

JAPAN POST GROUP
Annual Report

Year ended March 31, 2022

2022

JAPAN POST GROUP

Annual Report 2022

 JAPAN POST GROUP



 JAPAN POST GROUP

Aiming to realize a “Co-creation Platform” supporting customers and local communities



Our History

- 1871 Modern postal service was established. Issuance of postage stamps was commenced.
- 1872 The nationwide postal service network was completed.
- 1873 The nationwide uniform postage charge system was implemented. Issuance of postcards was commenced.
- 1875 Postal money order service and postal savings service were established.
- 1885 The Ministry of Communications was established.
- 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.
- 1928 National Health Exercise Program (precursor of the Radio Exercise Program) was established.
- 1949 The Ministry of Posts and Telecommunications was established.
- 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
- 2001 The Postal Services Agency was established.
- 2003 Japan Post was established.
- 2007 The Japan Post Group was established.
- 2012 Reorganized into the current four-company structure
- 2015 Listed on the First Section of the Tokyo Stock Exchange
- 2021 The 150th anniversary of the foundation of the Japan Post Group



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



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



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



A scene of mail delivery/1971



Paperwork at the postal savings counter/1983



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 supporting 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.

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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:
797,689
(As of March 31, 2022)

Date of Publication: August 2022

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 2021–March 2022 (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.

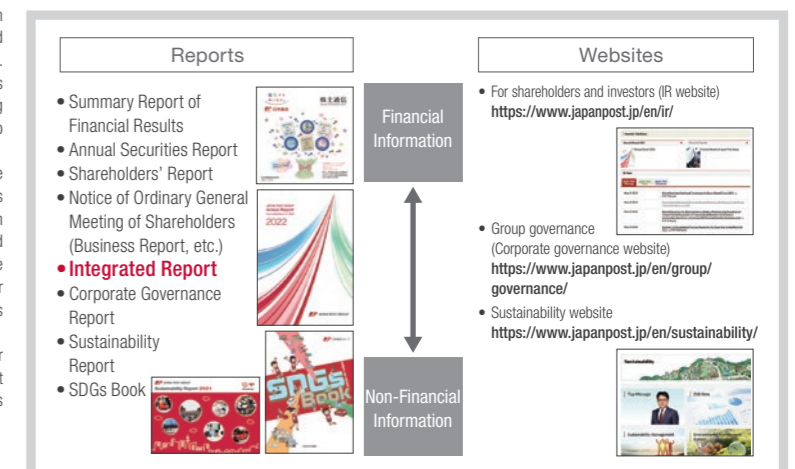
Toll Holdings Limited changed its trade name to Toll Holdings Pty Limited on July 21, 2022.

Disclaimer with Respect to Forward-Looking Statements Publications and Their Positioning

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. 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, 2022.



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Message from the President



MASUDA Hiroya

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

By realizing a “Co-creation Platform” supporting customers and local communities, the Japan Post Group is building firm relationships of trust and setting a course for future growth.

Introduction

It has been two years since I accepted the post of president of the Japan Post Group. During that time, the Group has redoubled its emphasis on customer-oriented management, plotted a roadmap for the future, and set out on that course. To regain the trust of customers we’d lost as a result of scandal, employees Group-wide are pulling together as a team to return to the basics in all their activities. We have also drafted the Medium-Term Management Plan, “JP Vision 2025,” established a strategy for future growth, and set out in pursuit of the possibilities that await.

The nationwide network of post offices that serves Japan Post customers today was built up over more than a century and a half. It is the foundation of our operations and an asset unique to the Japan Post Group. Maintaining a strict focus on customer-oriented products and services while continuously burnishing the value of the post office network are vital prerequisites for the Group’s further growth. Our aim is to be a corporate group that is essential to society and will be the trusted choice of customers throughout Japan, long into the future.

Looking Back on the Fiscal Year Ended March 31, 2022

The fiscal year under review was a year in which the Japan Post Group devoted its operational management to winning the confidence of customers and preparing a springboard for future growth.

In May 2021, the Group formulated the new Medium-Term Management Plan, “JP Vision 2025.” This plan spells out the Group’s vision for a “Co-creation Platform” supporting customers and local communities, leveraging its greatest strength: the Group’s network of some 24,000 post offices throughout Japan. To achieve this goal, the Japan Post Group is joining hands with companies outside the Group as well as local communities, to implement a host of measures that will generate valuable products and services.

Setting the Stage for Growth: Co-creation with Companies outside the Group

The Japan Post Group and Rakuten Group, Inc., an investor in and operating partner of the Group, are maximizing the synergies between them to conduct initiatives in a wide range of fields, including logistics, mobile telephony, finance, and digital transformation (DX).

In the logistics field, the partners established JP Rakuten Logistics, Inc. in July 2021. In addition to joint construction of logistics terminals, delivery systems, and receiving services, the partners in this company undertake a variety of efforts to boost the convenience and efficiency of delivery.

As of March 31, 2022, the number of post offices with counters for handling Rakuten Mobile applications and the like has expanded to 285 nationwide.

In financial collaborations, the partners began handling Rakuten cards with Japan Post Bank designs in December 2021.

February 2022 saw the launch of another collaboration, as Kantan Rakuma Pack, a delivery service provided jointly by the partners, began offering a drop-delivery service through Rakuma, a flea-market app operated by Rakuten Group, Inc. In addition to enhancing customer convenience, the expansion of drop-delivery services reduces the frequency of re-delivery, thereby improving the working environment and slashing CO₂ emissions.

Another partnership that the Japan Post Group has embarked on is the provision of two new services, Hikyaku Yu-Packet Delivery and Hikyaku Global Post Delivery, in collaboration with Sagawa Express Co., Ltd. The two companies also jointly provide trunk-line transport between Tokyo and Koriyama and between Tokyo and Kyushu. Initiatives such as these comprise just some of

Japan Post Holdings’ efforts toward co-creation of logistics services.

In Kawagoe, Saitama Prefecture, a personnel-saving Family Mart kiosk opened inside the Kawagoenishi Post Office using a self-serve payment system. Sales of Family Mart products began at the Shibasaki Post Office, in Inashiki, Ibaraki Prefecture. In partnership with companies such as Tokyo Electric Power Company Holdings, Incorporated and Mitsubishi Motors Corporation, community members can make use of an environmentally friendly electric vehicle (EV) charging service at post offices such as the Oyama Post Office in Oyama, Tochigi Prefecture and the Numazu Post Office in Numazu, Shizuoka Prefecture. Through these and other partnerships, Japan Post Holdings is providing the kinds of facilities and services that befit a post office with deep roots in local communities.

Internal Reforms to Reinforce Our Customer-Oriented Stance

How can the Japan Post Group regain the trust it lost in the previous scandal? One effort we are making consists of ensuring that activities across the entire Group are customer-oriented. Other measures include internal reforms, such as strengthening Group governance and transforming the organizational culture.

One initiative we are taking to fortify Group governance is the introduction of the Group CxO system. The CxO plays the role of, and is responsible for, coordination and consultation across all segments of the Group regarding key functions such as finance, IT, risk management, and human resources.

In April 2021, the Company established the Group Conduct Management Office. The Office bolsters the

framework for coordination among Japan Post Group companies, aiming for early detection of “conduct risks,” such as business operations that are contrary to the Group’s customer-oriented stance. Timely discovery of operational issues through these measures will enable the Group to improve the quality of its services.

The Japan Post Group is also striving to improve its internal reporting system. Recognizing that “employee feedback is an asset, and employees who offer feedback are a precious asset,” the Group is conducting a variety of measures to ensure that as many employees as possible can make their voices heard to management. We are continuing to fine-tune the internal reporting system so that employees can actively offer feedback with confidence and peace of mind.

To accelerate transformation within the Group and innovation, the Japan Post Group launched the JP Strategic Foresight Laboratory, staffed primarily by younger Group employees. The Group hopes that, by leveraging cross-Group frameworks and synergies, the JP Strategic Foresight Laboratory will generate ideas that burst the confines of conventional thinking to tackle problems with fresh approaches.

Thoroughly Preventing Recurrence of Scandals

As the above discussion shows, the Japan Post Group has implemented a broad program of reforms. Even so, it is too soon to declare that the Group has eradicated the

possibility of occurrence of scandals by some employees and postmasters.

Much remains to be done. We are working to ensure that, if a scandal occurs, the causes are thoroughly investigated and the persons involved are strictly disciplined. We are revising internal procedures and the like, fomenting an environment in which scandals cannot reoccur. Investigative divisions confirm the way issues are handled at post offices. If a scandal occurs, we ensure that customers are informed. Through actions such as intensified training on matters of compliance and crime, we are working to change employee attitudes. By continuing to implement these and other steps, the Japan Post Group is striving to prevent occurrence of scandals so that the Group can once again enjoy the true confidence of customers.

Business Results for the Fiscal Year Ended March 31, 2022

The impact of the COVID-19 pandemic continued to reverberate even as uncertainty about global conditions steadily mounted. These factors contributed to a persistently severe operating environment, in which postal traffic decreased and interest rates remained extremely low.

The Japan Post Group worked ceaselessly to respond to these challenges. Even as we conducted internal reforms and set the stage for the future, we made every effort to support and improve near-term business results.

In the fiscal year under review, results were boosted by a number of factors. Sales rose in the international logistics business as cargo demand grew for Toll Holdings Limited’s forwarding business. The banking business saw a rise in earnings from private equity funds. On a consolidated basis, the Japan Post Group recorded ordinary income of ¥11,264.7 billion, net ordinary income of ¥991.4 billion, and net income attributable to Japan Post Holdings of ¥501.6 billion.

To enhance shareholder return, we conducted share buybacks. Beginning in November 2021, the Group purchased treasury shares to a limit of ¥100 billion, completing the buyback in April 2022. The Group is currently in the midst of an additional buyback, beginning in May 2022, this time to a limit of ¥200 billion.

The Group will continue to examine and implement ways of returning value to shareholders, including flexible share buybacks.



Directions and Initiatives in the Fiscal Year Ending March 31, 2023

The current fiscal year marks the second year of the Medium-Term Management Plan, “JP Vision 2025.” After its efforts to regain public confidence in the previous fiscal year, the Japan Post Group is taking the current fiscal year to proceed to the next step, a year of full-fledged efforts to achieve a “Co-creation Platform.” For this purpose, in the current fiscal year the Group will pull together as a team to burnish the Japan Post Holdings brand.

Meanwhile, however, the Japan Post Group forecasts that postal traffic will continue to decline in the current fiscal year. The COVID-19 pandemic is not expected to end soon, while the war in Ukraine continues to generate mounting economic uncertainty.

In response to these challenges, the Japan Post Group is taking decisive action. To secure near-term profitability, the Group is improving work processes, products, and services, laying a profitable foundation for the Group’s three businesses: Japan Post, Japan Post Bank, and Japan Post Insurance. At the same time, to set a course for future growth, the Group is accelerating its full-fledged deployment to realize a “Co-creation Platform.”

Full-Fledged Deployment to Realize a “Co-creation Platform”

I would now like to describe one direction we are considering for this full-fledged deployment, which consists of efforts to further enhance the value of our network of post offices.

The first effort is the creation of several and various business initiatives of what respective post offices should be in consideration of customer needs and the characteristics of each region it serves. This is a new business model in which, by operating each of our approximately 24,000 post offices in consideration of its customers’ needs and in response to the characteristics of the region in which it operates, the Japan Post Group aims to improve the value of post offices to customers and encourage the creation of opportunities for customers to visit a post office.

We have rolled out two business initiatives so far. The first business initiative is the provision of a new service in which customers can visit a product exhibition space on post office premises to experience (see, touch, etc.) e-commerce and other products casually before they buy them. Named “JP Showroom,” this service was launched on a trial basis in February 2022 in certain parts of major urban areas. If the test results are encouraging, the Group will roll out the service at post offices throughout Japan. Products for exhibition will be selected from the customer’s perspective, according to the region and season in which they are exhibited.

The second initiative began in May 2022 with the opening of the first rice mill on post office premises. Rice

mills are used to polish rice. In communities where people make frequent use of rice mills, the mills are installed in places where there are no other rice mills nearby. This service improves convenience to customers by, for example, enabling them to polish their rice on the spot and distribute it from the post office by Yu-Pack. The Group plans to expand installation of rice mills on post office premises situated in areas where the need for them is high.

The Japan Post Group aims to continue enhancing the value of post offices through co-creation with companies outside the Group, in careful consideration of the needs of customers in regional communities.

The second effort consists of expressing the “post office of the future” concept in tangible form and the advancement of DX measures.

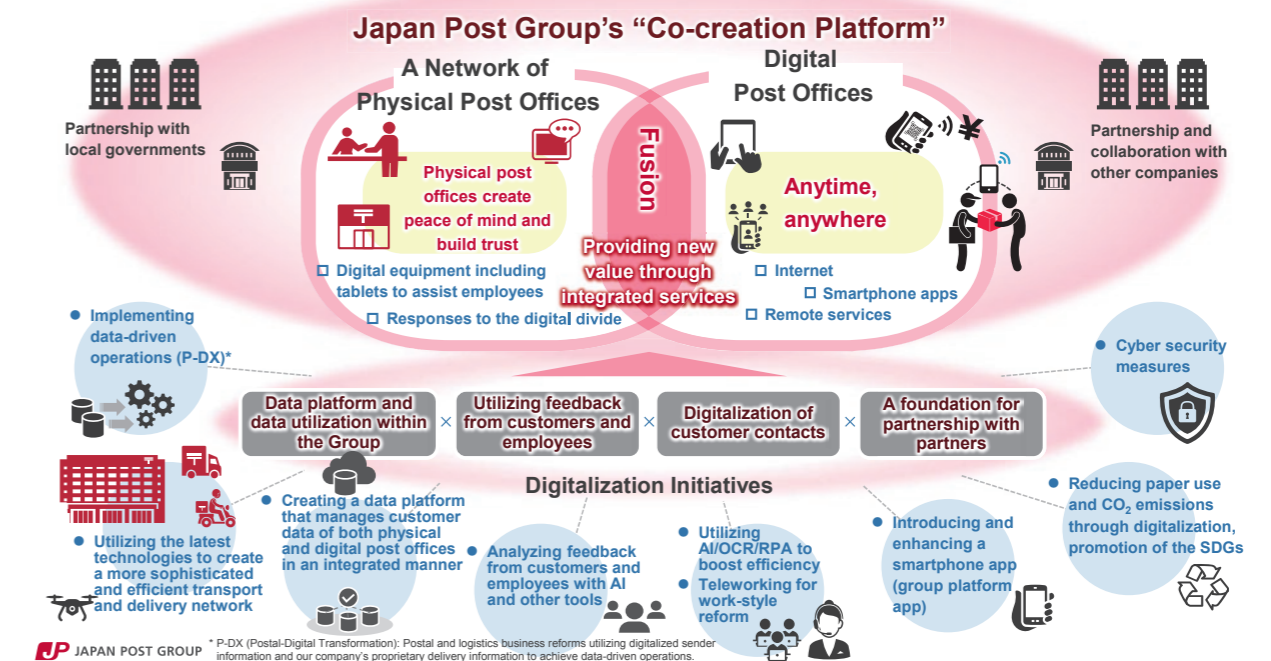
To provide customers with a more comfortable experience, we began proving tests of the “post office of the future” at a post office in Tokyo’s Otemachi central business district. This “post office of the future” integrates a physical post office, with the warmth of the personal service it provides, with a digital post office that can be used anytime, anywhere. We plan to offer features such as a self-serve postal checkout service, a “digital ticket dispenser” that indicates the degree of congestion (waiting times) at a given post office, and a remote consultation booth (which will initially provide remote consultation on mutual funds and cancer insurance). In the future, we envision offering “one-stop” consultation through this service, including services from specialists in a wide range of industries and others from outside the Japan Post Group. Another plan is to install AI cameras, to provide the environment and infrastructure to test

quantitatively what customer needs are and how to improve the service to make it easier to use.

As we diligently carry out repeated proving tests, we hope to create and deliver new value that today’s customers can scarcely imagine. If all goes according to plan, tomorrow’s post office customers will marvel, “You can do all this at a post office?”

We’re also moving forward with DX implementation in the postal and domestic logistics business. The Group has already conducted test runs of deliveries using drones and robots, as well as test runs of telematics using

positioning data and AI-driven automatic routing systems. Future directions in DX include revamping delivery areas and routes using telematics; automatic generation of delivery routes using automatic routing systems; deployment of pickup service support systems, which digitize information about pickup service and use it to raise the quality of customer response and operations; and efforts to make delivery using drones and robots commercially viable. Through efforts such as these, the Japan Post Group is steadily lightening its workload and raising the efficiency of its operations.



The third effort is driving forward in the field of green transformation (GX).

The Japan Post Group as a whole currently aims to achieve carbon neutrality by 2050. As a partway milestone, by the fiscal year ending March 31, 2031, the Group aims to slash greenhouse gas (GHG) emissions by 46% from the fiscal year ended March 31, 2020 level. We are moving ahead on this goal with a wide range of actions.

JP Vision 2025 calls for some 12,000 light cars and trucks and 21,000 motorcycles to be switched over to EVs by 2025. The Group has brought this goal forward, already exceeding the above targets by 1,500 light cars and trucks and 7,000 motorcycles. As a result, by the fiscal year ending March 31, 2026, the Group expects 50% of its light cars and trucks and 40% of its motorcycles to be switched to EV models.

Determined to achieve carbon neutrality, the Japan Post Group will continue to cooperate with the Tokyo Electric Power Group and other partners, building out regional EV charging infrastructure and studying the allocation of EVs to cold regions.

Our last effort is in regional revitalization. Japan’s problems of decreasing birthrate, population aging, and declining population are continuing unabated. The difficulty of supporting regional economies has become a social issue of great concern.

As one of the solutions to the issue of isolation of elderly people in the community, we have started a post office Mimamori (Watch Over) service using smart speakers for local governments. Through this service, we will provide efficient checks on the living conditions of the elderly, as well as opportunities for non-face-to-face, non-contact communication.

In addition, in April 2022 the Group launched the Local Co-creation Initiative. In this initiative, employees at the head office of Group companies, selected by open recruitment, are dispatched to local venture companies or local government offices with the aim of creating new businesses. In regions that are taking proactive measures on social issues, the Group partners with venture companies and local governments that are vigorously working to contribute to solutions, such as by revitalizing the economy, contributing to population increase, supporting and improving local government functions, and jointly examining business models. As the seconded employees work on this initiative, it imparts to them precious experience, cultivating in them an entrepreneurial mindset.

The world today is entering a period of wrenching change. By carrying out novel initiatives such as these, enthusiastically and proactively, the Japan Post Group is exploring a path toward a new role as a group that contributes to the formation of sustainable regional communities and improves the lives of people in each region.

Improving Group Conduct

The Japan Post Group is improving the conduct of all Group officers and employees, so that it will meet the expectations of customers and society—the Group’s stakeholders. To continue to grow as a group that enjoys the trust of its stakeholders, in July 2022 the Japan Post Group drafted the JP Code of Conduct and began operations on that basis. The Code of Conduct sets forth consistent standards of corporate behavior, expressed in straightforward language, for the Japan Post Group. Going forward, the Group expects that all officers and employees will practice the JP Code of Conduct, so that the Group can win the trust of customers, regions, and communities; fulfill JP Vision 2025; and follow the Japan Post Group Management Philosophy. To monitor the promotion of the JP Code of Conduct and other efforts to improve future conduct, the Group has established the Group Conduct Improvement Committee, including outside experts. The Committee will provide objective advice to make the JP Code of Conduct as effective as possible.

Toward Health Management

The Japan Post Group understands that its ability to realize the “Co-creation Platform” depends on the mental and physical health of its people. Each and every Group employee must be able to work with energy and enthusiasm, leveraging their skills to maximum effect, and for that they require a sound mind and a sound body. In May 2022, the Group proclaimed the Japan Post Group Declaration on Health, pledging the Group to work together as a team to promote health management. At the Japan Post Group, we support employees in their efforts to uphold and improve their health and, in turn, aim to realize the happiness of customers.

Turning All Three Businesses into Solid Revenue-Earning Platforms

While executing its growth strategy in earnest, the Japan Post Group must turn each of its three businesses—Japan Post, Japan Post Bank, and Japan Post Insurance—into a solid revenue-earning platform. Efforts are underway in all three businesses.

At Japan Post, the Group is trimming costs by, for example, applying DX to enhance delivery efficiency. To expand revenue, Japan Post is also improving its product and service menu to bolster competitiveness in the field of parcel delivery.

At Japan Post Bank, the Group is working to boost performance on multiple fronts. The Bank is expanding digital services that can be readily used by all customers. Under prudent and appropriate risk management, the Bank is promoting internationally diversified investment. Through a various framework, we will work on flow of funds to regional communities.

Japan Post Insurance launched a new insurance product in spring 2022 while reconstructing its sales system. We are making a large shift from our old approach to sales, which was heavily biased toward meeting sales quotas, to offering customer-first proposals that are closely aligned with customers in the era of the 100-year lifespan.

Forecast of Business Results for the Fiscal Year Ending March 31, 2023

Even as it moves forward with these undertakings, however, the Japan Post Group is mindful that the business environment enfolding the Group in the current fiscal year is becoming more unforgiving by the day. While the COVID-19 pandemic still has not run its course, conditions in Ukraine are becoming increasingly tense. The Group expects the impact on its business results to be considerable.

Internal developments at the Group will impact business results as well. At Japan Post, the advance of digitalization is reducing mail volumes. Japan Post Bank is confronting surging foreign currency funding costs, while at Japan Post Insurance the construction of a new sales system is piling on operating costs. Each of these developments is expected to affect earnings negatively. In its current forecast of consolidated business results for the fiscal year ending March 31, 2023, the Japan Post Group expects net income to decline ¥101.6 billion, to roughly ¥400 billion.

Reacquainting Customers with the Appeal of the Post Office

Some 400,000 people work at the Japan Post Group today. The Group is hard at work deploying a diverse range of communication activities to earn favorable evaluations for the Group, by sharing with customers the unique appeal of the post office, including the strenuous efforts Group employees make every day and the deep roots we have established in local communities.

One such exercise is the launch of a webcast, JP CAST (<https://www.jpcast.japanpost.jp>) (in Japanese only), which showcases the appeal of the post office. This webcast offers content such as videos and articles offering seasonal updates about post offices.

Another is the release of a common slogan for the Japan Post Group: “Evolving warmth.” This term expresses the Group’s fundamental desire to be the “warmth” for all of Japan’s communities. The word “warmth” includes the value of the Group as qualities that only a post office can provide: being a familiar presence, being easy to consult, being a place where things get done easily and with kindness.

In step with the times, the Japan Post Group makes “warmth” better by continually enhancing the post office products and services it provides. More than ever, the

Group is determined to grow into a post office network for the customers and local communities it serves. Guided by this message, the Group has launched unified public relations activities.

Growing to Be a Post Office Network That Customers Can Trust

For more than a century and a half, since its establishment in 1871, the Japan Post Group has been moving forward at the side of the customers and local communities it serves.

We recognize that the path toward realizing a “Co-creation Platform” supporting customers and local communities is not an easy one. Many obstacles must be overcome to accomplish this goal. As the problems of population decline, population aging, and digital disparity worsen in regional communities throughout Japan, we must ask ourselves how we can contribute to regional development and revitalization. The Japan Post Group believes that, in a rapidly changing society, the determination to leave nobody behind will provide the driving force supporting the realization of a “Co-creation Platform” supporting customers and local communities.

In the months and years ahead, we at the Japan Post Group will continue to advance and improve, so that we can provide customers of every generation and region with the value they need in each age, becoming a postal service group that customers trust and choose over others. Expect great things from the new Japan Post Group.



Top Messages from Each Company

JAPAN POST



KINUGAWA Kazuhide

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

To achieve a “Co-creation Platform,” Japan Post Co., Ltd. is applying digital transformation (DX) and enhancing the value of its post office network.

The environment in which Japan Post operates is shifting dramatically. In response to the COVID-19 pandemic, needs for services without physical contact or face-to-face meetings are intensifying in Japan. Lifestyles, work styles, and the nature of society itself are undergoing a transformation. In such changing times, Japan Post is also required to transform itself. At the same time, amid the continuing low birthrate, an aging population, and the increasing depopulation of rural areas, the need to support regional economies is coming to the fore as a social issue.

In response to these conditions, the Japan Post Group declared its intention to realize a “Co-creation Platform” supporting customers and local communities. Announced last year in the Group’s Medium-Term Management Plan, “JP Vision 2025,” the concept of the “Co-creation Platform” was developed to support the achievement of safe, secure, comfortable, and fulfilling lives and lifestyles for regional customers. In the fiscal year ending March 31, 2023, Japan Post will continue to work

to implement DX and improve the value of its post office network, to strengthen its operating base and make the “Co-creation Platform” a reality.

In measures taken by business segment, in the postal and domestic logistics business, Japan Post is striving to boost profitability by a number of measures. These include expanding the number of packages handled in the e-commerce market, collaborating with other companies, and expanding our network of sales warehouses. In tandem with these moves, Japan Post is shifting resources from the postal field to the rapidly growing domestic logistics field, while overhauling its operations to achieve further gains in productivity. For an example of the latter, we are using telematics to revise postal delivery routes and areas and introducing automatic guided vehicles (AGVs) in post office internal work to advance unmanned and slim-profile operation.

In the post office business as well, Japan Post is moving with the times. We are continuing our thorough customer-oriented sales activities and moving forward with proposal-driven activities tailored to customer needs. In addition, by advancing the digitalization of post office operations, we are

streamlining operations and overhauling our sales environment. Finally, Japan Post is deploying a more diverse range of services to cater to regional needs.

Turning to the international logistics business, Japan Post is refocusing. In August 2021, Japan Post sold the global express business of Toll Holdings Limited, aiming for growth by switching to a business model centered on Asian markets.

The Sustainable Development Goals (SDGs) are becoming ever more important today. Japan Post has responded by drafting the Japan Post Basic Policy on Sustainability. We are pressing forward with our efforts to achieve carbon neutrality and promote diversity. By striving to help resolve social issues through company-wide activities, Japan Post hopes to grow sustainably while bolstering enterprise value over the medium to long term.

Through these efforts, the employees of Japan Post are working as a team to make the post office a needed presence and a chosen partner for customers and local communities. We ask for your continuing patronage and support of Japan Post.

JAPAN POST BANK



IKEDA Norito

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

Going back to its Purpose of existence and Management Philosophy, Japan Post Bank Co., Ltd. is working hard to improve its corporate value while contributing to the resolution of social issues.

Japan Post Bank is reaffirming its commitment to its Purpose, which is “to contribute to the development of society and the region, aiming for the happiness of customers and employees,” and its Management Philosophy, which is to become “the most accessible and trustworthy bank in Japan,” guided by the needs and expectations of its customers. In accordance with the Medium-Term Management Plan (FY2022/3 through FY2026/3), Japan Post Bank is working hard to improve its corporate value while contributing to the resolution of social issues.

In the fiscal year under review, Japan Post Bank enjoyed its most profitable year since its stock market listing. From privatization in 2007 through stock market listing in 2015 to the present day, Japan Post Bank has worked to achieve steady expansion and strengthening of its business. Japan Post Bank’s growth is driven by three engines: the retail business, the market business, and new business. In each of these areas, Japan Post Bank is preparing new foundations for further advancement.

In the first engine, retail business, we will improve the functionality of our well-received Yucho Bankbook App and release the PFM (Personal Finance Management) App. Japan Post Bank aims to build a “Co-creation Platform” that can provide a diverse and optimal range of services through open collaboration with various businesses starting with these apps. We will provide thoughtful and attentive support through physical channels. Our goal is to create an environment in which all customers can conveniently use digital services. Japan Post Bank is looking to develop a new retail business that only it can provide by realizing complementarity between the physical and the digital.

Our second engine is our market business. Japan Post Bank accelerated the paradigm shift in its market management to improve profitability amid efforts by the government and authorities to promote a monetary easing policy and the ongoing low interest rate environment. While diversifying investment assets based on appropriate risk management, by the final year of the current Medium-Term Management Plan we aim to increase the balances of risk assets to ¥110 trillion and strategic investment areas to ¥10 trillion. One major factor in the success of the paradigm shift in its market

management is the Bank’s efforts to bolster its expert personnel. We will continue to advance hiring of external human resources and developing in-house personnel.

In the third engine, new business, we are pursuing new businesses with the potential to drive earnings forward in the future. Previously, concentrating our efforts largely on limited partner (LP) contributions that invest mainly in funds, the Bank entered the general partner (GP) business, which entails a broad spectrum of activities through to fund operations and management, through its subsidiary Japan Post Investment Corporation. Looking ahead, we will use these endeavors as a foundation to realize the GP business on a full-scale basis while collaborating with external organizations. We also plan to launch the Σ business (tentative name) to support the development of regional industries and venture companies.

Driven by these three engines, Japan Post Bank aims to construct a sustainable revenue base.

We will continue to engage in dialogue with all of our stakeholders. Determined to enhance the corporate value of Japan Post Bank, I ask for your continued support and patronage.

JAPAN POST INSURANCE



SENDA Tetsuya

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

To achieve the new Japan Post Insurance, we will do our utmost to be a part of our customers’ lives.

We hope to contribute to society by ensuring that all employees share and fulfill our social mission (purpose), “We will remain trusted and selected by customers, thereby protecting their lives by providing life insurance products.”

In Japan Post Insurance’s Medium-Term Management Plan (FY2021–FY2025), announced at the beginning of the fiscal year ended March 31, 2022, we set forth a policy of “reconstruction,” aiming to become a company that is truly trusted by its customers, based on reforms in corporate culture and work styles. We have also implemented a variety of initiatives as we target “sustainable growth” by improving customer experience value (CX) and contributing to the resolution of social issues.

As part of our efforts for reconstruction as stated in our Medium-Term Management Plan, we have established a new Japan Post Insurance sales system from the fiscal year ending March 31, 2023. Approximately 13,000 new employees, including consultants from Japan Post Co., Ltd. (employees who mainly visit customers’ homes and other locations), have joined our company.

The consultants are devoted to making proposals for life insurance products and after-sales follow-up as life insurance professionals, using specialist knowledge and mobility. Meanwhile, post office counters offer a wide range of financial products and respond to diverse customer needs. In this way, the Japan Post Group will work as one team, providing customers with comprehensive consulting services that combine expertise with broadness of range. Also, under the account manager system, introduced in April 2022, consultants make regular contact with customers, ensuring that our services respond to their changing needs as they move through various life stages. This system provides high-quality after-sales follow-up that stays close to customers.

The other key pillar of the Medium-Term Management Plan is sustainable growth. To achieve this goal, Japan Post Insurance is working to improve CX and contribute to resolving social issues.

Improving CX means increasing, as much as possible, experiences that

make all customers feel glad to be with Japan Post Insurance. We must do this at every point of contact, from the contract to after-sales follow-up and claims.

Another important aspect of sustainable growth is contributing to the resolution to social issues related to sustainability. We have set forth our commitment to promote ESG management and are promoting various initiatives.

For Japan Post Insurance to be a company that is trusted and selected by many customers, we must act to squarely face the social issues of the era and region. Our ultimate goal is to enrich our customers’ lives by staying close to them.

We will continue to listen carefully to the thoughts and opinions of our various stakeholders, including customers, shareholders, employees, and local residents, and aim to enhance our corporate value as a company that is loved by as many people as possible. We sincerely hope that going forward you will continue to follow Japan Post Insurance with interest.

Medium-Term Management Plan "JP Vision 2025"

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

Changes in social environment surrounding the Group

Identify challenges that we should tackle to grow

JP Vision 2025

Value Creation

Continuing low birthrate 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

JAPAN POST

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

JAPAN POST BANK

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

JAPAN POST INSURANCE

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

JAPAN POST HOLDINGS

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

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
- Supporting local communities across Japan**
 - [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

Strength 1 Nationwide network of post offices

Number of post offices nationwide	Number of employees in the four Group companies (As of March 31, 2022)
24,284	Approx. 389,000 Regular employees: Approx. 213,000 Non-regular employees: Approx. 176,000
Number of employees with Securities Sales Representative Certification	Insurance Agent Certification
104,355	107,444
	Financial Planner Certification
	69,968

Strength 2 Delivery network and finance network

Number of postboxes nationwide	Number of countries included in the international logistics network	Number of ATMs nationwide
176,683	Approx. 150	31,774

Strength 3 Vast customer base and extensive customer data

Number of ordinary deposit accounts	Number of Japan Post Insurance customers*	Number of delivery locations served daily
Approx. 120 million	Approx. 21.05 million	Approx. 31 million

Strength 4 Trust in post offices and deep understanding of local communities

Top 3 customers' perceived images of post offices

1st Rooted in local communities	2nd Located everywhere	3rd Being close and familiar
38.3%	34.6%	31.2%

(Q: Please mark all images that you have for post offices.)
(Multiple choice survey conducted from November 30 to December 4, 2021)

* 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).

Initiatives for “JP Vision 2025”

We will aim for sustained growth by realizing a “Co-creation Platform.”

IIZUKA Atsushi

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



In order to make our business foundation of the nationwide network of some 24,000 post offices stronger and more valuable, we formulated the 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 as well as support customers and local communities.

Initiatives in the fiscal year ended March 31, 2022

JP Vision 2025 sets the Group’s major financial targets of consolidated net income attributable to Japan Post Holdings and the dividend policy as major targets. In the fiscal year under review, we were able to achieve the initial targets set for both the consolidated net income and the dividend policy. Additionally, the major targets for Japan Post, Japan Post Bank, and Japan Post Insurance have also progressed favorably.

In terms of initiatives to regain customers’ trust, we have devoted ourselves to steadily implementing the business improvement plan to restore the trust severely damaged by the previous scandals. We also made efforts to reform the Group’s corporate culture by adopting the Group CxO system, for example, to strengthen Group governance.

To achieve new growth, we also proactively sought business alliances and collaborations with companies outside of the Group, such as commencing collaborations with the Rakuten Group across a range of fields including logistics, finance, mobile, and digital transformation (DX). We have also placed the ATMs of regional financial institutions in the post offices to strengthen our relationships with local governments and regional financial institutions.

As for capital strategies, the Company, in accordance with the purpose of the Postal Service Privatization Act and from the perspective of enhancing the independence and flexibility of the two financial subsidiaries, namely, Japan Post Bank and Japan Post Insurance, considered the disposal of stock and lowered the Company’s voting right holding ratio in Japan Post Insurance to 49.90%. As a result, in April 2022 Japan Post Insurance commenced the sale of new medical riders, the first product to be launched after the relaxing of the additional

statutory restrictions on new operations and the transition to the advance notification system. Furthermore, in October 2021 the third offering of the Company’s stock was completed, resulting in the government’s holding of the Company shares decreasing to statutory levels, which represents a significant benchmark in postal service privatization. To strengthen our real estate business as a new source of revenue, we commenced efforts to convert our business portfolio by making investments in real estate outside the Group as well as the effective utilization of Group real estate holdings. Additionally, in June 2021 and for the period from November 2021 to April 2022, we made efforts to improve capital efficiency through the acquisition of treasury stock.

JP Vision 2025 also upholds ESG targets as major targets. In the fiscal year under review, we made efforts toward ESG management, by promoting the switch of delivery vehicles to electric vehicles (EVs) ahead of the plan and opening the first environmentally friendly post office (+Eco Post Office), among others.

Future initiatives

Following in the footsteps of Japan Post Insurance, we also hope to reduce our holdings of shares of Japan Post Bank as soon as possible, toward the fiscal year ending March 31, 2026, the final year of JP Vision 2025, to enhance the flexibility of its management.

By further improving and expanding collaborations with companies outside the Group, we will advance the realization of the “Co-creation Platform,” while continuing our efforts to convert our business portfolio, including initiatives toward the development of new businesses and the expansion of revenue opportunities. In addition, we will carry out the stable issue of annual dividends of 50 yen per share, while combining the further acquisition of treasury stock with the use of debt financing to procure the required funds for growth to enhance capital efficiency.

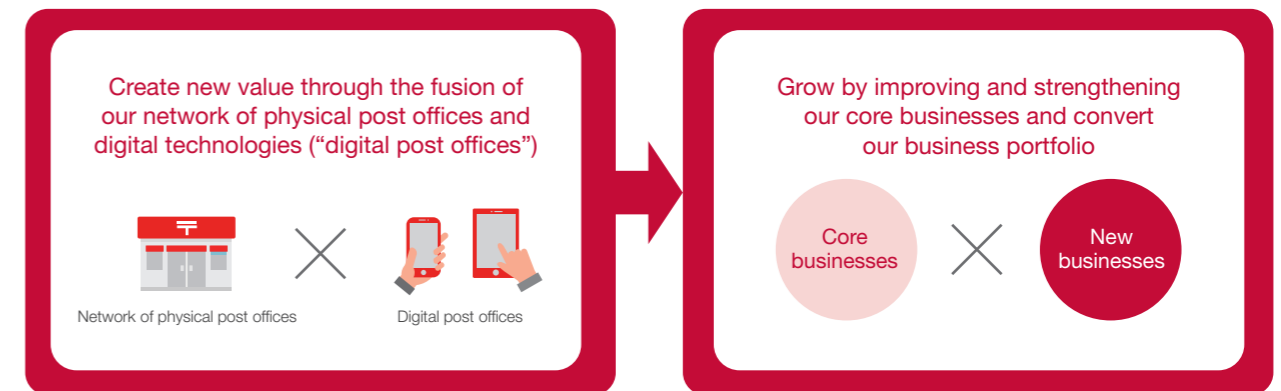
We will also make an effort to promote ESG management by adopting EVs and expanding environmentally friendly post offices and advancing carbon neutrality in regional areas through the utilization of the post office network.

