer	FUKUMOTO Kenji	Executive Officer	KAZAMATSURI Makoto
Senior Executive Officer	OGATA Kenji	Executive Officer	TOYODA Yasumitsu
Senior Executive Officer	FURUSATO Hiroyuki	Executive Officer	MITANI Masanobu
Senior Executive Officer	SHIMA Toshitaka		
Senior Executive Officer	KINOSHITA Noriko		
Senior Executive Officer	KOZUKA Kenichi		
Senior Executive Officer	ONOKI Kieko		
Senior Executive Officer	TAKAHASHI Fumiaki		
Senior Executive Officer	NISHIGUCHI Akihito		
Senior Executive Officer	KATO Nobuyasu		
Senior Executive Officer	SHOMURA Tsutomu		
Senior Executive Officer	ASAI Tomonori		

6 Organization Chart

(As of April 1, 2021)



Note: The number of directly managed post offices and contracted post offices is as of March 31, 2021.

3. Outline of Japan Post Bank Co., Ltd.

① Company Outline

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

② Management Philosophy

Management Philosophy

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

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

③ Information on Shares

(As of March 31, 2021)

1. Number of Shares

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

2. Major Shareholders

		Shares owned (thousand)	Shareholding ratio (%)
1	Japan Post Holdings Co., Ltd.	3,337,032	88.99
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	33,237	0.88
3	Custody Bank of Japan, Ltd. (Trust Account)	11,792	0.31
4	STATE STREET BANK WEST CLIENT - TREATY 505234	11,371	0.30
5	Japan Post Bank Employee Shareholding Association	10,413	0.27
6	Custody Bank of Japan, Ltd. (Trust Account 5)	8,571	0.22
7	Custody Bank of Japan, Ltd. (Trust Account 6)	7,595	0.20
8	STATE STREET BANK AND TRUST COMPANY 505103	6,848	0.18
9	Custody Bank of Japan, Ltd. (Trust Account 1)	6,797	0.18
10	THE BANK OF NEW YORK MELLON 140044	5,683	0.15

Note 1: Japan Post Bank holds 750,524 thousand shares (the ratio of the number of shares held against the total number of shares issued is 16.67%) of treasury stock, which are not included in the above list of major shareholders. The treasury stock does not include the Bank's shares held by the stock benefit trust (721 thousand shares).

Note 2: Number of shares held is rounded down to the nearest thousand.

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

④ Number of Employees

12,408* (as of March 31, 2021)

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

⑤ List of Directors, Executive Officers, and Management Committees

(As of July 1, 2021)

1. Directors

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

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

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

3. Nomination Committee

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

4. Audit Committee

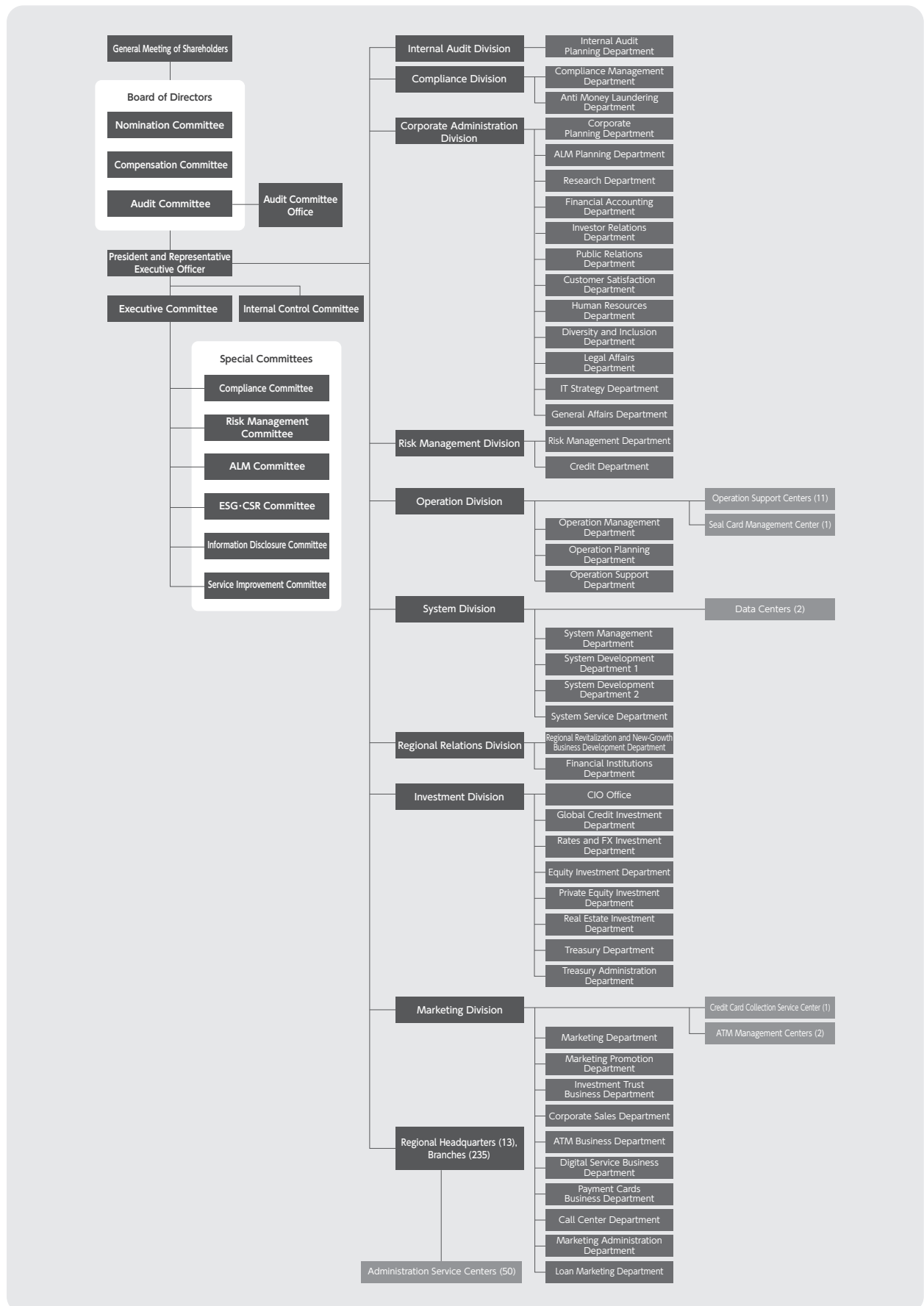
Chairman	IKEDA Katsuaki
Member	ONODERA Atsuko
Member	KAWAMURA Hiroshi
Member	YAMAMOTO Kenzo

5. Compensation Committee

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

6 Organization Chart

(As of July 1, 2021)



4. Outline of Japan Post Insurance Co., Ltd.

① Company Outline

Company name (in Japanese):	Kabushiki Kaisha Kanpo Seimei Hoken
Company name:	JAPAN POST INSURANCE Co., Ltd.
Head office location:	3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8794, Japan
Telephone:	03-3477-0111 (Japan Post Group main number)
Paid-in capital:	¥500 billion
Date of establishment:	September 1, 2006 (The name of the company was changed from Kampo Co., Ltd. to Japan Post Insurance Co., Ltd., on October 1, 2007.)
Line of business:	Life insurance

② Management Philosophy and Management Policy

Management Philosophy

Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.

Management Policy

We aim to become the No.1 Japanese insurance company selected by customers.

1. We are always close to people's lives, offering easy-to-understand products and high-quality services.
2. We always ensure that employees who have contact with our customers make full use of their strengths to offer better customer services.
3. We create a working environment in which all employees can develop their talents and work with energy and vitality.
4. We practice sound management based on strong corporate governance, constantly creating new value to achieve sustainable growth.
5. We actively contribute to health promotion, environmental protection, and the development of local communities and society as a whole.
6. We work to communicate closely with all stakeholders.

③ Information on Stocks

(As of March 31, 2021)

1. Number of Stocks

Issued stocks	562,600,000
---------------	-------------

2. Major Shareholders

	Number of shares held and percentage of shares held	
	Number of shares held	Percentage of shares held
Japan Post Holdings Co., Ltd.	362,732,400	64.48%
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,137,500	3.05%
Custody Bank of Japan, Ltd. (Trust Account)	10,402,800	1.85%
Custody Bank of Japan, Ltd. (Trust Account 5)	3,749,300	0.67%
Custody Bank of Japan, Ltd. (Trust Account 6)	3,323,500	0.59%
STATE STREET BANK WEST CLIENT - TREATY 505234	3,231,400	0.57%
SMBC Nikko Securities Inc.	3,098,700	0.55%
Japan Post Insurance Employee Shareholding Association	2,994,800	0.53%
Custody Bank of Japan, Ltd. (Trust Account 1)	2,976,500	0.53%
Custody Bank of Japan, Ltd. (Trust Account 2)	2,375,800	0.42%

Note 1: Percentage of shares held is calculated excluding treasury stock (11,150 shares) and rounded to two decimal places.

Treasury stock does not include the 156,200 shares of the Company's stock held in the Board Benefit Trust (BBT).

Note 2: As a result of Japan Post Insurance Co., Ltd.'s acquisition of its treasury stock announced in May 2021, Japan Post Holdings' holdings of the shares of Japan Post Insurance Co., Ltd. decreased to 199,426,100 shares, or approximately 49.9%.