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; collaborating with various corporations, etc., outside the Group; creating new products and services together with our partners;

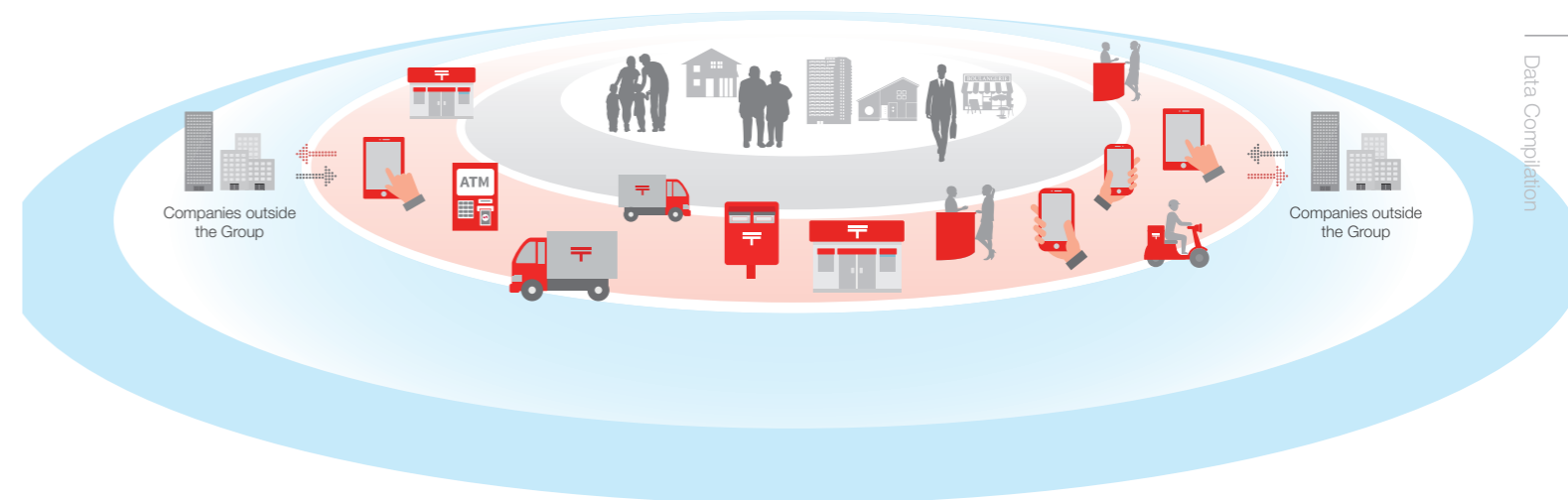
and thereby providing heightened convenience, security, comfortability, and prosperity to those customers.

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



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.



Early disposal of shares in the two financial subsidiaries

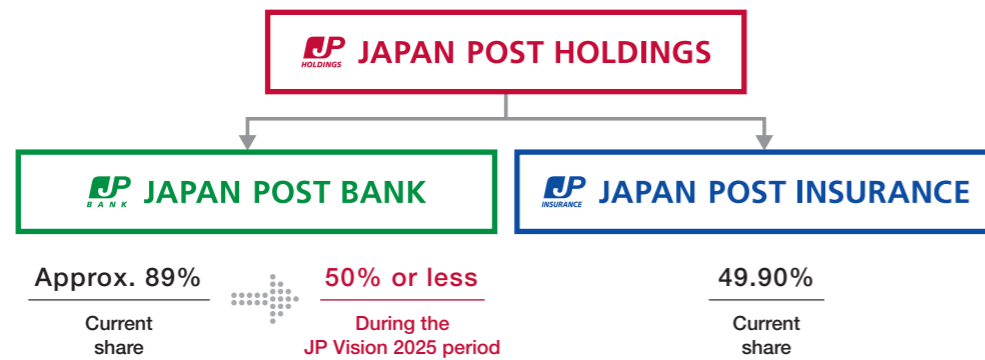
The Postal Service Privatization Act stipulates that all shares in the two financial subsidiaries shall be disposed of as early as possible while taking into consideration the status of management of Japan Post Bank and Japan Post Insurance, an impact on their performance of duties to ensure basic services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

The Company aims under 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%.

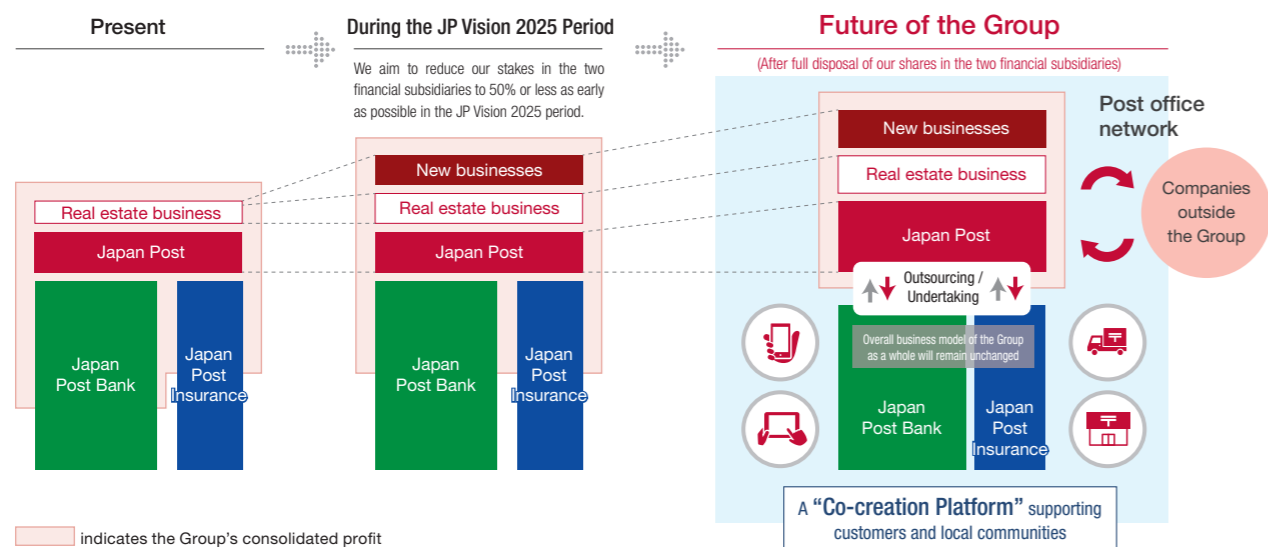
Shareholdings in the two financial subsidiaries



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 businesses 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.



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 2019. 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, 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

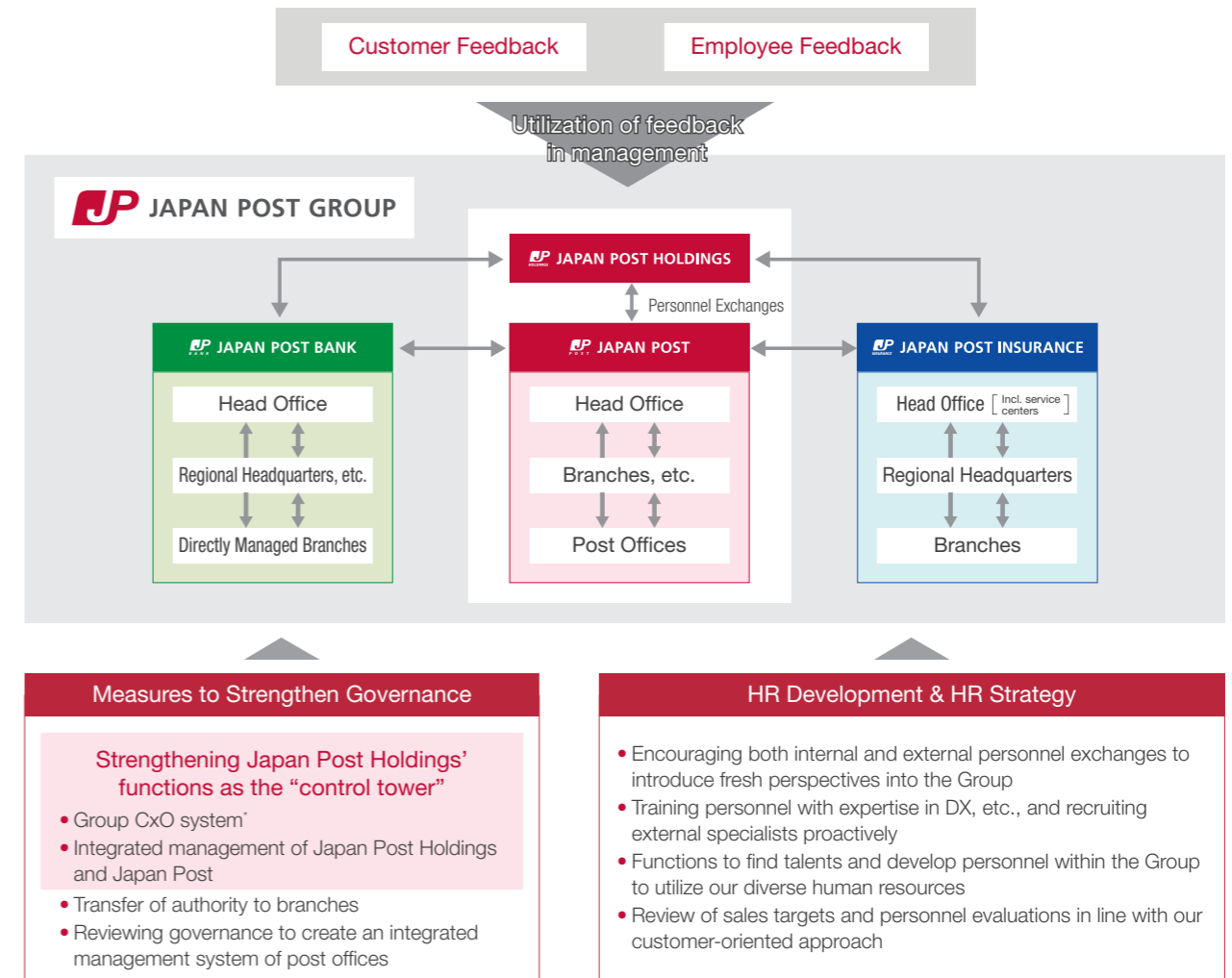
Post. At the same time, Japan Post will transfer part of its authority to branches and review the management structure to operate post offices in an integrated manner. As described above, we will work to strengthen Group governance so that both the speed of management decision-making and the frontline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



Major targets

Japan Post Group		
Financial Targets	ESG Targets	
Consolidated net income	510 billion yen <small>Note: Includes consolidated net income attributable to non-controlling interests (interests other than the parent company, Japan Post Holdings)</small>	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.
Consolidated net income attributable to Japan Post Holdings	280 billion yen* <small>Note: Assuming an approx. 89% stake in Japan Post Bank, we aim to achieve a net income of 420 billion yen</small>	Greenhouse gas emissions
ROE (based on shareholders' equity)	Approx. 4% <small>(Aiming for further improvement in future)</small>	46% reduction by 2031/3 (compared to 2020/3) ^{*1, *2} Aiming to achieve carbon neutral by 2050 ^{*2}
Dividend policy	Stable issue of annual dividend of 50 yen per share	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	Japan Post Bank	Japan Post Insurance
Consolidated net operating income	Consolidated net income	Consolidated net income
49 billion yen	At least 350 billion yen	91 billion yen
Consolidated net income	ROE (based on shareholders' equity)	EV growth ratio (RoEV ³)
22 billion yen	At least 3.6%	Aim for 6% to 8% growth
Operating income	Capital adequacy ratio/CET1 ratio ^{*1} (Level to be secured)	Customer satisfaction ^{*4}
Postal and domestic logistics business	Approx. 10%	Aim for 90% or more
33 billion yen	OHR ^{*2} (based on inclusion of profit/loss, etc. from money trust management)	NPS ^{*5}
Post office business	66% or less	Aim for one of the highest in the industry
5 billion yen	General and administrative expenses (compared to 2021/3)	Number of policies in force
International logistics business	Down 55 billion yen	20 million or more policies
12 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 Japan Post Bank's Medium-Term Management Plan for details.)	Dividends per share (DPS)
Revenue from package delivery, etc.		In principle, aim not to decrease but to increase DPS for the period of the Medium-Term Management Plan.
890 billion yen		
Number of Yu-Pack handled		
1,360 million		

*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.) Net interest income refers to the amount of interest income less interest paid (including gain/loss on sale).

*3 Calculated by excluding economic variance factors.

*4 The total percentage of customers who replied "Satisfied" and "Somewhat satisfied" on a 5-point customer satisfaction scale.

*5 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 five years to 2026/3

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

* 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 	Decrease by an amount equivalent to 30,000 employees	Decrease by 160 billion yen
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. 	Decrease by 3,000 employees	Decrease by 55 billion yen
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 	Decrease by 1,500 employees	Decrease by 28 billion yen

(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.

Promotion of Group DX

“Realization of the “post offices of the future” through a fusion of digital technologies and real components”

IIDA Yasuhisa
Japan Post Holdings Co., Ltd.
Executive Officer



We believe that post offices are capable of providing fresh and even more incredible experiences to customers. Our hope is to greatly expand the possibility through maximum use of the power of digital technologies. We intend to realize this 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 this concept at an earlier stage.

Functions of digital post offices are not only offering web or app services but also creating a new post office experience through their “integration” with physical post offices.

What are we aspiring for? First, we are aiming to provide smoother, more comfortable customer experiences which can eliminate their inconvenience, dissatisfaction, and discomfort through the use of digital tools, which will make “financing procedures

smoother” and “sending/receiving procedures quicker.” Second, we are intending to create “new expectations” distinctive to post offices through the use of customer data so that customers can get a stronger sense that “consultation” is something within their reach” and “shopping for a gift or for themselves’ is fun.”

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. We are familiar with the faces of our customers, the ties between us can be readily activated at any time, and customers feel comfortable coming to us for consultation.

We are committed to creating the “post offices of the future” which are closer to the lives of our customers and are always there to help their lives through the seamless integration of digital technologies and services that allow you to feel the warmth of personalized service.

Value of experience provided by the “post offices of the future”

Stronger sense that “consultation” is within customers’ reach

- (1) Financial diagnosis, consultation, and applications are available “within customers’ reach, more quickly”
- (2) Broad, more specialized financial consultation is available “within customers’ reach”
- (3) Experts are available “within customers’ reach” for casual consultation about various non-financial matters related to customers’ lives and daily living (e.g., health, community)

Create new expectations + Eliminate discomfort

Stronger sense that “shopping for a gift or for yourself” is fun

- (1) Genuinely good items can be purchased from all over Japan thanks to the strength of the nationwide post office network
- (2) Purchases can be made readily and speedily
- (3) Products and services of personal interest can be found by going to the post office or e-commerce site



Quick “sending/receiving procedures”

- (1) Postal mail and parcels can be sent “anytime, anywhere” at the customer’s own convenience
- (2) Procedures for sending postal mail and parcels can be performed at post office counters “easily and readily (instantly)”
- (3) Parcels can be received without stress at a time that suits the customer

Smoother “financing procedures”

- (1) Financing procedures can be performed “anytime, anywhere” at the customer’s own convenience
- (2) Financing procedures can be performed at post office counters “easily and readily (instantly)”
- (3) Procedures of a wide range of financial institutions, etc., can also be performed by visiting the post office

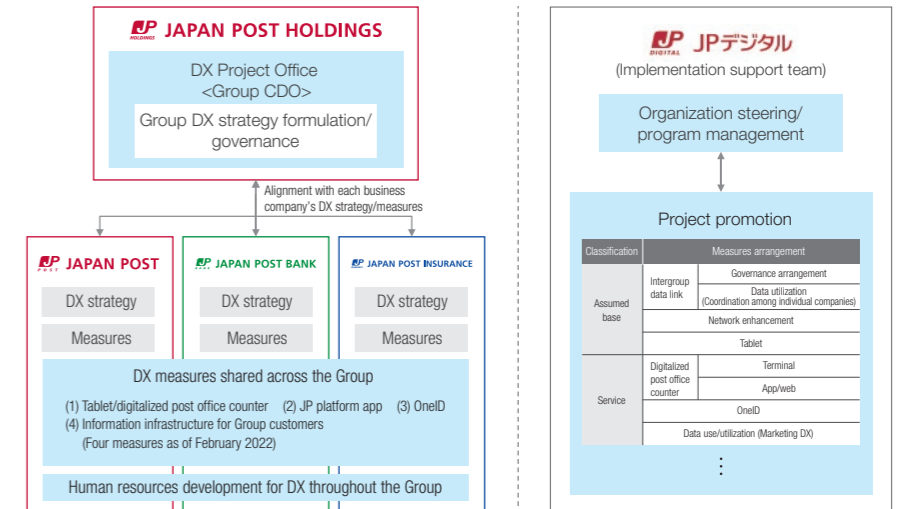
Eliminate inconvenience, dissatisfaction, and discomfort

Initiative to promote DX throughout the Group—For the realization of “digital post offices”

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

There will be a system under which DX is promoted integrally throughout the Group, where Japan Post Holdings’ DX Project Office formulates DX strategies for the Group and coordinates Group companies and JP DIGITAL, the subsidiary founded in July 2021 that specializes in DX, is in charge of implementation.

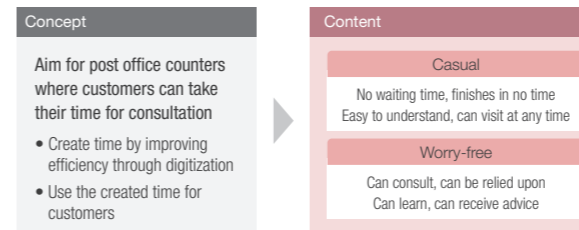
The combination of “digital post offices” which make post office services available “anytime, anywhere” and the network of approximately 24,000 reliable and trustworthy physical post offices, together with external partners, gives birth to services truly beneficial for customers and local communities.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



Measures for DX throughout the Group

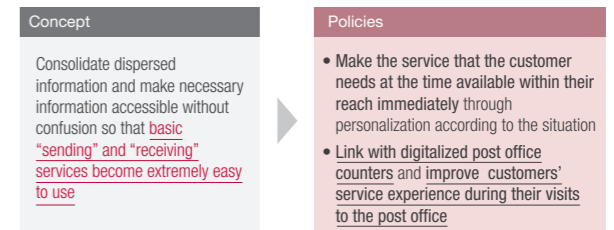
1 Tablet/digitalized post office counter

We will build “digitalized post office counters” by using digital devices which integrate digital and real components seamlessly, and make the digital and real service seamless, and thereby aim to create “post office counters where customers can take their time for consultation.” In this way, digital devices will contribute to improved experiences for customers and post office staff with “casual” and “worry-free” as the keywords.



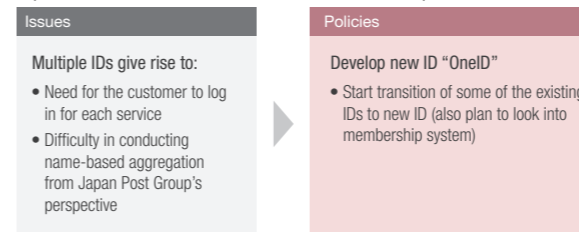
2 JP platform app

The Japan Post Group’s official apps will be linked and integrated in a phased manner to create a “platform app” of the Group.



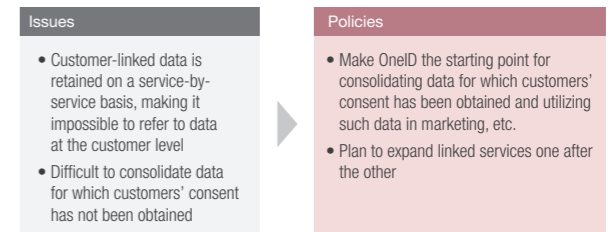
3 OneID

We will work to unify the IDs of each customer used in existing web and smartphone app services from a perspective of data integration in customer experience and the Information infrastructure for Group customers.



4 Information infrastructure for Group customers (Four measures as of February 2022)

We will consider integrating the data of each customer to make use of customer information using OneID as a starting point.



DX Initiatives of the Group Companies

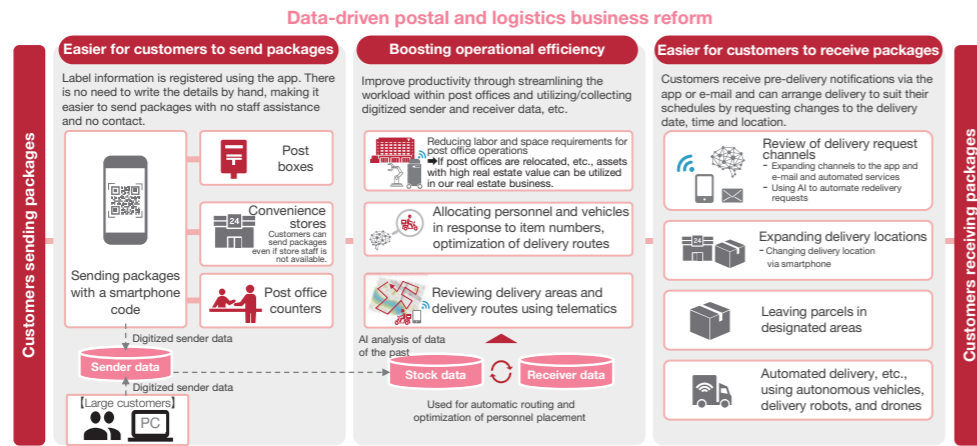
P-DX*, data-driven postal and logistics business reform



We will continue to boost operational efficiency by utilizing digitized sender data and recipient data unique to Japan Post, while pursuing ways to make it easier for customers to send and receive packages.

Specifically, we will work to improve productivity in such ways as automatic routing and optimized personnel allocation by utilizing the digitized data mentioned above. In addition, registering shipping label

information on a smartphone app will enable customers to mail packages without writing labels by hand, thereby meeting the desires of people who want to send items without any staff assistance or contact. Furthermore, customers will be able to receive advance delivery notifications and arrange delivery to suit their schedules by requesting changes to the delivery date, time, and location.



* P-DX: Postal-Digital Transformation

Digitalization of post office counter operations

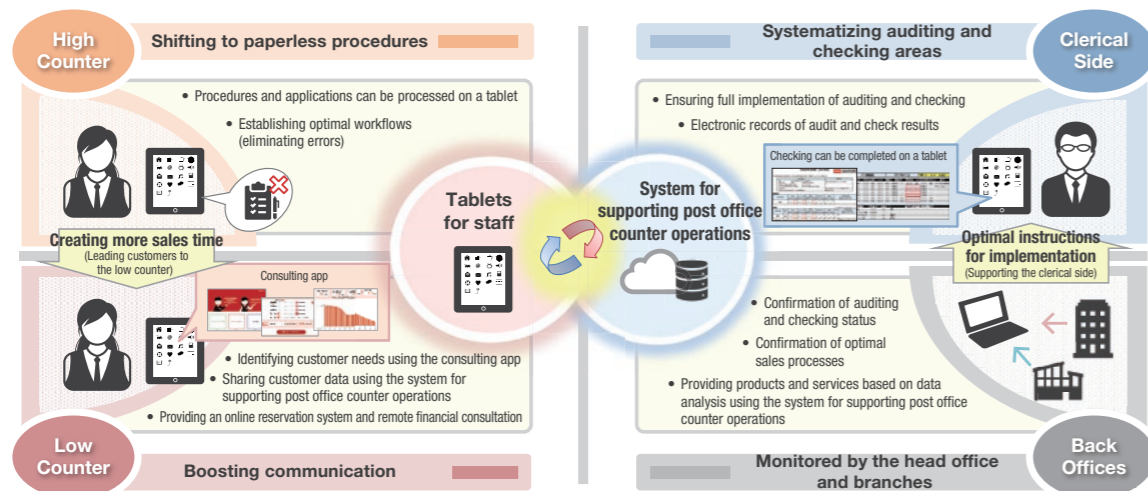


We will digitalize a range of procedures at post office counters by using tablets to ensure more effective operations and, at the same time, utilize the resources generated by efficiency to roll out services that can only be provided through real interaction and further enhance customer experience value (CX).

Specifically, we will create systems for various procedures and applications, as well as auditing and checking, and, at the same time,

utilize consulting apps and digitized customer service records to provide consulting services that suit the needs of each customer.

Additionally, to meet society's growing need for remote and contactless services, we provide an online reservation system for financial consulting at post offices and remote financial consultation using online meeting systems.



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



With safety and security as our top priority, we will strive to expand our digital services that are easy for all customers to use while enhancing our digital talents.

We will work to continuously improve the functionality and usability of digital services such as the "Yucho Bankbook App." We will also create a "PFM (Personal Finance Management) App" that supports household budget management by providing customers with a visual display of their assets, income, and expenses.

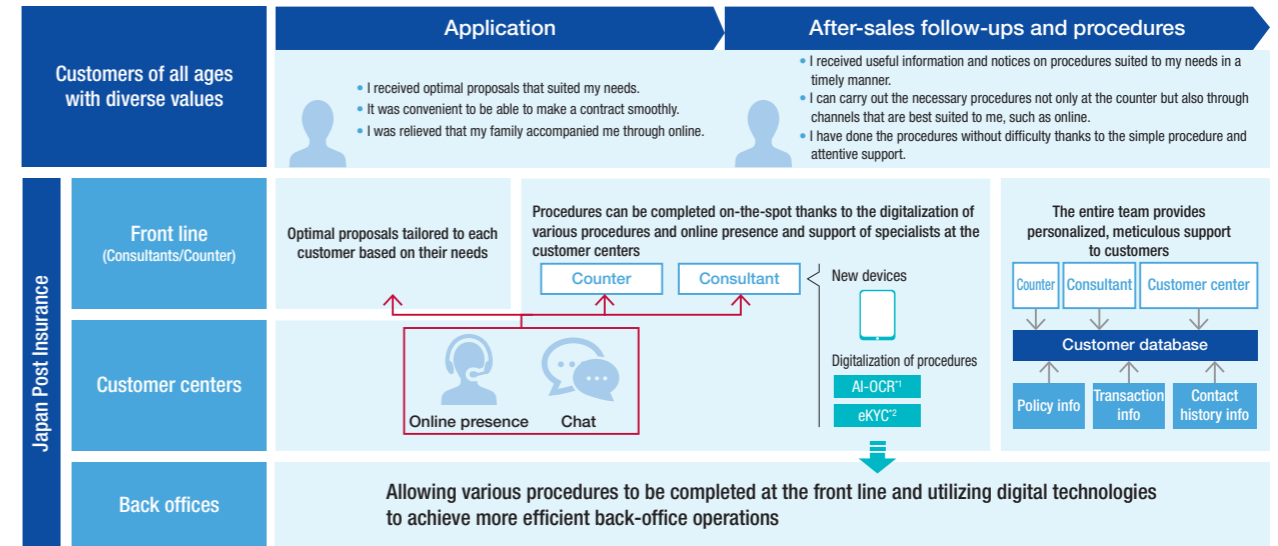
In addition, we will promote active guidance and familiarization support for various digital services such as the "Yucho Bankbook App" by utilizing the nationwide network of post offices.

Furthermore, we will focus on building an open "Co-creation Platform" that provides optimal services through collaboration with various businesses, starting with the "Yucho Bankbook App" and the "PFM (Personal Finance Management) App."

Improving customer experience value (CX) through DX promotion



(Comprehensive image after realization)



*1 OCR (Optical Character Recognition) that uses AI for improved rate of recognition of handwritten text, etc.
*2 Identification procedure by electronic means

Japan Post Insurance upholds the basic policy that we transform our business model that gives top priority to the "customer experience value (CX)" with promoting (DX), including expanding its customer base through services that enhance satisfaction of customers. By utilizing its real contact points with customers, such as its post office counters and consultants, and combining real services that are warm and familiar with convenient digital services, Japan Post Insurance will promote efforts to fundamentally reform its range of services such as proposals and procedures for insurance from the standpoint of improving the customer experience value "CX."

Specifically, we have begun a series of initiatives such as expanding the claims that can be processed through web services ("My Page") which is exclusively used by policy holders, supported by the specialists at customer centers, and so on. We will continue to offer attentive services tailored to the needs of customers by introducing quick and simple procedures that can be completed on-the-spot, expanding non-face-to-face procedures through online such as "My Page," and utilizing databases filled with customer information.

Real Estate Business Strategy

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

YAMASHIRO Yasuhiko

Senior Managing Executive Officer,
Japan Post Holdings Co., Ltd.
First Executive Officer, Japan Post Co., Ltd.
President & Representative Director,
Japan Post Real Estate Co., Ltd.



In the fiscal year ended March 31, 2022, among properties with development potential listed in JP Vision 2025, a development project for Setagaya Nakamachi company housing in Tokyo was approved, and preparations for development have been commenced for Shirokane company housing in Tokyo and the Kyoto Central Post Office. In addition, Mielparque Tokyo, Kyoto, and Matsuyama, as well as some sites where company housing, etc., was formerly provided, including Shimomeguro 5-chome in Tokyo and Fukuoka Izumi in Fukuoka Prefecture, were newly added as properties with development potential and examination for development of them has begun. In such ways and others, we promoted the development of Group-owned real estate.

Moreover, as part of investment in non-Group real estate, we carried out investment in prime real estate including logistics facilities, facilities for senior citizens, and rental houses. Under the development project for Fukuoka Izumi, formerly a site for company housing, we are working on the plan by acquiring non-Group adjacent land and by

developing them integrally to increase the value of Group-owned real estate.

In the fiscal year ending March 31, 2023, we will continue with efforts to commence the development of properties with development potential and cultivate new projects, while investing in excellent non-Group real estate. 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 will be generated.

We expect some large development projects to be completed in the near future, including the Hiroshima JP Building and the Kuramae Project. We will operate and manage them appropriately and efficiently, make a Group-wide effort across the Japan Post Group to strengthen our real estate business, and thereby aim to increase profits steadily.

1. Properties to be completed in the fiscal year ending March 31, 2023

(1) Hiroshima JP Building (Completion planned for the end of August 2022)

We will work to build an excellent environment in and create new appeal of the areas surrounding Hiroshima Station, which is a gateway by land to Hiroshima, a city aiming to become an International Peace Culture City. We are committed to offering highly convenient workplaces by using digital technologies for purposes such as environmental controls and by aiming to create cutting-edge office buildings with a lively atmosphere that will stand as a landmark. In addition, we are committed to contributing to community development by creating public open spaces with abundant greenery and spaces for pedestrians in the city.



(2) Kuramae Project (Completion planned for the end of March 2023)

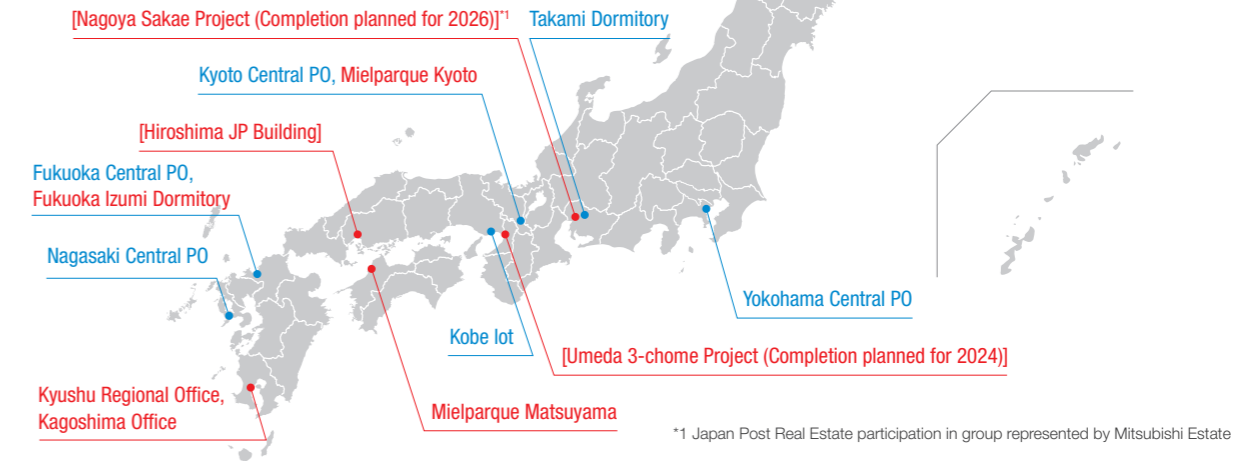
With the development concept of “Lots of smiles from here to your life. Let’s live with smiles!” a large-scale complex consisting of an office building (business), residence building (life), and logistics facility (logistics base) will contribute to vitalization of the community.

We are planning to obtain “rank S,” the highest rank under the CASBEE Smart Wellness Office certification, jointly with tenant Lion Corporation for the office building, which will offer workspaces that match new, healthy work styles.



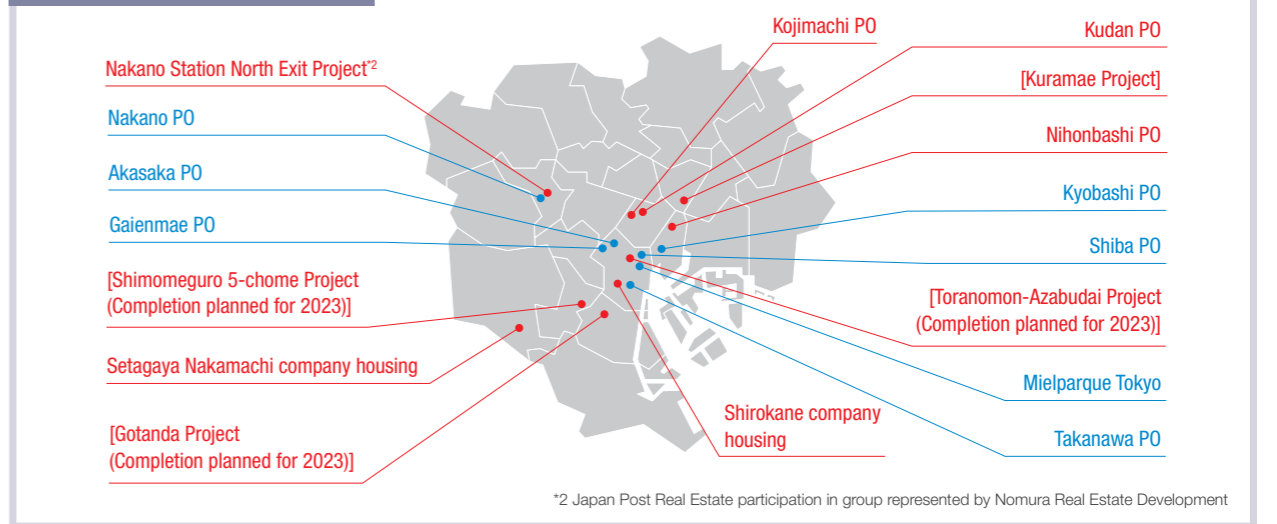
2. Major properties with development potential and those under development

[]: Projects already in progress
Red: Projects expected to start during the JP Vision 2025 period
Blue: Other properties with development potential
PO: Post Office



*1 Japan Post Real Estate participation in group represented by Mitsubishi Estate

Tokyo 23 Wards (enlarged view)



*2 Japan Post Real Estate participation in group represented by Nomura Real Estate Development

3. Real estate development that contributes to community development and the global environment

The Japan Post Group will, while appreciating the relationship of trust with local communities which has been built to date, conduct its real estate business in a manner that will contribute to the development of communities, taking into account such factors as the characteristics, social backgrounds, and business potential of the community. Our development projects include construction of daycare centers and facilities for senior citizens in consideration of social issues such as children on daycare waiting lists and an aging society, regional development through large-scale complexes consisting of commercial facilities, office buildings, residences, etc., in urban areas, and development of logistics facilities in collaboration with post offices.

As part of our ESG management efforts, we will strive to reduce environmental loads by promoting the introduction of renewable energy and environmentally friendly technologies. 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.

In addition, the Japan Post Group’s real estate business aims to provide not only spaces but also experiences to customers through DX. We are planning to start introducing DX in the Hiroshima JP Building and the Kuramae Project, and will create new real estate value.

Collaboration with Companies Outside the Group

Capital and business alliance with Rakuten Group



In March 2021, Japan Post Holdings entered a capital and business alliance with Rakuten Group and invested approximately 150 billion yen in the group. Through this alliance, we will maximize the synergistic benefits of the partnership by skillfully combining the unique and complementary aspects and strengths of both companies, namely the innovative digital technology and abundant expertise of Rakuten Group with the physical post office locations and solid logistics networks of Japan Post Holdings and collaborate in a wide range of business domains to create new value that will delight our customers.

In the logistics domain, we established JP Rakuten Logistics, Inc. on July 1, 2021 to create shared logistics centers, delivery systems, and pick-up services. Additionally, we have been engaged in various initiatives that will contribute to greater convenience and efficiency in the delivery of “Rakuten Ichiba” products, which, in turn, will contribute to the expanded use of Yu-Pack parcels, including the commencement of Japan Post’s “Designated Location Direct” services and “Package Drop Insurance” of “Rakuten Books” (November 1, 2021), the commencement of operations by JP Rakuten Logistics at the logistics

center of Rakuten Super Logistics in Yamato City, Kanagawa (November 10, 2021), and the launch of the “Omatome” app that allows users to specify consolidated delivery of products from multiple stores on “Rakuten Ichiba” by Japan Post and Rakuten Group (November 30, 2021).