④ Number of Employees

7,645* (as of March 31, 2021)

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

⑤ List of Directors, Executive Officers, and Management Committees

(As of July 1, 2021)

1. Directors

Director and President, CEO, Representative Executive Officer	SENDA Tetsuya (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Director and Deputy President, Representative Executive Officer	ICHIKURA Noboru (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Director	NARA Tomoaki
Director	MASUDA Hiroya (Concurrently holds the position of Director and Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd.)
Outside Director	SUZUKI Masako (Concurrently holds the position of Senior Advisor of Pasona Group Inc.)
Outside Director	SAITO Tamotsu (Concurrently holds the position of Senior Counselor of IHI Corporation)
Outside Director	YAMADA Meyumi (Concurrently holds the position of Director of istyle Inc.)
Outside Director	HARADA Kazuyuki (Concurrently holds the position of President & Representative Director of Keikyu Corporation)
Outside Director	YAMAZAKI Hisashi (Attorney-at-law)

2. Executive Officers (Excludes persons holding concurrent posts in addition to the above. 1. Directors)

Senior Managing Executive Officer	HIRONAKA Yasuaki	Executive Officer	YOKOYAMA Masamichi
Senior Managing Executive Officer	TACHIBANA Atsushi	Executive Officer	IIDA Takashi
Managing Executive Officer	UCHIKOBA Nobuatsu	Executive Officer	SAITO Hajime
Managing Executive Officer	MIYANISHI Yoshiki	Executive Officer	MIYAMOTO Susumu
Managing Executive Officer	KOIE Junko	Executive Officer	MURO Takashi
Managing Executive Officer	TANAKA Motonori	Executive Officer	IMAIZUMI Michinori
Managing Executive Officer	ONISHI Toru	Executive Officer	TAGUCHI Yoshihiro
Managing Executive Officer	FUJIMORI Norihiro	Executive Officer	MAETANI Isao
Managing Executive Officer	SAKAMOTO Hidekazu	Executive Officer	KUROSAKI Yoshiyuki
Managing Executive Officer	FUJII Shinsuke	Executive Officer	SHIGEMATSU Jun
Managing Executive Officer	HARUNA Takayuki	Executive Officer	YOSHIDA Syouichi
Managing Executive Officer	KUME Takeshi	Executive Officer	KIMURA Yoshihisa
		Executive Officer	NISHIZAWA Yuki
		Executive Officer	MIYAZAWA Hitoshi

3. Nomination Committee

Chairman	HARADA Kazuyuki
Member	SENDA Tetsuya
Member	MASUDA Hiroya
Member	SAITO Tamotsu
Member	YAMADA Meyumi

4. Audit Committee

Chairman	SAITO Tamotsu
Member	NARA Tomoaki
Member	SUZUKI Masako
Member	YAMADA Meyumi
Member	YAMAZAKI Hisashi

5. Compensation Committee

Chairman	SUZUKI Masako
Member	MASUDA Hiroya
Member	HARADA Kazuyuki

6 Organization Chart

(As of June 1, 2021)



5. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

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

Notes:

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

Japan Post Holdings (Non-consolidated)

(Millions of yen)

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

Japan Post (Consolidated)

(Millions of yen)

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

Notes:

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

[Postal and domestic logistics business segment (Consolidated)]

(Millions of yen)

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

[Post office business segment (Consolidated)]

(Millions of yen)

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

[International logistics business segment (Consolidated)]

(Millions of yen)

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

Note:

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

Japan Post Bank (Consolidated)

(Millions of yen)

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

Notes:

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

Japan Post Insurance (Consolidated)

(Millions of yen)

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

Notes:

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

6. Japan Post Group Companies—Consolidated Financial Data

CONSOLIDATED BALANCE SHEETS MARCH 31, 2021 AND 2020

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

See the accompanying notes to consolidated financial statements.

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

See the accompanying notes to consolidated financial statements.

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

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

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

See the accompanying notes to consolidated financial statements.

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

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

See the accompanying notes to consolidated financial statements.

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

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

(Millions of Yen)

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

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

See the accompanying notes to consolidated financial statements.

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

(Millions of Yen)

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

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

See the accompanying notes to consolidated financial statements.

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

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

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

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

See the accompanying notes to consolidated financial statements.

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

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

See the accompanying notes to consolidated financial statements.

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

See the accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2021 AND 2020

1. BASIS OF PRESENTATION

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation and Equity Method

1) Scope of consolidation

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

A) Consolidated subsidiaries

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

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

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

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

B) Non-consolidated subsidiaries

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

The non-consolidated subsidiaries are excluded from the scope of consolidation because their assets, income, net income (loss) (amount corresponding to the Group's equity position), retained

earnings (amount corresponding to the Group's equity position), accumulated other comprehensive income (amount corresponding to the Group's equity position) and others are immaterial, and the exclusion of these companies from the scope of consolidation does not hinder a reasonable understanding of the Group's financial position and results of operations.

2) Application of the equity method

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

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

B) Affiliates accounted for by the equity method

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

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

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

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

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

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

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

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

3) Fiscal year-end dates of consolidated subsidiaries

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

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

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

(2) Trading Account Securities

Trading account securities are carried at fair value.

(3) Securities

Held-to-maturity bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

In accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 21), policy-reserve-matching bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost

and the cost of these securities sold is calculated using the moving-average method.

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

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

(4) Derivative Transactions

All derivative transactions are valued at fair value.

(5) Hedge Accounting

1) Hedge accounting for interest rate risks

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

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

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

2) Hedge accounting for foreign exchange risks

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

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

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

(6) Depreciation

1) Tangible fixed assets (excluding leased assets and right-of-use assets)

Depreciation of tangible fixed assets is computed using the straight-line method.

Useful lives of principal assets are as follows:

Buildings: 2-50 years

Others: 2-75 years

2) Intangible assets (excluding leased assets)

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

3) Leased assets

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

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

4) Right-of-use assets

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

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

(7) Amortization of Goodwill

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

(8) Reserve for Possible Loan Losses

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

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

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

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

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

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

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

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

(9) Policy Reserves

To prepare for the fulfillment of future obligations under the

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

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

Among the policy reserves, insurance premium reserves are calculated based on the following methodology. The amount includes additional policy reserves accumulated for a portion of the reinsurance contracts from the Organization for Postal Savings, Postal Life Insurance and Post Office Network (hereinafter referred to as "the Japan Postal Service Organization") and for lump-sum payment annuities, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

- 1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
- 2) Reserves for the other contracts are calculated based on the net level premium method.

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

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

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

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

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

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

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

- (10) Presentation of Gains (Losses) on Cancellation of Investment Trusts Gains (losses) on cancellation of investment trusts at the banking subsidiary are recorded as interest and dividends on securities in

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

(11) Recognition of Insurance Premiums

The first premium is recognized for premiums that have been collected and for which the policy has commenced, in the amount collected under "Life insurance business income." Premiums thereafter are recognized in the amount of each collection under "Life insurance business income."

Portions of collected insurance premiums corresponding to the unearned period as of the fiscal year-end are accumulated as policy reserves, pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

(12) Recognition of Insurance Claims and Others

When an insured event occurs and payment is made in the amount calculated based on the insurance contract, insurance claims and others (excluding reinsurance premiums) of the insurance subsidiary are recognized in the amount of such payment under "Operating expenses."

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

(Additional Information)

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

(13) Reserve for Bonuses

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

(14) Reserve for Employee Stock Ownership Plan Trust

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

(15) Reserve for Management Board Benefit Trust

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

(16) Reserve for Reimbursement of Deposits

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

(17) Reserve for Insurance Claims and Others

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

(18) Retirement Benefits

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

Prior service cost is amortized using the straight-line method

over a fixed period (7-14 years) within the estimated average remaining service period for employees in the fiscal year of incurrence.

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

(Additional information)

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

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

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

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

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

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

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

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

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

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

- (20) Reserve for Price Fluctuations

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

- (21) Statement of Cash Flows

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

- (22) Consumption Taxes

All figures are net of consumption taxes.

- (23) Consolidated Tax Payment System

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

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

- (24) Changes in Accounting Policies

For the fiscal year ended March 31, 2020

Toll and its subsidiaries and affiliates

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

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

- (25) Significant Accounting Estimates

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

- 1) Fair value measurement of securities

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

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

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

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

- (i) Calculation method and principal assumptions

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

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

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

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

- 2) Estimates on retirement benefit obligations

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

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

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

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

(26) New Accounting Pronouncements

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

1. Overview

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

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

2. Effective date

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

3. Effects of the application of the standards

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

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

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

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

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

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

1. Overview

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

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

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

2. Effective date

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

3. Effects of the application of the standards

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

(27) Changes in Presentation Method

New Accounting Standard Applied

For the fiscal year ended March 31, 2021

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

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

(28) Changes in Accounting Estimates

For the fiscal year ended March 31, 2020

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

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

(29) Additional Information

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

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

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

1. Outline of the transactions

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

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

2. The Company's shares remaining in the trust

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

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

Initiatives regarding insurance policy improvement

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

In the fiscal year ended March 31, 2021, the Company recorded the refund of premiums and payment of insurance claims to compensate for the disadvantages suffered by customers as part of insurance claims and others (operating expenses, etc.), and the corresponding adjustment to policy reserves as part of reversal of policy reserves (life insurance business income), while recording a reduction of the net amount totaling ¥21,589 million (\$195 million) from reserve for insurance claims and others at the end of the previous fiscal year, and a reversal of ¥5,280 million (\$48 million), a decrease as a result of reflecting the status of progress in the investigation of insurance policies in accounting estimates. In addition, in consideration of the results of the investigation obtained by the end of the fiscal year ended March 31, 2020, the Company has reasonably estimated insurance-related expenses to be incurred due to the refund of premiums and payments of

insurance claims necessary for the future reinstatement of policies, as of March 31, 2020. Consequently, reserve for insurance claims and others stood at ¥2,851 million (\$26 million) and ¥29,722 million as of March 31, 2021 and 2020, respectively. These expenses were recorded under reserve for insurance claims and others in the consolidated balance sheet as of

March 31, 2020, and the amounts of the aforementioned reduction and reversal of reserve for insurance claims and others are included in life insurance business income in the consolidated statements of income for the fiscal year ended March 31, 2021.

3. CASH AND CASH EQUIVALENTS

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

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

4. SECURITIES

(1) Securities

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

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

Notes:

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

(2) Policy-Reserve-Matching Bonds

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

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

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

The insurance subsidiary categorizes its insurance products into the sub-groups below based on the attributes of each product in order to manage risks arising from fluctuations in interest rates of assets and liabilities, and adopts the management policy whereby the duration gap between policy-reserve-matching bonds and policy reserves by sub-groups are reconciled within a certain range and the duration gap is periodically checked.

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

(3) Fair Value Information on Securities and Policy-Reserve-Matching Bonds

The amounts shown in the following tables include negotiable certificates of deposit included in "Cash and due from banks", and "Monetary claims bought", in addition to "Securities".

1) Held-to-maturity bonds

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

2) Policy-reserve-matching bonds

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

3) Available-for-sale securities

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

4) Held-to-maturity bonds sold for the fiscal years ended March 31, 2021 and 2020

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

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

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

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

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

7) Securities incurred impairment losses

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

(4) Money Held in Trust

1) Money Held in Trust Classified as Trading

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

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

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

Notes:

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

5. ASSETS PLEDGED AS COLLATERAL

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

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

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

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

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

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

6. LOANS

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

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

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

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

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

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

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

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

7. TANGIBLE FIXED ASSETS

(1) Accumulated Depreciation

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

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

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

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

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

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

(3) Real Estate for Rent

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

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

Notes:

1. Majority of rent income is recorded under other income, and majority of rent expenses are recorded under depreciation and amortization.

2. Gains on sales are recorded under other income, and losses on sales are recorded under other expenses.

3. Losses on impairment and other losses are recorded under other expenses.

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

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

Notes:

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

8. REINSURANCE

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

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

9. OBLIGATIONS TO THE LIFE INSURANCE POLICYHOLDERS PROTECTION CORPORATION OF JAPAN

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

10. RESERVE FOR POLICYHOLDER DIVIDENDS

Changes in reserve for policyholder dividends for the fiscal years ended March 31, 2021 and 2020 were as follows:

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

11. BORROWED MONEY AND LEASE OBLIGATIONS

Borrowed money and lease obligations as of March 31, 2021 and 2020 were as follows:

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

Notes:

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

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

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

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

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

12. BONDS

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

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

Notes:

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

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

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ —	\$ —
Due after 1 year through 2 years	—	—
Due after 2 years through 3 years	—	—
Due after 3 years through 4 years	—	—
Due after 4 years through 5 years	—	—
Thereafter	300,000	2,710
Total	¥ 300,000	\$ 2,710

13. ASSET RETIREMENT OBLIGATIONS

(1) Outline of Asset Retirement Obligations

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

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

(2) Calculation Method of Asset Retirement Obligations

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

(3) Changes in Asset Retirement Obligations

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

(4) Changes in Estimates

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

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

(Changes in presentation method)

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

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

14. RETIREMENT BENEFITS

(1) Outline of Retirement Benefits

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

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

Certain consolidated subsidiaries have defined contribution pension plans. In addition, the amounts required to be contributed to the retirement pension benefit plans by the Company and certain consolidated subsidiaries based on the "Act for Partial Amendment of National Government Officials' Retirement Allowance Act, etc. for the Purposes of Reviewing Benefit Levels of the Retirement Benefits for National Government Officials" (Act No. 96 of 2012), which was introduced from October 2015 as a new type of pension subsequent to the abolition of the specified occupation

portion of the mutual aid pension program, were ¥10,532 million (\$95 million) and ¥10,793 million for the fiscal years ended March 31, 2021 and 2020, respectively.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

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

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

2) Changes in plan assets

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

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

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

4) Retirement benefit costs

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

5) Adjustments for retirement benefits (before tax effect)

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

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

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

7) Plan assets

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

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

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

8) Actuarial assumptions

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

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

(3) Defined Contribution Plans

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

15. RESERVES RELATED TO THE REINSURANCE CONTRACTS

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

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

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

16. DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

17. NET ASSETS

(1) Type and Number of Shares Authorized and Issued

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

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

(2) Type and Number of Treasury Stock

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

Notes:

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

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

Notes:

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

(3) Information on Dividends

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

1) Dividends paid

Dividends paid for the fiscal year ended March 31, 2021

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

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

Dividends paid for the fiscal year ended March 31, 2020

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

Notes:

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

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

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

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

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

18. OTHER INCOME

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

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

(Changes in presentation method)

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

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

19. OTHER EXPENSES

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

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

Notes:

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

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

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

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

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

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

20. OTHER COMPREHENSIVE INCOME (LOSS)

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

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

21. FINANCIAL INSTRUMENTS

(1) Policy for Handling Financial Instruments

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

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

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

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

(2) Features and Risks of Financial Instruments

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

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

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

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

(3) Risk Management Framework for Financial Instruments

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

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

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

1) Credit risk management

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

2) Management of market risk

A) Banking subsidiary

The banking subsidiary invests in domestic and foreign bonds, stocks and others based on the policy related with ALM as a banking business, and these are affected by fluctuations in interest

rates, foreign exchange, stock price and others. Therefore the banking subsidiary quantitatively measures market risk using VaR, which is a statistical method, based on its market risk management regulations, and monitors and manages risk by setting limits for market risk and loss so that the amount of market risk is kept within an appropriate amount of capital allocation, as determined by taking into account the amount of the company's equity capital.

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

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

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

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

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

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

B) Insurance subsidiary

The insurance subsidiary categorizes market risk into interest rate risk and market price fluctuation risk for its management. Interest rate risk at the insurance subsidiary is the risk of losses resulting from fluctuation in the value of interest-bearing assets denominated in Japanese yen and insurance liabilities due to fluctuations in Japanese yen interest rates, and the risk arises because the insurance subsidiary has a limit in matching assets with liabilities, as an insurance company with a mission to offer universal service products including endowment insurance and whole life insurance. Market price fluctuation risk is any market risk other than interest rate risk.

Among the company-wide risks including the market risk, the insurance subsidiary identifies those that can be quantified and manages the company-wide risks by comparing the capital amount and the company-wide integrated risk amount calculated based on the amount of quantified risks.

3) Management of liquidity risk related to fund raising activities

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

(4) Additional Notes Concerning the Fair Value of Financial Instruments

The fair value of a financial instrument includes prices based on market quotations as well as rationally calculated prices. In calculating prices, certain premises and assumptions are adopted, and the use of different premises and assumptions may lead to changes in pricing.

(5) Fair Values of Financial Instruments

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

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

Notes:

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

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

Assets

- Cash and due from banks
For funds due from banks with no maturity date, fair value approximates book value, which is therefore used as fair value. For funds due from banks with a maturity date where the contract period is short (within a year), fair value approximates book value, which is therefore used as fair value.
- Call loans, 3) Receivables under resale agreements and 4) Receivables under securities borrowing transactions
Contract tenors are short term (within one year) and their fair values approximate book value, which is therefore used as fair value.
- Monetary claims bought
Pricing offered by the broker and other third parties serves as fair value.
- Trading account securities
The purchase price of the Bank of Japan serves as fair value.
- Money held in trust
For invested securities representing trust assets in money held in trust, the fair value of stocks is based on the price on the stock exchange, etc. and the fair value of bonds is based on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association. The fair value of derivative transactions is based on the prices provided by information vendors, etc. In addition, the fair value of the loans is based on a price obtained by discounting the total sum of the principal and interest by an interest rate that takes into account of the remaining period and credit risk of each loan.
Notes to money held in trust by categories based on holding purposes are provided in Note 4 (4) "Money Held in Trust".
- Securities
The fair value of stocks is based on the price on the stock exchange, etc. The fair value of bonds is based on the price quoted by the exchange, the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, the price calculated using the comparable price method or the price provided by a broker, etc. The fair value of investment trusts is based primarily on the funds' unit price.
Notes to securities by categories considering holding purposes are provided in Note 4 (3) "Fair Value Information on Securities and Policy-Reserve-Matching Bonds".
- 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

- Deposits
For demand deposits, the payment amount (book value) if demanded on the consolidated balance sheet date is deemed to be the fair value of such demand deposits. For fixed-term deposits, fair value is based on the net discounted present value of estimated future cash flows, following a

division into certain periods. The interest rate applicable to new savings is used as the discount rate.

- 2) Payables under repurchase agreements and 3) Payables under securities lending transactions
Contract tenors are short term (within one year) and their fair values approximate book value, which is therefore used as fair value.
- 4) Borrowed money
For borrowed money with variable interest rates, fair value approximates book value since it follows market interest rates only over the short term and the credit standing of the Company and its subsidiaries has not changed significantly after the transaction, therefore book value serves as fair value. For borrowed money with fixed interest rates, fair value is determined based on the present value calculated by discounting the total amount of principal and interest of the borrowed money classified by a certain period, by an interest rate assumed for a new borrowing under the same terms and conditions. For borrowed money for which the contract period is short (within a year), fair value approximates book value, which is therefore used as fair value.
- 5) Bonds
The fair value of bonds is based on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association.

Derivatives

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

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

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

Notes:

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

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

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

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

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

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

22. DERIVATIVE TRANSACTIONS

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

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

1) Interest rate-related derivatives

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

(Millions of Yen)

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

Notes:

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

2) Currency-related derivatives

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

Notes:

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

3) Stock-related derivatives

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

(Millions of Yen)

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

Notes:

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

4) Bond-related derivatives

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

Notes:

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

5) Credit-related derivatives

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

Notes:

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

(2) Derivative Transactions to Which the Hedge Accounting Method Is Applied

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

1) Interest rate-related derivatives

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

Notes:

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

2) Currency-related derivatives

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

Notes:

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

23. CONTRACTS

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

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

24. LEASE TRANSACTIONS

Operating Leases

(1) As lessee

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

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

(2) As lessor

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

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

25. CONTINGENT LIABILITIES

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

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

26. BUSINESS COMBINATIONS

For the fiscal year ended March 31, 2020

Transactions under common control, etc.