In the mobile domain, the event spaces in the post offices were utilized to install customer counters to accept new signup applications for Rakuten Mobile from June 2021, and in the DX domain, with the cooperation of Rakuten Group, JP DIGITAL Co., Ltd. was established in July 2021. In the financial services (credit card) domain, the new Rakuten Card with the Japan Post Bank design was launched on December 1, 2021, and also in the financial services (insurance) domain, consultations and discussions regarding collaboration have commenced. In the e-commerce domain, sales of products offered by Japan Post on “Rakuten Ichiba” and sales of Rakuten products at post offices have commenced.

Going forward, we will continue to engage in various collaborations to maximize the results of our business alliance.

Further development of a “Strategic Alliance Based on a Capital Relationship” to realize a “Co-creation Platform” supporting customers and local communities



In June 2021, Japan Post Holdings, Japan Post, and Japan Post Insurance concluded an agreement with Aflac Incorporated and Aflac Life Insurance Japan Ltd. regarding further development of a “Strategic Alliance Based on a Capital Relationship” to realize a “Co-creation Platform” supporting customers and local communities through the following initiatives.

In the fiscal year ending March 31, 2023, Japan Post Insurance and Aflac Life Insurance Japan will co-sponsor the Japan Post Insurance–Aflac Life Insurance Acceleration Program to widely solicit business ideas that will lead to collaboration and work toward the development of new services for the two companies.

We will continue to position Aflac’s cancer insurance as a pivotal product of our sales strategy and promote the sales of cancer insurance, and at the same time cooperate with the thorough implementation of customer-first business operations to further develop the strategic alliance as follows:

- 1 Engage in new collaborations that have been considered as part of the strategic alliance
- 2 Establish and reinforce the system for promoting insurance sales to individuals
- 3 Reinforce the system for promoting cancer insurance as part of the establishment and reinforcement of the system for promoting insurance sales to individuals
- 4 Promote digital transformation in the financial and insurance business of the three Japan Post Group companies
- 5 Engage in initiatives to create shared value through the resolution of regional and social issues
- 6 Engage in initiatives to promote diversity and to create innovation through the utilization of agile methods

Alliances to enhance the logistics business

Alliance with Rakuten Group: Initiatives of JP Rakuten Logistics



JP 楽天ロジスティクス

Company name	JP Rakuten Logistics, Inc.
Establishment date	July 1, 2021
Location	3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan
Capital (Investment ratio)	Japan Post Co., Ltd. (50.1%) Rakuten Group, Inc. (49.9%)

Japan Post Co., Ltd. and Rakuten Group, Inc. in July 2021, newly established JP Rakuten Logistics, Inc. to advance “Business alliance initiatives in the field of logistics and joint commercialization of a digital transformation platform for logistics,” which was announced in April 2021.

By utilizing the existing assets and expertise of Japan Post and Rakuten Group, we will create a new digital transformation platform for logistics, and at the same time contribute to the improvement of Japan’s domestic logistics industry and the realization of a sustainable society by encouraging other e-commerce and logistics businesses to participate in this platform.

Collaboration with Sagawa Express



Based on the basic agreement concluded on September 10, 2021, Japan Post Co., Ltd. and Sagawa Express Co., Ltd. have commenced (1) transportation of small express delivery packages, (2) transportation of international packages, (3) refrigerated express package delivery services, (4) joint long-haul transportation, and (5) shared business locations for package pickup.

Both companies will actively engage in the development of new solutions with an eye toward collaboration with a wide range of companies in an open environment aiming to realize a sustainable society.



Capital alliance with ACSL



By combining the overwhelming technology and operational expertise of Autonomous Control Systems Laboratory (ACSL), a domestic manufacturer of industrial drones, and the post offices and logistics networks of Japan Post Co., Ltd., we will pursue the ease of mailing and receiving delivery items.

For Japan Post, this represents strategic digital transformation to realize a “Co-creation Platform” as well as an investment for operational reforms (IT and facilities/equipment).

Both companies will continue to deliberate and promote initiatives to enhance the sophistication of delivery networks through state-of-the-art technology including “enhanced deliveries” using automated delivery such as drones.

Through this alliance, we will pursue synergies that leverage the management resources and the strengths of both companies and take on the challenge of Japan’s logistics innovation to offer a greater usefulness, peace of mind, expediency, and abundance to our customers throughout Japan.

Initiatives toward the Creation of Value by Group Companies

Review of postal service levels and enhancement of the delivery network by utilizing cutting-edge technologies



Along with decreasing use of postal services every year due to more diverse means of communication, including the spread of the internet, changes in the social environment and in the requirements for postal services mean that delivery speed is no longer necessarily a prerequisite in some cases. Accordingly, resources generated as a result of discontinuing regular mail and Yu-Mail deliveries on Saturdays and taking more time for mail delivery will be appropriately utilized to meet increasing demands for home delivery of parcels in conjunction with advances in e-commerce as well as to ensure stable provision of postal services in the future.

Additionally, we are promoting operations that are fully digitalized and utilize cutting-edge technologies. For example, we are currently working on implementing a system to improve the efficiency of delivery operations, such as for Yu-Pack parcels, by applying routing and navigation technologies. In the near future, this system will enable even employees with little delivery experience to undertake delivery work immediately with high efficiency.



Consulting services at post office counters (Adoption of apps)



As a tool to support consulting services that suit customers' needs, a consulting app on tablets used at the post office counters has been adopted at nearly 4,000 post offices nationwide, mainly at locations with a large volume of financial consultation needs.

By using the consulting app, we will understand the needs of customers in the era of the 100-year lifespan, provide financial information that interests the customers at various milestones in their lives, offer smooth proposals using various simulations and cash flows, and provide customer-oriented consulting services.



Growth strategies of Toll Holdings Limited after the sale of the global express business



The sale of the global express business, one of the main factors for the stagnant business performance of Toll Holdings as a whole, was completed in August 2021. Going forward, we will work to improve the profitability of the remaining logistics and forwarding businesses through streamlining of personnel placement and other means. At the same time, 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. We will take other measures as well to move away from a business structure dependent on Australia and accelerate initiatives to grow by shifting to a business model focused on Asia including Japan.

Strategic investments



Amid a challenging investment environment, including the continuing low interest rate environment in Japan, we expanded our balance of risk assets, mainly in the investment grade area, to 94.9 trillion yen as of March 31, 2022. In doing so, we recognize the need to enhance risk-adjusted return, while also strengthening stress tolerance. Among our risk assets, we have built up the balance to 6.4 trillion yen in the area of strategic investments* through selective investment in quality deals.

* Strategic investment areas include private equity funds (funds that invest in unlisted companies with growth potential) and real estate funds.

As for risk assets, we will continue to accumulate balance mainly in credit assets (domestic and foreign corporate bonds, etc.) in the investment grade area. In addition, we will promote initiatives to enhance risk management, including sophisticating our stress testing, enhancing our monitoring, and reducing foreign currency liquidity risk.

New sales system at Japan Post Insurance / A new medical rider, "Motto sono hi kara Plus"



To provide insurance services that meet the various protection needs of customers, from April 1, 2022, we built a new sales system at Japan Post Insurance that combines expertise and breadth to realize comprehensive consulting services provided by the Japan Post Group as a whole.

Specifically, by visiting customers' homes, consultants who provide meticulous follow-ups and proposals of insurance products will concentrate on proposals and follow-ups of life insurance and Japan Post Insurance will be directly responsible for managing these consultants. At the same time, by introducing an account manager system, meticulous and high-quality follow-ups will be given to the customers. Throughout our nationwide network of post offices, post office counter employees will continue to offer a wide range of products and services including insurance products.

In accordance with the policy of "Providing insurance services satisfying diverse protection needs of customers in all age groups in the era of the 100-year lifespan," from April 1, 2022, we started offering the new medical rider, "Motto sono hi kara Plus." In recent years, hospital stays have become shorter due to advances in medical care, while some illnesses require long-term hospitalization for several months. Additionally, outpatient surgeries have also become common, accounting for about half of all surgeries. In such a medical climate, we developed the new medical rider, "Motto sono hi kara Plus," to provide generous coverage for both short- and long-term hospital stays and outpatient surgeries.

Going forward, Japan Post Insurance will continue to develop insurance services satisfying diverse protection needs under various scenarios and provide products and services that support the lives of customers in all age groups.

• You will receive a generous lump-sum hospitalization benefit even for a one-day hospital stay!

Even for a one-day hospital stay, in addition to the regular hospitalization benefit, you will receive a lump-sum hospitalization benefit, which is 20 days' worth of the daily hospitalization benefit. We provide full coverage even for short-term hospitalizations.

• We provide generous coverage also for long-term hospitalization, which can be extremely worrying.

You will receive a lump-sum hospitalization benefit, not only on the first day of hospitalization but also on the 30th day, 60th day, 90th day, and 120th day, in addition to the regular hospitalization benefit. We provide generous coverage even if your hospitalization turns out to be long term.

• Safe coverage for both outpatient surgeries and surgeries during hospitalization!

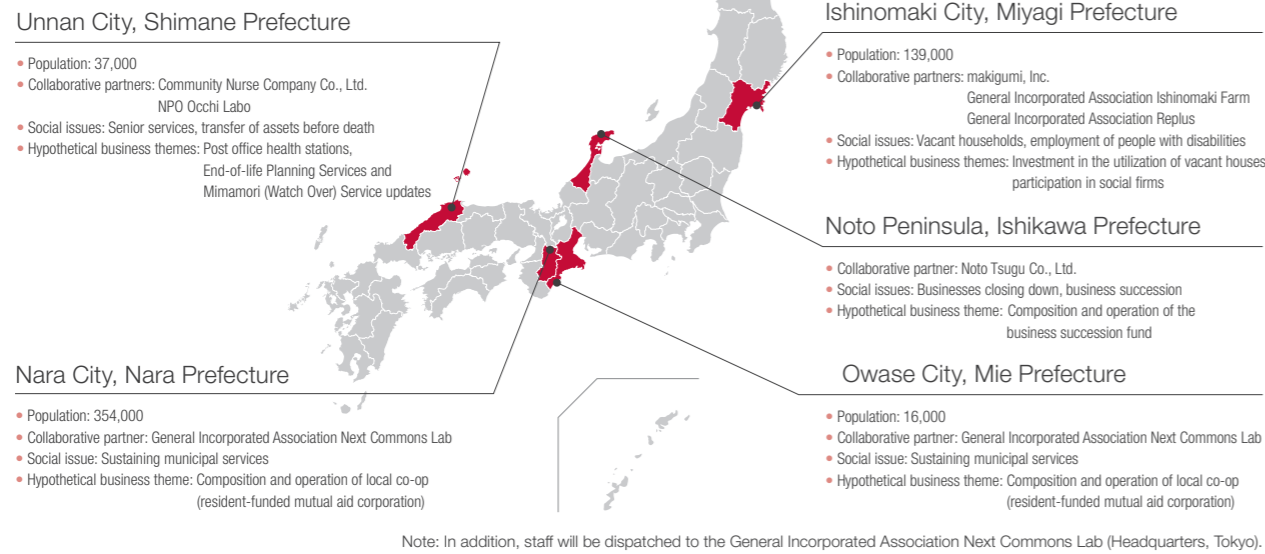
Similar to surgeries during hospitalization, for outpatient surgeries, also, we provide generous coverage with a surgery benefit, where you will receive 10 times the amount of the daily hospitalization benefit.



Initiatives for Regional Revitalization

Initiatives for local co-creation

Japan Post Group employee dispatching areas and collaborative partners



Eight headquarters' employees selected by open competition from Group companies (Japan Post Holdings, Japan Post, Japan Post Bank, and Japan Post Insurance) were dispatched to local start-ups and local governments active in rural parts of Japan for two years from April 2022, and have started efforts aimed at creating new local businesses. The employees will work in the field on behalf of the Japan Post Group in regions that are taking the initiative to help resolve social issues, together with start-ups and local governments that are working hard to develop services that contribute to revitalizing the economy,

involving more people, and maintaining and improving self-governance functions. These valuable experiences will help Japan Post to develop human resources with an entrepreneurial mindset. We also aim to create new businesses that can help resolve social challenges by partnering with start-ups and local governments. In this era of intense change, we will explore new roles so that the Japan Post Group can contribute to the creation of sustainable local communities and the improvement of local people's lives by taking the initiative to develop such new efforts proactively.

Post office Mimamori (Watch Over) Service and End-of-life Planning Services

In order to contribute to developing communities where elderly people can live with peace of mind, Japan Post offers the Post Office Mimamori (Watch Over) Service at 20,000 post offices across Japan. In addition, we have developed "Mimamori (Watch Over) Service at Post Offices Using Smart Speakers" through a demonstration project by the Ministry of Internal Affairs and Communications' Post Office Revitalization Promotion Project. We started providing the service for local governments in January 2022. At the same time, we have been providing End-of-life Planning Services, which introduces relevant operators to help relieve customers' anxiety about end-of-life affairs, in Tokyo since February 2019 and Hokkaido since November 2020. As the aging society progresses, we will continue to work to make our customers' lives more convenient.



Enhancing collaboration with local governments

Japan Post is actively engaged in efforts to provide administrative services to local residents through its post office counters by subcontracting various local government affairs such as issuing public certificates, accepting applications related to national pensions, and selling premium vouchers (as of the end of March 2022, 4,497 post offices handled subcontracted services for 305 organizations). In addition to these affairs, the scope of subcontracting has been expanded due to recent legislative amendments, and there are now more opportunities for post offices to improve the convenience of local residents, such as being able to subcontract affairs related to My Number Card electronic certificates. As well, in terms of new initiatives, in some regions we are contributing to making life more convenient for local residents by combining digital technologies with local post offices through services such as making COVID-19 vaccination appointments at post offices, installing local government tablets at post offices, connecting local government employees and residents via videophone, and providing online government consultations.

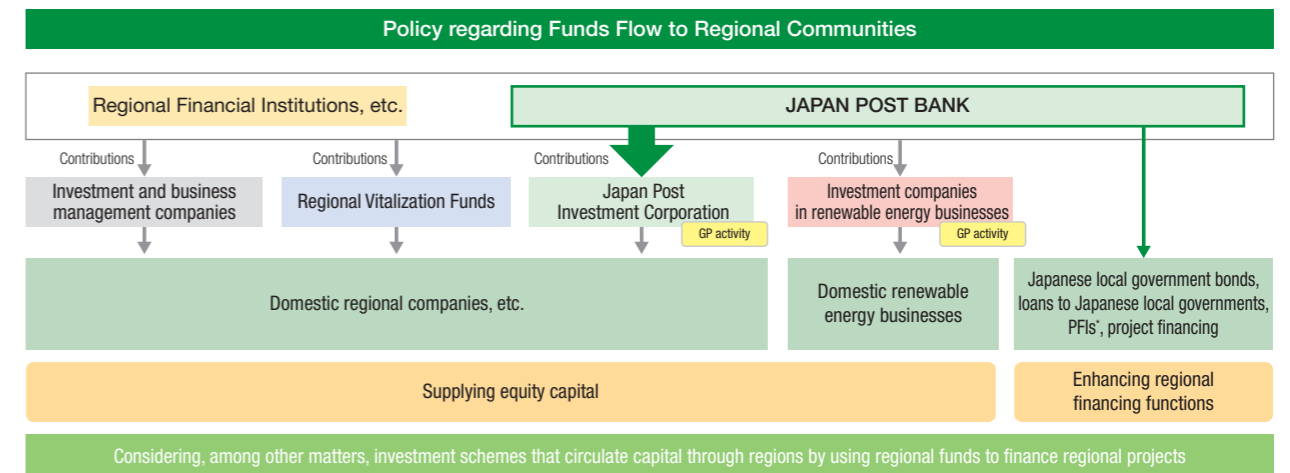
In order to carry out these initiatives, Japan Post has collaborated with local governments across Japan to conclude various agreements, including comprehensive partnership agreements, with the aim of continuously carrying out activities aimed at helping resolve regional challenges. We have also signed disaster prevention agreements with local governments, under which we will receive information on the status of the establishment of evacuation shelters and make efforts to deliver mail to victims and install temporary mailboxes at the evacuation shelters.



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

To flow precious funds entrusted by our customers to regional communities, we will strive to contribute to the vitalization of regional communities, with particular emphasis on expanding the supply of equity funds. We will continue to promote investments in regional vitalization funds and investment and business management companies. We will also invest in "Japan Post Investment Regional Development and Impact Fund I, ILP" established in April 2022 by our consolidated subsidiary Japan Post Investment Corporation.

In addition, we will continue to serve as a regional financial platform. We will also continue to partner with regional financial institutions in areas such as ATM collaboration and the aggregation of operational processes encompassing tax and public money collection. Through these and a range of other measures, we will provide multifaceted support for regional development across Japan.



* Abbreviation for Private Finance Initiative. A method that conducts construction of public facilities, and other similar efforts, utilizing the funding and capabilities of the private sector.

Capital Strategy

Improvement of capital efficiency

Japan Post Holdings' Efforts to Improve Capital Efficiency

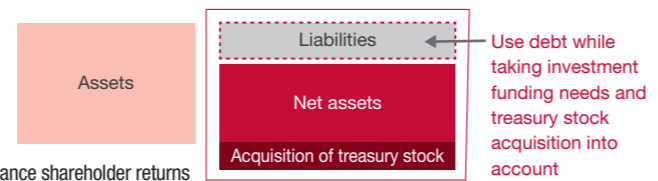
In addition to flexible acquisition of treasury stock, we will use debt financing to increase the financial leverage of Japan Post Holdings (non-consolidated) with the aim of reducing capital costs. We will

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

	2021/3	2022/3
ROE (based on net assets) ^{*1}	3.4%	3.8%
ROE (based on shareholders' equity) ^{*2}	3.8%	4.6%

^{*1} Calculated based on equity capital in which non-controlling interests are deducted from net assets
^{*2} Calculated based on shareholders' equity in which non-controlling interests and net unrealized gain on available-for-sale securities are deducted from net assets

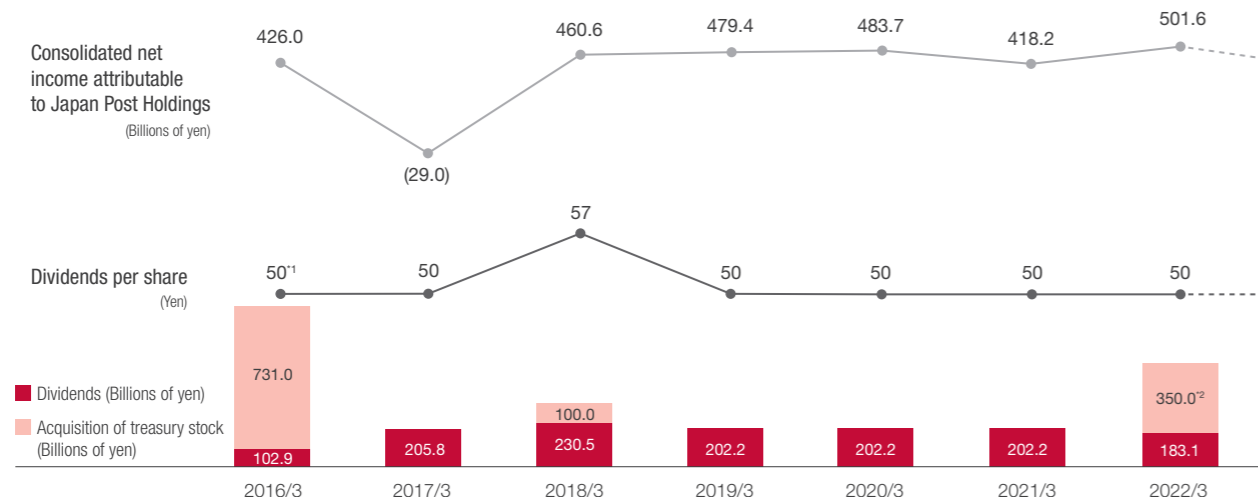
Shareholder returns

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.

Additionally, the Company has decided to improve capital efficiency through the flexible acquisition of treasury stock during the JP Vision 2025 period and has acquired approximately 350 billion yen in treasury stock by April 2022. Furthermore, it will acquire a maximum of 200 billion yen in treasury stock from May 2022.



^{*1} Calculated at 50 yen, twice the amount, in light of the period from the listing of shares to the record date of the current fiscal year-end
^{*2} Includes the approximately 4.5 billion yen acquired in April 2022

Developing Communications with Customers to Further Enhance the Japan Post Group's Brand Image

進化するぬくもり。



New slogan: "Evolving warmth"
 Developing unified Group communication centered around post offices

The slogan expresses the Group's fundamental desire to be the "warmth" for all of Japan's communities. This desire is an essential value of the post office, which we have continued to protect through the generations. And as society changes, so too are we required to evolve, providing services and taking on new challenges that align with the times. The Japan Post Group, propelled by this fundamental desire, will continue to evolve with renewed commitment, and raise the warmth of our hospitality throughout Japan to greater heights.



<https://www.jpcast.japanpost.jp/nukumori.html>

"JP CAST," a new web media platform communicating a diverse array of information from the Japan Post Group



The name embodies our desire to communicate our real selves through our own words. "JP" represents the Japan Post Group, and "CAST" represents the idea that everyone—be they employee or customer—is a cast member of our broadcast station.

Since its launch in January 2022, over one million customers and counting have visited the website. Going forward, we will offer information through JP CAST portraying the real picture of post offices and how they have continued to closely support the community. Through our initiative, our customers will see with their own eyes what the current Japan Post Group is all about.

With some 24,000 post offices and 400,000 employees nationwide to call upon, our diverse array of information contains everything from the diligent efforts of our employees to their heartwarming anecdotes, inspiring tales, and unexpected efforts, as well as some content that will make you smile. In other words, the breadth of our content is infinite.

Please experience the evolution and the warmth of the Japan Post Group for yourself through JP CAST.



<https://www.jpcast.japanpost.jp/>

JP CAST Search

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.



JAPAN POST

P.97 For more information, please refer to Data Compilation.

- Postal and Domestic Logistics Business P.40
- Post Office Business P.41
- International Logistics Business P.41

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.



JAPAN POST BANK

P.100 For more information, please refer to Data Compilation.

- Banking Business P.42

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.



JAPAN POST INSURANCE

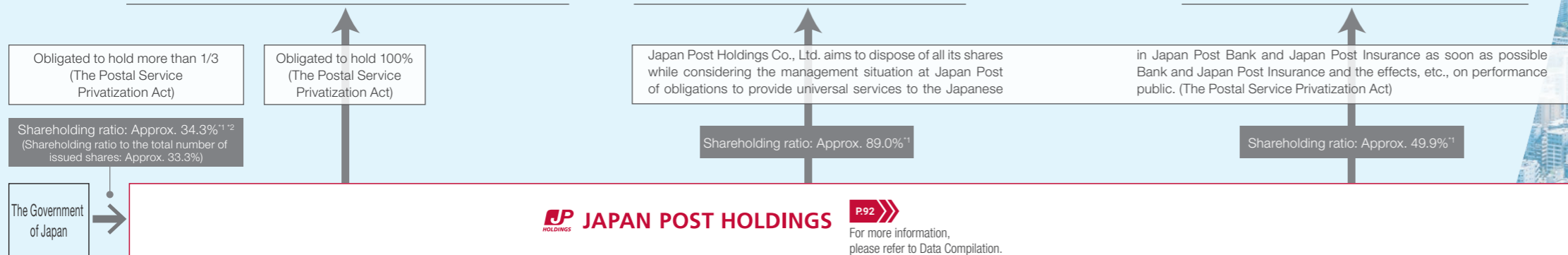
P.103 For more information, please refer to Data Compilation.

- Life Insurance Business P.42

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.



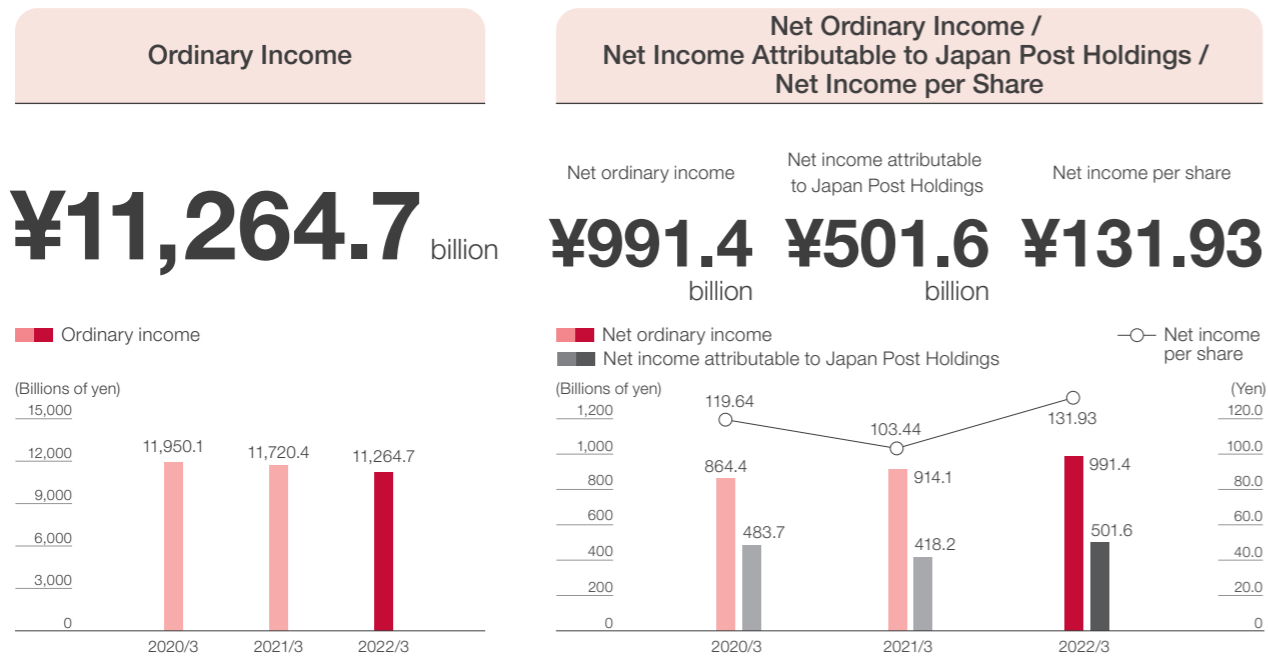
¹ Shareholding ratio to the voting shares except for treasury shares (as of March 31, 2022)

² Due to the acquisition of treasury stock and the cancellation of treasury stock announced in May 2022, the shareholding ratio was approximately 34.5% (the shareholding ratio to the total number of issued shares was approximately 34.3%) as of May 31, 2022.

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

Financial and Non-Financial Highlights

Financial Information

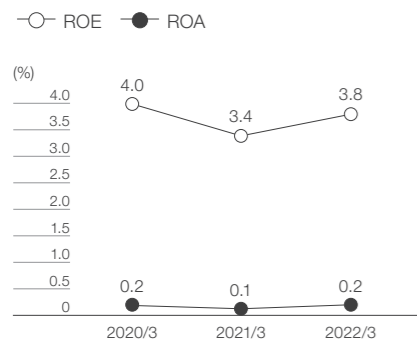


Ordinary income in the fiscal year ended March 31, 2022, declined 3.9% from the previous fiscal year, to ¥11,264.7 billion.

Net ordinary income in the fiscal year ended March 31, 2022, increased 8.5% from the previous fiscal year, to ¥991.4 billion, net income attributable to Japan Post Holdings increased 20.0% from the previous fiscal year, to ¥501.6 billion, and net income per share amounted to ¥131.93.

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

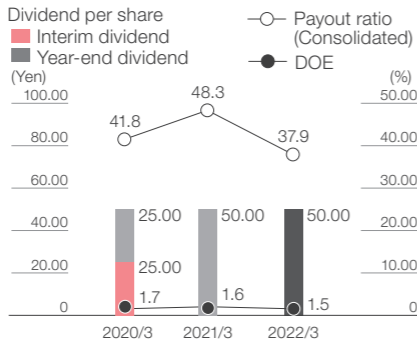
Return on equity (ROE): **3.8%**
Return on assets (ROA): **0.2%**



ROE in the fiscal year ended March 31, 2022, increased 0.4 percentage points from the previous fiscal year, to 3.8%. ROA came to 0.2%.

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

Dividend per share: **¥50**
Payout ratio (Consolidated): **37.9%**
Dividend on equity (DOE): **1.5%**



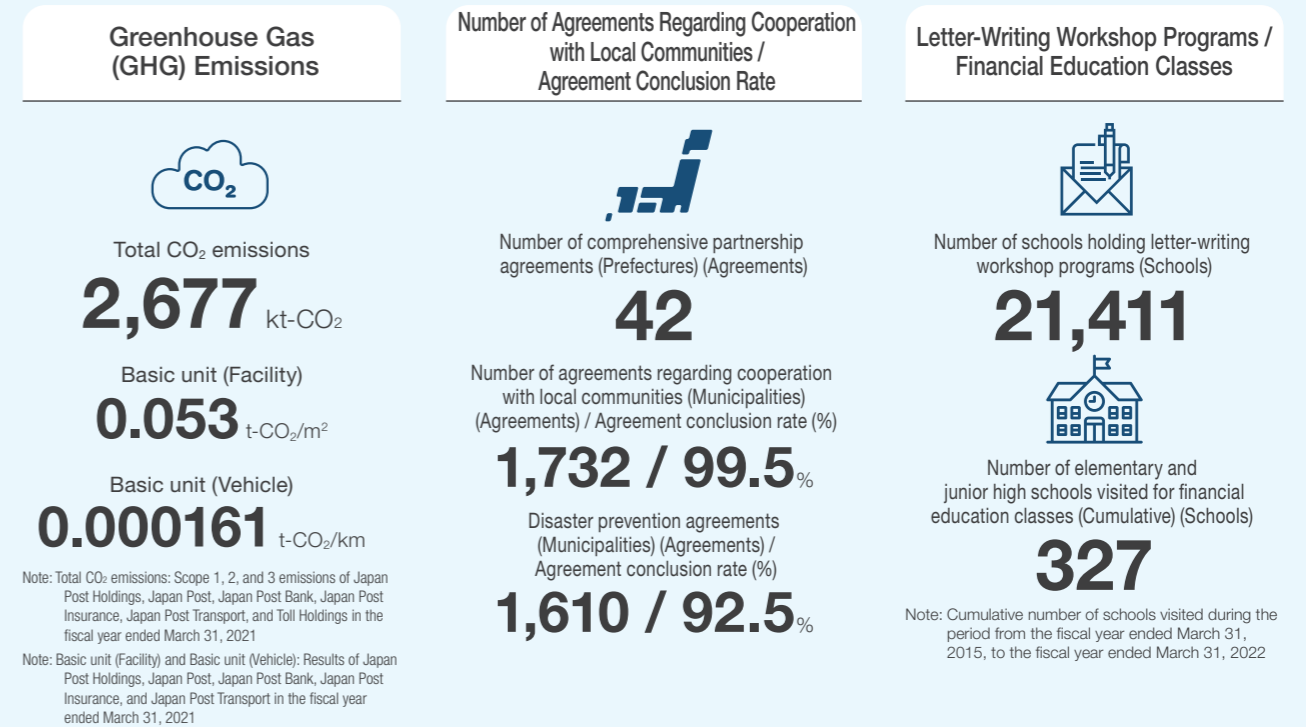
Annual dividend per share in the fiscal year ended March 31, 2022, amounted to ¥50. The payout ratio (consolidated) came to 37.9%. DOE came to 1.5%.

Stock Chart



Overview of Stocks of Japan Post Holdings (As of March 31, 2022)
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: 3,767,870,229
Class of shares: Common stock
Total number of shareholders: 797,689

Non-Financial Information



Financial Results, Strengths, and Challenges of Each Group Company

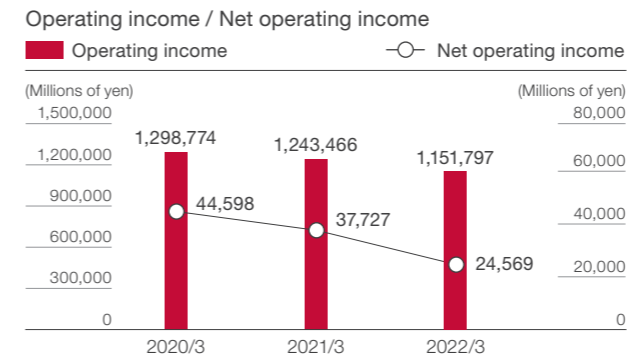


JAPAN POST Post Office Business Segment

Business Overview
In the post office business, in addition to counter operations related to the 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, 2022

In the post office business, although we have shifted to a new sales stance from April 2019 onwards, due to factors including refraining from proactive sales activities involving Japan Post Insurance from July 2019, insurance commissions decreased and banking commissions also decreased reflecting the decline in the number of remittances and settlements. In addition, as a result of a decline in income from the merchandising business due to the impact of the application of the Accounting Standard for Revenue Recognition and the absence of the income from real estate sales recorded in the previous fiscal year, ordinary income amounted to ¥1,158,552 million (down ¥126,913 million year-on-year) and net ordinary income amounted to ¥24,742 million (down ¥15,103 million year-on-year), despite a decrease in ordinary expenses due mainly to a decrease in expenses associated with the similar decline in income from the merchandising business. Due to the application of the Accounting Standard for Revenue Recognition, etc., ordinary income decreased ¥59,679 million. In addition, operating income amounted to ¥1,151,797 million (down ¥91,669 million year-on-year) and net operating income amounted to ¥24,569 million (down ¥13,157 million year-on-year) in the post office business of Japan Post (on a consolidated basis) for the fiscal year ended March 31, 2022.



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

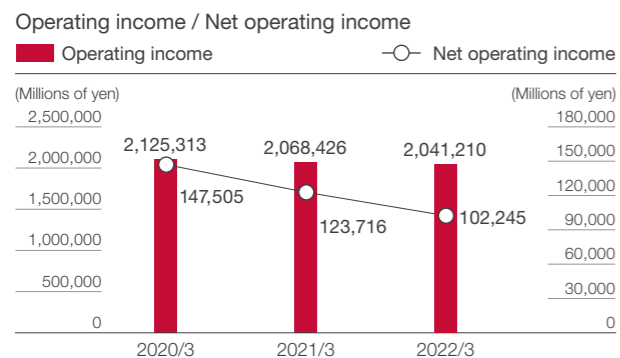
- Strengths**
 - A post office network of over 24,000 locations throughout Japan
 - Provision of diverse products and services inside and outside the Group
 - Customer base based on which our services are used by many customers in their daily lives
- Challenges**
 - Regaining customers' trust
 - Response 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**
 - Initiatives for customer-first business operations
 - Promoting digitalization of post office operations
 - Development of a diverse range of products and services satisfying regional needs

JAPAN POST Postal and Domestic Logistics Business Segment

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, 2022

In the postal and domestic logistics business, Yu-Pack (including Yu-Packet) volumes declined, as a reaction to the increase in stay-at-home consumption in the previous fiscal year and also due to the severe competition environment, among others. Income from international mails increased due to the resumption of services, but income from parcels fell due to a decline in Yu-Pack volumes, and income from New Year's postcards also declined. Accordingly, ordinary income amounted to ¥2,043,624 million (down ¥28,252 million year-on-year) and net ordinary income amounted to ¥103,898 million (down ¥22,689 million year-on-year). Due to the application of the Accounting Standard for Revenue Recognition, etc., ordinary income was ¥2,689 million lower than under the previous method, while segment profit was ¥1,980 million lower. In addition, operating income amounted to ¥2,041,210 million (down ¥27,215 million year-on-year) and net operating income amounted to ¥102,245 million (down ¥21,471 million year-on-year) in the postal and domestic logistics business of Japan Post (on a consolidated basis) for the fiscal year ended March 31, 2022.



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

- Strengths**
 - Nationwide transport network 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**
 - A continued decline in the volume of mail and escalating competition in the parcel delivery sector due to further digitalization, etc.
 - Response to rising labor unit costs
 - Realization of DX through utilization of data we possess
- Future policy**
 - Data-driven reform of the postal and domestic logistics business
 - Boosting competitiveness through a strategic review of products, services, and operations
 - Providing convenient services by collaborating with other companies

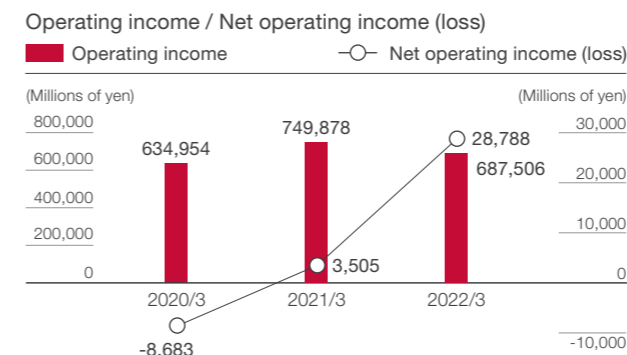
JAPAN POST International Logistics Business Segment

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

Financial Results for the Fiscal Year Ended March 31, 2022

In the international logistics business, income in the Global Forwarding business was boosted by rising cargo demand, but the segment suffered the impact of a decline in large-scale handling associated with the COVID-19 response in the Global Logistics business and a fall in income due to the sale of the Global Express business. Accordingly, ordinary income amounted to ¥687,817 million (down ¥62,251 million year-on-year). Ordinary expenses fell significantly, with a decrease in expenses corresponding to lower income from the Global Logistics business and the absence of expenses from the Global Express business, despite an increase in expenses corresponding to higher income from the Global Forwarding business, and net ordinary income amounted to ¥21,226 million (net ordinary loss of ¥7,003 million in the previous fiscal year). In addition, operating income in the international logistics business of Japan Post (on a consolidated basis) amounted to ¥687,506 million (down ¥62,372 million year-on-year) and net operating income in the international logistics business of Japan Post amounted to ¥28,788 million (up ¥25,282 million year-on-year) for the fiscal year ended March 31, 2022.