Sale of a portion of stock in a subsidiary

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

1. Overview of the transaction

1) Overview and purpose of the transaction

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

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

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

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

Name: Japan Post Insurance Co., Ltd.

Description of business: Life insurance business

3) Date of business combination

1) The Offering

April 23, 2019

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

April 8, 2019

4) Legal form of business combination

Sale of a portion of stock for cash consideration

5) Name of company after business combination

No change

2. Overview of accounting treatment applied

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

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

1) Main cause for change in capital surplus

Sale of a portion of stock in a subsidiary

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

¥50,199 million

27. SEGMENT INFORMATION

(1) Outline of Reportable Segments

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

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

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

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

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

(3) Selected Financial Information on Reportable Segment

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

Notes:

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

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

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

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

Notes:

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

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

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

Notes:

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

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

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

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

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

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

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

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

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

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

(7) Supplemental Information

1) Information by services

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

2) Information by geographic region

A) Income

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

B) Tangible fixed assets

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

3) Information by major customer

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

28. PER SHARE DATA

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

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

Notes:

1. Diluted net income per share is not presented for the fiscal years ended March 31, 2021 and 2020 as potential common stock did not exist.

2. Net assets per share is calculated based on the following:

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

(Thousands of shares)

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

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

4. Net income per share is calculated based on the following:

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

(Thousands of shares)

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

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

29. SUBSEQUENT EVENTS

(Material Business Transfer)

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

1. Overview of the business divestiture

(1) Names of the successor companies

Australian Parcels Group Pty Ltd, Australian Parcels Pty Ltd, Tasmania Maritime Pty Ltd,
NZ Logistics Holdings Limited

(2) Details of the divested business

The global express business of Toll

(3) Main reason for the business divestiture

The Japan Post Group has considered various business strategical options to enhance Toll's growth, but ultimately decided that the best option would be to sell the global express business, which has experienced a continuing deterioration in business performance. As a result of careful consideration by the Japan Post Group, Toll consented to enter into an agreement to transfer its global express business to Allegro.

(4) Date of business divestiture

Planned for the end of July 2021

2. Reportable segment that contained the divested business

International logistics business

(Disposal of Shares in a Subsidiary)

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

1. Reason for the disposal of shares

Under the Postal Service Privatization Act, the Company shall aim to dispose of the entire equity interest in Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd. (hereinafter referred to as "the Two Finance Companies"), and shall dispose of these shareholdings within the earliest possible time-frame, in light of the business condition of the Two Finance Companies and any impact on the ability to fulfill universal services obligation. In accordance with this aim, the Company, under its Medium-Term Management Plan, has set forth the policy of selling down these shareholdings as early as possible, until it holds 50% or less of the voting rights in each of the Two Finance Companies by 2025.

In accordance with the policy described above, the Company sold a portion of its shares of common stock in Japan Post Insurance Co., Ltd. in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd., also disposed of a portion of its shares in Japan Post Insurance Co., Ltd. through a share disposal trust. As a result, the portion of voting rights held by the Company fell below 50%.

2. Timing of the disposal

(1) Sale of shares in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd.

May 17, 2021

(2) Disposal of shares through the establishment of a share disposal trust

June 9, 2021

3. Name and business of the subsidiary, and details of transactions with the Company

Name: Japan Post Insurance Co., Ltd.

Business: Life insurance business

Details of transactions with the Company: Payment of brand royalty fees to the Company, etc.

4. Number and value of shares to be disposed of

(1) Sale of shares in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd.

Number of shares sold: 162,746,400 shares

Selling value: ¥358,530 million (\$3,238 million)

(2) Disposal of shares through the establishment of a share disposal trust

Number of shares disposed of: 559,900 shares

After the establishment of the share disposal trust, the Company sells its shares in Japan Post Insurance Co., Ltd. through the share disposal trust at the market price.

5. Effect of the disposal and the portion of voting rights held by the Company after the disposal

Effect of the disposal: Capital surplus is forecast to decrease by ¥75,735 million (\$684 million) in the next consolidated fiscal year as a result of the sale of shares in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd. Additionally capital surplus is forecast to change as a result of the sale of shares through the share disposal trust.

The portion of voting rights held by the Company after the disposal: 49.9%

The portion of voting rights to Japan Post Insurance Co., Ltd. held by the Company fell below 50% as a result of this disposal of shares, but Japan Post Insurance Co., Ltd. remains a consolidated subsidiary of the Company based on the effective control standard.

(Appropriation of Surplus)

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

1. Purpose of the appropriation of surplus

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

2. Details of the appropriation of surplus

(1) Amount of surplus to be decreased

Other capital surplus (Capital surplus): ¥1,267,127 million (\$11,445 million)

(2) Amount of surplus to be increased

Retained earnings brought forward (Retained earnings): ¥1,267,127 million (\$11,445 million)

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

4. Other significant matters

This appropriation of surplus represents a transfer between accounts within the "net assets" section of the Consolidated Balance Sheets. Therefore, there is no change in the amount of the Group's net assets as a result, and no effect on net income.

(Acquisition and Cancellation of Treasury Stock)

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

1. Reason for the acquisition and cancellation of treasury stock

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

2. Details of matters related to the acquisition

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

3. Consequence of the acquisition

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

4. Details of matters related to the cancellation

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

(Reference)

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



Independent auditor's report

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

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

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

Key Audit Matters

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

1. Reasonableness of the valuation of certain illiquid securities with no readily available market prices held by the bank subsidiary

The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of JAPAN POST HOLDINGS Co., Ltd. (the “Company”) and its consolidated subsidiaries, Securities of ¥193,703,491 million were recognized as of March 31, 2021, accounting for approximately 65% of total assets.</p> <p>A consolidated subsidiary, JAPAN POST BANK CO., Ltd. (hereinafter, the “bank subsidiary”), manages funds raised primarily through deposits by investing them in securities, including Japanese government bonds, Japanese corporate bonds, foreign bonds and investment trusts. Of those securities, available-for-sale securities of ¥110,713,723 million were recognized at their fair value in the consolidated balance sheet. Included therein were certain illiquid securities with no readily available market prices (such as private placement bonds and securitized products), for which the bank subsidiary deems reasonably calculated based on prices mainly obtained from third parties including information vendors and brokers, as their fair value. As described in Note 2, “SIGNIFICANT ACCOUNTING POLICIES, (25) “Significant accounting estimates”, directly or indirectly observable market inputs such as spreads estimated based on prices of similar securities and unobservable market inputs including significant estimates, are used as key assumptions in the prices obtained from third parties.</p> <p>These key assumptions may be affected by a sudden change in market environment or a distortion in the financial markets that results in, for example, a significant widening of bid-ask spreads or a significant increase in liquidity risk premiums. If alternative assumptions are used, they may have a significant impact on the fair value of these illiquid securities. Accordingly, using the prices obtained from third parties as fair value of certain illiquid securities with no readily available market prices involved significant management judgment, and the use of a price based on unreasonable assumptions may have a</p>	<p>In order to assess whether the valuation of certain illiquid securities with no readily available market prices held by the bank subsidiary was reasonable, we requested the component auditor of the bank subsidiary to perform an audit. Then we evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained. The following audit procedures, among others, were performed:</p> <p>(1) Internal control testing</p> <p>The component auditor tested the design and operating effectiveness of certain of the bank subsidiary’s internal controls relevant to the valuation of certain illiquid securities with no readily available market prices. In this assessment, special attention was given to the following controls:</p> <ul style="list-style-type: none"> ● controls to validate the reasonableness of the price to be used as fair value through the comparison with prices obtained from third parties; and ● controls to validate the reasonableness of the price to be used as fair value through the examination of spreads estimated based on prices. <p>(2) Assessment of the reasonableness of fair value</p> <p>For the individually selected illiquid securities with no readily available market prices of which prices varied widely amongst various third parties as well as securitized products, the component auditor involved financial instrument valuation specialists from our member network firm and performed the following procedures:</p> <ul style="list-style-type: none"> ● The component auditor assessed whether the price used by the bank subsidiary as fair value was within a reasonable range by comparing it with the prices obtained directly from third parties; and ● The component auditor assessed whether the price used by the bank subsidiary as fair value was within a reasonable range by comparing it with the price independently estimated.

significant impact on the consolidated financial statements.

We, therefore, determined that our assessment of the reasonableness of the valuation of certain illiquid securities with no readily available market prices held by the bank subsidiary was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

2. Accuracy of the calculation and sufficiency of policy reserves

The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of JAPAN POST HOLDINGS Co., Ltd. (the “Company”) and its consolidated subsidiaries, Policy reserves of ¥59,397,720 million were recognized as of March 31, 2021, accounting for approximately 21% of total liabilities.</p> <p>As described in Note 2, “SIGNIFICANT ACCOUNTING POLICIES, (9) Policy Reserves”, policy reserves are set aside for the fulfilment of future obligations under the insurance contracts pursuant to the Insurance Business Act and other applicable laws and regulations (hereinafter collectively referred to as the “Act”).</p> <p>Pursuant to the Act, policy reserves are required to be accumulated each accounting period in accordance with the statements of calculation methodology approved by the Financial Services Agency in Japan (FSA). In addition, the Act requires an insurance company to validate the sufficiency of policy reserves, and an additional policy reserve may be required to be provided for, as necessary.</p> <p>Policy reserves are calculated based on certain calculation assumptions affecting long-term future cash flows, such as assumed mortality rates, assumed interest rates, and expected operating expense ratios. The calculation formula for policy reserves stipulated in the statements of calculation methodology approved by the FSA is complex, and therefore involves a high level of expertise in actuarial valuation. In addition, pursuant to the Act, in order to validate the sufficiency of policy</p>	<p>In order to assess whether the calculation of policy reserves was accurate and the amount of policy reserves was sufficient, we requested the component auditor of a consolidated subsidiary, JAPAN POST INSURANCE Co., Ltd. (hereinafter, the “insurance subsidiary”), to perform an audit. Then we evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained. The following procedures, among others, were performed by involving actuarial specialists and IT system specialists within our network firms:</p> <p>(1) Internal control testing</p> <p>The component auditor tested the design and operating effectiveness of certain of the insurance subsidiary’s internal controls over the processes to ensure the accuracy of the calculation and sufficiency of policy reserves. In the assessment, special attention was given to the following controls:</p> <ul style="list-style-type: none"> ● IT controls over the policy reserve calculation system to ensure the accuracy of the calculation of policy reserves; ● controls that the actuarial-related departments ensure that policy reserves are recognized completely for all of the insurance subsidiary’s insurance contracts; ● controls that the actuarial-related departments ensure the accuracy of the calculation of policy reserves by reperforming the calculation of policy reserves on a sample basis, and assessing the consistency with the amount of policy reserves calculated by a system other than the policy reserve calculation system used for financial

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

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

reporting purpose; and

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

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

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

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

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

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

- The component auditor assessed the contents of the opinion and supplementary reports of the chief actuary considering the chief actuary's opinion, and inquired of the chief actuary about the reports.