Note: Regarding Toll Holdings' global express business, a business transfer agreement was concluded with the affiliates of Allegro Funds Pty Ltd. on April 21, 2021, and the business transfer procedures were completed on August 31, 2021.



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

- Strengths**
 - 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**
 - Overcoming Australia-dependent management structure
 - Toll Holdings' business performance improvement
 - Exercise of the synergy between Japan Post and Toll Holdings
- Future policy**
 - Transition to an Asia-focused business model
 - Thoroughly implement efforts to improve the business performance of Toll Holdings
 - Advancement of the synergy between Japan Post and Toll Holdings, and expansion of revenue

JAPAN POST BANK Banking Business Segment

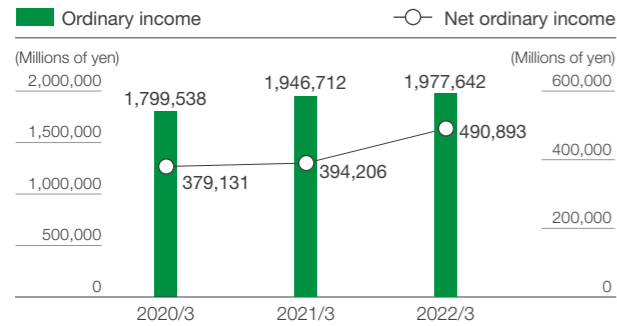
Business Overview

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

Financial Results for the Fiscal Year Ended March 31, 2022

In the banking business, net other operating income declined due mainly to a decrease in gains on redemption of foreign bonds, but net interest income increased, primarily as a result of an increase in income from foreign bond investment trusts and private equity funds, and non-recurring gains increased due mainly to an expansion in private equity funds and real estate funds. As a result, ordinary income amounted to ¥1,977,642 million (up ¥30,929 million year-on-year), while net ordinary income amounted to ¥490,893 million (up ¥96,686 million year-on-year). Due to the application of the Accounting Standard for Revenue Recognition, etc., ordinary income decreased ¥779 million, while segment profit increased ¥51 million.

Ordinary income / Net ordinary income



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

Strengths, challenges, and future policy in the banking business

Category	Details
Strengths	<ul style="list-style-type: none"> Japan's largest customer base Post offices and ATM networks encompassing all of Japan Japan's largest deposit base Diverse and expert human resources
Challenges	<ul style="list-style-type: none"> Providing customer-oriented services Contributions to vitalization of communities Creating new value Addressing no-contact and non face-to-face needs Security enhancements Deepening market operations and risk management Enhancing the capital base
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

JAPAN POST INSURANCE Life Insurance Business Segment

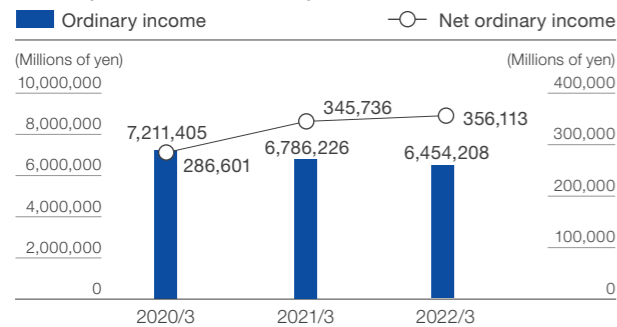
Business Overview

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, 2022

In the life insurance business, while investment income increased due primarily to increases in gains on money held in trust, insurance premiums and others decreased due to a decrease in policies in force. Accordingly, ordinary income amounted to ¥6,454,208 million (down ¥332,018 million year-on-year), while net ordinary income amounted to ¥356,113 million (up ¥10,377 million year-on-year), due mainly to a decrease in operating expenses and an increase in positive spread, despite the significant decrease in policies in force.

Ordinary income / Net ordinary income



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

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

Category	Details
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"> Strengthening contact points with customers based on new Japan Post Insurance sales system 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

Column

Social Contributions through Sports

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. In particular, Japan Post played an important role in the success of the Tokyo 2020 in 2021 as an official partner (postal services) of the Olympic and Paralympic Games Tokyo2020 and as a supporting partner of the Tokyo 2020 Olympic Torch Relay. We contributed to the excitement of the Tokyo 2020 Games through our postal business, utilizing our nationwide network of post offices. 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.	Japan Goalball Association (Official partner)
	Tohoku Rakuten Golden Eagles (Official platinum sponsor)
Japan Post Co., Ltd.	JAPAN PROFESSIONAL BASKETBALL LEAGUE (B.LEAGUE-partner)
	JAPAN POST Honda Dream
Japan Post Insurance Co., Ltd.	Japan Wheelchair Tennis Association (Top partner)
	Japan Boccia Association (Gold top partner)

Support for Goalball

Japan Post Holdings and Japan Post support the Japan Goalball Association from March 2019. We are contributing to the popularization of goalball by providing people with opportunities to experience this paralympic sport. We also promote the traits of this sport through holding events throughout Japan, making videos about goalball, and so on.



Activities of JAPAN POST Honda Dream

Japan Post has been hosting an event named "Posukuma Parent-Child Motorbike Class" at four to six locations every year since 2018. In this event, children can take a short pocket bike riding lesson on pocket bikes specially decorated with Posukuma paintings, as well as they can write letters using an original postcard printed with commemorative photos of their rides. The event is run by "JAPAN POST Honda Dream," a professional motorbike racing team.



Boccia Sponsorship Activities

Japan Post Insurance sponsors Boccia competitions such as the "2022 Boccia Tokyo Cup Supported by Japan Post Insurance" (April 2022), in which the Japanese national team also took part.



Stellar Performance in Wheelchair Tennis

OHTANI Momoko, an employee of Japan Post Insurance, made a remarkable accomplishment in her debut at the 2020 French Open, becoming runner-up in the wheelchair women's singles. At the 2020 Paralympics in Tokyo, she won a bronze medal in the wheelchair women's doubles.



Activities of the Women's Athletics Team

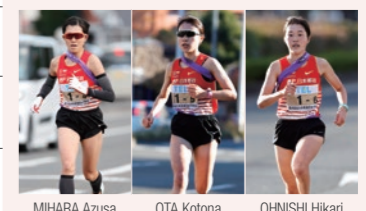
The Japan Post Group Women's Athletics Team was founded in April 2014 because the road relay races (ekiden), in which runners are connected by a sash, are very much like how our postal services connect people by mail, and employees feel a sense of unity when supporting the athletes.

The athletes belong to Japan Post Group companies. The Japan Post Group Women's Athletics Team has competed in the All Japan Industrial Teams Women's Ekiden (nicknamed "Queens' Ekiden" in Miyagi) for seven years straight since 2015. The team's performance has been outstanding, having taken first place for the first time in 2016 (the 36th annual championship) and won first place for two consecutive years in 2019 and 2020 (the 39th and 40th annual championships, respectively).

Team members produced excellent results also at the individual level in the Tokyo 2020 Olympic Games.

Major results in fiscal year ended March 31, 2022

Activity/Competition	Result	Athlete	Record
41st All Japan Industrial Teams Women's Ekiden (Queens' Ekiden in Miyagi)	4th	Leg 1: SUZUKI Ayuko Leg 2: KOSAKAI Chika Leg 3: HIRONAKA Ririka ^{*1*} ² Leg 4: MIHARA Azusa Leg 5: OTA Kotona Leg 6: OHNISHI Hikari ^{*1}	2:15:35
32nd Olympic Games (2020/Tokyo) Women's 5000m finals	9th	HIRONAKA Ririka ^{*3}	14:52.84
32nd Olympic Games (2020/Tokyo) Women's 10000m final	7th prize	HIRONAKA Ririka ^{*4}	31:00.71
32nd Olympic Games (2020/Tokyo) Women's marathon	19th	SUZUKI Ayuko	2:33:14



*1 Stage prize *2 Most Valuable Runner award *3 New Japanese record *4 The all-time fourth best time in Japan

© PHOTO KISHIMOTO

Sustainability Management

Aiming for sustainability management that contributes to the building of a sustainable society

ASAI Tomonori

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 group to apply these resources and assets toward helping resolve 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 can enjoy their lives.

If the Japan Post Group fails to fully meet its social responsibilities, there is a greater risk of losing stakeholder support. On the other hand, we can increase its corporate value by addressing such issues as quickly as possible. The Group will continue to manage our business of aiming for these two aspects of sustainability: contributing to the creation of a sustainable society and achieving sustainable growth and development as a company.

Specifically, in the current Medium-Term Management Plan "JP Vision 2025," the ESG goals are "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, and build a sustainable society." Furthermore, as one of the quantitative targets for ESG, the Japan Post Group as a whole is currently aiming to achieve carbon neutrality in greenhouse gas (GHG) emissions by 2050 and, as a milestone, to reduce GHG emissions by 46% compared to the fiscal year ended March 31, 2020 by the fiscal year ending March 31, 2031.

To achieve this goal, Japan needs to promote the spread of renewable energy and smoothly switch to electricity with a low carbon emission factor. As a group, we are also promoting efforts to reduce GHG emissions

across society through the use of our available resources. As part of this, we have conducted demonstration experiments such as the operation of electric vehicles (EVs) with a long range in local areas and the opening of rapid chargers in local communities, in collaboration with other companies. These experiments are well underway, and based on the results we plan to advance our plans to deploy EVs for collection and delivery.

In this way, the Japan Post Group will strive to achieve sustainable growth and create medium- and long-term corporate value by contributing to local communities and addressing social issues such as the Sustainable Development Goals (SDGs) through its business operations by utilizing the post office network.

On the other hand, in order to improve the value of the Company in the medium and long term, efforts to support human resources are essential, and their importance has increased further in recent years. Lately, the international movement toward the disclosure of information on "human capital," which has traditionally been the focus of attention as non-financial information, is accelerating and the debate is deepening. People are the driving force behind better ways of supporting communities, businesses, nations, and the planet.

In our group, we will contribute to resolving issues through our nationwide network of post offices by making each and every employee more aware of the SDGs and other issues, particularly social and environmental issues, and by encouraging them to take action on these issues as a company. In the future, we will continue to create these virtuous cycles together while passing the baton on to the next generation.

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 current 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, and contributing to the development and revitalization in local communities across Japan to build a sustainable society.

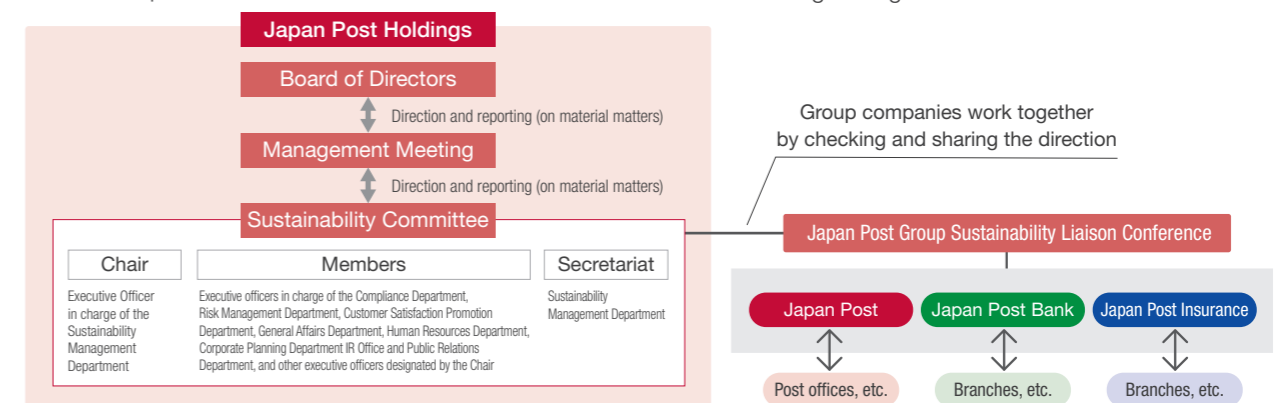
Sustainability Promotion System / Environmental Management System

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, and the Corporate Planning Department 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.

From April 2022, the Sustainability Management Office was reorganized into the Sustainability Management Department in order to strengthen our commitment to sustainability. In addition to enhancing the Group's ESG-related initiatives, the Sustainability Management Department 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
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
2022/3	<ul style="list-style-type: none"> Efforts to increase the score from ESG assessors Promotion status of ESG Management in JP Vision 2025 Setting non-financial targets for ESG Management Issues to strengthen efforts on ESG

Promotion of 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 the SDGs

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

	Vision toward 2026/3	Specific efforts (initiatives)
1. Providing lifelong support in an era of the 100-year lifespan 	<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-Taiso 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-Taiso Program and health support apps
2. Supporting local communities across Japan 	<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, and 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
3. Reduction of environmental footprint 	<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 the 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
4. HR strategy 	<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), and 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)
5. Governance 	<ul style="list-style-type: none"> Strengthen the governance of the Group Strengthen the management functions of branches and the front line Manage risks of the Group as a whole 	<ul style="list-style-type: none"> Introduction of the 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

Providing lifelong support in an era of the 100-year lifespan with next-generation education and services



To provide lifelong support in an era of the 100-year lifespan, Japan Post is working to expand next-generation education through letter-writing workshops, the construction and operation of nurseries and facilities for senior citizens that take into account the social challenges of nursery school waiting lists and an aging society, and provision of the Watch Over Service and End-of-life Planning Services.



We distribute textbooks free of charge to all schools from elementary to high school.

Letter-Writing Workshop Programs

Japan Post conducts letter-writing workshops for 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 through the exchange of actual letters in school classes. In addition, various events are held in cooperation with schools and local residents.

In the fiscal year ended March 31, 2022, a total of approximately 4.953 million children took part in the letter-writing workshops at 14,316 primary schools (70.3% of the total), 4,775 junior high schools (42.4% of the total), and 2,320 high schools (34.0% of the total).

Providing safe and secure financial services to all residents of Japan



Japan Post Bank is working to make goal-oriented proposals in line with the life plans of individual customers, and based on the wishes and inclinations of the customer, proactively proposing products suitable for long-term, diversified, and installment investments as well as preferential tax treatment systems such as installment-type NISA and iDeCo. Additionally, we are continuing to enhance our services, such as having launched the "Yucho Fund Wrap" service in May 2022.

In addition, the "Yucho Bankbook App," which can be used instead of a traditional paper bankbook to check your current balance and deposit and withdrawal details at any time on your smartphone, is now used by 4.81 million account holders as of the end of March 2022. In the fiscal year ended March 31, 2022, we added features that can be conveniently used by customers, such as collateral fixed amount and fixed-time savings, investment trust inquiry, and remittance functions. We will continue to utilize the nationwide post office network, prioritize safety and security, and expand digital services that are easy for all customers to use.



"Yucho Bankbook App"

Protecting customers' lives with insurance



Japan Post Insurance has been protecting the lives and happiness of customers through life insurance for over 100 years since its predecessor, the Postal Life Insurance service, began. Through our accessible network of post offices spread throughout the country, we have been able to stay close to each individual customer in each region and provide support in times of need.

Even during the COVID-19 pandemic, to fulfill our social mission we have made efforts such as double payment of death insurance benefits. We have made 129,863 payments totaling 24,599.2 million yen for COVID-19.

We started selling insurance products with extended insurance period and established a policy conversion system in 2021, and on April 1, 2022, we launched a new medical care rider. We will continue to provide insurance products and services that fully cover the security needs of customers of all generations in an era of the 100-year lifespan.



Supporting Local Communities

Supporting local communities across Japan

At Japan Post, in response to social issues such as a decrease in the working population, the marginalization of rural areas, and changes in the business environment such as an increase in parcels, we are working to utilize new technologies such as drones, delivery robots, autonomous driving, and the use of AI for delivery operations in order to realize the provision of stable and sustainable postal and logistics services.

While valuing the relationships of trust we have built up so far, we are also working to build nurseries and facilities for senior citizens that take into consideration social issues such as waiting lists for nursery schools and an aging society. In addition, as part of efforts to revitalize communities by utilizing the space of the post office, we are providing East Japan Railway Company shared office service private room booth "STATION BOOTH" at the Shinjuku Post Office (Shinjuku-ku, Tokyo), as well as a community lounge that utilizes the vacant space of the Aobadai Post Office (Yokohama City, Kanagawa Prefecture).

In addition, in the event of a major disaster, while we provide a variety of emergency handling services to support customers affected by the disaster, we are working with Warehouse TERRADA to provide "Bosai-You-Storage," an unprecedented disaster prevention service that stores necessary items in advance in preparation for long-term evacuation and delivers them when and where they are needed.



It is recommended that you store emergency supplies and important items in preparation for long-term evacuation.

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

To flow precious funds entrusted by our customers to regional communities, we will strive to contribute to the vitalization of regional communities, with particular emphasis on expanding the supply of equity funds.

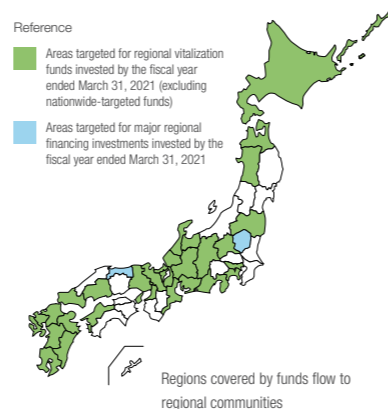
In an effort to contribute to regional vitalization through cooperation with regional financial institutions, we participated in the Regional Vitalization Fund in July 2016, and by the end of March 2022 the cumulative number of fund contributions came to 39. In addition, we will contribute to regional vitalization and achievement of the SDGs through investment in Japan Post Investment Regional Development and Impact Fund I, LLP, established in April 2022 by Japan Post Investment Corporation, our consolidated subsidiary.

As a regional finance initiative, we will respond to the risk money needs of regional communities through local government bonds and loans to regional governments as well as participation in syndicate loans such as PFI* and project financing.

In addition, in collaboration with regional financial institutions, as a "regional financial platform," we will continue to work on ATM collaboration and aggregation of operational processes encompassing tax and public money collection.

* Abbreviation for Private Finance Initiative. A method that conducts construction of public facilities, and other similar efforts, utilizing the funding and capabilities of the private sector.

JAPAN POST BANK



Popularizing and promoting "Radio-Taiso" exercise

The Radio-Taiso Program was created by our predecessor, the Postal Life Insurance Bureau of the Ministry of Communications, and will mark its 100th anniversary in 2028. In an era of the 100-year lifespan, we have taken various initiatives to help resolve social problems such as promoting health and revitalization of local communities.

As regional events, we hold the Radio-Taiso and *Minna no Taiso* ("Exercise for Everyone") Tour and the Festival of 10 Million People's Radio-Taiso and *Minna no Taiso* all over Japan, with people of all generations taking part. In addition, we hold the All-Japan Elementary School Radio-Taiso Competition with the aim of contributing to the development of children's physical fitness.

Also, as a new initiative, we have been conducting joint research with the Tokyo Metropolitan Geriatric Hospital and Institute of Gerontology, Tokyo Medical University, and NPO Zenkoku-Rajiotaisou-Renmei (Japan Radio-Taiso Federation) to verify the health effects of Radio-Taiso since October 2021.



Festival of 10 Million People's Radio-Taiso and *Minna no Taiso*

JAPAN POST INSURANCE

Responding to Climate Change

Global warming is causing climate change that not only increases temperatures but also significantly changes the global climate, and impacts and damage are already beginning to appear in natural environments and people's livelihoods around the world.

The Japan Post Group recognizes climate change as a key issue and is committed to mitigating and adapting to its impacts.

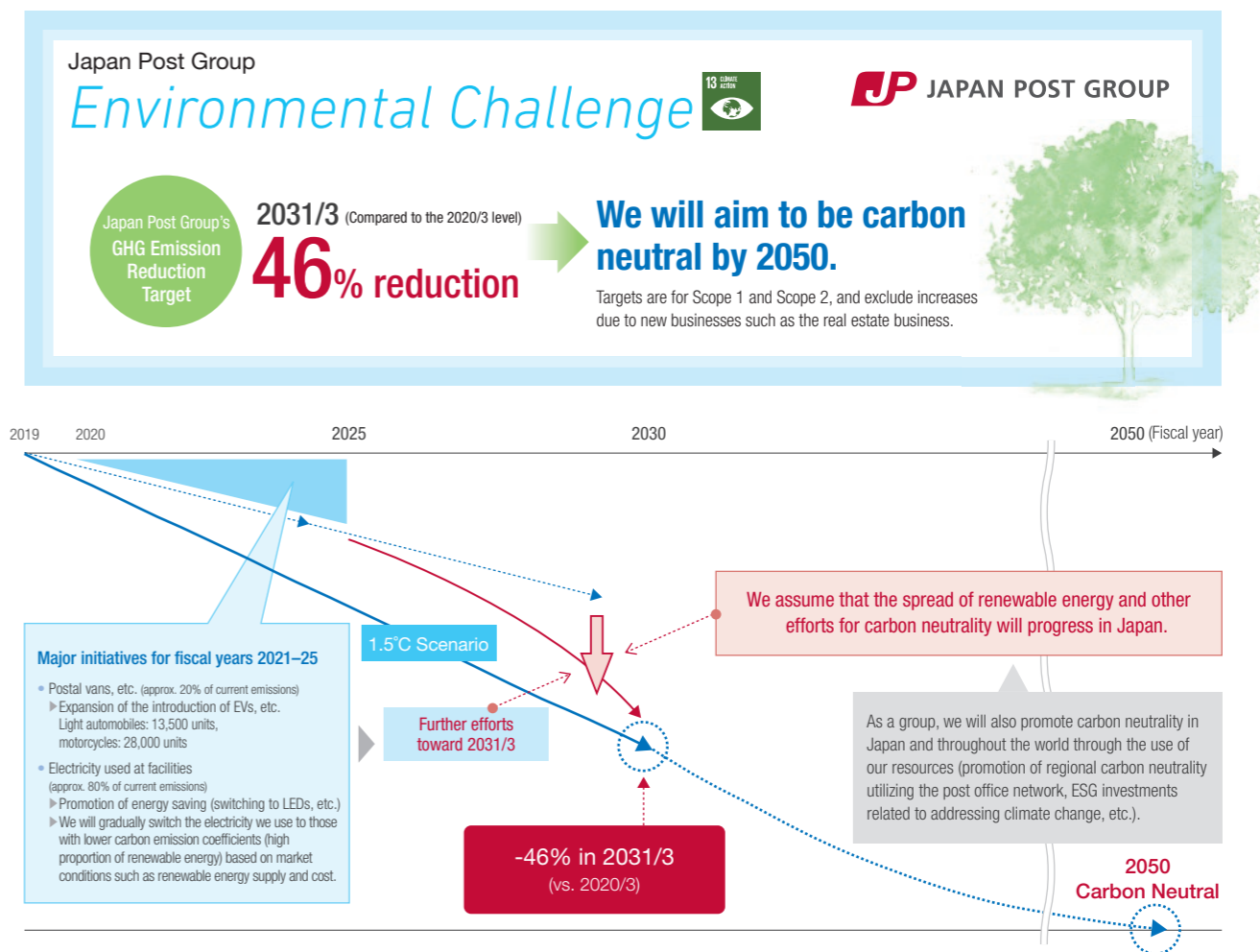
Japan Post Group's Efforts to Achieve Carbon Neutrality

One of the drivers of climate change is the increase in greenhouse gases (GHGs) emitted by people's daily lives and corporate activities.

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 GHG emissions 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.



Notes: • The goal includes Scope 1 (emissions directly emitted by the Company) and Scope 2 (emissions associated with the use of electricity, etc., supplied by other companies).
 • We will not target Scope 3 (indirect emissions from supply chains and investments) in the Medium-Term Management Plan, but will promote efforts to achieve SBT certification after the release of the financial sector guidance by Science Based Targets (SBT).
 * This financial sector guidance is expected to be released in the near future.
 • Increases due to new business such as the real estate business are excluded.

Endorsement of the TCFD Recommendations

The Japan Post Group operates in close proximity with local residents through its network of 24,000 post offices nationwide, and we recognize that climate change is a challenge that has a significant impact on the Group's business, including the possibility of the post office network and the provision of associated services being cut off.

In addition to our commitment to reducing GHG emissions as part of our efforts to achieve the SDGs in the Japan Post Group Sustainability Basic Policy, the Group has also contributed to the realization of a sustainable society through investments in green bonds.

In addition, in April 2019 we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and based on the recommendations we deepened our analysis of the impact of climate change on the business of each company in the Group and are promoting disclosure of information.



Banking

Japan Post Bank's Response to the TCFD Recommendations

<https://www.jp-bank.japanpost.jp/en/sustainability/environment/tcf/index.html>



Japan Post Bank Annual Report

https://www.jp-bank.japanpost.jp/en/ir/financial/en_ir_fnc_index.html



Life Insurance Services

Japan Post Insurance's Response to the TCFD Recommendations

<https://www.jp-life.japanpost.jp/english/aboutus/sustainability/environment/tcf.html>



Japan Post Insurance Annual Report

https://www.jp-life.japanpost.jp/english/aboutus/financial/en_abt_fnc_ar.html



Status of the Japan Post Group's Response Based on TCFD Recommendations

Item	Japan Post Group's response
Governance	<ul style="list-style-type: none"> The Japan Post Group's response to climate change is appropriately supervised by the Board of Directors, which has the Group CEO (Representative Executive Officer, President and CEO of Japan Post) as the highest officer and the Group companies' CEOs as its members. <p><Supervision Process of the Board of Directors on Climate Change Response></p> <ul style="list-style-type: none"> At the Sustainability Committee, established as an advisory body to the Management Meeting (the chairperson is the executive officer in charge of the Sustainability Management Department, and the Committee meets about four times a year), Committee members deliberate on the progress of the Group's climate change risk and opportunity identification, response policies, targets, and initiatives. The deliberations of the Sustainability Committee are reported to the Management Meeting and the Board of Directors and approved by the Board of Directors.
Strategy	<ul style="list-style-type: none"> The Japan Post Group has set the reduction of GHG emissions to achieve carbon neutrality as one of its main goals in JP Vision 2025 and is promoting climate change responses as part of its management strategy. The Group has conducted a scenario analysis to identify climate change risks and opportunities related to the Group's main business and to understand their impact on the business portfolio. Going forward, we will further deepen our consideration of specific countermeasures to identified climate change risks and opportunities, and analyze the quantitative impact on the business portfolio.
Risk management	<ul style="list-style-type: none"> The Japan Post Group has determined the Group's critical risks disclosed in the Annual Securities Report "Risks to Business, etc." based on the results of a management questionnaire survey. When implementing the questionnaire survey, Japan Post's Risk Management Department selected a certain number of risks to be evaluated and confirmed their relative importance in the questionnaire survey. In the fiscal year ended March 31, 2022, climate change risks were ranked high by management as a "top risk" of particular importance. Organizations responsible for climate change risk are aware of management-level issues related to climate change and are working to improve them. They discuss promotion plans, reduction effects, and improvement measures, etc., for achieving the GHG emission reduction targets listed in JP Vision 2025 at the Sustainability Committee, etc., and report the results to the Management Meeting and the Board of Directors.
Metrics and targets	<ul style="list-style-type: none"> The Japan Post Group has set the ultra-long-term goal of "aiming to achieve carbon neutrality by 2050" in JP Vision 2025, and as a milestone to steadily promote this goal it has set a target of "46% reduction (2031/3 vs. 2020/3)" based on the 1.5°C scenario and promotes climate change responses as part of its business strategy. Japan Post Group's Scope 1, Scope 2, and Scope 3 emissions https://www.japanpost.jp/en/sustainability/library/data/

Scenario Analysis

Postal and Domestic Logistics Business and Post Office Business

Scenarios IPCC RCP 2.6 Scenario / RCP 8.5 Scenario Relevant period 2050

Classification		Expected occurrence period ¹	Financial impact ²	Critical risks and opportunities, possible impacts (Scenario analysis)
Physical Risks	Acute	Short Term	Large to Small	<ul style="list-style-type: none"> Due to the increase of short-time heavy rain, river flooding and high tides may occur, and some or all of the post office buildings in river basins or coastal areas where flooding occurs may collapse, requiring time and money to repair. In addition, there is a risk that businesses cannot continue due to damage to post office buildings and roads, etc., which may hinder the provision of universal services, and sales may drop. [RCP 2.6 Scenario] Due to the increase in heavy rainfall, it is expected that river flooding, high tides, and landslides will have a certain impact on post office buildings. [RCP 8.5 Scenario] Due to significant increases in heavy rainfall, there is a possibility that there will be impacts such as the collapse of post office buildings on a wider scale than in the case of the RCP 2.6 scenario.
	Chronic	Short Term	Small	<ul style="list-style-type: none"> Climate change will increase the risk of heat stroke for employees engaged in outdoor work by increasing the number of days on which the temperature exceeds 30°C (hot summer days) and days on which the temperature exceeds 35°C (extremely hot days). This will increase labor costs, etc. [RCP 2.6 Scenario] The risk of employee heatstroke is expected to increase due to an increase in average annual temperature and an increase in the number of hot summer days. [RCP 8.5 Scenario] The risk of employee heatstroke is expected to increase significantly as the average annual temperature rises significantly and the number of hot summer days also increases significantly.
Transition Risks	Policy Regulation	Medium to Long Term	Medium to Small	<ul style="list-style-type: none"> If GHG emissions regulations are introduced and strengthened, the cost of changing equipment and vehicles and switching the fuel used to reduce GHG emissions and energy use may increase. In addition, if a carbon tax based on amount of fossil fuel used is imposed, costs may increase. [RCP 2.6 Scenario] It is assumed that the government will impose a carbon tax as a measure to reduce GHG emissions. [RCP 8.5 Scenario] It is thought that a carbon tax is unlikely to be introduced.
	Reputation	Short Term	Small	<ul style="list-style-type: none"> If investors view the Group as being reluctant to take action on climate change, there may be a negative vote against the election of directors at the General Meeting of Shareholders and related proposals, or investors may stop investing in Japan Post. In addition, as customers become increasingly aware of the environment and choose products and services with a lower environmental impact, products and services judged to have insufficient environmental credentials may be rejected by customers, leading to a drop in sales.
Opportunities				<ul style="list-style-type: none"> By expanding the installation of rapid chargers for EVs, encouraging use by everyone in local communities, and developing and providing environmentally friendly delivery services and products, we may be able to increase sales by responding to customer needs (taking advantage of climate change as a business opportunity). Also, by taking steps such as renovating facilities and equipment, and introducing and expanding EVs, we may be able to reduce the increase in cost if a carbon tax is imposed (enabling the avoidance of risk).

¹ Expected occurrence period: Classified as short term (to approx. 1 year), medium term (to approx. 3 years), and long term (more than 3 years).
² Financial impact: At present, we have classified risks into [large (more than 10 billion yen), medium (more than 1 billion yen, less than 10 billion yen), and small (less than 1 billion yen), but we will continue to analyze the quantitative impacts in the future.

Scenario Analysis

Real Estate Business

Scenarios IPCC RCP 1.9 Scenario / RCP 8.5 Scenario
IEA WEO NZE 2050 Scenario / WEO STEPS Scenario Relevant period 2050

Classification		Expected occurrence period ¹	Financial impact ²	Critical risks and opportunities, possible impacts (Scenario analysis)
Physical Risks	Acute	Short Term	Medium to Small	<ul style="list-style-type: none"> If climate change progresses, river flooding and high tides due to the increase of intensive heavy rainfall may occur, the assets we hold in flooded areas may be damaged, and repairing them will take time and money. [RCP 1.9 Scenario] Due to the increase in heavy rainfall, it is expected that river flooding and high tides will have a certain impact on the assets we hold. [RCP 8.5 Scenario] The significant increase in heavy rainfall is expected to have a greater impact than in the RCP 1.9 scenario.
	Chronic	Short Term	Medium to Small	<ul style="list-style-type: none"> If climate change progresses, there is a possibility of an increase in operating costs due to an increase in the cooling load of the properties we operate resulting from increased average temperatures, a risk of flooding damage due to an increase in sea level, and a risk of reduced asset values. There is a risk of delays in the construction period of newly developed properties due to decreased efficiency of outdoor work and there is a possibility that operating costs will increase due to decreased productivity in maintenance and management work for buildings and equipment in the properties we operate, resulting from increased temperatures in summer. [RCP 1.9 Scenario] We expect various risks to increase as average annual temperatures rise and the number of hot summer days increases. [RCP 8.5 Scenario] We expect various risks to increase significantly due to significant increases in average annual temperatures and a significant increase in the number of hot summer days.
Transition Risks	Policy Regulation	Medium to Long Term	Medium to Small	<ul style="list-style-type: none"> If the trend toward decarbonization intensifies, capital investments for energy saving in real estate development properties may increase, and the development and operating costs of the real estate business may also increase due to the introduction of a carbon tax. [WEO NZE 2050 Scenario] It is assumed that the government will impose a carbon tax as a measure to reduce GHG emissions. [WEO STEPS Scenario] It is thought that a carbon tax is unlikely to be introduced.
	Market Trends	Medium to Long Term	Medium to Small	<ul style="list-style-type: none"> If the trend toward decarbonization intensifies, the vacancy rate of old-style real estate properties with poor energy-saving performance may increase due to a drop in demand.
	Technology	Medium to Long Term	Medium to Small	<ul style="list-style-type: none"> If demand shifts to real estate with high energy-saving performance, various technology development costs and construction costs to increase the energy efficiency of real estate development properties may increase.
	Reputation	Short Term	Small	<ul style="list-style-type: none"> If investors view the Company as being reluctant to take action on climate change, there may be a negative vote against the election of directors, including Representative Executive Officer, President and CEO of Japan Post, and related proposals at the General Meeting of Shareholders, or investors may stop investing in Japan Post. Information disclosure related to climate change in the real estate development business and efforts to save energy in owned assets may be considered insufficient and criticized by stakeholders.
Opportunities				<ul style="list-style-type: none"> In addition to preparing for disasters by taking measures against flood damage, etc., it is assumed that, while cooperating with local governments, etc., post offices will serve as recovery bases for regions, such as by stockpiling emergency supplies and accepting temporary evacuees. Such efforts may be appreciated by stakeholders and lead to an increase in the Group's corporate value and the value of assets held. We aim to obtain environmental certifications such as Comprehensive Assessment System for Built Environment Efficiency (CASBEE) by carrying out real estate development in an environmentally friendly manner, and this may lead to an increase in the demand for the Group's assets due to the growing environmental awareness of tenants and customers.

¹ Expected occurrence period: Classified as short term (to approx. 1 year), medium term (to approx. 3 years), and long term (more than 3 years).
² Financial impact: At present, we have classified risks into large (more than 10 billion yen), medium (more than 1 billion yen, less than 10 billion yen), and small (less than 1 billion yen), but we will continue to analyze the quantitative impacts in the future.

Initiatives of Each Company

JAPAN POST HOLDINGS **JAPAN POST**

Promotion of Carbon Neutrality in Communities Using the Post Office Network (Collaboration with Other Companies)

Japan Post Holdings, Japan Post, and Tokyo Electric Power Company Holdings formed a strategic alliance in April 2021 to work collaboratively to promote carbon neutrality.

Based on this alliance, a demonstration experiment has been conducted since November 2021 at the Oyama Post Office (Oyama City, Tochigi Prefecture) and the Numazu Post Office (Numazu City, Shizuoka Prefecture).

To meet the challenge of making regional post offices' EVs compatible with long-distance driving, the two post offices installed rapid chargers to be used when EVs return temporarily to the post offices to extend the range. In addition, the post offices made these rapid chargers

available to the community, contributing to the promotion of regional EVs, and are making efforts to utilize solar power generation and to switch the post offices' electricity to renewable energy.

Mitsubishi Motors is also involved in this demonstration experiment, and we will contribute to the spread of EVs across Japan by analyzing driving data and changes in the battery levels of the EVs and by working to improve the overall driving performance of commercial EVs.

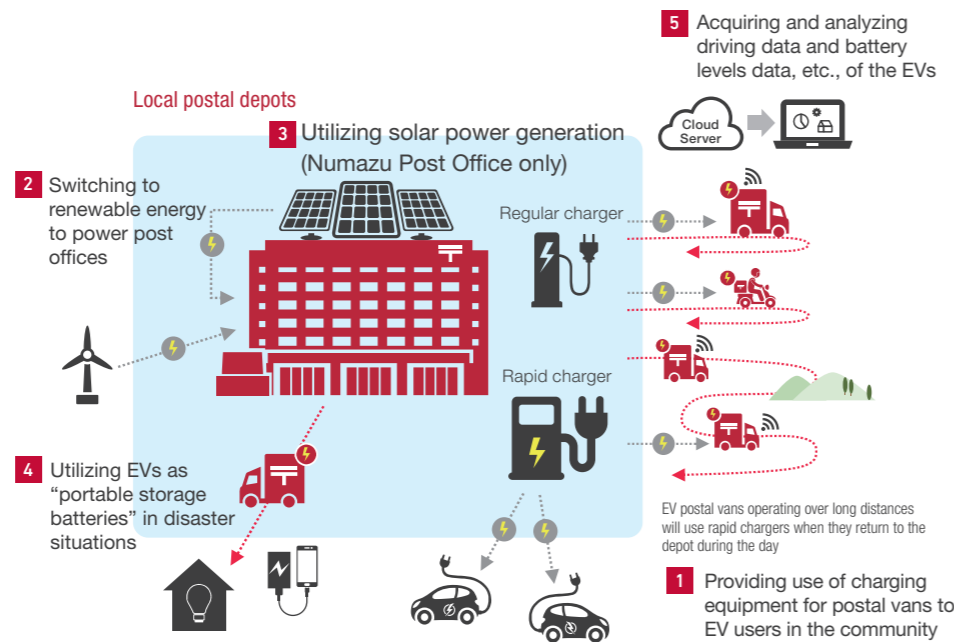
We will continue to work with a variety of partners and consider further developments to ensure that our post offices become hubs for regional carbon neutrality.



Rapid charger



Solar panels



Promotion of Regional Carbon Neutrality Using the Post Office Network (+Eco Post Offices)

At Japan Post, we are promoting the establishment of “+Eco Post Offices” that reduce environmental impact by using renewable energy such as solar panels and wood biomass, and recycled resources.

In March 2022, when the Maruyama Post Office (Minamiboso City, Chiba Prefecture) was relocated and opened as the first post office as +Eco Post Office, we opened a new post office building utilizing CLT*.

* 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



Maruyama Post Office (Minamiboso City, Chiba Prefecture)

JAPAN POST

Initiatives to Introduce and Expand EVs

Japan Post plans to switch 12,000 light automobiles and 21,000 motorcycles to EVs in the five years up to 2025 in JP Vision 2025.

Under this EV switching plan, we decided to increase the target by 1,500 light automobiles and 7,000 motorcycles based on the fact that range extension was verified in the

demonstration experiment conducted in collaboration with other companies from November 2021, and that the battery performance of EV motorcycles was improved.

As a result, we expect to switch 50% of our light automobiles and 40% of our motorcycles to EVs by the fiscal year ending March 31, 2026.

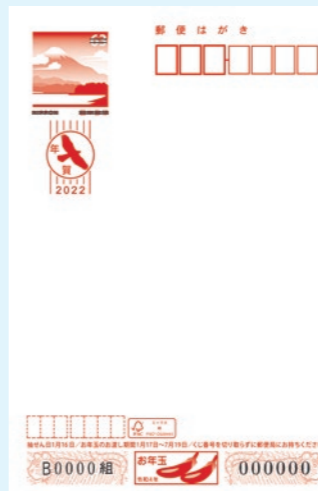
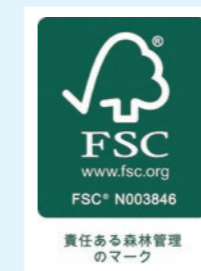


EVs for the delivery of mail and parcels



Column

Conservation of Forests and Biodiversity and FSC® Certified Postcards



Japan Post uses FSC® certified paper, an international certification system that seeks to promote appropriate forest management, for New Year's postcards and regular postcards*.

We are also revising some of our manufacturing processes to reduce greenhouse gas (GHG) emissions from postcard manufacturing processes.

FSC is an international forest certification system that identifies well-managed forests and the forest products that originate from those forests, reclaimed materials, and other products made from raw materials from controlled sources. To be FSC® certified, the products must be properly managed from various perspectives in all processes from production to processing and distribution, including not only protecting the rich natural environment and mitigating adverse effects but also ensuring the rights and safety of workers and building a good relationship with the local community.

In other words, the adoption of FSC® certified paper will promote the conservation of the world's forests and biodiversity, as well as the sustainable use of forest resources.

* Normal postcards will be switched to FSC® certified paper sequentially from 2022 onwards.



Initiatives of Each Company

JAPAN POST BANK

ESG Investment

Considering the growing demand from stakeholders, as well as Japan Post Bank's endorsement of the TCFD recommendations, Japan Post Bank formulated a policy to make ESG investments that heed international agreements when advancing diversified international investments.

We are also investing in green bonds, etc.¹, issued by companies in countries throughout world. These funds are used for green projects that assist in resolving environmental problems, including global warming. In our

Medium-Term Management Plan (FY2021–FY2025), we have set the target to increase the balance of our ESG-themed investments to 4 trillion yen².

While enhancing returns on assets under appropriate risk management, we will contribute to forming a sustainable society through investment in green bonds, etc.

¹ Green bonds, social bonds (including pandemic bonds), sustainability bonds, loans to the renewable energy sector, and regional vitalization funds, etc.
² Balance target increased from 2 trillion yen to 4 trillion yen in March 2022.

Japan Post Bank GHG Emission Net Zero Declaration

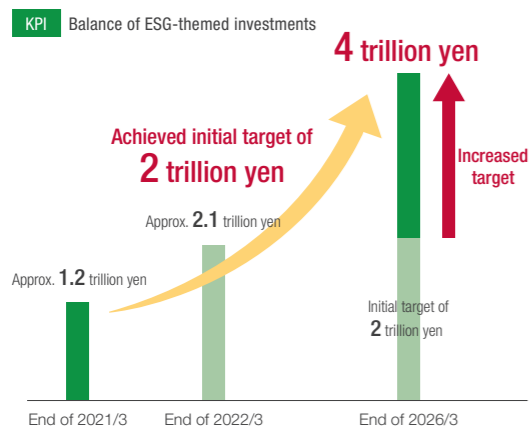
Japan Post Bank has announced the "Japan Post Bank GHG Emission Net Zero Declaration," which aims to achieve net zero GHG emissions from the Bank's own activities and the investment portfolio by 2050.

Japan Post Bank GHG Emission Net Zero Declaration

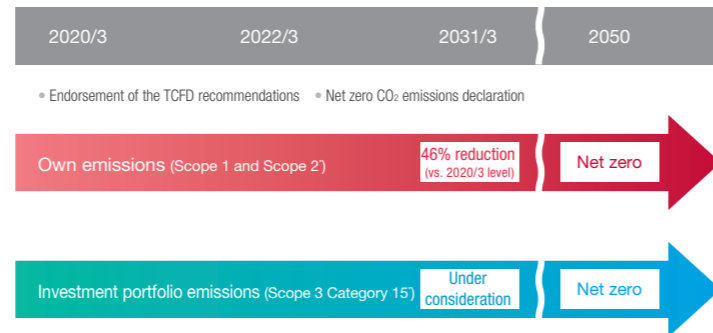
- Recognizing that climate change is a serious challenge that has a serious impact on society and the economy, Japan Post Bank endorses the Paris Agreement, implements initiatives that contribute to climate change mitigation and adaptation, and supports these efforts.
- Japan Post Bank aims to achieve net zero GHG emissions from its own activities and its investment portfolio by 2050.

Going forward, Japan Post Bank will continue to strive to reduce the environmental impact of its business and contribute to the realization of a decarbonized society by supporting efforts to reduce GHG emissions in society as a whole through engagement (constructive dialogue) with investee companies.

Balance of ESG-themed investments (increased target)



Roadmap of efforts to reduce CO₂ emissions



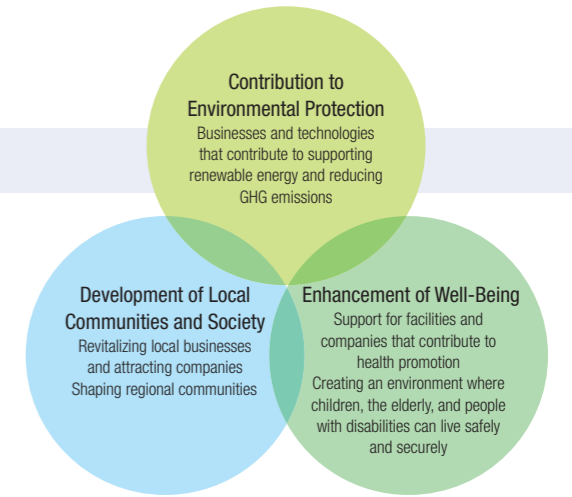
* Scope 1: Direct emissions of GHGs by the business operator itself
 Scope 2: Indirect emissions associated with the use of electricity, heat, and steam supplied by other companies
 Scope 3: Emissions from other companies related to operators' activities (Category 15 is an investment)

JAPAN POST INSURANCE

ESG Investment

Based on its ESG investment approach, Japan Post Insurance, as a universal owner that conducts long-term asset management, aims to realize a sustainable society as well as improve long-term investment results.

Considering the various factors of ESG for all management assets, we will promote investments that create a sense of warmth unique to Japan Post Insurance, with the themes of "enhancement of well-being," "development of local communities and society," and "contribution to environmental protection" as the focus of our efforts.



ESG Investment Initiatives

We are committed to ESG investment based mainly on the following four methods.

ESG Integration	In making investments and loans, we, taking each asset's characteristics into account, comprehensively evaluate the ESG initiatives of the investee and incorporate these into our decision-making process.
Engagement and exercising shareholder voting rights	We accurately grasp the conditions of investees to engage constructively with them. Our voting activities are based on our Policy on Exercise of Shareholder Voting Rights. When voting, we take into consideration non-financial information and information gained from dialogues with companies.
ESG-themed and impact-oriented investments	We implement themed and impact-oriented investments that take into consideration our priority initiative themes of ESG investments.
Negative screening	We adhere to negative screening criteria that excludes controversial weapons and coal-fired power from project finance.

ESG Investment Examples

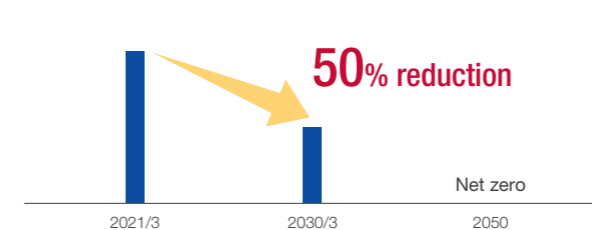
In addition to traditional themed investments, we are promoting impact-oriented investments by certifying investments that meet certain conditions, such as being able to measure KPIs, as "Impact 'K' projects" with the intention to create social impact.

Climate Change Initiatives as an Institutional Investor

Japan Post Insurance, reflecting risks and opportunities related to global climate change onto our investment strategy, aims to improve the investment performance in the medium to long term and contribute to achievement of the SDGs.

Setting of GHG emission reduction target for investment portfolio
 With regard to the GHG emissions in our investment portfolio, while aiming for carbon neutrality in 2050, we set an interim goal of reducing GHG emissions by 50% by the fiscal year ending March 31, 2030 (compared to the 2021/3 level).

GHG emissions in our investment portfolio*



* Total emissions of Scope 1 and Scope 2 from investee companies (domestic and foreign equities and credits including corporate loans) after calculating by the ratio of our holdings

Setting of KPIs related to the total power generation output from renewable energy facilities

As a KPI of the Medium-Term Management Plan, we have set a target of 1.5 million kW by the end of March 2026 for the total power generation output of renewable energy facilities, increasing from the level of 0.6 million kW as of the end of March 2021, and we are actively promoting investment.

Total power generation output of renewable energy facility investments¹

		End of March 2021	End of March 2022
Domestic	Equity	18.8	20.6
	Debt	14.0	24.0
Overseas	Equity	19.7	19.1
	Debt	8.2	9.3
Total		60.7	73.0

JP Vision 2025 Period
Aiming for output of 1.5 million kW²

¹ Unit: 10,000 kW, outputs are after calculating by the ratio of our holdings
² Limited to electricity output from the renewable energy facility investments

Human Resource Strategy

Creating workplaces with a thorough customer orientation enabling employees to maximize capabilities

MAKI Hirohisa

Executive Officer
Senior General Manager of Human Resources Department
Japan Post Holdings Co., Ltd.



In May 2021, the Japan Post Group announced its new Medium-Term Management Plan “JP Vision 2025.” The plan aims to achieve a “Co-creation Platform” that supports customers and local communities and new growth for the Group. To realize this, it is of paramount importance that we conduct customer-oriented business operations. We must work together to create an environment in which they can work sincerely and honestly.

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. In particular, with regard to personnel evaluation, we have reviewed evaluation weightings that were biased toward new sales results, and have revised them to evaluate customer-oriented sales activities in a balanced manner. Specifically, from the fiscal year ended March 31, 2022, we are reducing the evaluation weighting of sales performance and expanding the evaluation weighting of sales processes, sales quality, and after-sales follow-up, as well as introducing and expanding evaluation based on customer feedback (satisfaction).

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 (between the head offices, and between subsidiary head offices, regional headquarters, and branches, etc.), while also actively utilizing outside human resource specialists to create new value. With regard to the strengthening of digital transformation (DX) human resources, we will provide DX training for the planning personnel of each Group company, and actively promote the development of internal human resources with the aim of improving understanding and proficiency in DX.

For the postal business, which is highly dependent on the workforce, it is important to create an environment in which each employee can work in a healthy and vibrant environment, as human capital is indispensable for carrying out business activities. In order to maximize employees' capabilities, as part of work-style reform, we are working to develop an environment that makes it easier for diverse employees to work, such as proper management of working

hours, reduction of overtime work, active support for childcare, nursing care, and illness, etc., promotion of diversity management (active roles for women, gender equality, employment of persons with disabilities, active roles for elderly persons, etc.), promotion of teleworking, and improvement of the treatment of fixed-term employees. We are also working to raise awareness of work-style reform through training and seminars.

In particular, with regard to childcare and nursing care, we are developing a system that exceeds the legal obligation and various support measures, aiming to create a workplace where employees can balance work and home life, so that both men and women can continue to work without leaving their jobs, in situations ranging from pregnancy to childbirth, childcare, and caring for family members. In preparation for the implementation of the revision of the Act on Childcare Leave, Caregiver Leave, and Other Measures scheduled for October 2022, the Group introduced some measures in advance from October 2021 and will vigorously promote efforts to enable men to take childcare leave by declaring that we will achieve a “father’s childcare leave rate of 100%.”

In addition, with regard to the health of employees, as well as promoting health management in which employees and the Company work together to maintain and promote health, we will strive to prevent the loss of experienced and productive personnel by improving sick leave and the leave system and expanding the leave system for fertility treatment, so that employees can focus on treatment even if they become ill.

Furthermore, with regard to efforts to respect human rights at companies that are gaining prominence with the globalization of corporate activities, we are building and implementing a framework of human rights due diligence. We will fulfill our responsibility to respect human rights as a company so that everyone can have their human rights respected, live a fulfilling life with peace of mind, and fully develop their capabilities and personalities.

We will continue to strive for the growth and development of the Group by creating an inspiring workplace environment in which all employees can demonstrate their capabilities, as well as developing human resources.

Customer-Oriented Sales Targets and Personnel Evaluations

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

Regarding sales targets, in terms of individual contracts 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 contracts 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 insurance solicitation quality and activities evaluations within sales targets, transitioning to a target structure emphasizing customer-oriented sales activities.

Regarding personnel 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 contracts 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.

In addition, we introduced evaluation based on customer feedback (satisfaction) from the fiscal year ended March 31, 2022, and from the fiscal year ending March 31, 2023, we will evaluate activities that seek to build contact with customers with the aim of further activating customer-oriented sales activities.

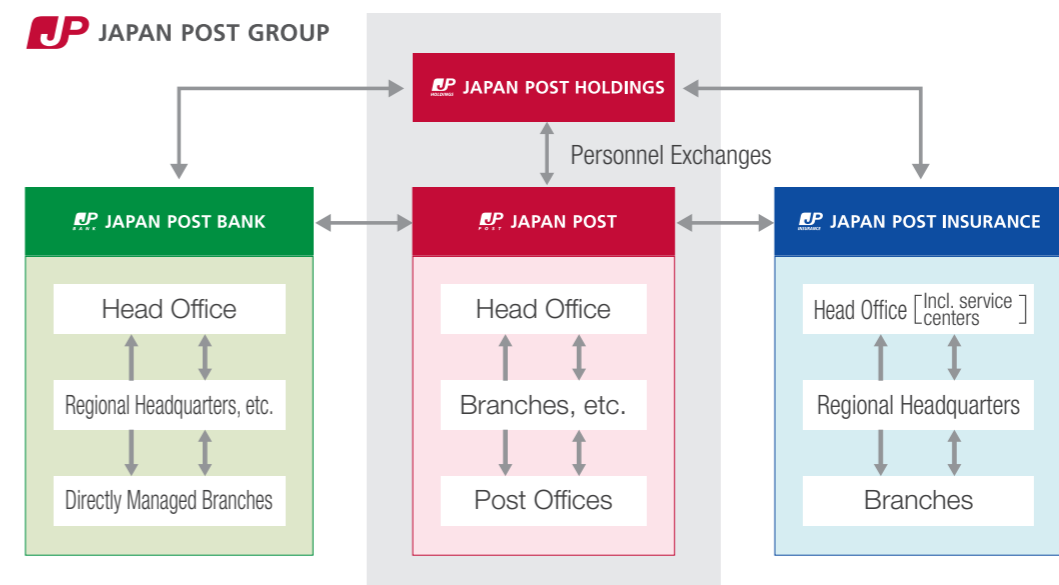
These revisions to financial operations-related employee sales target and personnel evaluation systems will enhance the customer-oriented mindset among employees, leading to the restoration of customers' trust.

Group Personnel Exchanges

Promoting personnel exchanges to enhance openness throughout the Group

The Japan Post Group is characterized by the integrated provision of postal, logistics, banking, and insurance services through its nationwide network of post offices. Therefore, it is extremely important to support the lives of customers in local communities while strengthening the

unity and coordination of the Group. In addition, in order to improve the efficiency of operations and optimize personnel allocation that goes beyond the boundaries between companies, the Group actively promotes personnel exchanges throughout the Group.



Improvement of Employees' Abilities (Ability x Motivation) (Development of internal human resources, proactive recruitment of outside specialists)

The Japan Post Group is a highly public corporate group functioning as social infrastructure centered on post offices, so we seek personnel who are sincere with strong aspirations and passion.

In addition, each Group company sets roles expected for each course according to employee work styles and conducts training according to position and skill improvement training according to function. Also, in order to foster a sense of unity among Group employees, we have established an organization called the Postal College within Japan Post Holdings, and provide joint Group training for the officers of Group companies, head office planning staff, and new hires for general positions, etc.

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 DX, the Japan Post Group will be more proactive in terms of hiring outside specialists by utilizing human resource recruitment companies, and in terms of developing internal human resources, we will implement DX training for planning staff within each Group company to improve their skills.

Promoting Diversity

The Japan Post Group employs more than 400,000 people in various workplaces. We believe that respecting the diverse perspectives and values that reflect the experience, skills, and attributes of the Group's employees, and enabling each employee to fully demonstrate their skills and abilities, is a source of the Group's sustainable growth, and we are actively working to promote diversity.

At the same time, we are working to develop human resources and an internal environment that is comfortable to work in so that diverse groups such as women, foreign nationals, and mid-career recruits can maximize their abilities.

Promoting the Active Participation of Women

In recognizing that the further participation of female employees is indispensable for the growth and development of the Group amid diversifying consumer needs, work styles, and other changes in the social environment, we established targets for the ratio of female managers among head office managers. In addition, while evaluating and reflecting as we work toward achieving our goals, we formulate an initiative plan for each year, and work toward improving the environment to make it more comfortable for employees to work in by (1) reducing overtime work and improving work and childcare balance support systems, (2) raising awareness through manager seminars aimed at creating a work environment that allows both men and women to be active, and (3) providing training to develop career awareness among female employees.



Recruitment and Appointment of Mid-career and Foreign Nationals

Regarding mid-career recruits, we have been working on recruiting and hiring managers mainly in specialized fields, and we will continue to implement more proactive recruitment and hiring in the future.

With regard to foreign nationals, although we do not intend to expand recruitment given the content of our current business, we will recruit foreign nationals and appoint managers as necessary for business development in the future.

It should be noted that we do not differentiate candidates based on nationality when hiring foreign nationals or appointing them for managerial positions.

Promoting Senior Employment

As the labor force is shrinking due to declining birthrates and an aging population, 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 ended March 31, 2022. Further, going forward, we will proceed with specific examinations 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 job retention, (3) the establishment and proactive utilization of a special subsidiary company, and (4) the acceptance for work training and employment of persons from special needs schools, with the immediate goal of raising the Group's employment rate for persons with disabilities to 2.5% (2.35% as of June 2021).

Addressing 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 and training at each workplace, we enacted the Japan Post Holding's Basic Policy on Human Rights, and we sponsor and participate in Tokyo Rainbow Pride.

In addition, from May 2022, we expanded the application of allowances such as dependent allowances and family care leave, as well as the holiday system and company housing to same-sex partners.

Voice

JAPAN POST HOLDINGS

Through various measures such as promoting the active role of women, ensuring that both men and women take parental leave, and working on gender equality, we aim to create an organization where diverse human resources can play an active role, and we together with entire group strive to create comfortable workplaces.



OHASHI Motohiro, Department Manager, Human Resources Department, Japan Post Holdings Co., Ltd.

JAPAN POST BANK

We are developing activities to resolve various problems through the 14 organizational Diversity Committees nationwide. We are promoting these activities autonomously and proactively, such as when employees themselves organize dialogue events with top management.



UZUI Kouya, Group Leader, Diversity and Inclusion Department, Japan Post Bank Co., Ltd.

JAPAN POST

We will promote the understanding, popularization, and practice of diversity management in order to create workplaces where diverse human resources can maximize their abilities, which will lead to sustainable business growth.



WADA Takayuki, Manager, Diversity Promotion Office, Personnel Affairs Division, Japan Post Co., Ltd.

JAPAN POST INSURANCE

We will maximize the capabilities of our employees and improve customer service by further promoting diversity and creating a workplace where employees can respect each other's diversity and work with peace of mind.



MORIYA Ayumi, Section Manager, Diversity Promotion Office, Human Resources Development Department, Japan Post Insurance Co., Ltd.

Creating Comfortable Workplaces

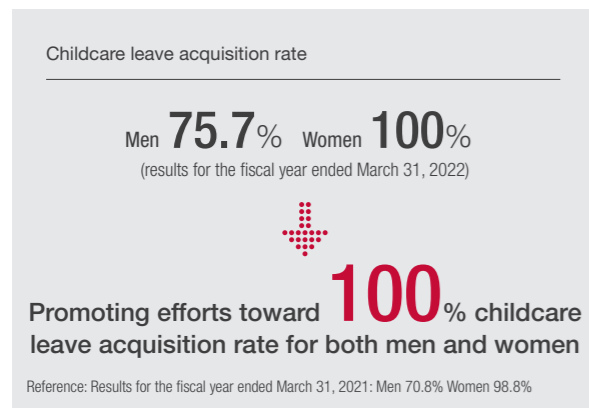
In addition to respecting the human rights of all people involved in the Group's business activities, the Japan Post Group will contribute to the realization of a diverse and inclusive working environment for society as a whole by

Balancing Work with Childcare, Nursing Care, and Illness

Regarding childcare and 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 childcare, and for nursing family members.

In particular, we are working to spread understanding in order to foster an organizational culture in which it is normal for both men and women to take childcare leave, as indicated by the declaration by the four Group presidents that aims to achieve a "100% childcare leave rate for both men and women."

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 continue working with peace of mind.



Reducing Overtime Work, Promoting Telework

Japan Post Holdings is making efforts to reduce overtime work and introduce a system of an interval between working and reduce overtime work through improved work efficiency (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 effort work environment improvements.

working to establish systems and create a work culture that allows each employee in charge of business activities to choose a diverse work style according to their life stage so that they can fully demonstrate their abilities.

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, enlightenment and edification of all employees, supervisory training using case studies, and 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.

In addition, based on the verification report of the JP Reform Execution Committee in January 2021, as well as the establishment of rules for implementing thorough consultation protection for whistleblowers, we introduced a "one-stop consultation and internal reporting platform" to enable consultation and reporting to the harassment consultation desk and internal reporting desk at any time under robust security.

The Japan Post Group will continue to promote initiatives related to respect for human rights and will work toward eradicating harassment.

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 Representatives. In May 2022, we established the "Japan Post Group Declaration on Health" to promote Group-wide health management.

Japan Post Group Declaration on Health

The Japan Post Group believes that the foundation of our management lies first and foremost in the physical and mental well-being of our employees in order to realize our Management Philosophy, which aims for the happiness of our customers and employees.

The employees will personally maintain and enhance their "healthy minds and bodies" and the Japan Post Group will work to build work environments that support such endeavors.

Furthermore, each individual employee will take full advantage of his or her skills and work energetically and, in turn, aim to realize the happiness of the customers.

Initiatives Related to Respecting Human Rights

Developing a Human Rights Policy

Considering the growing social demand for companies to respect human rights, the Japan Post Group formulated the Japan Post Group Human Rights Policy in April 2019 based on the United Nations Guiding Principles on Business and Human Rights and other concepts.

Through this policy, we demonstrate our respect for human rights and through building a framework for human rights due diligence and

identifying negative impacts on human rights, we promote human rights awareness activities to foster a sense of human rights among all employees. The Company's Sustainability Committee and the Group Sustainability Liaison Conference periodically review our human rights awareness activities based on factors such as corporate activities and changes in the business environment.

Implementing Human Rights Due Diligence

In order to respect the human rights of those affected by its business activities, the Japan Post Group conducts the following human rights due diligence process.

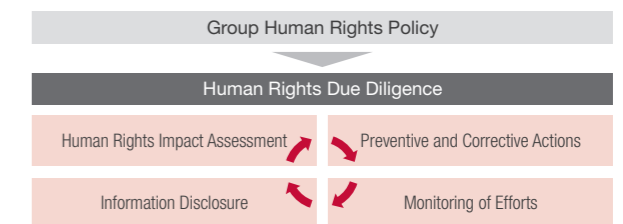
▶ Human Rights Impact Assessment

We strive to understand the full range of potential and perceived human rights risks that arise in connection with the Group's business, assess these risks based on their frequency and impact, and identify priority risks. We will continue to monitor and manage the identified risks.

▶ Preventive and Corrective Actions

The status of implementation of preventive and corrective actions for the negative impacts of potential and perceived human rights risks is as follows. In the future, we will review and expand various activities in line with the actual situation of our human rights impact assessments.

Human rights due diligence overview



Implementation of education/training

- Training of all employees on how to use internal reporting channels, human rights awareness, and prevention of harassment
- Diversity-related seminars (multiple times a year)
- Training for harassment counselors, etc.

Establishment of internal environment/systems

- Efforts to promote diversity • Efforts to create comfortable workplaces • Prevention of child and forced labor
- Efforts to eradicate harassment
- Promotion of health management, etc., by discouraging long work hours, etc.

Supply chain management

- Established the "Japan Post Group's Approach to Procurement Activity"
- Since 2018, we have supported the 10 principles set out in the four areas of the United Nations Global Compact (human rights, labor, environment, and anti-corruption).
- We have formulated the "Japan Post Group CSR Procurement Guidelines," which show the specific efforts required of suppliers with regard to the matters listed in the above policy, and promote procurement activities that take into account social responsibilities such as human rights, labor standards, and the environment throughout the supply chain.

▶ Implementation of monitoring of efforts

We monitor human rights risks using methods such as employee and workplace environment surveys based on check sheets, regular exchanges of opinions with trade unions, and the implementation of the Supplier CSR Procurement Questionnaire Survey (December 2021, 75 companies). In the future, we will review the monitoring items and methods in line with the actual situation of our human rights impact assessments.

Remedies

We have established internal and external contact points for consultation on various types of harassment and human rights violations, and have set up a system where employees can share their concerns in confidence.

Message from an Outside Director



Charles D. Lake II
Outside Director

Strengthening the Corporate Governance Framework

Japan Post Holdings Co., Ltd. has adopted “a company with nominating committee” structure in accordance with the Companies Act. The law, combined with the Corporate Governance Code (the “Code”), directs corporate boards to clearly differentiate between Board and business operation roles and functions to ensure management agility. At Japan Post Holdings, through such functional differentiation, operational execution is delegated to operational officers while the Board focuses on setting management policies—including the Company’s business philosophy, group-wide strategic direction, internal controls (including risk management and compliance frameworks), group governance, and monitoring.

The Board of Directors oversees execution of strategies and implementation of established frameworks as well as continuously review and enhance such strategies and frameworks. To this end, as stated in the Code, “free, open, and constructive discussions” are important, and to achieve such dialogue, executive management running the business operations must provide the Board of Directors with relevant information and inputs on important management matters (e.g., regarding major strategic and tactical issues in a timely manner with careful consideration to the importance

of the oversight role of the Board of Directors). In turn, the Code calls upon all directors to help develop and approve proposed management strategies and oversee their operational execution so as to achieve sustainable growth and enhance corporate value over the medium to long term.

As Japan Post Holdings worked to formulate its Medium-term Management Plan, which was released in May 2021, the executive management and operations divisions appropriately engaged internal and external stakeholders after carefully considering deliberations by the Postal Privatization Committee and recommendations by the JP Reform Execution Committee. Executive management also conducted appropriate strategic planning and development through a process that widely sought the opinions of not only management but of employees as well. Based on these proposals, the Board of Directors was indeed able to have rigorous “free, open, and constructive discussions.”

Toward the Realization of a “Co-Creation Platform” to Support Customers and Local Communities

The Japan Post Group, led by Japan Post Holdings, is not only one of the world’s leading conglomerates—consisting of operating subsidiaries with postal and logistics operations, post office counter operations,

international logistics, banking, and life insurance businesses—but it is also a corporate group of great importance to Japanese society and is required by the revised Postal Privatization Act to provide comprehensive universal services. Japan Post Holdings, as a holding company, has the added complexity of dealing with a wide range of management issues as each of its operating subsidiaries must comply with not only the Companies Act, but also with differing regulatory environments for each business, including listing requirements for the holding company as well as for its two listed subsidiaries.

In its Medium-term Management Plan “JP Vision 2025,” the Japan Post Group set forth a vision to realize a “Co-creation Platform” to support customers and local communities by continuously working to regain customer trust, strengthen Group partnerships, and create new value together with diverse partners. The “Co-Creation Platform”—which was conceived following the Board’s careful consideration of the Group’s purpose (*raison d’être*)—is an effective group-wide growth strategy to enhance the strength and value of the Group’s assets, namely its nationwide network of 24,000 post offices and enterprise business platform; create new products and services through collaboration and cooperation with diverse partners; and solve social issues faced by customers and local communities. The “Co-Creation Platform” was approved as a management policy to achieve sustainable growth and enhance corporate value over the medium to long term by creating both societal and economic value.

Offensive and Defensive Governance: Execution based on an appropriate Balance between the Growth Strategy and Internal Controls

In order to implement the Medium-term Management Plan “JP Vision 2025” so that Japan Post Group can achieve sustainable growth and enhance its corporate value over the medium to long term, it is important to develop a management strategy that is flexible in adjusting to a changing business environment. To this end, the strategic approach should be a hybrid (composite) use of “planned strategies” (strategies formulated through a conscious and analytical process) and “emergent strategies” (strategies created through a process of repeated learning by sensing and analyzing changes in the environment) consistent with the direction set by the Medium-term Management Plan.

It is also important for the Board of Directors to oversee business strategy execution by executive

management and operational entities, while continuing to strengthen internal controls, including the enterprise risk management and compliance frameworks. The Board of Directors discussed this issue during its annual board review process. In addition to working with outside directors to share and discuss group company management issues at the Board level, the Company is working to strengthen the system so that reporting to the Board of Directors takes place promptly when misconduct is uncovered. This approach will improve the monitoring function and help realize effective oversight, which in turn will enable continuous review, deliberation and follow-up on matters that can have a significant impact on group management.

In order to implement this “offensive” and “defensive” governance at a high level, the Board of Directors is expected to ensure effective monitoring, deliberation, and decision-making. At Japan Post Holdings, the executive management is undertaking efforts, in consideration of the changing business environment, to be aware of and verify implementation of subsidiary business strategies and business operations, keeping in mind the items requiring holding company board deliberation (e.g., the Medium-term Management Plan, annual business plan, ESG (sustainability) management policy). In doing so, Japan Post Holdings is striving to ensure the feasibility and effectiveness of its growth strategy and internal controls by conducting continuous review and monitoring and, when appropriate, determining in a timely manner to adjust its decisions regarding important management matters.

In April 2022, the Tokyo Stock Exchange launched its new market classification, the Prime Market. Japan Post Holdings, as a listed company on this new market, must fulfill its corporate purpose and meet the expectations of diverse stakeholders in Japan and abroad. Since its founding in 1871, the Japan Post Group has grown as a corporate group with great importance to Japanese society. To further meet stakeholder expectations based on the principles embedded in its corporate philosophy, there is an ever-increasing demand for the Japan Post Group to enhance its corporate value over the medium to long term and continuously develop its corporate governance framework.

As an independent outside director, I will fulfill the responsibilities assigned to me and contribute to the realization of a “Co-creation Platform” that supports customers and communities. I will contribute to the sustainable growth of Japan Post Group companies and work to enhance the Company’s corporate value over the medium to long term.

TOPICS Initiatives toward Enhancing Corporate Governance

Internal Reporting System

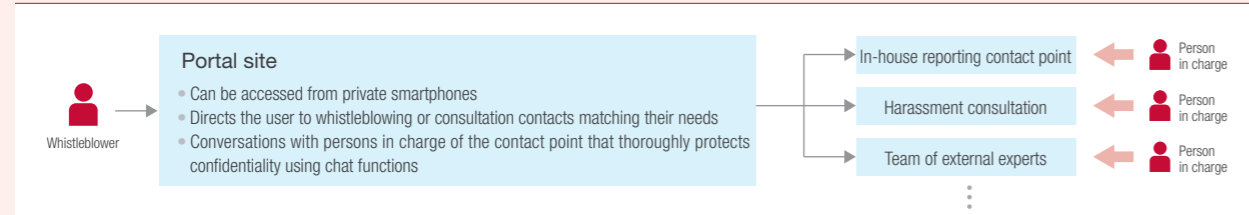
Under the basic understanding that “employees’ voices are valuable assets and employees who voice their opinions are also valuable assets,” in the fiscal year ended March 31, 2022, the Japan Post Group made efforts to improve and rebuild the internal reporting system so that employees can proactively voice their opinions with peace of mind.

To raise awareness of the Group’s basic understanding, we had the senior management send out messages and improved the mechanism to protect the whistleblower, such as restricting the scope for sharing the reported information. Furthermore, in September 2021, to centralize the contact point for receiving reports, we adopted the “one-stop consultation and internal reporting platform,” a portal site enabling secure conversations with the person at the contact

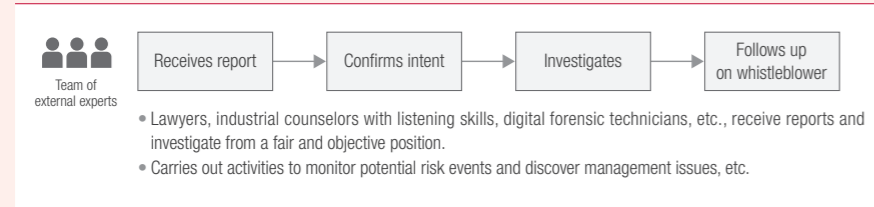
point, and a “team of external experts” comprising external lawyers and other experts that covered the entire process from receipt of the report to investigation. As a result of these initiatives, the number of cases of whistleblowing has been increasing and we believe that we have gained the trust of employees.

We will continue activities to raise awareness of the internal reporting system, while aiming to build a system that can be used by more employees with peace of mind and raise the skills of the persons manning the contact points. We are also pushing initiatives to establish assessment schemes to objectively assess the system and to utilize the opinions voiced by the employees as internal reporting to discover and solve management issues.

One-stop consultation and internal reporting platform



Team of external experts



Utilization by management

- Adoption of a third-party assessment scheme for objectively assessing the system as a whole
- Utilization of the opinions of employees reported as internal reporting in discovering and resolving potential risks and management issues

Initiatives of the Group Conduct Management Office

The Group Conduct Management Office, which was established on April 1, 2021, has worked to enable early detection of events that are contradictory to customer-oriented business operations, or in other words, conduct risks and other similar risks by receiving various types of risk information of operating subsidiaries as a primary point of contact under the strengthened framework for collaboration with Japan Post Group companies.

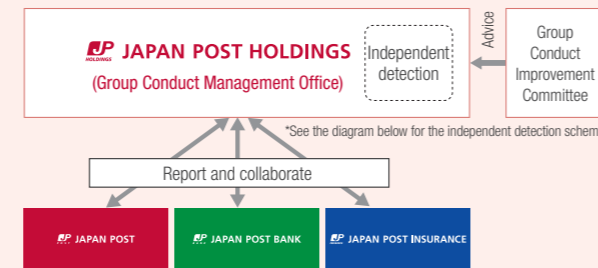
The Office is also working to build a system to identify matters such as non-customer-oriented business operations and potential risk events that have not yet been realized by analyzing all sorts of feedback (from customers, employees, etc.) given to the Japan Post Group using AI and other tools, with the aim of detecting conduct risks and other similar risks independently.

Information obtained through such initiatives is shared with Group companies promptly, and also used to improve operations and for other purposes to increase service quality.

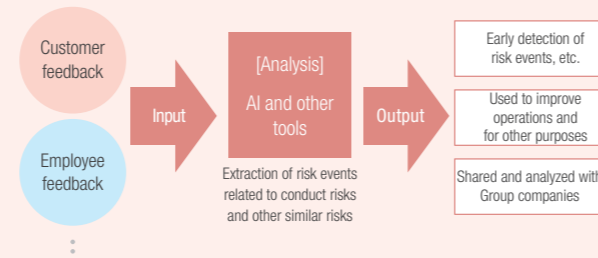
As part of our efforts to improve Group conduct, the Group Conduct Improvement Committee was established on April 1, 2022, which receives advice from external experts.