3. Reasonableness of management's judgment on the recoverability of deferred tax assets related to policy reserves and reserve for price fluctuations

The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of JAPAN POST HOLDINGS Co., Ltd. (the "Company") and its consolidated subsidiaries, Deferred tax assets of ¥919,448 million were recognized as of March 31, 2021. As described in Note 16, "DEFERRED TAX ASSETS AND LIABILITIES" to the consolidated financial</p>	<p>In order to assess whether management's judgment on the recoverability of deferred tax assets related to policy reserves and reserve for price fluctuations was appropriate, we requested the component auditor of the insurance subsidiary to perform an audit. Then we evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit</p>

statements, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥1,634,016 million. Of this amount, the deferred tax assets related to policy reserves and reserve for price fluctuations were ¥1,011,450 million and ¥223,044 million, respectively, accounting for a significant portion.

Deferred tax assets are recognized to the extent that deductible temporary differences are expected to reduce future taxable income. The amount recognized as deferred tax assets depends on the appropriateness of a company category determined in accordance with “Implementation Guidance on Recoverability of Deferred Tax Assets” (Guidance No. 26 of the Accounting Standards Board of Japan) and the estimated future taxable income.

As described in Note 16, “DEFERRED TAX ASSETS AND LIABILITIES”, the Company determined that deferred tax assets related to policy reserves and reserve for price fluctuations were recoverable because future taxable income would be generated over the long term and therefore deferred tax assets have an effect of reducing the amount of tax payable. The future taxable income to be generated was estimated based on the business plan prepared by management of a consolidated subsidiary, JAPAN POST INSURANCE Co., Ltd. (hereinafter, the “insurance subsidiary”). Accordingly, the estimate involved significant management judgment on key assumptions, such as forecasts of the level of insurance product sales, the amount of insurance claims and other benefit payments, investment income and operating expenses.

We, therefore, determined that our assessment of the reasonableness of management’s judgment on the recoverability of deferred tax assets related to policy reserves and reserve for price fluctuations was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

evidence was obtained. The following audit procedures, among others, were performed:

(1) Internal control testing

The component auditor tested the design and operating effectiveness of certain of the insurance subsidiary’s internal controls relevant to the estimate of future taxable income, including those over the development of a business plan.

(2) Assessment of a company category

The component auditor evaluated the appropriateness of a company category determined in accordance with “Implementation Guidance on Recoverability of Deferred Tax Assets,” with a particular focus on the assessment of whether significant changes in the business environment of the insurance subsidiary were expected in the near future.

(3) Assessment of the reasonableness and feasibility of estimated future taxable income

- The component auditor obtained an understanding of assumptions underlying the insurance subsidiary’s business plan, which formed the basis for the estimate of future taxable income by inquiring of the insurance subsidiary’s management and the personnel in the relevant department;
- The component auditor compared the future taxable income estimated in the previous fiscal years with actual results; and
- The component auditor confirmed the consistency between the estimated future taxable income and the business plan.

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

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

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

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

/S/ AZAMI Kazuhiko

Designated Engagement Partner

Certified Public Accountant

/S/ MAENO Atsuji

Designated Engagement Partner

Certified Public Accountant

/S/ TOYAMA Takahiro

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 18, 2021

Notes to the Reader of Independent Auditor's Report:

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

Capital Adequacy

Matters for Disclosure Concerning Composition of Capital

Capital structure
Consolidated capital adequacy ratio (domestic standard)

(Millions of yen)

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

(Millions of yen)

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

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

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

1. Scope of consolidation

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

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

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

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

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

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

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

None

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

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

None

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

Japan Post Insurance Co., Ltd.

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

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

None

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

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

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

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

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

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

4. Credit risk

(1) Summary of risk management policy and procedures

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

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

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

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

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

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

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

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

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

(2) Portfolios where the standardized approach is applied

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

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

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

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

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

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

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

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

■ Types of qualified financial collateral

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. Securitization exposure

(1) Summary of risk management policy and risk characteristics

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

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

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

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

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

- (3) Policies on using securitization transactions as a credit risk mitigation method
Japan Post Bank does not use securitization transactions as a credit risk mitigation method.
- (4) Name of method used to calculate amount of credit risk assets for securitization exposure
Japan Post Bank uses the External Ratings-Based Approach and Standard Approach prescribed in the Capital Adequacy Ratio Notice for calculating the amount of credit risk assets for securitization exposure.
- (5) Name of method used for calculating an amount equivalent to market risk of securitization exposure
Not applicable
- (6) Distinguishing types of conduits for securitization and whether the Group is exposed to risks associated with securitization from securitization transactions when using conduits for securitization in executing securitization transactions for third-party assets
The Japan Post Group does not use conduits for securitization to execute securitization transactions involving third-party assets.
- (7) Among the Group's subsidiaries (excluding consolidated subsidiaries, etc.) and affiliate companies, names of those companies exposed to risk associated with securitization transactions carried out by the Group (including securitization transactions using conduits for securitization)
Not applicable
- (8) Accounting policy on securitized transactions
For the recognition, valuation and accounting treatment of origination and extinguishment of financial assets and liabilities associated with securitized transactions, Japan Post Bank applies ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" (January 22, 1999, Business Accounting Council).
- (9) Name of qualified rating agencies used in making judgments on risk weight for securitization exposure by category
Japan Post Bank uses the ratings of the following credit rating agencies for the calculation of credit risk assets for securitization exposure:
Rating and Investment Information, Inc. (R&I)
Japan Credit Rating Agency, Ltd. (JCR)
Moody's Investors Service, Inc. (Moody's)
S&P Global Ratings (S&P)

8. Operational risk

- (1) Summary of risk management policy and procedures

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

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

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

with the importance of each risk, monitors these risks and takes actions as required.

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

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

- (2) The name of method used for the calculation of an amount equivalent to operational risk
Japan Post Bank uses the "basic indicator approach" with regard to the calculation of an amount equivalent to operational risk.

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

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

10. Interest rate risk

- (1) Summary of risk management policy and procedures

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

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

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

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

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

Quantitative Disclosure

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

2. Capital adequacy

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

(3) Total amount of consolidated required capital

(Millions of yen)

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

Note 1: The total amount of consolidated required capital is the denominator of the consolidated capital adequacy ratio x 4%.

Note 2: The amount of required capital for credit risk is the amount of credit risk assets x 4%.

Note 3: The amount of required capital for operational risk equivalent amount is operational risk equivalent amount divided by 8% x 4%.

3. Credit risk

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

(Millions of yen)

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

(Millions of yen)

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

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

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

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

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

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

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

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

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

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

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

(2) Credit risk exposure by maturity

(Millions of yen)

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

(Millions of yen)

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

Note 1: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc., other than derivatives.

Note 2: "Securities" include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 3: "Derivatives" include forward interest rate swaps and currency swaps, etc.

Note 4: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 5: Investment trusts and other funds are recorded in investment trust, etc.

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

(Millions of yen)

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

Note 1: "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.

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

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

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

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

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

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

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

Note 9: Exposures of certain subsidiaries are included in "Others" (exposure) under "Others" (counterparts).

Note 10: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 11: Investment trusts and other funds are recorded in investment trust, etc.

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

Year-end balance

(Millions of yen)

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

Change during the period

(Millions of yen)

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

Note 1: Reserve for loan losses related to loans disclosed under the Financial Revitalization Law is listed.

Note 2: General reserve for loan losses is not classified by region, industry and customer.

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

There were no write-offs.

(6) Amount of exposure by risk weight category

(Millions of yen)

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

Note 1: Ratings are used for those rated by qualified rating agencies in principle.

Note 2: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 3: Regarding assets to which the Company applies credit risk mitigation techniques for a portion of its exposure, the Group records exposure amounts in weighted categories after the application of credit risk mitigation techniques.

Note 4: Regarding assets to which the Company applied transitional arrangements, the Company records these assets in risk-weighted categories in case of that transitional arrangements are not applied.

Note 5: The "Others" item represents clearing funds contributed to qualifying central counterparties.

Note 6: Investment trusts and other funds are recorded in investment trust, etc. The weighted average of risk weights was 81.64% as of March 31, 2021 (compared with 87.06% as of March 31, 2020)

4. Credit risk mitigation methods

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

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

Note 1: Japan Post Bank accepts cash, self-deposits and securities as eligible financial collateral.

Note 2: Principal guarantors are central governments, etc., to which lower risk weight than the guaranteed obligations are applied.

Note 3: Credit derivative counterparties are the financial institutions to which lower risk weightings than the reference obligations are applied.