Through these and other initiatives, we are committed to strengthening the system to prevent the realization of conduct risks and other similar risks.

System to identify conduct risks and other similar risks of operating subsidiaries



Independent detection of conduct risks and other similar risks



Japan Post Group Corporate Governance

Basic Views

Japan Post Holdings 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 the Japan Post Group’s operation and management (hereinafter “Japan Post Group Management Agreements”) with and between Japan Post, Japan Post Bank, and Japan Post Insurance 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, 2022)

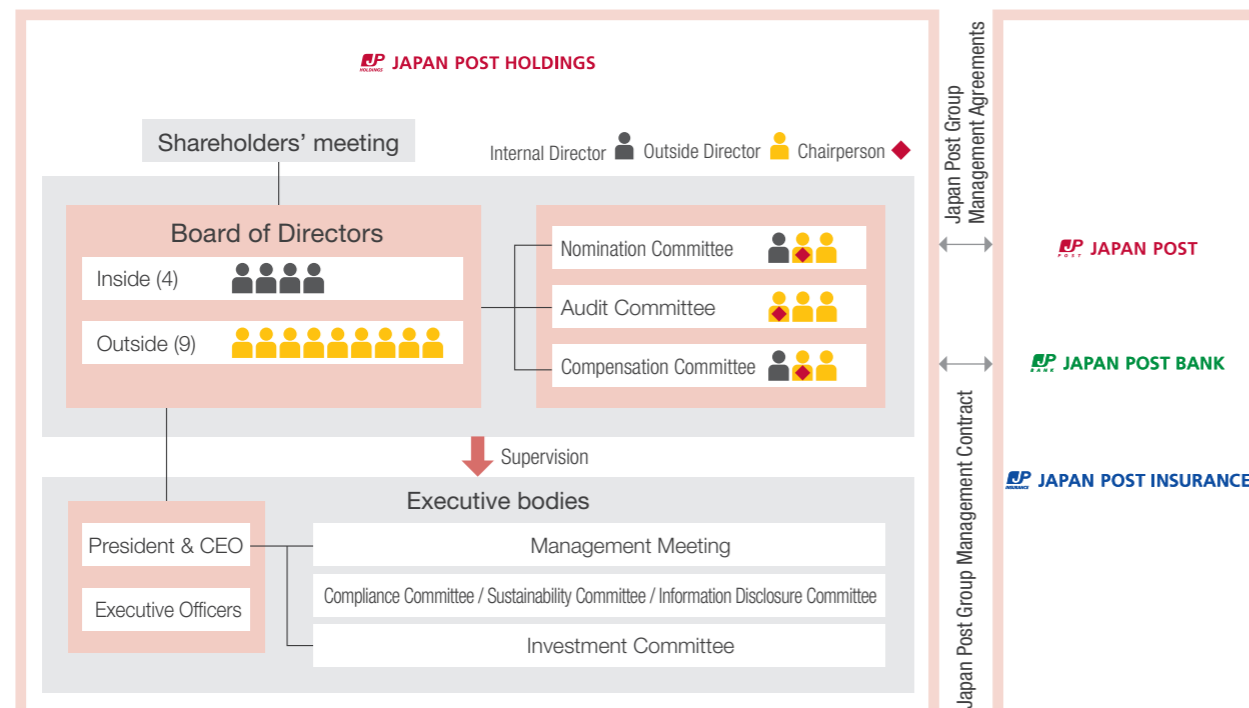
Characteristic (1)	Characteristic (2)	Characteristic (3)	Characteristic (4)
Company with nomination committee, etc.	The majority of the Board are outside directors	Putting diversity into practice	Implementation of Board of Directors’ effectiveness evaluation
Japan Post Holdings has adopted the system of a company with nomination committee, etc., and separates the Board of Directors engaged in vital decision-making and supervision from the business execution based on such decisions, thereby increasing the flexibility in management and establishing the management supervision structure of the Group governed by the Board of Directors. 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. <div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <p>Outside Directors</p> <p>9 (total 13 members)</p> </div> </div>	The Board of Directors consists of diverse directors, who have a wealth of knowledge, experience, and insight. <div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 10px;"> <p>Female Directors</p> <p>4 (total 13 members)</p> </div> <div> <p>Foreign Director</p> <p>1 (total 13 members)</p> </div> </div>	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, 2022)	Operation status (Fiscal year ended March 31, 2022)	Meetings in the fiscal year ended March 31, 2022 (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, 2022, the Board of Directors discussed Group management strategies including management issues of each Group company and received reports concerning Group performance, risk management, and the state of compliance and internal audits.	15 times (98%)
Nomination Committee	The Nomination Committee, comprised of three Directors (including two 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 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, 2022, we decided on candidates for the Board of Directors and discussed the criteria for the nomination and dismissal of Directors as well as the skill matrix.	4 times (100%)
Compensation Committee	The Compensation Committee, comprised of three Directors (including two Outside Directors) establishes the policy for determining the amount of compensation for each Director and Executive Officer, and determines the amount for individual officers on the basis of this policy.	In the fiscal year ended March 31, 2022, the Compensation Committee decided on individual compensation for Directors and Executive Officers and performance-based compensation for Executive Officers. In addition, we discussed the review of the compensation system for Directors and Executive Officers.	5 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, 2022, we focused on auditing the establishment and operation of the internal control system and the status of progress of the Medium-Term Management Plan “JP Vision 2025.” In particular, 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 audited the thorough implementation of customer-oriented business operations, in light of the establishment of the new sales system of Japan Post Insurance. We also audited the status of Japan Post of customer service, investigation of root causes, and formulation and verification of effectiveness of measures to prevent the recurrence of such problems of the crimes involving large sums of money committed by post office heads and employees, and the improperly handled cases, such as the use of customer information for purposes other than the intended purposes that was discovered in connection with the distribution problem of business calendars. 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. We also stated our 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, 2022, but will continue to pay close attention to thoroughgoing customer-first business operations with regard to the solicitation quality of Japan Post Insurance products. In addition, we will continue to pay close attention to the crimes involving large sums of money committed by post office heads and employees, and the inappropriate handling of customer information for uses other than for the intended purpose of Japan Post, to ensure that appropriate measures are taken to prevent a 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.

Skill Matrix of Directors

The Board of Directors shall recognize effective supervision of Executive Officers from an independent and objective standpoint as one of their major roles and responsibilities.

The Board of Directors shall be diversely comprised of Directors with a wealth of knowledge and experience as well as deep insight to

fulfill the appropriate supervisory function toward the realization of sustainable growth of the Group and generation of corporate value over the medium to long term.

The following table represents the key skills and experience possessed by each Director.

Position	Name	Key skills and experience						
		Corporate management	Legal/ Compliance	Financial affairs/ Accounting	Human resources/ Labor management	IT/DX/ Technology	Business knowledge (finance, insurance, etc.)	Community contribution/ Public policy
Director	MASUDA Hiroya	●					●	●
	IKEDA Norito	●					●	●
	KINUGAWA Kazuhide	●					●	●
Outside Director	SENDA Tetsuya	●					●	●
	ISHIHARA Kunio	●				●	●	
	Charles D. Lake II	●	●				●	●
	HIRONO Michiko	●		●			●	●
	OKAMOTO Tsuyoshi	●			●			●
	KOEZUKA Miharu	●	●					
	AKIYAMA Sakie	●				●		
	KAIAMI Makoto		●		●			
	SATAKE Akira	●	●	●				
SUWA Takako	●				●		●	

* The table above does not show all the skills and experience of each Director.

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.

Evaluation Results, etc.

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

In May 2021, the Company formulated and announced the Group Medium-Term Management Plan “JP Vision 2025.” Prior to the formulation of the plan, the Board of Directors conducted discussions for several months and reflected the opinions of the Directors in the plan. Additionally, given that the management issues of each Group company were shared and discussed with the Outside Directors and that reports are being given promptly to the Board of Directors in the event that scandals such as in-house crimes come to light, we believe that the supervision function of the Board of Directors functioned adequately.

In addition, with regard to the agenda of the Board of Directors' meetings, following on from the previous fiscal year, 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 concentrated discussions on important agendas, following up on matters that have a significant impact on the Group's management, and increasing opportunities to deepen the understanding of the Company so that Outside Directors can better fulfill their roles.

In order to address these issues, we will closely examine the agenda of the Board of Directors, carry out appropriate and timely monitoring of the status of implementation of business strategies and the business operations of our subsidiaries, and conduct workshops for Outside Directors and other initiatives.

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” 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.	
<p>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.</p> <ol style="list-style-type: none"> 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) 	<ol style="list-style-type: none"> 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) <p>Note: Please visit the following website for details. https://www.japanpost.jp/group/governance/pdf/02_08.pdf (in Japanese only)</p>

Training of Directors & Support System for Outside Directors

Training of Directors

Japan Post Holdings provides opportunities for Directors to deepen their understanding and acquire necessary knowledge about such things as the Japan Post Group's businesses, issues to be addressed, and management strategies by 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.

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.

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

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.

- (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

Internal Directors

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

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

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
ISHIHARA Kunio	ISHIHARA Kunio has many years' experience on the management teams of business corporations, having served in positions that include Director and President, and Director and Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd., a leading major non-life insurance company in Japan. He furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors, Nomination Committee, and Compensation Committee, based on his insight related to fields such as the insurance business and the systems domain developed throughout his career, and also based on his extensive experience and knowledge in corporate management. The Company has nominated him as a candidate for reelection as Outside Director given expectations that he will supervise and check the management of the Company.
Charles D. Lake II	Charles D. Lake II has many years' experience of corporate management as Chairman and Representative Director and other senior management positions in Aflac Life Insurance Japan Ltd. He also has professional experience that includes holding key positions in U.S. government agencies and working with a U.S. law firm. He furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors, based on his insight related to fields such as legal affairs and the insurance business developed throughout his career, and also based on his extensive experience and knowledge in corporate management. The Company has nominated him as a candidate for reelection as Outside Director given expectations that he will supervise and check the management of the Company.
HIRONO Michiko	Ms. HIRONO Michiko has many years' experience on the management teams of business corporations, having founded 21 Lady Co., Ltd., which engages in the business of comprehensive support for the lifestyle industry, and having engaged in investment development business as its President. She has also developed greater insight into the Group's businesses, having assumed the position of Outside Director of Japan Post Co., Ltd., a major subsidiary of the Company, in June 2014. She furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors, based on her extensive experience and knowledge in corporate management developed throughout her career. The Company has nominated her as a candidate for reelection as Outside Director given expectations that she will supervise and check the management of the Company.
OKAMOTO Tsuyoshi	OKAMOTO Tsuyoshi has many years' experience on the management teams of business corporations, having served in positions that include Representative Director, President and Director, Chairman of Tokyo Gas Co., Ltd., an integrated energy company. He has also developed greater insight into the Group's businesses, having assumed the position of Outside Director of Japan Post Bank Co., Ltd., a major subsidiary of the Company, in June 2016. He furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors, Nomination Committee, and Compensation Committee, based on his extensive experience and knowledge in corporate management developed throughout his career. The Company has nominated him as a candidate for reelection as Outside Director given expectations that he will supervise and check the management of the Company.
KOEZUKA Miharū	KOEZUKA Miharū has many years' experience on the management teams of business corporations, having served as Senior Managing Director (Representative Director) of Takashimaya Company, Limited, after having held other key positions including those in sales divisions at Takashimaya Company, Limited, which engages in the department store business in Japan and overseas. She has also been involved in auditing the execution of duties of executive officers and directors as a member of the Audit Committee of the Company since June 2018. She furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors and Audit Committee, based on her extensive experience and knowledge in corporate management developed throughout her career. The Company has nominated her as a candidate for reelection as Outside Director given expectations that she will supervise and check the management of the Company.
AKIYAMA Sakie	AKIYAMA Sakie has many years' experience on the management team of a business corporation, having founded Saki Corporation, a company that manufactures industrial inspection robots, and served as its Representative Director and President. She furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors, based on her insight related to fields such as the technology domain developed throughout her career, and also based on her extensive experience and knowledge in corporate management. The Company has nominated her as a candidate for reelection as Outside Director given expectations that she will supervise and check the management of the Company.
KAIAMI Makoto	KAIAMI Makoto furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors and Audit Committee, based on his many years' experience in the legal profession, including serving as President of Tokyo District Court, and also based on his experience and knowledge as a legal expert, developed throughout his career. The Company has nominated him as a candidate for reelection as Outside Director given expectations that he will supervise and check the management of the Company. He has not been involved in corporate management other than as an Outside Director and Outside Audit & Supervisory Board Member, 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 many years' experience on the management team of business corporations, having served as Director and Executive Vice President of Sumitomo Precision Products Co., Ltd., after having held other key positions including those in business divisions and finance divisions at SUMITOMO CORPORATION. He has also developed greater insight into the Group's businesses, having assumed the positions of Outside Director and member of the Audit Committee of Japan Post Insurance Co., Ltd., a major subsidiary of the Company, in June 2019. He furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors and Audit Committee, based on his insight related to fields such as finance and accounting, developed throughout his career, and also based on his extensive experience and knowledge in corporate management. The Company has nominated him as a candidate for reelection as Outside Director given expectations that he will supervise and check the management of the Company.
SUWA Takako	SUWA Takako has many years' experience on the management teams of business corporations as Representative Director of Daiya Seiki Co., LTD., which engages in precision metal machining and manufacturing. She has also developed greater insight into the Group's businesses, having assumed the position of Outside Director of Japan Post Co., Ltd., a major subsidiary of the Company, in June 2018. The Company has nominated her as a candidate for election as Outside Director given expectations that she will supervise and check the management of the Company, based on her insight related to fields such as the technology domain, developed throughout her career, and also based on her extensive experience and knowledge in corporate management.

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

- When serving concurrently as a Director and Executive Officer, compensation shall be paid as an Executive Officer.
- 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.
- 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 the 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" and "consolidated ordinary income ratio" as financial indicators, as well as "progress and implementation of the Medium-Term Management Plan 'JP Vision 2025' and the 'Pledge to Regain Customers' Trust'" and "occurrence of serious clerical accidents and misconduct in the Group and operation of compliance systems" as non-financial indicators, that are suitable for the business format and content of the Company.

Additionally, the Company has a system that allows for a reduction or cancellation (malus) of the number of points used as the basis for calculating the number of shares granted to relevant Executive Officers in the event of a serious misconduct or violation by an Executive Officer eligible for payment.

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, 2022
Consolidated net income attributable to Japan Post Holdings	At least ¥340,000 million	¥501,685 million
Consolidated ordinary income ratio	At least 6.887%	8.801%
Progress and implementation of the Medium-Term Management Plan "JP Vision 2025" and the "Pledge to Regain Customers' Trust"		The Medium-Term Management Plan, including its ESG targets (reducing greenhouse gas emissions and increasing the ratio of women in management roles), is mostly progressing as planned. Activities for restoring trust were evaluated as having achieved a certain level of success.
Occurrence of serious clerical accidents and misconduct in the Group and operation of compliance systems		There were incidents that were revealed or occurred, including abandonment and concealment of postal mail, etc., embezzlement of funds by the head of a post office, etc., and improper handling of customer information in the distribution of business calendars.

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)	–	–	–	–	–
Executive Officers	792	642	149	–	34
Outside Directors	90	90	–	–	9

- 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 ¥114 million.
 3. Twenty-four Executive Officers serve concurrently as Directors or Executive Officers of major consolidated subsidiaries, seven 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 seven Directors from major consolidated subsidiaries is ¥151 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

- 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").
- 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.
- 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 2022, 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.

<p>1) Regulations based on the Postal Act and other laws</p> <p>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).</p>	<p>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.</p> <p>As a bank holding company, Japan Post Holdings is also subject to supervision by the Financial Services Agency based on the Banking Act, and required to maintain a consolidated capital adequacy ratio of at least 4.0% (Japanese standard). Furthermore, it is obligated to maintain a system for protecting the interests of customers and submitting business reports to regulatory authorities every business year.</p> <p>As of March 31, 2022, Japan Post Bank has a consolidated capital adequacy ratio of 15.56%, Japan Post Insurance has a consolidated solvency margin ratio of 1,045.5%, and the Japan Post Group has a consolidated capital adequacy ratio of 17.21%, all of which have maintained high levels compared to the ratios regulated by law.</p>
<p>(2) Regulations based on the Banking Act and the Insurance Business Act</p> <p>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.</p>	<p>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.</p> <p>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.</p>
<p>(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</p> <p>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 subject to financial services business regulation, including supervision by the Financial Services Agency based on the Banking Act and the Insurance Business Act.</p>	<p>(b) Regulations pertaining to Japan Post</p>
<p>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</p>	

(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.

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.

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.

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: 2 years
Attendance at Board of Directors' meetings: 15/15 times (100%)
Attendance at Nomination Committee meetings: 4/4 times (100%)
Attendance at Compensation Committee meetings: 5/5 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.

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; January 2020 Representative Executive Officer, President & CEO of the Company; June 2020 Director and Representative Executive Officer, President & CEO of the Company (present); Director of Japan Post Co., Ltd. (present); Director of Japan Post Bank Co., Ltd. (present); Director of Japan Post Insurance Co., Ltd. (present)



OKAMOTO Tsuyoshi

Outside Director
Member of the Nomination Committee
Chairperson of the Compensation Committee

Number of shares held: 4,400 shares
Number of years as director: 4 years
Attendance at Board of Directors' meetings: 15/15 times (100%)
Attendance at Nomination Committee: 4/4 times (100%)
Attendance at Compensation Committee meetings: 5/5 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)



IKEDA Norito

Director

Number of shares held: 3,100 shares
Number of years as director: 6 years
Attendance at Board of Directors' meetings: 15/15 times (100%)

Significant Concurrent Position

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

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)



KOEZUKA Miharuru

Outside Director

Number of shares held: 4,300 shares
Number of years as director: 2 years
Attendance at Board of Directors' meetings: 14/15 times (93.3%)
Attendance at Audit Committee meetings: 20/20 times (100%)

Significant Concurrent Positions

Outside Director of Nankai Electric Railway Co., Ltd.; Outside Director of the Board of Nippon Paint Holdings Co., Ltd.; Outside Director of SEKISUI CHEMICAL 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



KINUGAWA Kazuhide

Director

Number of shares held: 15,200 shares
Number of years as director: 2 years
Attendance at Board of Directors' meetings: 15/15 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 Japan 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)



AKIYAMA Sakie

Outside Director

Number of shares held: 400 shares
Number of years as director: 3 years
Attendance at Board of Directors' meetings: 14/15 times (93.3%)

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)



SENDA Tetsuya

Director

Number of shares held: 5,200 shares
Number of years as director: 7 years
Attendance at Board of Directors' meetings: 15/15 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)



KAIAMI Makoto

Outside Director
Member of the Audit Committee

Number of shares held: — shares
Number of years as director: 2 years
Attendance at Board of Directors' meetings: 15/15 times (100%)
Attendance at Audit Committee meetings: 20/20 times (100%)

Significant Concurrent Positions

Attorney; Outside Audit & Supervisory Board Member of SEIREN, Co., Ltd.; Outside Director of Tokyu 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)



ISHIHARA Kunio

Outside Director
Chairperson of the Nomination Committee
Member of the Compensation Committee

Number of shares held: 13,500 shares
Number of years as director: 7 years
Attendance at Board of Directors' meetings: 15/15 times (100%)
Attendance at Nomination Committee meetings: 4/4 times (100%)
Attendance at Compensation Committee meetings: 5/5 times (100%)

Significant Concurrent Positions

Senior Advisor of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.; 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 Milea 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 Milea 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)



SATAKE Akira

Outside Director
Chairperson of the Audit Committee

Number of shares held: — shares
Number of years as director: 2 years
Attendance at Board of Directors' meetings: 15/15 times (100%)
Attendance at Audit Committee meetings: 20/20 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)



Charles D. Lake II

Outside Director

Number of shares held: — shares
Number of years as director: 6 years
Attendance at Board of Directors' meetings: 15/15 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 Shiseido Company, Limited

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)



SUWA Takako

Outside Director

Number of shares held: — shares

Significant Concurrent Position

Representative Director of Daiya Seiki Co., LTD.

Career Summary

October 1995 Joined Unisia Jecs Corporation (currently Hitachi Astemo, Ltd.); April 2004 Representative Director of Daiya Seiki Co., LTD. (present); June 2018 Outside Director of Japan Post Co., Ltd.; June 2022 Director of the Company (present)



HIRONO Michiko (FUJII Michiko)

Outside Director
Member of the Audit Committee

Number of shares held: 6,100 shares
Number of years as director: 6 years
Attendance at Board of Directors' meetings: 15/15 times (100%)

Significant Concurrent Position

Outside Director of Nissin Manufacturing Co., Ltd.

Career Summary

May 1997 Managing Director of Pokka Create 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)

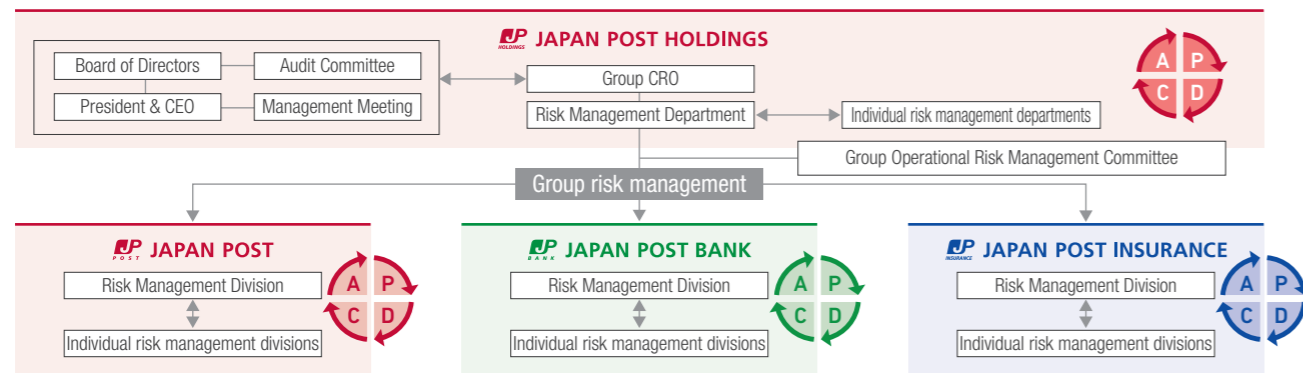
Japan Post Group Risk Management

The Japan Post 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 Agreements and other documents, while Japan Post Holdings manages risk for the entire Group by monitoring the Group's risk management and improvement status and other means.

To strengthen Group governance, Japan Post Holdings appoints the Group Chief Risk Officer (CRO) from among its executive officers to oversee the risk management of the Group. Among other things, the Group CRO conducts information sharing and discussions aimed at improving the risk management of each Group company through the Group Operational Risk Management Committee, which consists of executive officers in charge of risk management at each Group company, reports to the Board of Directors regarding the Group's risk management status and initiatives, and undergoes reviews by directors.

In addition, 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

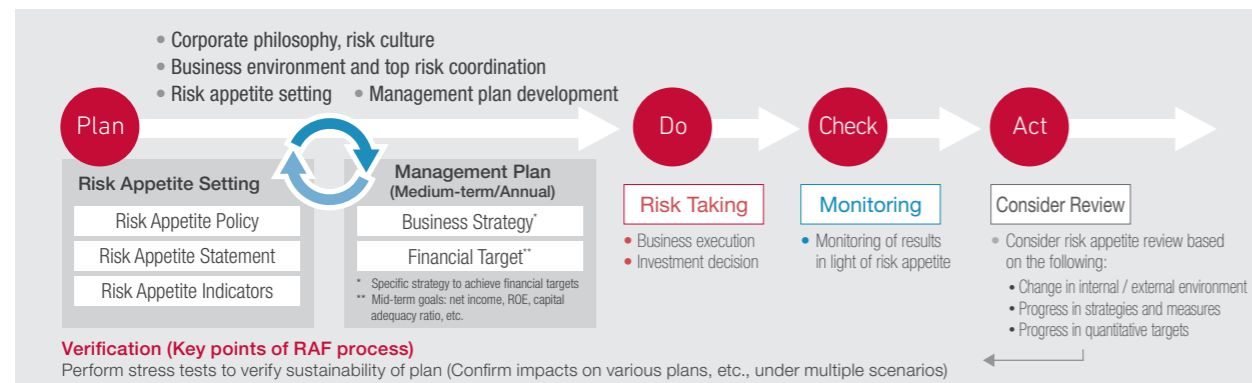


Risk Appetite Framework (RAF)

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

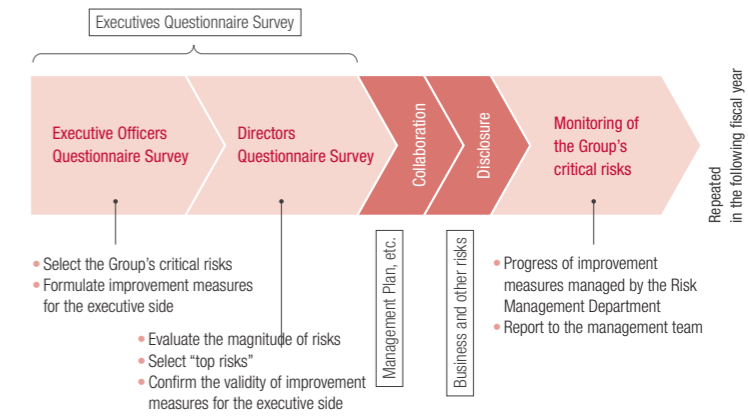
(Japan Post Holdings & Japan Post)

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.

Management of Critical Risks Facing the Group

Every year, Japan Post Holdings undertakes a review of risks that may have a significant impact on the Group's business (the Group's critical risks) based on such factors as changes in the external environment and business strategies. Japan Post Holdings identifies and evaluates specific risks by conducting a questionnaire survey of directors and executive officers (Executives Questionnaire Survey) and executes a PDCA cycle, through which the management team formulates improvement measures and monitors their implementation status, among other things.

The Group's critical risks are disclosed as "Business and Other Risks" in the Annual Securities Report.



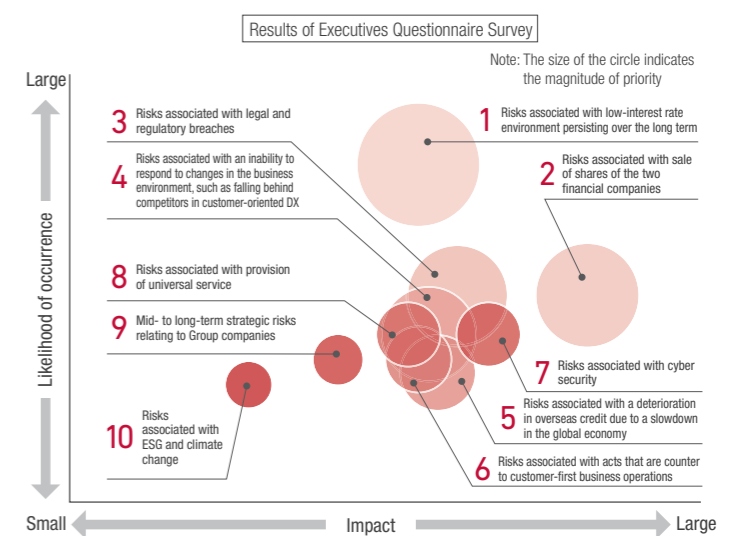
Top Risks

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.

Note: The business and other risks listed here are examples of major risks as of the date of publication of this report and are not limited to those listed here. Please refer to the Annual Securities Report for details. <https://www.japanpost.jp/ir/library/security/>



Top risks and main assumed scenarios for the fiscal year ending March 31, 2023 (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 low-interest rate environment persisting over the long term	An inability to recover from a low level of earnings from bond management results in a decline in underlying earning power, particularly at the two financial companies, and a significant decrease in the Group's earnings.
2	Risks associated with sale of shares of the two financial companies	Factors such as losses from the sale of shares of the two financial companies, an inability to secure alternative revenue sources replacing the two financial companies, and the difficulty of conducting integrated, Group-wide business operations as a result of a declining equity stake in the subsidiaries lead to customer attrition and a weakening of brand power and thereby cause a significant decrease in the Group's earnings.
3	Risks associated with legal and regulatory breaches	Violations of laws and regulations or transgressions by the Group's executives or employees result in liability for damages and administrative penalties, significantly impacting the Group's business continuity. In addition, reputational risks are realized, damaging the Company's corporate value.
4	Risks associated with an inability to respond to changes in the business environment, such as falling behind competitors in customer-oriented DX	While Group-wide efforts are underway to implement DX in the form of a "Co-creation Platform," a failure to achieve success with such measures or to respond appropriately to changes in the business environment will result in a decline in competitiveness and efficiency and a significant decrease in the Group's earnings.
5	Risks associated with a deterioration in overseas credit due to a slowdown in the global economy	When credit spreads are widening in overseas credit markets, the falling prices of financial assets in these overseas markets result in a significant decline in the value of assets owned by the Group. In addition, there is a substantial decrease in the Group's earnings.
6	Risks associated with acts that are counter to customer-first business operations	New incidents disadvantageous to customers are discovered just as the Company is pursuing "Pledge to Regain Customers' Trust" and operations aimed at regaining customers' trust including corporate culture reform. As a result, reputational risks are realized, damaging the Company's corporate value.
7	Risks associated with cyber security	The intensification and sophistication of cyber attacks such as targeted attacks result in attacks against the Group's systems and unauthorized use of various services. These in turn lead to, among other things, large-scale and long-term shutdowns and restrictions of the Group's business operations as well as improper disclosure of personal data and confidential information to outside parties, significantly impacting the Group's business continuity. In addition, reputational risks are realized, damaging the Company's corporate value.
8	Risks associated with provision of universal service	A failure to keep a balance between universal service and cost reduction and an inability to reassess unprofitable businesses result in a decline in competitiveness and efficiency, causing a significant decrease in the Group's earnings.
9	Mid- to long-term strategic risks relating to Group companies	The Group's earnings sharply decrease due to factors such as: an accelerating trend toward cashless payment threatening the deposit and currency exchange business, Japan Post Bank's core business; a decline in the number of new policies for Japan Post Insurance products arising from the issues associated with improper solicitation actions; and a sluggish pace in the distribution business due to intensifying competition.
10	Risks associated with ESG and climate change	The cost of raising capital increases and the Group's earnings fall significantly when its ESG-related measures and environmental issues are deemed insufficient in the capital markets. In addition, reputational risks (including a decline in share value due to dissatisfaction with ESG-related measures and opposition to proposals presented at General Meetings of Shareholders) materialize, damaging the Company's corporate value.

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

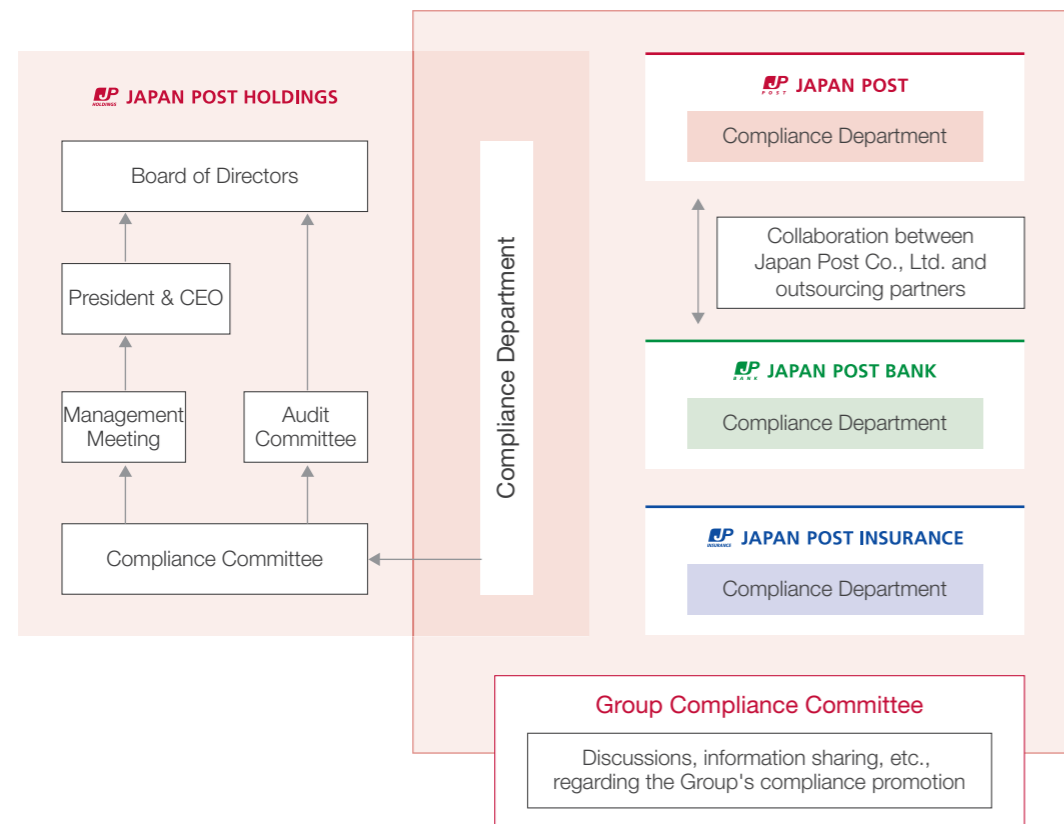
The Japan Post Group employs a common compliance framework. Each Group company establishes a Compliance Department to conduct integrated management of compliance-related matters.

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

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

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 to financial product sales.

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.

Since September 2021, the Japan Post Group has commenced the "one-stop consultation and internal reporting platform" that can accept various types of reports and consultations in an integrated manner, allowing employees to report and consult with the appropriate contact point and ensuring the confidentiality of reports and consultations through the use of an information system. We have also introduced 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 anticorruption such as giving or taking bribes, 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 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. 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 the "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.

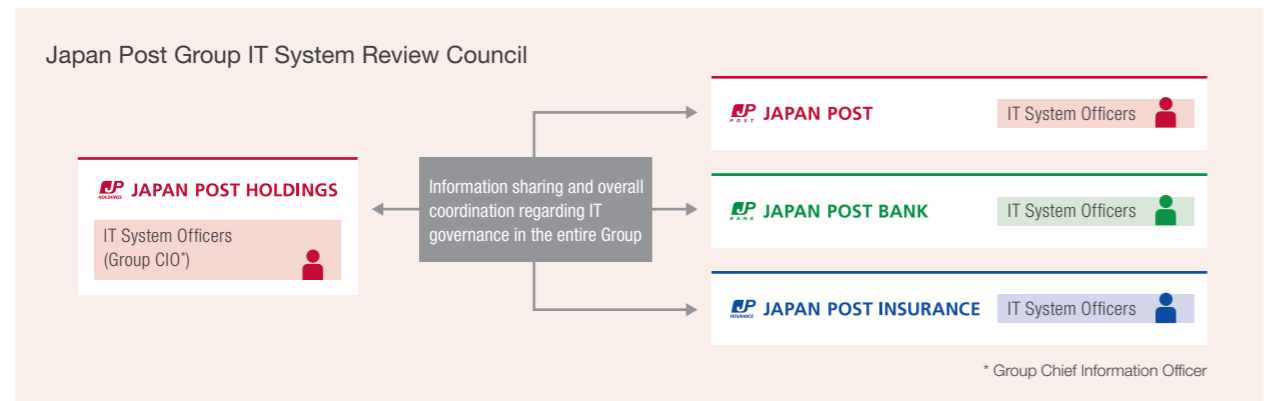
Based on these agreements, through the development and execution of an IT strategy, Group companies improve productivity, streamline management, minimize the risk arising from using IT, and ensure the soundness of Group management. In doing so, they realize the IT governance necessary to maximize corporate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

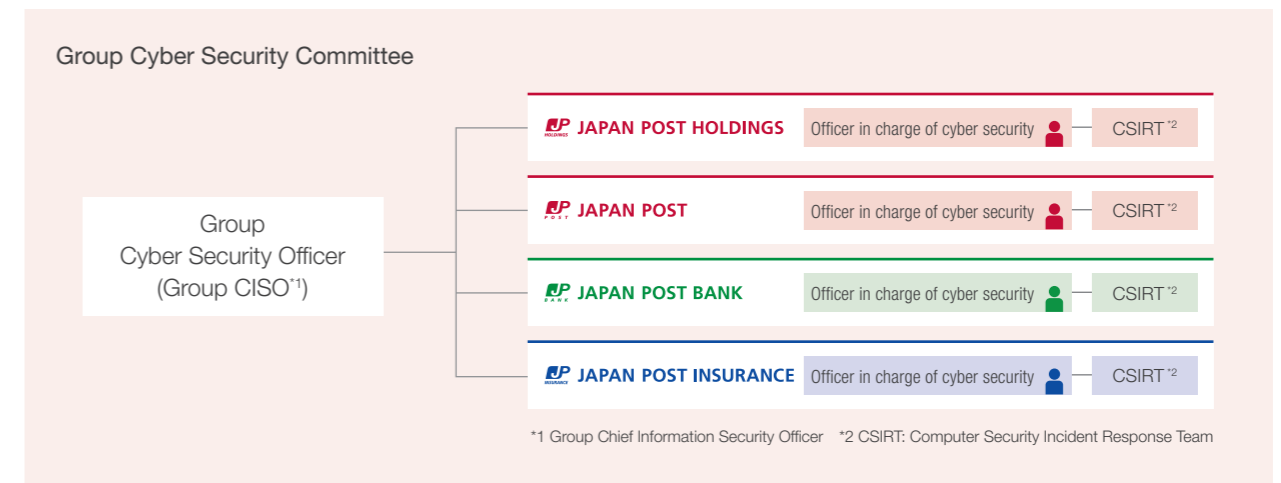
Group Cyber Security System

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. The 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 multilevel 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

The Japan Post Group has established an effective internal audit system at each Group company in order to ensure sound administration and proper operations aimed at building customers' 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

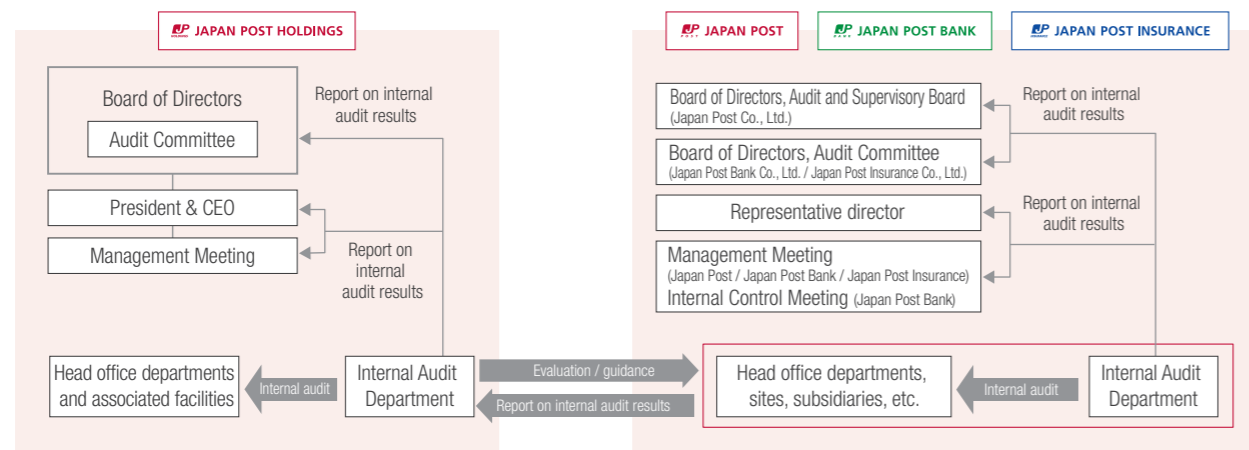
In implementing internal audits, the Internal Audit Department undertakes audits in accordance with IIA's (The Institute of Internal Auditors) *International Standards for the Professional Practice of Internal Auditing (Standards)*. This includes conducting risk-based internal audits, in which audit 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, 2022, the contest was cancelled due to the COVID-19 pandemic.)

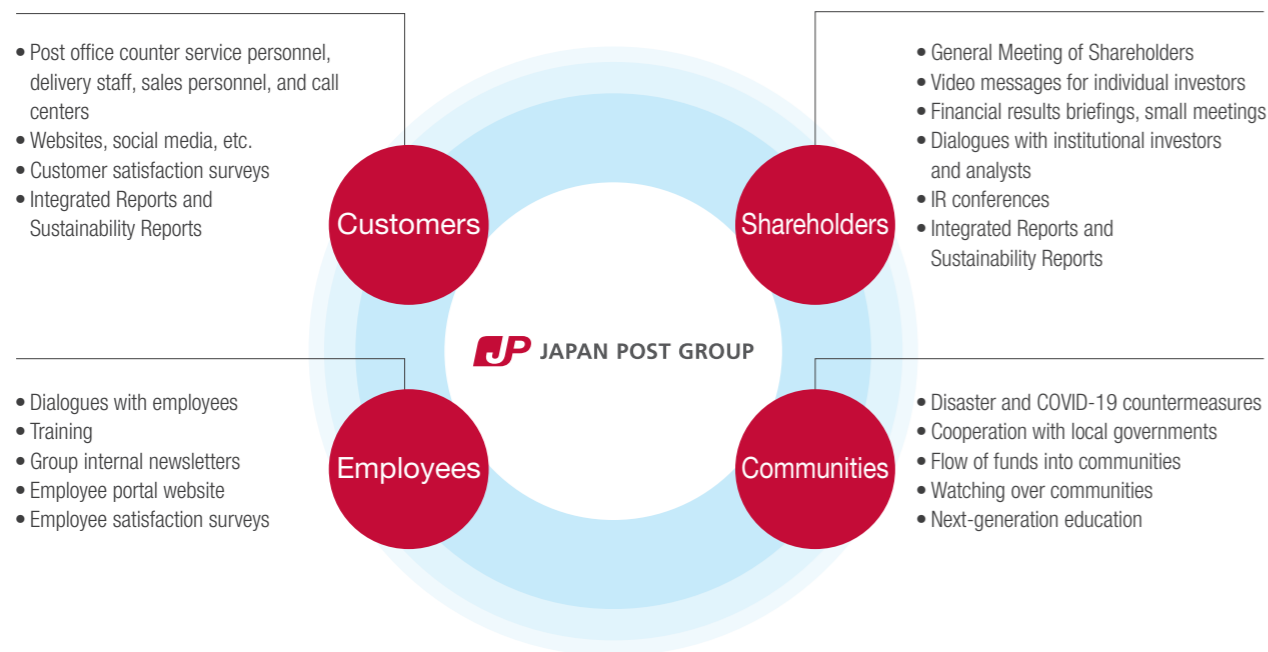


An instructor conducts a pre-service inspection of a vehicle (checking tires, etc.) during a Safe Driving Contest.

Transportation safety record

Goal	Number of serious accidents: 0
Actual	For the fiscal year ended March 31, 2020: 0
	For the fiscal year ended March 31, 2021: 2 (1 case of falling, 1 case of overturning)
	For the fiscal year ended March 31, 2022: 2 (1 case of death, 1 case of fire)

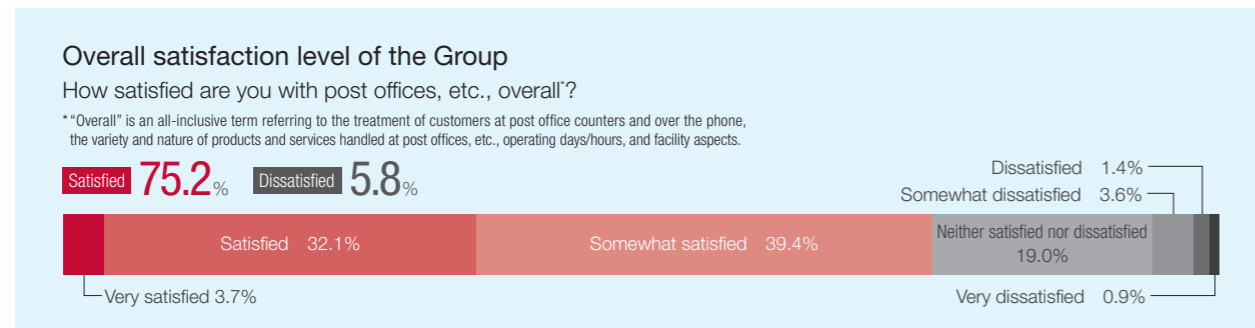
Dialogue with Stakeholders



Group's Customer Satisfaction Survey

In order to accurately identify the state of products and services from customers' viewpoints and respond to new demand, etc., a survey is conducted on customers' evaluations in terms of their level of satisfaction, their intent to use products and services, etc.

For the purpose of further improving customer satisfaction, the Japan Post Group will continue to perform fixed-point observation into the future and utilize the findings from the Group's customer satisfaction survey in management.



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 purchased a cardboard box (the largest one) to send a parcel at a post office but was told that no plastic bag that could fit the purchased box was available. I just bought it, but it would have gotten wet in the event of rain.	Launched the sale of a take-home bag "Plastic Bag (for extra-large boxes)" (¥40 per bag).
I want to purchase an investment trust product with ease.	The Yucho Bankbook App now enables investment trust transactions. Also, all fees charged upon purchasing an investment trust product are waived if an application has been made via digital channels (Yucho Direct (Investment Trust Products), Yucho Bankbook App).
I want to make an insurance claim, but it is troublesome to prepare documents as evidence.	Japan Post Insurance does not require the submission of hospitalization/surgery certificates (i.e., medical certificates) under certain conditions if receipts, details of medical treatment, and other such documents issued by a medical institution are submitted. The scope of such simplified treatment of documents to be submitted has been expanded since April 2022 by abolishing one of the conditions, namely, the cap on the number of days hospitalized (i.e., 30 days).

Exchanging Opinions with Employees

At the Japan Post Group, part of our efforts to realize an open corporate culture include holding regular meetings with Group employees 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 the future vision of the Japan Post Group 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.



Meeting for mutual exchange of opinions

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, 2022

Activity	Detail
17th Annual General Meeting of Shareholders	Date: June 17, 2022
Financial Results Briefings & Small Meetings for Fiscal Year Ended March 31, 2022 (for Institutional Investors & Analysts)	Meetings held: 7
Dialogue with Institutional Investors & Analysts	Meetings held: 172 (Including about 127 individual interviews with overseas investors)
Participation in IR Conferences in Japan and Abroad	Number of times participated: 7 times Participated in conferences hosted by securities companies and held meetings
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.

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.	



Column Exchange of opinions between Chihaya High School students and President MASUDA

On December 15, 2021, Japan Post Holdings invited approximately 20 students from Tokyo Metropolitan Chihaya High School, which is putting efforts into SDG initiatives, and held a meeting in which they exchanged opinions on the topic of decarbonization. Talks were held about what they could do in everyday life toward decarbonization and what kind of decarbonization initiatives could be carried out by utilizing post offices, and a presentation was given by three teams to President MASUDA.

An active exchange of opinions took place as students made proposals including payments based on matrix barcodes and paperless transactions through the digitization of bankbooks and stamps.

"I reacknowledged our sense of social mission in that we must properly tackle environmental problems by utilizing our nationwide network of post offices," said President MASUDA.



President MASUDA participating in a meeting to exchange opinions with Chihaya High School students

Dialogue with Outside Experts

On August 17, 2021, outside experts were invited to engage in a dialogue. Three experts provided us with evaluations of the Japan Post Group's main initiatives and various opinions and recommendations on our future challenges and their expectations and requests for the Group, etc.

Note: This dialogue was held online in view of preventing the spread of COVID-19 infections.



Facilitator:
Ms. AKABANE Makiko
Director of CSR Asia Japan

Comments from Experts



Mr. ARAI Masaru
Chair of Japan Sustainable Investment Forum (JSIF)

I see the inclusion of non-financial ESG targets in the Japan Post Group's Medium-Term Management Plan as extremely positive. On carbon neutrality, I hope that you will not simply set a target. Rather, as an initiative of an enormous corporate group and an organization with links to local communities, I hope the Japan Post Group will communicate to the government and policymakers information on specific issues such as the problem of power shortages for the spread of EVs, and support government policies. I believe that the addition of a sustainability perspective to the supplementary educational materials that Japan Post Bank offers for financial education is also an important initiative for the next generation.

The globally important issue of business and human rights also needs to be considered. I hope that the Japan Post Group will use Japan's National Action Plan on Business and Human Rights as a reference and go about its business fully cognizant of the issues.

I believe that the establishment of the Sustainability Committee marks a huge step forward from the Group's previous CSR standpoint, and will trigger initiatives to address sustainability, which is globally recognized at present. The first challenge is to ensure that senior management promotes

sustainability management with a solid understanding of its importance. I expect to see discussions exploring sustainability management in depth. The next step is to thoroughly instill sustainability management in employees. It is important to work on sustainability at the Head Office, branch offices, and every business site. In the huge organization that is the Japan Post Group, the work done by each division varies greatly, and there is, therefore, a tendency to think "this doesn't concern me." Ensuring that sustainability management percolates down to all employees is a difficult challenge. It is important that the Head Office clearly sets out the Group policy and conveys the message externally and across the whole organization. It would be a good idea to flesh out the details of initiatives and communicate very specific information by devising good ways to present it.

The Japan Post Group still appears to be lagging behind other more advanced companies in terms of its long-term vision and corporate culture reforms. I would like to see you strive harder for improvement, including action in response to assessments by assessment organizations. I believe the Japan Post Group has now taken the first step to full-fledged sustainability, and am looking forward to next year (2022) to see how much progress the Group makes.



Mr. SEKI Masao
Professor,
Meiji University School of Business Administration

I approve of the direction the Japan Post Group aims to move in. "Providing lifelong support in an era of the 100-year lifespan" is also a good concept, and I believe that the plan of making post offices' charging infrastructure available to local communities is an extremely good idea. The Japan Post Group has enormous social influence, and you should therefore definitely utilize this influence as a driving force for society. For example, while seeing the SDGs as a business opportunity from a CSV* perspective is all

well and good, it is not all about positive impacts on society; responsibility for negative impacts (governance, human rights, labor issues, etc.) is also extremely important. More specifically, I would like to see initiatives based on the seven core subjects of ISO 26000, for instance. In addition, rather than aligning its activities with government policies and the standards of society at large, the Japan Post Group should bring about transformation by creating demand in society and impacting markets.



Ms. FURUYA Yukiko
Representative,
Consumer Conference for Sustainability

The "Co-creation Platform" defined in the Japan Post Group's Medium-Term Management Plan is an extremely positive initiative. I believe that your adoption of an initiative in which customers can also participate will allow you to contribute to the realization of a sustainable society. While I was impressed by the fact that the Japan Post Group is implementing ambitious sustainability initiatives, it seems to me that it is still catching up with trends in wider society, and there are also some aspects that lack specific details. Having a good grasp of the basic approach and policy now, at this stage, will be important for progress in the future.

The Japan Post Group reorganized the CSR Committee into the Sustainability Committee, but I believe that in light of developments such as the revision of Japan's Corporate Governance Code, there is still room for further consideration; for example, the Sustainability Committee does not have any members from outside the Group. I hope that the Japan Post Group will definitely consider adding outside members as the pace of social developments is fast and, to some extent, cannot be fully considered by internal members alone.

A "customer-oriented" business will end up being superficially customer-oriented without a proper understanding of how to perceive customers and what kind of problems customers face, which

diversity, I hope that you will place importance on financial inclusion, leaving no one behind in terms of accessibility to financial services, including persons with disabilities and foreign nationals.

Promoting an understanding of sustainability management and instilling it among employees is a challenge facing many companies. In your external corporate communication activities, you must communicate meaningful information to avoid any concerns about SDG washing. For this and other reasons, it is important to communicate social impacts and outcomes. Besides also putting effort into internal corporate communication, I think it would be a good idea to consider the process of employee participation, for example, getting young employees involved when creating your long-term vision.

* CSV: Creating Shared Value (a process whereby companies create social value by addressing social needs and issues, and economic value is also created as a result)

are the underlying premises of a customer-oriented business. It is important that, in situations where customers are subject to risks such as those of disasters and dementia, the Japan Post Group asks itself what it can or should do and translates this into systems and initiatives. The Japan Post Group reviewed sales targets and personnel appraisals in this regard, but it is also important to change employee awareness in terms of how employees perceive customers.

As for diversity, building businesses based on principles such as respect for individuals and diversity, with reference to the Guiding Principles on Business and Human Rights, etc., will lead to real solutions. As digitization progresses, consumers face the problem of human rights in a digital society and other issues such as the digital divide. I hope the Japan Post Group will also strive to raise awareness among consumers as part of its sales, marketing, and other business activities.

Furthermore, the occurrence of a number of scandals following a major scandal gives rise to the public perception that scandals are still ongoing and creates the impression that they are not being dealt with properly. I felt that in your communication of information about scandals, you need to come up with ways of clearly communicating your approach and initiatives proactively.

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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)
Line of business:	Strategy formulation of Group management

2 Information on Shares

(As of March 31, 2022)

1. Number of Shares

Total number of authorized shares	18,000,000,000
Total number of issued shares	3,767,870,229
Total number of shareholders	797,689

2. Major Shareholders

	Capital contribution to the company	
	Number of shares held	Shareholding ratio (%)
Minister of Finance	1,255,956,800	34.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	365,770,400	9.98
Custody Bank of Japan, Ltd. (Trust Account)	101,501,700	2.77
Japan Post Holdings Employee Shareholding Association	87,064,800	2.37
STATE STREET BANK WEST CLIENT - TREATY 505234	45,506,529	1.24
JPMorgan Securities Japan Co., Ltd.	37,946,207	1.03
JP Morgan Chase Bank 385781	28,899,128	0.78
Government of Norway	27,395,485	0.74
SSBTC Client Omnibus Account	26,204,840	0.71
STATE STREET BANK AND TRUST COMPANY 505103	24,591,225	0.67

Note 1: Japan Post Holdings, which holds 105,143,851 shares of treasury stock, is 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

1,994 (as of March 31, 2022)

* 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, 2022)

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)	ISHIHARA Kunio (Concurrently holds the position of Senior Advisor of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.)
Director (Outside)	Charles D. 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 Miharu
Director (Outside)	AKIYAMA Saki (Concurrently holds the position of Founder (Advisor) of Saki Corporation)
Director (Outside)	KAIAMI Makoto (Attorney)
Director (Outside)	SATAKE Akira
Director (Outside)	SUWA Takako (Concurrently holds the position of Representative Director of Daiya Seiki Co., LTD.)

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

Representative Executive Officer, Executive Vice President	IIZUKA Atsushi	Managing Executive Officer	TANKA Susumu
Representative Executive Officer, Senior Managing Executive Officer	KAWAMOTO Hiroaki	Managing Executive Officer	ICHIKURA Noboru
Senior Managing Executive Officer	YAMASHIRO Yasuhiko	Managing Executive Officer	OGATA Kenji
Managing Executive Officer	FUKUMOTO Kenji	Executive Officer	SAKURAI Makoto
Managing Executive Officer	FURUSATO Hiroyuki	Executive Officer	KAZAMATSURI Makoto
Managing Executive Officer	NISHIGUCHI Akihito	Executive Officer	YOKOYAMA Akihiko
Managing Executive Officer	KATO Nobuyasu	Executive Officer	KAWANO Youichi
Managing Executive Officer	SHOMURA Tsutomu	Executive Officer	IIDA Yasuhisa
Managing Executive Officer	ASAI Tomonori	Executive Officer	MITANI Masanobu
Managing Executive Officer	NAKATA Hirohito	Executive Officer	ITAGAKI Tadayuki
Managing Executive Officer	HAYAKAWA Masataka	Executive Officer	TAKEMOTO Tsutomu
Managing Executive Officer	TATEBAYASHI Satoru	Executive Officer	SUNAYAMA Naoki
		Executive Officer	MAKI Hirohisa

3. Nomination Committee

ISHIHARA Kunio (Chair)
 OKAMOTO Tsuyoshi
 MASUDA Hiroya

4. Audit Committee

SATAKE Akira (Chair)
 KAIAMI Makoto
 HIRONO Michiko

5. Compensation Committee

OKAMOTO Tsuyoshi (Chair)
 ISHIHARA Kunio
 MASUDA Hiroya

5 Organization Chart

(As of July 1, 2022)



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

(As of March 31, 2022)

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 1, 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%)
	JP Rakuten Logistics, Inc.	Chiyoda-ku, Tokyo	¥100	Postal and domestic logistics business (logistics business)	May 14, 2021	50.1% (50.1%)
	Tokyo Beiyu Co., Ltd.	Meguro-ku, Tokyo	¥22	Postal and domestic logistics business (petroleum sales business)	March 10, 1949	82.3% (82.3%)
	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%)
	Japan Post Information Technology Co., Ltd.	Shinjuku-ku, Tokyo	¥3,150	Post office business (communication network maintenance and management)	January 30, 1987	100.0% (67.0%)
	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%)
	System Trust Laboratory Co., Ltd.	Shinagawa-ku, Tokyo	¥99	Post office business (consulting, planning and development business for business systems and basic technologies)	August 1, 1989	100.0% (100.0%)
	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)	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 (account overdraft guarantee service and agency operations)	May 28, 1980	100.0% (100.0%)
	Japan Post Investment Corporation	Chiyoda-ku, Tokyo	¥750	Banking business (securities investment management business and investment advisory 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	49.9%
	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%

Affiliation	Company name	Location	Issued capital (Millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	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%
	JP DIGITAL Co., Ltd.	Chiyoda-ku, Tokyo	¥100	Other businesses (digital-related services business)	July 1, 2021	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%)
	Yusen Real Estate Corporation	Chuo-ku, Tokyo	¥450	Other businesses (holding and rental of buildings, condominiums, and stores; master leases on real estate; etc.)	October 1, 1953	51.0% (51.0%)
	and 214 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	¥100	Post office business (planning, production and sales of catalog gifts, 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 8 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, is an insolvent company. The amount of the insolvency (excessive liabilities) of Toll Group consolidated companies, of which Toll Holdings is the parent company, is ¥88.1 billion as of March 31, 2022.

Note 6: 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	¥ 2,885,966	¥ 121,892	¥ 90,526	¥ 734,023	¥ 4,599,523

Note 7: On April 1, 2022, Japan Post Real Estate Co., Ltd. acquired all shares of Japan Post Building Management Co., Ltd. held by Japan Post Holdings. As a result, in the fiscal year ending March 31, 2023, Japan Post Building Management changed reporting segments, moving from the Post Office Business Segment to Other.

Note 8: On April 1, 2022, Yusen Real Estate Corporation changed its name to Japan Post Properties Co., Ltd.

Note 9: On June 1, 2022, Japan Post Staff Co., Ltd. changed its name to Japan Post Corporate Service Co., Ltd.

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, 2022)

1. Number of Shares

Total shares issued	10,000,000
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2. Shareholder

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

4 Number of Employees

191,702* (as of March 31, 2022)

* 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, 2022)

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 Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd.)
Director (Outside).....	ENOMOTO Chisa	(Concurrently holds the position of Outside Director (Member of Supervisory Committee) of PERSOL HOLDINGS CO., LTD.)
Director (Outside).....	OGURA Toshikatsu	(Formerly held the position of Senior Executive Vice President, Representative Member of the Board of Nippon Telegraph and Telephone West Corporation)
Director (Outside).....	SASAKI Kaori	(Concurrently holds the position of President and CEO of ewoman, Inc.)
Director (Outside).....	TAJI Noriko	(Professor of MBA School & Department of Business Administration, Hosei University)
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	KAWAMOTO Hiroaki	Executive Officer	ASAMI Kanako
First Executive Officer	MINAMI Yoshito	Executive Officer	HASEGAWA Atsushi
First Executive Officer	YAMASHIRO Yasuhiko	Executive Officer	OGAWA Masato
Senior Executive Officer	SANO Kimikazu	Executive Officer	NAKAI Katsunori
Senior Executive Officer	NEGISHI Kazuyuki	Executive Officer	NAMIKI Tsukasa
Senior Executive Officer	TAKAHASHI Yasuhiro	Executive Officer	TANAKA Yutaka
Senior Executive Officer	KOIKE Shinya	Executive Officer	MITOMA Norimasa
Senior Executive Officer	SAKATA Hiroshi	Executive Officer	YOKOYAMA Akihiko
Senior Executive Officer	FUKUMOTO Kenji	Executive Officer	ICHIKI Miho
Senior Executive Officer	OGATA Kenji	Executive Officer	KAZAMATSURI Makoto
Senior Executive Officer	FURUSATO Hiroyuki	Executive Officer	TOYODA Yasumitsu
Senior Executive Officer	KINOSHITA Noriko	Executive Officer	MITANI Masanobu
Senior Executive Officer	NISHIGUCHI Akihito	Executive Officer	IIDA Yasuhisa
Senior Executive Officer	KATO Nobuyasu	Executive Officer	GOMI Yoshihiro
Senior Executive Officer	SHOMURA Tsutomu	Executive Officer	TANAKA Hiroyuki
Senior Executive Officer	ASAI Tomonori	Executive Officer	BANDO Hideki
Senior Executive Officer	ONOKI Kieko	Executive Officer	MEGURO Kenji
Senior Executive Officer	TAKAHASHI Fumiaki	Executive Officer	TAKEBE Shigeki
Senior Executive Officer	KAMIOZAKI Koji	Executive Officer	KAWANO Yoichi
Senior Executive Officer	HAYAKAWA Masataka	Executive Officer	SUNAYAMA Naoki
		Executive Officer	NAKAI Mikiharu
		Executive Officer	MAKI Hirohisa

6 Organization Chart

(As of July 1, 2022)



Note: The number of Regional Inspection Offices, Compliance Offices, and each Center (excluding Financial Services Contact Centers) is as of April 1, 2022. In addition, the number of directly managed post offices and contracted post offices is as of March 31, 2022.

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**1. Number of Shares**

(As of March 31, 2022)

Total shares issued	3,749,545,020
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2. Major Shareholders

		Shares owned	Shareholding ratio (%)
1	JAPAN POST HOLDINGS Co., Ltd.	3,337,032,700	88.99
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	60,523,200	1.61
3	Custody Bank of Japan, Ltd. (Trust Account)	13,426,800	0.35
4	Japan Post Bank Employee Shareholding Association	11,282,000	0.30
5	STATE STREET BANK WEST CLIENT - TREATY 505234	10,782,600	0.28
6	STATE STREET BANK AND TRUST COMPANY 505103	6,323,579	0.16
7	BNYM TREATY DTT 15	3,214,303	0.08
8	STATE STREET BANK AND TRUST COMPANY 505225	2,822,900	0.07
9	JP MORGAN CHASE BANK 385771	2,740,644	0.07
10	THE BANK OF NEW YORK MELLON 140044	2,581,973	0.06

Note 1: The shareholding ratio has been calculated excluding treasury stock (70,000 shares) and has been rounded down to the second decimal place.

Note 2: The treasury stock does not include the Bank's shares held by the stock benefit trust (685,900 shares).

4 Number of Employees

12,169* (as of March 31, 2022)

* 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, 2022)

1. Directors

Director, President and Representative Executive Officer.....	IKEDA Norito (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Director, 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	YAZAKI Toshiyuki
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 Special Advisor 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 (Attorney-at-law)
Outside Director	YAMAMOTO Kenzo (Concurrently holds the position of Representative of Office KY Initiative)
Outside Director	URUSHI Shihoko (President of Shinagawa Joshi Gakuin)
Outside Director	NAKAZAWA Keiji (Concurrently holds the position of Vice President of McDonald's Company (Japan), Ltd.)
Outside Director	SATO Atsuko (Associate Professor, Department of International Studies, Faculty of Economics of Takasaki City University of Economics)

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

Executive Vice President	HAGINO Yoshinori	Executive Officer	MAKINO Yoko
Executive Vice President	TANIGAKI Kunio	Executive Officer	YAMADA Ryotaro
Senior Managing Executive Officer	YANO Harumi	Executive Officer	NAKAO Hideki
Senior Managing Executive Officer	KASAMA Takayuki	Executive Officer	KISHI Etsuko
Senior Managing Executive Officer	KOTOUDA Minoru	Executive Officer	IIMURA Koji
Managing Executive Officer	TAMAKI Masato	Executive Officer	TOUMA Masaya
Managing Executive Officer	TANAKA Takayuki	Executive Officer	DEN Akihiro
Managing Executive Officer	SHINMURA Makoto	Executive Officer	FUKUSHIMA Katsuya
Managing Executive Officer	AMAHA Kunihiro	Executive Officer	HASUKAWA Koji
Managing Executive Officer	NAGURA Shinobu	Executive Officer	YOSHIDA Koichiro
Managing Executive Officer	OGATA Satoru	Executive Officer	KATO Hisanori
Managing Executive Officer	YAMAZAKI Katsuyo	Executive Officer	YAMAMOTO Jun

3. Nomination Committee

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

4. Audit Committee

Chairman	KAWAMURA Hiroshi
Member	YAZAKI Toshiyuki
Member	YAMAMOTO Kenzo
Member	NAKAZAWA Keiji

5. Compensation Committee

Chairman	CHUBACHI Ryoji
Member	TAKEUCHI Keisuke
Member	URUSHI Shihoko
Member	MASUDA Hiroya

6 Organization Chart

(As of July 1, 2022)



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, 2022)

1. Number of Stocks

Issued stocks	399,693,700
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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.	199,426,100	49.90%
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,199,100	7.06%
Custody Bank of Japan, Ltd. (Trust Account)	9,944,200	2.49%
JPMorgan Securities Japan Co., Ltd.	4,056,881	1.02%
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	3,304,924	0.83%
STATE STREET BANK WEST CLIENT - TREATY 505234	3,272,700	0.82%
Japan Post Insurance Employee Shareholding Association	3,249,800	0.81%
JP MORGAN CHASE BANK 385781	2,571,568	0.64%
STATE STREET BANK AND TRUST COMPANY 505103	2,539,316	0.64%
GOLDMAN SACHS INTERNATIONAL	2,460,269	0.62%

Note: The ratio of shares held is calculated by excluding treasury stock (11,150 shares), and rounded to two decimal places.
 The number of treasury stock excludes the shares of the Company held in the Board Benefit Trust (140,300 shares).

4 Number of Employees

7,545* (as of March 31, 2022)

* 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

1. Directors

(As of July 1, 2022)

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 Executive Advisor of Pasona Group Inc.)
Outside Director	SAITO Tamotsu	(Concurrently holds the position of Senior Counselor of IHI Corporation)
Outside Director	HARADA Kazuyuki	(Concurrently holds the position of Chairman of the Board of Keikyu Corporation)
Outside Director	YAMAZAKI Hisashi	(Attorney-at-law)
Outside Director	TONOSU Kaori	(Formerly held the position of Partner of Deloitte Touche Tohmatsu LLC)
Outside Director	TOMII Satoshi	(Concurrently holds the position of Chairman of DBJ Investment Advisory Co., Ltd.)

2. Executive Officers (Excludes persons holding concurrent posts in addition to the above. 1. Directors)

Deputy President Executive Officer	SHIMA Toshitaka	Executive Officer	MIYAMOTO Susumu
Senior Managing Executive Officer	HIRONAKA Yasuaki	Executive Officer	MURO Takashi
Senior Managing Executive Officer	TACHIBANA Atsushi	Executive Officer	IMAIZUMI Michinori
Managing Executive Officer	MIYANISHI Yoshiki	Executive Officer	TAGUCHI Yoshihiro
Managing Executive Officer	KOIE Junko	Executive Officer	MAETANI Isao
Managing Executive Officer	TANAKA Motonori	Executive Officer	KUROSAKI Yoshiyuki
Managing Executive Officer	ONISHI Toru	Executive Officer	SHIGEMATSU Jun
Managing Executive Officer	FUJIMORI Norihiro	Executive Officer	YOSHIDA Syouichi
Managing Executive Officer	SAKAMOTO Hidekazu	Executive Officer	KIMURA Yoshihisa
Managing Executive Officer	FUJII Shinsuke	Executive Officer	NISHIZAWA Yuki
Managing Executive Officer	HARUNA Takayuki	Executive Officer	HAMASAKI Rika
Managing Executive Officer	KUME Takeshi	Executive Officer	HANDA Shuji
Managing Executive Officer	IIDA Takashi		
Managing Executive Officer	YOKOYAMA Masamichi		
Managing Executive Officer	MIYAZAWA Hitoshi		

3. Nomination Committee

Chairman	HARADA Kazuyuki
Member	SENDA Tetsuya
Member	MASUDA Hiroya
Member	SAITO Tamotsu
Member	YAMAZAKI Hisashi

4. Audit Committee

Chairman	SUZUKI Masako
Member	NARA Tomoaki
Member	YAMAZAKI Hisashi
Member	TONOSU Kaori

5. Compensation Committee

Chairman	SAITO Tamotsu
Member	MASUDA Hiroya
Member	HARADA Kazuyuki
Member	TOMII Satoshi

6 Organization Chart

(As of July 1, 2022)



5. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Total income	12,920,375	12,774,999	11,950,185	11,720,403	11,264,774
Income before income taxes	916,144	830,696	864,457	914,164	991,464
Net income	460,623	479,419	483,733	418,238	501,685
Comprehensive income (loss)	118,564	291,836	(2,225,078)	3,567,160	(805,187)
Net assets	14,743,234	14,788,654	12,616,774	16,071,067	14,688,981
Total assets	290,640,154	286,170,709	286,098,449	297,738,131	303,846,980
Consolidated capital adequacy ratio (domestic standard)	19.11%	17.73%	17.66%	17.55%	17.21%

Notes:

- The amount of net income attributable to Japan Post Holdings has been used for net income of the Japan Post Group (Consolidated).
- 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).

Japan Post Holdings (Non-consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Operating income	280,850	274,551	289,447	167,933	284,688
Net operating income	218,727	213,623	236,452	104,871	203,545
Net ordinary income	219,729	215,900	243,027	114,800	217,753
Net income	196,232	220,791	397,647	(2,129,989)	325,460
Net assets	7,950,122	7,940,442	8,031,667	5,912,969	5,740,721
Total assets	8,127,442	8,079,602	8,129,402	5,997,547	5,848,650

Japan Post (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Operating income	3,881,943	3,960,669	3,839,318	3,837,635	3,656,920
Net operating income	86,564	182,021	179,034	155,070	148,268
Net ordinary income	85,459	179,865	168,111	149,191	143,545
Net income	58,476	126,614	87,155	53,415	93,217
Net assets	831,253	915,130	855,378	871,293	910,154
Total assets	5,098,926	5,182,809	5,179,414	5,175,507	5,180,966

Notes:

- The amount of net income attributable to Japan Post has been used for net income of Japan Post (Consolidated).
- 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, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Operating income	2,022,526	2,114,950	2,125,313	2,068,426	2,041,210
Net operating income	41,903	121,388	147,505	123,716	102,245

[Post office business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Operating income	1,358,798	1,362,579	1,298,774	1,243,466	1,151,797
Net operating income	39,771	59,619	44,598	37,727	24,569

[International logistics business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Operating income	704,302	700,650	634,954	749,878	687,506
Net operating income (loss)	10,254	10,300	(8,683)	3,505	28,788

Note:

For the international logistics business segment, the amount presented in net operating income (loss) is EBIT.

Japan Post Bank (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Ordinary income	2,044,940	1,845,413	1,799,544	1,946,728	1,977,640
Net ordinary income	499,654	373,978	379,137	394,221	490,891
Net income	352,775	266,189	273,435	280,130	355,070
Net assets	11,521,680	11,362,365	9,003,256	11,394,827	10,302,261
Total assets	210,629,821	208,974,134	210,910,882	223,870,673	232,954,480
Consolidated capital adequacy ratio (domestic standard)	17.43%	15.80%	15.58%	15.53%	15.56%

Notes:

- The amount of net income attributable to Japan Post Bank has been used for net income of Japan Post Bank (Consolidated).
- 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, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Ordinary income	7,952,951	7,916,655	7,211,405	6,786,226	6,454,208
Net ordinary income	309,233	264,870	286,601	345,736	356,113
Net income	104,487	120,480	150,687	166,103	158,062
Net assets	2,003,126	2,135,137	1,928,380	2,841,475	2,421,063
Total assets	76,831,261	73,905,017	71,664,781	70,172,982	67,174,796
Consolidated solvency margin ratio	1,131.8%	1,189.8%	1,070.9%	1,121.2%	1,045.5%

Notes:

- The amount of net income attributable to Japan Post Insurance has been used for net income of Japan Post Insurance (Consolidated).
- The consolidated solvency margin ratio has been calculated in accordance with Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.