Note 4: The exposure included in investment trusts and other funds are not included herein.

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

(Millions of yen)

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

Note 1: Credit equivalents are calculated by the "current exposure method."

Note 2: Regarding derivative transactions and transactions with long-term settlements, only those transactions requiring the calculation of credit equivalents are included.

Note 3: Derivative transactions and transactions with long-term settlements included in investment trusts and other funds are not included herein.

Note 4: Limited to transactions on which gross reconstruction costs are not less than zero.

Note 5: Credit risk mitigation through collateral is considered through risk weighting, and credit equivalent amounts are not considered.

Note 6: The amount of netting effect on credit equivalents through netting is equal to an amount that subtracts credit equivalents prior to considerations of credit risk mitigation using collateral from the aggregate sum of amounts of gross reconstruction costs and aggregate sum of gross add-on amounts.

• Notional principal amounts of credit derivatives

(Millions of yen)

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

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

6. Securitization exposure

Securitization exposure in which the Group invests:

(1) Securitization exposure and breakdown by type of main underlying assets (excluding re-securitization exposure)

(Millions of yen)

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

Note 1: There are no off-balance sheet transactions.

Note 2: Excludes securitization exposure included in investment trust, etc.

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

(Millions of yen)

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

Note 1: There are no off-balance sheet transactions.

Note 2: Excludes re-securitization exposure included in investment trust, etc.

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

(Millions of yen)

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

Note 1: There are no off-balance sheet transactions.

Note 2: Excludes securitization exposure included in investment trust, etc.

Note 3: Required capital is the amount of credit risk assets × 4%.

7. Market risk

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

8. Equity exposure

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

(Millions of yen)

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

Note 1: Shares with market quotations are listed.

Note 2: Stocks for which fair value is deemed to be extremely difficult to determine are listed.

Note 3: Shares held by the Bank's subsidiaries and their subsidiaries are listed. The exposure included in investment trusts and other funds are not included herein. The same applies to the following.

(2) Gains and losses on sale or write-off of investment or equity exposures

(Millions of yen)

	2021 (From April 1, 2020 to March 31, 2021)	2020 (From April 1, 2019 to March 31, 2020)
Gains / Losses	—	¥ 6,275
Gains	—	8,143
Losses	—	1,868
Write-off	—	—

Note: Gains and losses on the sale of stock are listed in the Consolidated Statements of Income.

(3) Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income

(Millions of yen)

	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	—	—

Note: Shares with market quotations are listed.

(4) Balance by risk weight of re-securitization exposure and amount of required capital

(Millions of yen)

Risk weight	2021 (As of March 31, 2021)		2020 (As of March 31, 2020)	
	Balance	Required capital	Balance	Required capital
100%	¥ 870	¥ 34	¥ 1,018	¥ 40
Over 100% and less than 1,250%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 870	¥ 34	¥ 1,018	¥ 40

Note 1: There are no off-balance sheet transactions.

Note 2: Excludes re-securitization exposure included in investment trust, etc.

Note 3: There are no credit risk mitigation methods applied to re-securitization exposures.

Note 4: Required capital is the amount of credit risk assets × 4%.

(4) Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income

(Millions of yen)

	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income	—	—

Note: Shares with market quotations of affiliated companies are listed.

9. Balance and amount of required capital by each exposure calculation method for which deemed calculation of risk weight is applied

(Millions of yen)

Calculation method	Risk weight	2021 (As of March 31, 2021)		2020 (As of March 31, 2020)	
		Balance	Required capital	Balance	Required capital
Look-through approach (LTA)	—	¥ 52,485,384	¥ 1,687,429	¥ 48,967,015	¥ 1,668,397
Mandate-based approach (MBA)	—	—	—	—	—
Probability approach	250%	61,535	6,153	37,859	3,785
	400%	11,535	1,845	7,534	1,205
Fall-back approach (FBA)	1,250%	44,944	22,472	71,721	35,860
Total		¥ 52,603,400	¥ 1,717,900	¥ 49,084,130	¥ 1,709,249

Note 1: The amount of required capital is the amount of credit risk-weighted assets x 4%.

Note 2: Risk weight is as prescribed in the Capital Adequacy Ratio Notification.

Note 3: Look-through approach (LTA) is as stipulated in 54-5-2 of the Capital Adequacy Ratio Notification.

Note 4: Mandate-based approach (MBA) is as stipulated in 54-5-6 of the Capital Adequacy Ratio Notification.

Note 5: The probability approach is as stipulated in 54-5-9 of the Capital Adequacy Ratio Notification.

Note 6: Fall-back approach (FBA) is as stipulated in 54-5-10 of the Capital Adequacy Ratio Notification.

10. Interest rate risk

(Millions of yen)

Interest rate risk		(A)	(B)	(C)	(D)
Item number		ΔEVE		ΔNII	
		2021 (As of March 31, 2021)	2020 (As of March 31, 2020)	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
1	Upward parallel shift	¥ 567,767	¥ 100,586	¥ 254,339	¥ 175,255
2	Downward parallel shift	2,274,001	2,420,055	(4,553)	(46,356)
3	Steepening				
4	Flattening				
5	Rise in short-term interest rates				
6	Decrease in short-term interest rates				
7	Maximum value	2,274,001	2,420,055	254,339	175,255
8	Amount of equity	(E)		(F)	
		2021 (As of March 31, 2021)		2020 (As of March 31, 2020)	
		¥ 11,042,663		¥ 11,000,060	

Note 1: In accordance with the disclosed definition by the Financial Service Agency, the directions of declines in economic value and interest income are denoted as a plus.

Note 2: It has been confirmed that a sufficient level of capital adequacy has been secured against the interest rate risk measured.

Note 3: Regarding the application of materiality tests, the "Comprehensive Guidelines for Supervision of Major Banks," which is prescribed by the Financial Service Agency, states that "Japan Post Bank is legally obligated to hold safe assets that include government bonds for a portion of its assets. Accordingly, relevant special circumstances shall be appropriately considered in making responses in supervision (in the case of a materiality test)."

Compensation, etc., Subject to Disclosure

1. Matters concerning the establishment of an organizational system for subject executives and employees of the Company (Group)

(1) Scope of subject executives and employees

The following describes the scope of "subject executives" and "subject employees" (collectively referred to as "subject executives and employees") who are subject to disclosure as persons having a significant impact on the operation of the banking business and state of assets as prescribed by the notification (Japan Financial Services Agency Notification No. 21 of March 29, 2012) for deciding matters determined separately by the Commissioner of the Financial Services Agency as an item concerning compensation based on provisions of the Ordinance for Enforcement of the Banking Act, Article 19-2, Paragraph 1-6.

1) Scope of "subject executives"

Subject executives are the Company's directors and executive officers. Outside directors are excluded.

2) Scope of "subject employees"

Among Company executives (other than subject executives) and employees as well as executives and employees of subsidiaries, those "persons receiving high amounts of compensation" and who have a significant impact on the management of business operations and the state of assets of the Company or its principal subsidiaries are deemed "subject employees" who are subject to disclosure.

(a) Scope of "principal consolidated subsidiaries"

Principal consolidated subsidiaries are consolidated subsidiaries that have a significant impact on Group management. Specifically, the three business subsidiaries are in this category.

(b) Scope of "persons receiving high amounts of compensation"

"Persons receiving high amounts of compensation" are those persons receiving compensation exceeding standard amounts from the Company and its principal consolidated subsidiaries. The Company has set the Group standard amount at ¥28 million. The relevant standard amount is set based on the average basic compensation (excludes persons who assume positions or retire from positions during the term in each fiscal year) for the past three years for executives of the Company and Japan Post Bank and this serves as a common standard amount for the Group. However, because there are no large differences in compensation systems and levels for the Company's principal consolidated subsidiaries, these are also applied in common at principal consolidated subsidiaries.

(c) Scope of "persons having a significant impact on the management of the Group's business or the state of its assets"

"Persons having a significant impact on the management of the Group's business or the state of its assets" refers to persons who engage in regular business transactions and manage matters that have a considerably significant impact on the management of the Company, Japan Post Group and its principal consolidated subsidiaries, or persons who would exert a significant impact on the state of assets by incurring losses from business transactions or other matters. Specifically, this refers to executives of principal consolidated subsidiaries or executive officers with authority to execute the business of business departments in accordance with resolutions by the Board of Directors as well as to professional positions at Japan Post Bank. (Referred to hereafter as management employees for whom a performance-linked compensation system is applicable based on professional position salary regulations and who perform duties for the execution of business using especially sophisticated and expert knowledge in the Investment Division of Japan Post Bank).

(2) Determination of compensation for subject executives and employees

1) Determination of compensation for subject executives

The Company has established the Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for the Company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to decide policies

for determining compensation as well as determine individual compensation.

2) Determination of compensation for subject employees

The determination of compensation for executives of principal consolidated subsidiaries who are deemed subject employees is as follows.

(a) Japan Post

Executive compensation is determined under a structure whereby the total amount of executive compensation is determined at the Shareholders' Meeting.

Individual allocation of directors' compensation is determined on a resolution by the Board of Directors, according to the total amount decided at the Shareholders' Meeting.

Individual allocation of compensation for auditors is determined based on consultation by the auditors.

Compensation for executive officers is determined based on a resolution by the Board of Directors.

(b) Japan Post Bank and Japan Post Insurance

Japan Post Bank and Japan Post Insurance have respectively established a Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for each company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to determine policies for determining compensation as well as determine individual compensation.

The Human Resources Division, which is independent from the Corporate Administration Division, has established a performance-linked compensation system based on professional position salary regulations for professional positions at Japan Post Bank. Compensation based on this system is determined after deliberation at the Evaluation Committee that is composed of executive officers such as the President and Representative Executive Officer of Japan Post Bank.

(3) Determination of compensation for staff of the Risk Management Department and Compliance Department

Compensation for staff of the Risk Management Department and Compliance Department is determined based on salary rules and regulations. Specific amounts paid are decided by determining compensation separate from the sales promotion department by setting amounts based on employee performance evaluations, with the general manager of the relevant departments as the person making final decisions.

Assessment categories of employee performance evaluations encompass assessments of the execution of duties and attainment levels for targets for each job responsibility in the Risk Management Department and Compliance Department. These assessments reflect the level of contribution to the risk management structure and compliance readiness.

(4) Total amount of compensation paid to members of the Compensation Committee and number of times the Compensation Committee and other meetings convened

Company name	Name of meeting	Number of times convened (From April 2020 to March 2021)
Japan Post Holdings	Compensation Committee	6 times
Japan Post	Shareholders' Meeting	1 time
	Board of Directors	2 times
	Board of Corporate Auditors	1 time
Japan Post Bank	Compensation Committee	4 times
	Evaluation Committee	11 times
Japan Post Insurance	Compensation Committee	8 times

Note: The total amount of compensation is not listed because this amount cannot be calculated separating only the portion

corresponding to compensation for the execution of duties of the Compensation Committee.

2. Matters concerning evaluation of the appropriateness of the design and operation of the compensation system for subject executives and employees of the Company (Group)

(1) Policies concerning compensation for "subject executives"

The Company determines compensation for the Company's directors according to job responsibilities based on the scope and size of responsibilities for management and other areas. For executive officers, the Company has designed a compensation system that considers job content as an executive officer, personal evaluations and job performance. As a specific executive compensation system, compensation for executives consists of base compensation.

(2) Policies concerning compensation for "subject employees"

In determining compensation for Company employees, the Company determines compensation for directors and auditors according to job responsibilities based on the scope and size of responsibilities for management and in other areas. For executive officers and executives, the Company has designed a compensation system that considers job content as an executive officer or executive, personal evaluations and job performance. As a specific compensation system, compensation consists of base compensation.

The Company determines compensation for employees based on employee evaluations to reflect the degree of attainment of targets and job behavior. As a specific compensation system for employees, compensation is determined based on salary rules and regulations.

3. Matters concerning consistency between the compensation system for subject executives and employees of the Company (Group) and risk management and the link between compensation and performance

In determining compensation for subject executives, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined.

In determining compensation for subject employees, compensation for directors and auditors of Japan Post is determined based on resolutions at the Shareholders' Meeting, while compensation for executive officers is determined based on resolutions by the Board of Directors. Regarding executives of Japan Post Bank and Japan Post Insurance, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined. In determining compensation for professional positions at Japan Post Bank, the scheme for determining compensation is discussed at the Evaluation Committee, after which details of compensation for each individual are determined. Compensation for other employees is determined based on salary rules and regulations.

Compensation for subject executives and subject employees takes into consideration the state of employee evaluations and the appropriateness of amounts paid without excessive emphasis on performance based systems.

4. Matters concerning the types of compensation for subject executives and employees of the Company (Group), total amount paid and payment method
Total amount of compensation for subject executives and employees (From April 1, 2020 to March 31, 2021)

Classification	Number of persons	Total amount of compensation (Millions of yen)						Retirement benefits	Other
		Total fixed compensation		Total variable compensation					
		Base compensation		Bonuses	Stock compensation				
Subject executives (excluding outside executives)	40	1,114	984	984	130	—	130	—	0
Subject employees, etc.	16	859	420	420	435	254	180	0	2

Note 1: Compensation for subject executives is listed including compensation as executives of principal consolidated subsidiaries.

Note 2: Stock-compensation type stock options are not applicable.

Note 3: The retirement benefits system for directors, auditors, executive officers and executives was discontinued in June 2013 and therefore retirement benefits are not applicable.

5. Other special pertinent matters for reference or other applicable matters other than those specified up to the previous item concerning the systems for compensation for subject executives and employees of the Company (Group)

There are no applicable matters besides those specifically listed in the previous items.

Consolidated Solvency Margin Ratio (Japan Post Group)

(Millions of yen)

Item		2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Total amount of solvency margin (A)		¥ 20,278,927	¥ 16,096,056
Capital stock, etc.		13,164,078	12,371,213
Reserve for price fluctuations		904,816	858,339
Contingency reserve		1,611,343	1,797,366
Catastrophe loss reserve		0	0
General reserve for possible loan losses		284	372
(Net unrealized gains (losses) on available-for-sale securities (before taxes) and net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		3,242,088	(54,289)
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		484,047	368,660
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)		209,497	212,645
Capital raised through debt financing, Excess of continued Zillmerized reserve		664,059	542,807
Excess of continued Zillmerized reserve		364,059	442,807
Capital raised through debt financing		300,000	100,000
Amounts within "excess of continued Zillmerized reserve" and "capital raised through debt financing" not calculated into the margin		0	0
Solvency margin concerning small-amount, short-term insurers		0	0
Deductions		(1,287)	(1,059)
Other		0	0
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)		¥ 6,009,050	¥ 5,808,221
Insurance risk R ₁		130,961	137,197
General insurance risk R ₅		0	0
Catastrophe risk R ₆		0	0
Underwriting risk of third-sector insurance R ₈		49,371	54,172
Small amount and short-term insurance risk R ₉		0	0
Anticipated yield risk R ₂		131,404	136,652
Minimum guarantee risk R ₇		0	0
Investment risk R ₃		5,625,716	5,398,528
Business management risk R ₄		249,105	269,733
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$		674.9%	554.2%

Note: The solvency margin ratio is calculated in accordance with Article 210 Paragraph 11, Section 3 and Section 4 of the Enforcement Regulation of the Insurance Business Act and with Ordinance No. 23 issued by the Financial Services Agency in 2011.

Non-consolidated Solvency Margin Ratio (Japan Post Insurance Co., Ltd.)

(Millions of yen)

Item		2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Total amount of solvency margin	(A)	¥ 6,229,928	¥ 5,168,422
Capital stock, etc.		1,763,923	1,641,069
Reserve for price fluctuations		904,816	858,339
Contingency reserve		1,611,343	1,797,366
General reserve for possible loan losses		36	37
(Net unrealized gains (losses) on available-for-sale securities (before taxes) and net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		1,283,545	328,782
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		2,203	19
Excess of continued Zillmerized reserve		364,059	442,807
Capital raised through debt financing		300,000	100,000
Amounts within "excess of continued Zillmerized reserve" and "capital raised through debt financing" not calculated into the margin		—	—
Deductions		—	—
Other		—	—
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	¥ 1,114,326	¥ 967,023
Insurance risk	R ₁	130,961	137,197
Underwriting risk of third-sector insurance	R ₈	49,371	54,172
Anticipated yield risk	R ₂	131,404	136,652
Minimum guarantee risk	R ₇	—	—
Investment risk	R ₃	942,799	788,454
Business management risk	R ₄	25,090	22,329
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	1,118.1%	1,068.9%

Note: The solvency margin ratio is calculated in accordance with Article 86 and Article 87 of Ordinance for Enforcement of the Insurance Business Act and with Ministry of Finance Official Notification No. 50 issued in 1996.

7. Japan Post Group Privacy Policy

① Japan Post Group Privacy Policy

The Japan Post Group (“the Group”) is dedicated to providing services that can achieve a high degree of customer satisfaction. Properly protecting and the treatment of personal information is vital to accomplishing this goal. Accordingly, the Group has established the following fundamental policy (hereinafter referred to as “the Privacy Policy”) for protecting personal information.

(1) Compliance with laws and regulations

When handling personal information, the Group complies with all laws and regulations associated with protecting personal information, national government policies and the provisions of the Privacy Policy (“laws, regulations, etc.,” hereafter).

(2) Purpose of using personal information

The Group specifies the purpose of using personal information and does not use this information beyond the scope necessary for achieving this purpose.

The purposes for which Group companies use personal information are listed in the privacy policies on each company’s website and where applicable.

(3) Acquisition of personal information

The Group acquires personal information using methods that are legal and proper.

(4) Security measures for management of personal information

The Group uses an appropriate security management system to prevent leaks, losses or alterations of personal information. In addition, the Group properly supervises persons engaged in the business of handling personal information, outsourcing parties and others.

(5) Provision of personal information to third parties

Except in cases where required by laws and regulations, the Group does not supply personal information to third parties without the prior consent of each individual.

In cases where two or more Group companies share the same personal information, this sharing is performed only after providing prior notice or public announcements of items required by law.

Irrespective of the above, specific personal information shall not be provided to third parties or shared jointly except when prescribed by laws or ordinances.

(6) Procedures for requesting disclosure of personal data

The Group responds in a sincere manner in cases where there are requests for the notification of the purpose of use or for the disclosure, correction or termination of use of retained personal data as prescribed by laws, regulations, etc.

The disclosure request procedures for each company can be found on their respective websites and where applicable.

(7) Points of contact for inquiries

Requests regarding retained personal data set forth in the preceding section and inquiries and requests regarding treatment of personal information can be made to designated points of contact.

(8) Continuous improvements

The Group constantly reviews and improves its management and handling methods for the protection of personal information in response to advances in information technology and shifts in social demands.

② Sharing of Personal Data among Japan Post Group Companies

Japan Post Group companies consist of Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Insurance Co., Ltd. and several other subsidiaries and affiliated companies.

Each Japan Post Group company uses its respective specialized skills to provide high-quality services. The objective is to achieve even greater customer satisfaction.

To accomplish this goal, the Japan Post Group wishes to share customers' personal data solely to the degree required and within the scope explained below. This data is used to conduct business activities performed directly by Group companies or through outsourcing parties.

The Group asks for customers' understanding and pledges that strict information management will be used during the shared use of personal data.