CONSOLIDATED BALANCE SHEETS MARCH 31, 2022 AND 2021

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2022 (As of March 31, 2022)	2021 (As of March 31, 2021)	2022 (As of March 31, 2022)
ASSETS:			
Cash and due from banks (Notes 3 and 4)	¥ 68,502,665	¥ 62,719,113	\$ 559,708
Call loans (Note 21)	2,510,000	1,520,000	20,508
Receivables under resale agreements (Note 21)	11,958,586	9,721,360	97,709
Receivables under securities borrowing transactions	—	2,585,087	—
Monetary claims bought (Notes 4 and 21)	436,845	638,985	3,569
Trading account securities (Note 21)	11	13	0
Money held in trust (Notes 4 and 21)	10,762,356	10,029,932	87,935
Securities (Notes 3, 4, 5, 6 and 21)	193,172,232	193,703,491	1,578,333
Loans (Notes 6 and 21)	8,693,923	9,655,811	71,035
Foreign exchanges (Note 6)	213,924	80,847	1,748
Other assets (Notes 5 and 6)	3,183,566	2,716,321	26,012
Tangible fixed assets (Note 7)			
Buildings	1,038,414	1,106,006	8,484
Land	1,608,472	1,543,915	13,142
Construction in progress	165,308	136,149	1,351
Other tangible fixed assets	292,909	367,668	2,393
Total tangible fixed assets	3,105,104	3,153,739	25,371
Intangible assets			
Software	197,692	217,282	1,615
Goodwill	8,905	2,383	73
Other intangible assets	18,333	20,528	150
Total intangible assets	224,931	240,194	1,838
Asset for retirement benefits (Note 14)	69,639	64,184	569
Deferred tax assets (Note 16)	1,019,228	919,448	8,328
Reserve for possible loan losses	(6,036)	(10,400)	(49)
Total assets	¥ 303,846,980	¥ 297,738,131	\$ 2,482,613

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2022 (As of March 31, 2022)	2021 (As of March 31, 2021)	2022 (As of March 31, 2022)
LIABILITIES:			
Deposits (Notes 5 and 21)	¥ 191,731,173	¥ 187,984,760	\$ 1,566,559
Payables under repurchase agreements (Note 5)	22,032,546	14,886,481	180,019
Policy reserves and others			
Reserve for outstanding claims (Note 8)	402,608	419,021	3,290
Policy reserves (Notes 8 and 15)	56,533,454	59,397,720	461,912
Reserve for policyholder dividends (Note 10)	1,260,009	1,342,855	10,295
Total policy reserves and others	58,196,072	61,159,597	475,497
Payables under securities lending transactions (Note 5)	3,751,134	6,092,013	30,649
Borrowed money (Notes 3, 5, 11 and 21)	5,942,886	4,228,180	48,557
Foreign exchanges	697	514	6
Bonds (Notes 12 and 21)	300,000	300,000	2,451
Other liabilities (Notes 11 and 13)	3,455,867	2,851,705	28,237
Reserve for bonuses	127,237	126,149	1,040
Liability for retirement benefits (Note 14)	2,223,051	2,210,273	18,164
Reserve for employee stock ownership plan trust	515	535	4
Reserve for management board benefit trust	1,139	952	9
Reserve for reimbursement of deposits	58,813	73,830	481
Reserve for insurance claims and others	—	2,851	—
Reserve for price fluctuations (Note 15)	972,606	904,816	7,947
Deferred tax liabilities (Note 16)	364,257	844,400	2,976
Total liabilities	¥ 289,157,998	¥ 281,667,063	\$ 2,362,595
NET ASSETS (Note 17):			
Capital stock	¥ 3,500,000	¥ 3,500,000	\$ 28,597
Capital surplus	1,458,718	4,085,191	11,919
Retained earnings	6,138,069	4,374,229	50,152
Treasury stock	(96,106)	(831,661)	(785)
Total shareholders' equity	11,000,681	11,127,759	89,882
Net unrealized gains (losses) on available-for-sale securities	1,731,180	2,893,921	14,145
Net deferred gains (losses) on hedges	(479,930)	(329,275)	(3,921)
Foreign currency translation adjustments	(112,443)	(104,433)	(919)
Accumulated adjustments for retirement benefits	169,902	206,389	1,388
Total accumulated other comprehensive income	1,308,709	2,666,601	10,693
Non-controlling interests	2,379,590	2,276,705	19,443
Total net assets	14,688,981	16,071,067	120,018
Total liabilities and net assets	¥ 303,846,980	¥ 297,738,131	\$ 2,482,613

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED MARCH 31, 2022 AND 2021

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2022 (From April 1, 2021 to March 31, 2022)	2021 (From April 1, 2020 to March 31, 2021)	2022 (From April 1, 2021 to March 31, 2022)
INCOME:			
Postal business income	¥ 2,688,197	¥ 2,778,065	\$ 21,964
Banking business income	1,976,004	1,944,878	16,145
Life insurance business income	6,454,191	6,786,210	52,735
Other income (Notes 7 and 18)	175,820	224,945	1,437
Total income	11,294,215	11,734,100	92,281
EXPENSES:			
Operating expenses	7,398,205	7,822,474	60,448
Personnel expenses (Note 14)	2,429,768	2,473,924	19,853
Depreciation and amortization	255,361	286,283	2,086
Other expenses (Note 19)	369,591	456,893	3,020
Total expenses	10,452,927	11,039,575	85,407
Income before income taxes	841,287	694,525	6,874
Income taxes (Note 16):			
Current	221,456	224,804	1,809
Deferred	1,322	(38,998)	11
Total income taxes	222,779	185,806	1,820
Net income	618,508	508,718	5,054
Net income attributable to non-controlling interests	116,823	90,480	955
Net income attributable to Japan Post Holdings	¥ 501,685	¥ 418,238	\$ 4,099

	Yen		U.S. Dollars (Note 1)
	2022 (From April 1, 2021 to March 31, 2022)	2021 (From April 1, 2020 to March 31, 2021)	2022 (From April 1, 2021 to March 31, 2022)
Per share of common stock (Note 27):			
Basic net income	¥ 131.93	¥ 103.44	\$ 1.08
Diluted net income	—	—	—

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED MARCH 31, 2022 AND 2021

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2022 (From April 1, 2021 to March 31, 2022)	2021 (From April 1, 2020 to March 31, 2021)	2022 (From April 1, 2021 to March 31, 2022)
Net income	¥ 618,508	¥ 508,718	\$ 5,054
Other comprehensive income (loss) (Note 20)			
Net unrealized gains (losses) on available-for-sale securities	(1,210,064)	3,116,179	(9,887)
Net deferred gains (losses) on hedges	(169,335)	(41,932)	(1,384)
Foreign currency translation adjustments	(7,771)	(12,539)	(63)
Adjustments for retirement benefits	(36,525)	(3,262)	(298)
Share of other comprehensive income (loss) of affiliates	0	(3)	0
Total other comprehensive income (loss)	(1,423,696)	3,058,441	(11,632)
Comprehensive income (loss)	¥ (805,187)	¥ 3,567,160	\$ (6,579)
Total comprehensive income (loss) attributable to:			
Japan Post Holdings	¥ (705,175)	¥ 2,960,822	\$ (5,762)
Non-controlling interests	(100,011)	606,337	(817)

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED MARCH 31, 2022 AND 2021

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 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, APRIL 1, 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.

2022 (From April 1, 2021 to March 31, 2022)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2021	¥ 3,500,000	¥ 4,085,191	¥ 4,374,229	¥ (831,661)	¥ 11,127,759
Cumulative effects of changes in accounting policies			(4,972)		(4,972)
RESTATED BALANCE, APRIL 1, 2021	3,500,000	4,085,191	4,369,257	(831,661)	11,122,787
Changes in the fiscal year:					
Cash dividends		(202,193)			(202,193)
Deficit disposition		(1,267,127)	1,267,127		—
Net income attributable to Japan Post Holdings			501,685		501,685
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		(76,336)			(76,336)
Purchases of treasury stock				(345,450)	(345,450)
Disposals of treasury stock				189	189
Cancellation of treasury stock		(1,080,816)		1,080,816	—
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	(2,626,473)	1,768,812	735,555	(122,105)
BALANCE, MARCH 31, 2022	¥ 3,500,000	¥ 1,458,718	¥ 6,138,069	¥ (96,106)	¥ 11,000,681

	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, 2021	¥ 2,893,921	¥ (329,275)	¥ (104,433)	¥ 206,389	¥ 2,666,601	¥ 2,276,705	¥ 16,071,067
Cumulative effects of changes in accounting policies						(13)	(4,985)
RESTATED BALANCE, APRIL 1, 2021	2,893,921	(329,275)	(104,433)	206,389	2,666,601	2,276,692	16,066,081
Changes in the fiscal year:							
Cash dividends							(202,193)
Deficit disposition							—
Net income attributable to Japan Post Holdings							501,685
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							(76,336)
Purchases of treasury stock							(345,450)
Disposals of treasury stock							189
Cancellation of treasury stock							—
Net changes in items other than shareholders' equity in the fiscal year	(1,162,740)	(150,654)	(8,009)	(36,487)	(1,357,892)	102,898	(1,254,994)
Net changes in the fiscal year	(1,162,740)	(150,654)	(8,009)	(36,487)	(1,357,892)	102,898	(1,377,099)
BALANCE, MARCH 31, 2022	¥ 1,731,180	¥ (479,930)	¥ (112,443)	¥ 169,902	¥ 1,308,709	¥ 2,379,590	¥ 14,688,981

See the accompanying notes to consolidated financial statements.

2022 (From April 1, 2021 to March 31, 2022)

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

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2021	\$ 28,597	\$ 33,378	\$ 35,740	\$ (6,795)	\$ 90,920
Cumulative effects of changes in accounting policies			(41)		(41)
RESTATED BALANCE, APRIL 1, 2021	28,597	33,378	35,699	(6,795)	90,880
Changes in the fiscal year:					
Cash dividends		(1,652)			(1,652)
Deficit disposition		(10,353)	10,353		—
Net income attributable to Japan Post Holdings			4,099		4,099
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		(624)			(624)
Purchases of treasury stock				(2,823)	(2,823)
Disposals of treasury stock				2	2
Cancellation of treasury stock		(8,831)		8,831	—
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	(21,460)	14,452	6,010	(998)
BALANCE, MARCH 31, 2022	\$ 28,597	\$ 11,919	\$ 50,152	\$ (785)	\$ 89,882

	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, 2021	\$ 23,645	\$ (2,690)	\$ (853)	\$ 1,686	\$ 21,788	\$ 18,602	\$ 131,310
Cumulative effects of changes in accounting policies						(0)	(41)
RESTATED BALANCE, APRIL 1, 2021	23,645	(2,690)	(853)	1,686	21,788	18,602	131,270
Changes in the fiscal year:							
Cash dividends							(1,652)
Deficit disposition							—
Net income attributable to Japan Post Holdings							4,099
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							(624)
Purchases of treasury stock							(2,823)
Disposals of treasury stock							2
Cancellation of treasury stock							—
Net changes in items other than shareholders' equity in the fiscal year	(9,500)	(1,231)	(65)	(298)	(11,095)	841	(10,254)
Net changes in the fiscal year	(9,500)	(1,231)	(65)	(298)	(11,095)	841	(11,252)
BALANCE, MARCH 31, 2022	\$ 14,145	\$ (3,921)	\$ (919)	\$ 1,388	\$ 10,693	\$ 19,443	\$ 120,018

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2022 AND 2021

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2022 (From April 1, 2021 to March 31, 2022)	2021 (From April 1, 2020 to March 31, 2021)	2022 (From April 1, 2021 to March 31, 2022)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 841,287	¥ 694,525	\$ 6,874
Income taxes paid	(274,815)	(168,644)	(2,245)
Policyholder dividends paid	(155,691)	(159,817)	(1,272)
Depreciation and amortization	255,361	286,283	2,086
Losses on impairment of fixed assets	11,280	93,545	92
Amortization of goodwill	1,317	167	11
Equity in (earnings) losses of affiliates	(1,527)	(560)	(12)
Net change in reserve for outstanding claims	(16,412)	(42,203)	(134)
Net change in policy reserves	(2,864,265)	(2,895,445)	(23,403)
Provision for interest on policyholder dividends	9	8	0
Provision for reserve for policyholder dividends	73,113	65,465	597
Net change in reserve for possible loan losses	(1,403)	2	(11)
Net change in reserve for bonuses	504	3,779	4
Net change in asset and liability for retirement benefits	7,055	(18,844)	58
Net change in reserve for employee stock ownership plan trust	(20)	(70)	(0)
Net change in reserve for management board benefit trust	186	(31)	2
Net change in reserve for reimbursement of deposits	(15,016)	(6,494)	(123)
Net change in reserve for insurance claims and others	(2,851)	(26,870)	(23)
Net change in reserve for price fluctuations	67,789	46,477	554
Interest income (accrual basis)	(1,369,735)	(1,198,391)	(11,192)
Interest expenses (accrual basis)	226,652	241,154	1,852
Net (gains) losses on securities	219,842	236,608	1,796
Net (gains) losses on money held in trust	(401,224)	(360,343)	(3,278)
Net (gains) losses on foreign exchanges	(1,105,269)	(469,687)	(9,031)
Net (gains) losses on sales and disposal of fixed assets	(17,070)	(4,081)	(139)
Net change in loans	248,159	268,257	2,028
Net change in deposits	3,746,412	6,606,901	30,610
Net change in borrowed money	1,686,100	3,907,400	13,776
Net change in call loans, etc.	(1,257,041)	(386,825)	(10,271)
Net change in receivables under securities borrowing transactions for banking business	—	112,491	—
Net change in call money, etc.	4,575,165	30,856	37,382
Net change in payables under securities lending transactions for banking business	9,894	(714,840)	81
Net change in foreign exchanges (assets)	(133,076)	66,622	(1,087)
Net change in foreign exchanges (liabilities)	182	3	1
Interest received (cash basis)	1,337,037	1,276,210	10,924
Interest paid (cash basis)	(343,003)	(429,822)	(2,803)
Other, net	(364,760)	(88,628)	(2,980)
Total adjustments	4,142,880	6,270,630	33,850
Net cash provided by operating activities	¥ 4,984,168	¥ 6,965,155	\$ 40,724

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2022 (From April 1, 2021 to March 31, 2022)	2021 (From April 1, 2020 to March 31, 2021)	2022 (From April 1, 2021 to March 31, 2022)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of call loans	¥ (7,600,000)	¥ (7,660,000)	\$ (62,097)
Proceeds from redemption of call loans	7,690,000	7,910,000	62,832
Net change in receivables under resale agreements	(2,096,833)	—	(17,132)
Net change in payables under repurchase agreements	2,570,899	—	21,006
Purchases of monetary claims bought	(384,982)	(1,434,928)	(3,146)
Proceeds from sale and redemption of monetary claims bought	621,790	1,476,386	5,080
Net change in receivables under securities borrowing transactions for life insurance business	2,585,087	606,623	21,122
Net change in payables under securities lending transactions for life insurance business	(2,350,772)	297,328	(19,207)
Purchases of securities	(44,871,665)	(33,050,485)	(366,629)
Proceeds from sale of securities	7,159,507	5,705,239	58,497
Proceeds from redemption of securities	38,079,332	28,137,974	311,131
Increase in money held in trust	(1,136,176)	(1,167,348)	(9,283)
Decrease in money held in trust	885,997	780,139	7,239
Payments for loans	(435,102)	(571,239)	(3,555)
Proceeds from collection of loans	1,146,131	1,269,999	9,365
Purchases of tangible fixed assets	(140,274)	(172,376)	(1,146)
Proceeds from sale of tangible fixed assets	45,991	18,540	376
Purchases of intangible assets	(63,516)	(54,472)	(519)
Proceeds from sale of stocks of subsidiaries and affiliates	—	7	—
Purchases of stocks of subsidiaries resulting in change in the scope of consolidation	(23,721)	—	(194)
Proceeds from purchase of stocks of subsidiaries resulting in change in the scope of consolidation	4,990	—	41
Payments for sale of stocks of subsidiaries resulting in change in the scope of consolidation	(30)	—	(0)
Proceeds from sale of stocks of subsidiaries resulting in change in the scope of consolidation	—	649	—
Other, net	(273,431)	(76,837)	(2,234)
Net cash provided by investing activities	¥ 1,413,220	¥ 2,015,201	\$ 11,547
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	¥ 89,187	¥ 186,728	\$ 729
Repayment of borrowings	(98,193)	(204,584)	(802)
Proceeds from issuance of bonds	—	198,798	—
Purchases of treasury stock	(345,450)	—	(2,823)
Purchases of treasury stock of subsidiaries	(548)	(295)	(4)
Proceeds from disposals of treasury stock of subsidiaries	52	71	0
Dividends paid	(202,176)	(101,257)	(1,652)
Dividends paid to non-controlling interests	(45,894)	(18,125)	(375)
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	1,189	12	10
Other, net	(19,205)	(10,766)	(157)
Net cash provided by financing activities	(621,040)	50,578	(5,074)
Effect of exchange rate changes on cash and cash equivalents	4,920	3,161	40
Net change in cash and cash equivalents	5,781,269	9,034,097	47,236
Cash and cash equivalents at the beginning of the fiscal year	62,637,954	53,603,857	511,790
Cash and cash equivalents at the end of the fiscal year (Note 3)	¥ 68,419,223	¥ 62,637,954	\$ 559,026

See the accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2022 AND 2021

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 ¥122.39 to U.S.\$1, the approximate rate of exchange as of March 31, 2022. 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, 2022 and 2021 include the accounts of the Company and its significant subsidiaries (collectively, the "Group").

A) Consolidated subsidiaries

The Company has 245 (259 in 2021) 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, 2022, JP Rakuten Logistics, Inc. and 4 other companies were included in the scope of consolidation due to their establishment. In addition, Yusen Real Estate Corporation was included in the scope of consolidation due to the acquisition of its stock. On the other hand, 10 subsidiaries of Toll Holdings Limited (changed its trade name to Toll Holdings Pty Limited on July 21, 2022, hereinafter referred to as "Toll") were excluded from the scope of consolidation due to their liquidation. In addition, Japan Hotel Service Co., Ltd. and 9 subsidiaries of Toll were excluded from the scope of consolidation due to the sale of their stock.

Yusen Real Estate Corporation changed its trade name to Japan Post Properties Co., Ltd. on April 1, 2022, and Japan Post Staff Co., Ltd. changed its trade name to Japan Post Corporate Service Co., Ltd. on June 1, 2022.

During the fiscal year ended March 31, 2021, 3 subsidiaries of Toll were included in the scope of consolidation due to their establishment. In addition, 1 subsidiary of Toll was excluded from the scope of consolidation due to liquidation, and 3 subsidiaries of Toll were excluded from the scope of consolidation due to the sale of its stock.

B) Non-consolidated subsidiaries

The Company has 6 (6 in 2021) non-consolidated subsidiaries, namely, silent partnership(s) investing in real estate, etc.

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 13 (15 in 2021) 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, 2022 and 2021, respectively.

During the fiscal year ended March 31, 2022, 2 affiliates of Toll were excluded from the scope of the equity method due to their liquidation.

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.

C) Non-consolidated subsidiaries that are not accounted for by the equity method

The Company has 6 (6 in 2021) non-consolidated subsidiaries that are not accounted for by the equity method, namely, silent partnership(s) investing in real estate, etc.

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

The Company has 2 affiliates (1 in 2021) that is not accounted for by the equity method, namely, BPO.MP COMPANY LIMITED and A.I. Squared, Inc. for the fiscal year ended March 31, 2022 and BPO.MP COMPANY LIMITED for the fiscal year ended March 31, 2021, 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	2022	2021
June 30	5 companies	5 companies
December 31	31 companies	30 companies
March 31	209 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.

In the fiscal year ended March 31, 2022, available-for-sale securities are carried at fair value and the cost of securities sold is calculated using mainly the moving-average method, while

stocks and other securities without market prices are carried at cost using the moving-average method. In the fiscal year ended March 31, 2021, 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 measured at fair value.

(5) Hedge Accounting

1) Hedge accounting for interest rate risks

The Group mainly applies 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 Group designates 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 Group applies 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 Group applies 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 Group applies portfolio hedges on the condition 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 Group designates 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 Group.

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 Group 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 ¥37 million (\$0 million) and ¥96 million for the fiscal years ended March 31, 2022 and 2021, 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.

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. 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 as of the fiscal year-end, 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 measures such as the cancellation of insurance policies 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 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 (7 years and 8 years for the fiscal years ended March 31, 2022 and 2021, 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 (7 years and 8 years for the fiscal years ended March 31, 2022 and 2021, 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) Recognition of Significant Revenue and Expenses

In relation to recognition of revenue from contracts with customers, the nature of principal performance obligations for major businesses of the Group and typical timing of the satisfaction of those performance obligations (i.e., typical timing of revenue recognition) are as follows:

- 1) Revenue from post and parcels in the postal and domestic logistics business

In the postal and domestic logistics business, postal services are provided fairly at a flat rate nationwide. As logistics services, transportation services such as parcel delivery (Yu-Pack, etc.) and mail delivery (Yu-Mail, etc.) are provided.

Performance obligations underlying revenue from post and parcels in the postal and domestic business are satisfied over time from undertaking of the item to the completion of delivery. Therefore, revenue is recognized by measuring progress toward complete satisfaction of a performance obligation.

- 2) Revenue from catalogue sales, etc.

In the post office business, the Group engages in sale of regional specialty products and other goods using catalogs and other media as well as sale of related rights; sale of goods and provision of services including sale of original postage stamps, printing of new year's postcards, sale of stationery and other items at post offices and other channels.

The Group recognizes revenue from catalogue sales, etc., when goods and others are transferred to customers because that is when the customer has obtained control of the goods and others and performance obligations are deemed to be satisfied. Revenue from sales of goods and others in which the Group is deemed to be an agent is recognized at the net amount after deducting corresponding payments to suppliers.

- 3) Revenue from the international logistics business

In the international logistics business, the Group engages in a full line of international cargo transportation, mainly export and import from Asia and Oceania (hereinafter the "forwarding business"); as well as transportation and warehouse management and logistics and other services in the fields of resources and government contracts in Asia and Oceania (hereinafter the "logistics business").

Performance obligations underlying revenue from the forwarding business are satisfied over the contractual transportation period. Therefore, revenue is recognized by measuring progress toward complete satisfaction of a performance obligation. On the other hand, the Group recognizes revenue from the logistics business when the provision of services to customers is completed, because that is when performance obligations are deemed to be satisfied.

(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 tax sharing system) The Company and some of its consolidated subsidiaries plan to transfer from the consolidated tax payment system to the group tax sharing system from the fiscal year ending March 31, 2023. However, with regard to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Tax Payment 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 tax sharing system and related amendments of tax laws for transitioning to the single tax payment system.

In addition, from the beginning of the fiscal year ending March 31, 2023, the Group plans to apply "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which prescribes accounting treatments and presentation of corporate taxes, local corporate taxes and tax effect accounting when adopting the group tax sharing system.

(24) Changes in Accounting Policies

For the fiscal year ended March 31, 2022

- 1) Application of the Accounting Standard for Revenue Recognition The Company has applied "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); hereinafter referred to as "Revenue Recognition Accounting Standard" from the beginning of the fiscal year ended March 31, 2022. Under Revenue Recognition Accounting Standard, the Company recognizes revenue at the time when control over the promised goods or services are transferred to the customer, in an amount equal to the consideration expected to be received for the said goods or services. Previously, revenue from post and parcels in the

postal and domestic logistics business had been recognized at the time of acceptance, but pursuant to the application of Revenue Recognition Accounting Standard, revenue is now recognized over the period from the time of acceptance to the time when delivery is completed. Moreover, revenue from catalogue sales, etc., in the post office business, the full amount of the consideration received from customers had previously been recognized as revenue, but pursuant to the application of Revenue Recognition Accounting Standard, these are treated as transactions undertaken as an agent, and the net amount after deducting corresponding payments to suppliers is recognized as revenue.

In applying the Revenue Recognition Accounting Standard, the Company has followed the transitional treatment stipulated under the proviso of Paragraph 84 of Revenue Recognition Accounting Standard, adjusting retained earnings at the beginning of the fiscal year ended March 31, 2022 to account for the cumulative effect of retrospective application of the new accounting policy prior to that time, and applying the new accounting policy from the adjusted balance.

As a result, other assets decreased by ¥5,024 million (\$41 million), while other liabilities increased by ¥1,649 million (\$13 million) in the consolidated balance sheets as of March 31, 2022 compared to the method before applying the Revenue Recognition Accounting Standard. In addition, income and expenses decreased by ¥62,793 million (\$513 million) and ¥60,854 million (\$497 million), respectively, while income before income taxes decreased by ¥1,938 million (\$16 million) in the consolidated statements of income for the fiscal year ended March 31, 2022.

In the consolidated statements of cash flows for the fiscal year ended March 31, 2022, income before income taxes decreased by ¥1,938 million (\$16 million), and "Other, net" under cash flows from operating activities increased by the same amount.

As a result of reflecting the cumulative effects in net assets at the beginning of the fiscal year ended March 31, 2022, the beginning balance of retained earnings in the consolidated statements of changes in net assets decreased by ¥4,972 million (\$41 million).

The impact of this change on per share data is stated in the relevant note.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes pertaining to the fiscal year ended March 31, 2021 are not presented in Note 28 "REVENUE RECOGNITION."

2) Application of the Accounting Standard for Fair Value Measurement

The Company has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as "Fair Value Measurement Accounting Standard") and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) from the beginning of the fiscal year ended March 31, 2022.

Pursuant to this application, the valuation method for shares with a market price has been changed from fair value based on the average market price, etc., over the month prior to fiscal closing, to fair value based on market price, etc. on the fiscal closing day. The Company has applied the new accounting policy prospectively from the beginning of the fiscal year ended March 31, 2022, in accordance with the transitional treatment prescribed under Paragraph 19 of Fair Value Measurement Accounting Standard and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

In addition, the Company includes notes on fair value information by level within the fair value hierarchy in Note 21 "FINANCIAL INSTRUMENTS." However, in accordance with the transitional treatment set forth in Paragraph 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020), notes pertaining to the fiscal year ended March 31, 2021 are not presented.

(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, 2022 and 2021 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Securities	¥ 193,172,232	¥ 193,703,491	\$ 1,578,333

B) Information that will facilitate the understanding of significant accounting estimates related to identified items

(i) Calculation method and principal assumptions

For bonds, the Group uses the Reference Statistical Prices for OTC Bond Transactions published by the Japan Securities Dealers Association, the comparable price method, or the price provided by third parties such as outside vendors and brokers, etc., as the fair value. The Group uses the funds' unit price for investment trust as the fair value. Key assumptions for the comparable price method, or the price provided by third parties are inputs used for fair value measurement which include directly or indirectly observable inputs in the markets such as yield curves, spreads estimated based on the prices of similar securities, as well as inputs that are unobservable in the markets containing 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.

2) Estimates on retirement benefit obligations

A) Amounts recorded in the consolidated financial statements as of March 31, 2022 and 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

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

1. Overview

The handling of the calculation of and notes on fair value of investment trusts and notes on the fair value of investments in partnerships whose net amount equivalent to equity interest is listed on the balance sheets are stipulated.

2. Effective date

Effective from the beginning of the fiscal year ending March 31, 2023.

3. Effects of application of the accounting standards, etc.

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

(27) Changes in Accounting Estimates

The Company has changed the amortization period of actuarial differences and prior service cost concerning the Company's share of public service pension from 8 years to 7 years from the fiscal year ended March 31, 2022, due to a decrease in the estimated average remaining payment period for eligible personnel.

As a result of this change, expenses decreased by ¥3,736 million (\$31 million), while income before income taxes each increased the same amount for the fiscal year ended March 31, 2022.

(28) 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.

(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 ¥507 million (\$4 million) and ¥697 million, and the number of shares of the treasury stock was 375 thousand shares and 496 thousand shares as of March 31, 2022 and 2021, 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

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
	2022	2021	2022
Cash and due from banks	¥ 68,502,665	¥ 62,719,113	\$ 559,708
Negotiable certificates of deposit of the banking subsidiary included in "Cash and due from banks"	(65,000)	(65,000)	(531)
Negotiable certificates of deposit included in "Securities"	15,000	15,000	123
Deposits with maturities of more than three months	(200)	(200)	(2)
Bank overdrafts included in "Borrowed money"	(33,241)	(30,958)	(272)
Cash and cash equivalents at the end of the fiscal year	¥ 68,419,223	¥ 62,637,954	\$ 559,026

4. SECURITIES

(1) Securities

Securities as of March 31, 2022 and 2021 consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Stocks and investments in capital ¹	¥ 643,736	¥ 655,570	\$ 5,260
Japanese government bonds ²	86,668,741	87,839,149	708,136
Japanese local government bonds	10,053,341	11,087,322	82,142
Japanese corporate bonds	15,419,430	16,340,226	125,986
Other ²	80,386,982	77,781,222	656,810
Total	¥ 193,172,232	¥ 193,703,491	\$ 1,578,333

Notes:

1. Stocks and investments in capital include investments in non-consolidated subsidiaries and affiliates of ¥18,852 million (\$154 million) and ¥16,298 million as of March 31, 2022 and 2021, respectively.

2. Unsecured and secured loaned securities for which borrowers have the right to sell or pledge in the amount of ¥3,657,589 million (\$29,885 million) and ¥3,353,931 million were included in Japanese government bonds and other in "Securities" as of March 31, 2022 and 2021, respectively. Securities borrowed under resale agreements, etc., for which the Group has the right to sell or pledge amounted to ¥4,904,839 million (\$40,075 million) and ¥4,804,159 million for securities held at the end of the fiscal year without being sold or pledged as of March 31, 2022 and 2021, respectively.

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 year ended March 31, 2021, the Company recorded the refund of premiums and the 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 from reserve for insurance claims and others at the end of the previous fiscal year, and a reversal of ¥5,280 million, as a result of reflecting the progress in the investigation of insurance policies in accounting estimates. Consequently, reserve for insurance claims and others stood at ¥2,851 million as of March 31, 2021. 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 statement of income for the year ended March 31, 2021.

(2) Policy-Reserve-Matching Bonds

The consolidated balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2022 and 2021 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Consolidated balance sheet amount	¥ 8,604,735	¥ 9,382,446	\$ 70,306
Fair value	9,106,029	10,158,590	74,402

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 (all insurance policies)
- Japan Post Insurance life insurance contracts (general) (all insurance policies)
- Japan Post Insurance life insurance contracts (lump-sum payment annuity) (excluding some insurance types)

The remaining period of insurance contracts comprising the sub-group Postal Life Insurance Contracts used to be within 30 years, but has been eliminated from the beginning of the fiscal year ended March 31, 2022, as the issuance of 30- and 40-year Japanese government bonds has stably expanded to facilitate possession of super long-term bonds and duration gap adjustment of longer-term insurance contracts. This change has no impact on profit or loss.

(3) Fair Value Information on Securities and Policy-Reserve-Matching Bonds

The amounts shown in the following tables include negotiable certificates of deposit included in "Cash and due from banks", and "Monetary claims bought", in addition to "Securities."

1) Held-to-maturity bonds

(Millions of Yen)

March 31	2022				
	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	¥ 44,120,448	¥ 47,893,013	¥ 3,772,564	¥ 4,055,385	¥ (282,821)
Japanese local government bonds	5,974,587	6,115,606	141,019	166,055	(25,035)
Japanese corporate bonds	5,291,974	5,339,471	47,496	82,156	(34,659)
Other	1,808,495	1,808,575	80	14,140	(14,059)
Total	¥ 57,195,506	¥ 61,156,667	¥ 3,961,161	¥ 4,317,737	¥ (356,576)

(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 U.S. Dollars)

March 31	2022				
	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	\$ 360,491	\$ 391,315	\$ 30,824	\$ 33,135	\$ (2,311)
Japanese local government bonds	48,816	49,968	1,152	1,357	(205)
Japanese corporate bonds	43,239	43,627	388	671	(283)
Other	14,776	14,777	1	116	(115)
Total	\$ 467,322	\$ 499,687	\$ 32,365	\$ 35,279	\$ (2,913)

2) Policy-reserve-matching bonds

(Millions of Yen)

March 31	2022				
	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	¥ 6,867,049	¥ 7,378,646	¥ 511,597	¥ 570,710	¥ (59,113)
Japanese local government bonds	545,525	556,796	11,271	14,280	(3,008)
Japanese corporate bonds	1,192,160	1,170,585	(21,574)	8,111	(29,686)
Total	¥ 8,604,735	¥ 9,106,029	¥ 501,294	¥ 593,102	¥ (91,808)

(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 U.S. Dollars)

March 31	2022				
	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	\$ 56,108	\$ 60,288	\$ 4,180	\$ 4,663	\$ (483)
Japanese local government bonds	4,457	4,549	92	117	(25)
Japanese corporate bonds	9,741	9,564	(176)	66	(243)
Total	\$ 70,306	\$ 74,402	\$ 4,096	\$ 4,846	\$ (750)

3) Available-for-sale securities

(Millions of Yen)

March 31	2022				
	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	¥ 573,901	¥ 531,521	¥ 42,379	¥ 79,674	¥ (37,294)
Bonds	48,149,767	48,072,516	77,251	421,231	(343,980)
Japanese government bonds	35,681,243	35,622,586	58,656	374,120	(315,463)
Japanese local government bonds	3,533,229	3,527,097	6,131	8,681	(2,549)
Japanese short-term corporate bonds	1,434,510	1,434,510	—	—	—
Japanese corporate bonds	7,500,784	7,488,322	12,462	38,429	(25,966)
Other	76,234,362	74,575,964	1,658,397	2,021,909	(363,511)
Of which: foreign bonds	26,883,156	25,313,612	1,569,543	1,695,837	(126,293)
Of which: investment trusts	48,416,809	48,328,504	88,304	324,242	(235,937)
Total	¥ 124,958,031	¥ 123,180,003	¥ 1,778,028	¥ 2,522,815	¥ (744,786)

(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 U.S. Dollars)

March 31	2022				
	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	\$ 4,689	\$ 4,343	\$ 346	\$ 651	\$ (305)
Bonds	393,413	392,781	631	3,442	(2,811)
Japanese government bonds	291,537	291,058	479	3,057	(2,578)
Japanese local government bonds	28,869	28,819	50	71	(21)
Japanese short-term corporate bonds	11,721	11,721	—	—	—
Japanese corporate bonds	61,286	61,184	102	314	(212)
Other	622,881	609,331	13,550	16,520	(2,970)
Of which: foreign bonds	219,652	206,827	12,824	13,856	(1,032)
Of which: investment trusts	395,594	394,873	721	2,649	(1,928)
Total	\$ 1,020,982	\$ 1,006,455	\$ 14,528	\$ 20,613	\$ (6,085)

- 4) Held-to-maturity bonds sold for the fiscal years ended March 31, 2022 and 2021
There were no held-to-maturity bonds sold for the fiscal years ended March 31, 2022 and 2021.
- 5) Policy-reserve-matching bonds sold for the fiscal years ended March 31, 2022 and 2021

(Millions of Yen)

Year ended March 31	2022		
	Sales	Gains	Losses
Bonds	¥ 428,238	¥ 6,800	¥ —
Japanese government bonds	428,238	6,800	—
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Total	¥ 428,238	¥ 6,800	¥ —

(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 U.S. Dollars)

Year ended March 31	2022		
	Sales	Gains	Losses
Bonds	\$ 3,499	\$ 56	\$ —
Japanese government bonds	3,499	56	—
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Total	\$ 3,499	\$ 56	\$ —

- 6) Available-for-sale securities sold for the fiscal years ended March 31, 2022 and 2021

(Millions of Yen)

Year ended March 31	2022		
	Sales	Gains	Losses
Stocks	¥ 60,961	¥ 9,979	¥ (3,071)
Bonds	2,045,311	1,351	(31,276)
Japanese government bonds	1,800,690	1,250	(30,184)
Japanese local government bonds	91,010	32	(119)
Japanese corporate bonds	153,610	68	(972)
Other	4,624,469	65,657	(259,717)
Of which: foreign bonds	3,731,655	19,052	(77,793)
Of which: investment trusts	892,813	46,605	(181,923)
Total	¥ 6,730,742	¥ 76,989	¥ (294,065)

(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 local government bonds	—	—	—
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 U.S. Dollars)

Year ended March 31	2022		
	Sales	Gains	Losses
Stocks	\$ 498	\$ 82	\$ (25)
Bonds	16,711	11	(256)
Japanese government bonds	14,713	10	(247)
Japanese local government bonds	744	0	(1)
Japanese corporate bonds	1,255	1	(8)
Other	37,785	536	(2,122)
Of which: foreign bonds	30,490	156	(636)
Of which: investment trusts	7,295	381	(1,486)
Total	\$ 54,994	\$ 629	\$ (2,403)

- 7) Securities that incurred impairment losses

For securities other than trading securities (excluding stocks without market prices and investments in partnerships, etc.), 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 sheets and charges valuation differences as losses in the fiscal year in which they are recognized. Impairment losses amounted to ¥876 million (\$7 million) for the fiscal year ended March 31, 2022. No impairment losses were recognized for the fiscal year ended March 31, 2021.

- (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, 2022 and 2021, respectively.

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

(Millions of Yen)

March 31	2022				
	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	¥ 7,873,224	¥ 5,555,610	¥ 2,317,614	¥ 2,434,352	¥ (116,738)

(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 U.S. Dollars)

March 31	2022				
	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	\$ 64,329	\$ 45,393	\$ 18,936	\$ 19,890	\$ (954)

Notes:

1. For securities with market quotations included as trust assets in "Money Held in Trust Classified as Other than Trading or Held-to-Maturity" (excluding stocks without market prices and investments in partnerships, etc., for the fiscal year ended March 31, 2022; excluding financial instruments for which fair values were extremely difficult to determine for the fiscal year ended March 31, 2021), 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 sheets and charges valuation differences as losses in the fiscal year in which they are recognized. Impairment losses amounted to ¥10,124 million (\$83 million) and ¥18,813 million for the fiscal years ended March 31, 2022 and 2021, respectively.

2. "Money held in trust classified as other than trading or held-to-maturity" include investment in non-consolidated subsidiaries of ¥25,401 million (\$208 million) and ¥25,531 million as of March 31, 2022 and 2021, respectively.

5. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of March 31, 2022 and 2021 consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Assets pledged as collateral:			
Securities	¥ 30,906,567	¥ 24,397,199	\$ 252,525
Liabilities corresponding to assets pledged as collateral:			
Deposits	608,469	754,882	4,972
Payables under repurchase agreements	22,032,546	14,886,481	180,019
Payables under securities lending transactions	3,751,134	6,092,013	30,649
Borrowed money	5,603,600	3,917,500	45,785

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, 2022 and 2021:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Assets pledged as collateral:			
Securities	¥ 3,142,273	¥ 3,389,644	\$ 25,674

"Other assets" include margins for future transactions, guarantee deposits, margins with central counterparty and cash collateral paid for financial instruments as of March 31, 2022 and 2021 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Other assets:			
Margins for future transactions	¥ 158,969	¥ 152,034	\$ 1,299
Guarantee deposits	21,242	18,041	174
Margins with central counterparty	527,199	679,900	4,308
Cash collateral paid for financial instruments	743,560	324,835	6,075

6. LOANS

Receivables based on the Banking Act and the Act on Emergency Measures for the Revitalization of Financial Functions as of March 31, 2022 and 2021 were as follows. The receivables consist of those recorded in the consolidated balance sheets as bonds in "Securities" (limited to those guaranteeing all or a part of principal and interest, and offered through private placement in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), "Loans," "Foreign exchanges," accrued interest and suspense payments in "Other assets" and customers' liabilities for acceptance and guarantees; as well as securities in case of loaned securities (limited to those based on loan for use and lease contracts) in the notes.

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Claims provable in bankruptcy	¥