(1) Personal data items for shared use

Shared use covers names, birth dates, addresses, telephone numbers and other contact information, family members, occupations and data concerning business transactions with the Group. However, this excludes information about materials sent or delivered by postal mail or any sensitive information.

(2) Scope of parties involved in shared use

Shared use is limited to the Japan Post Group. However, this applies only to companies included in the consolidated financial statements, including equity-method affiliates, of Japan Post Holdings, as prescribed by laws, regulations, etc., and is limited to the following companies:

Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.

(3) Purpose of use

- 1) Distribution of information about services and research and development involving services
- 2) Decisions involving the provision of services
- 3) For the proper management of Group business operations primarily for the purpose of monitoring and managing risks

(4) Name of party with responsibility for managing personal data

Japan Post Holdings Co., Ltd.

Data
Compilation

8. Japan Post Group's Approach to Procurement Activity

The Japan Post Group conducts its procurement activity according to the following concept.

Japan Post Group's Approach to Procurement Activity

1. Open, fair and appropriate procurement

- The Group opens the door widely to suppliers and offers fair entry opportunities.
- The Group selects suppliers based on a comprehensive and appropriate evaluation of quality, price, delivery period, technology, business condition and other factors.

2. Compliance with laws, regulations and social standards

- The Group complies with all applicable laws, regulations and social standards and carries out procurement activity in good faith.
- In its procurement activity, the Group forms no relationship with antisocial forces that pose a threat to the order and safety of civil society.

3. Environmental considerations

- The Group carries out procurement activity in consideration of global and local environmental preservation and the effective use of resources.

4. Building trusting relationships

- Through good communication with suppliers, the Group builds strong trust and strives for mutual prosperity.
- The Group appropriately manages information about suppliers that it obtains through its procurement activity.

5. Request to suppliers (Compliance with the UN Global Compact)

- The Group supports the Ten Principles of the UN Global Compact regarding the four areas of human rights, labor, the environment and anti-corruption and promotes CSR procurement activity. The Group expects its suppliers to understand the above and asks for their proactive cooperation.

The Ten Principles of the UN Global Compact

<https://www.unglobalcompact.org/what-is-gc/mission/principles>

9. Japan Post Group Conflicts of Interest Management Policy

The Japan Post Group (“the Group”) conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to a conflict of interest.

1. The following representative examples of companies in the Japan Post Group (“Group companies”) fall within the scope of the Conflicts of Interest Management Policy.
 - Japan Post Bank Co., Ltd.
 - Japan Post Insurance Co., Ltd.
 - Japan Post Co., Ltd.
2. The Group will manage conflicts of interest for the transactions stipulated below.
 - (1) Transactions that may unduly impair the interests of customers among the following transactions:
 - Transaction with a customer that has an interest in one of the Group companies based on an agreement
 - Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
 - Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement
 - (2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest

3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:
 - (1) Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
 - (2) Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
 - (3) Discontinue the target transaction or the secondary transaction with the customer
 - (4) Properly disclose to the customer that the target transaction may unduly impair his or her interests
4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.
5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.

10. Declaration by Top Management Regarding the Elimination of Relationships with Antisocial Forces

To eliminate any relationships with antisocial forces and prevent damage to the organization, the Japan Post Group has made the following declaration in line with the Fundamental Policy for Establishment of Internal Control Systems.

1. Organizational response

In firm recognition of its social responsibility and to strengthen management based on compliance, the Japan Post Group, as an organization in its entirety, will ensure that any relationships with antisocial forces are eliminated.

will take legal measures, either via a civil court or a criminal court, or both. The Japan Post Group will never negotiate in secrecy with antisocial forces, even if their unjustified demands are to conceal matters related to any misconduct of the Group's own activities or that of its staff.

2. Complete elimination of relationships, including transactions

The Japan Post Group will have no relationships whatsoever with antisocial forces, including transactions.

4. Cooperation with outside experts

The Japan Post Group will establish close relationships with outside experts in preparation for any unjustified demands by antisocial forces in order to ensure the safety of its staff against such demands.

3. Legal measures and prohibition of secret negotiations

The Japan Post Group will strongly refuse any unjustified demands by antisocial forces and

5. Prohibiting financing for antisocial forces

The Japan Post Group will never engage in financing for antisocial forces.

11. Japan Post Group Information Security Declaration

Services provided by Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. as the Japan Post Group are used by a large number of customers. We believe that information about these customers must be strictly managed, and the services used by customers must be absolutely safe.

We understand that information security is essential for

customers to use our services with confidence. Our activities reflect this awareness of the importance of information security. We place priority on the following items in order to manage information about customers safely and to protect this information from leaks and alterations resulting from unauthorized access and from disruptions in services caused by accidents, natural disasters and other events.

1. Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. will establish information security policies and follow the policies for the purpose of conducting information security activities.
2. We will conduct a continuous information security training program for the purpose of maintaining a strong awareness among employees of the importance of information security and reinforcing that awareness.
3. We will conduct continuous inspections of information security activities and make revisions and improvements whenever needed for the purpose of maintaining and enhancing the effectiveness of information security activities.

12. Japan Post Group Executive Declaration on Cyber Security

Recognizing cyber security measures as a critical issue in its corporate management, the Japan Post Group (*) has developed the Japan Post Group Executive Declaration on Cyber Security (hereinafter the "Declaration").

In adherence to the Declaration, the Group will be committed to further driving cyber security measures, with the management taking the initiative, and to delivering services in a secure and safe fashion, in defense against increasingly serious and sophisticated cyber attacks.

(*) Japan Post Group refers to JAPAN POST HOLDINGS Co., Ltd., JAPAN POST Co., Ltd., JAPAN POST BANK Co., Ltd. and JAPAN POST INSURANCE Co., Ltd.

1. Recognition as an executive issue

Recognizing the importance of cyber security, the Japan Post Group will position risks related to cyber attacks and other such threats as a critical issue in its corporate management and the management will take the initiative in driving the measures to address those risks.

2. Development of measures and representation of commitment

Only after reviewing the functions of our cyber security measures (identification, defense, detection, response and recovery) according to changes in the surroundings, the Group will develop business continuity plans (BCPs) with the aim of ensuring quick recovery from the event of any cyber security risk materializing.

The management will take the leading role in making its commitment clear to internal and external stakeholders, as well as in making efforts to disclose what risks are recognized and what action is taken to address them by, for example, voluntarily stating them in various types of reports.

3. Establishment of a control structure

The Group will establish an organization engaged to work under normal circumstances in preparation for cyber attacks as well as to take action in the event of emergency and thereby conduct a range of activities relevant to cyber attacks, including monitoring, inspection, collecting and analyzing information, and responding to and recovering from incidents, and will also perform regular exercises and training sessions in an attempt to develop more sophisticated cyber security readiness.

For the purpose of cyber security enhancement, each class of the Group's personnel, from executives to managers and employees, will be provided with necessary education.

The Group will pursue security measures that encompass its business associates, including contractors.

4. Continuous delivery of systems and services with user peace-of-mind

In order to maintain its cyber security measures and make them better, the Group will continually perform inspections and work on improvements.

5. Coordination with external organizations

The Group will have timely and appropriate coordination with related ministries and governmental agencies, such as the Ministry of Internal Affairs and Communications, the Financial Services Agency, the National Center of Incident Readiness and Strategy for Cybersecurity, the Information-Technology Promotion Agency and the police, and will also make proactive efforts in the exchange of information through JPCERT/CC and other relevant channels, thereby contributing to raising the levels of cyber security measures of the entire society.

Fundamental policy

The Japan Post Group has stipulated in its Charter of Corporate Conduct to “fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner” to earn the trust of customers. To achieve sustainable growth and medium- to long-term improvement in our enterprise value, Japan Post Holdings Co., Ltd. (the “Company”) shall disclose information in a fair and accurate manner to its shareholders, investors, and other stakeholders. In addition, the management shall make efforts to actively communicate with them and share among its own staff the requests, expectations, and so on obtained through this communication.

Standards for information disclosure

The Company shall comply with the Financial Instruments and Exchange Act of Japan, other applicable laws and regulations and the securities listing regulations stipulated by the Tokyo Stock Exchange, manage important information about the Company and its subsidiaries, and swiftly disclose it in a timely manner.

Moreover, the Company shall not only disclose information in accordance with the aforementioned laws and regulations and other relevant rules and regulations, but it shall also strive to voluntarily disclose information that will contribute to the deepening of understanding of the Company and its subsidiaries at occasions such as investor information meetings.

Establishment of internal systems

The Company shall strive to establish and reinforce its internal systems by appointing the executive officer in charge of the Corporate Planning Division to be responsible for establishing the internal system for our IR

activities, so that each division works together in an organic manner to ensure appropriate information disclosure. Furthermore, the Company has established the Disclosure Committee for discussions about information disclosure.

Method of disclosing information

The Company shall make disclosure as required based on the Financial Instruments and Exchange Act of Japan, other related laws and regulations, securities listing regulations of the Tokyo Stock Exchange, etc., through prescribed means including the Electronic Disclosure for Investors' NETwork (EDINET), which is operated by the Financial Services Agency, the Timely Disclosure network (TDnet), which is operated by the Tokyo Stock Exchange, and through the Company's website.

Disclosure of information through methods other than the above shall be made through the Company's website and other means.

Future outlook

Information disclosed of the Company might include forward-looking statements. Such statements have been prepared in accordance with judgments made by the management based on the information available to the Company at the time of disclosure and on certain assumptions that the Company believes to be reasonable in making its predictions of the future, thereby containing various risks, as well as some degree of indeterminacy and uncertainty. Accordingly, actual figures and financial results may differ from the forward-looking statements included in the disclosed information depending on future business operation as well as changes in economic and other circumstances.

JAPAN POST GROUP

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JAPAN POST HOLDINGS Co., Ltd.

3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8791, Japan

Tel: +81-3-3477-0111

URL: <https://www.japanpost.jp/en/>

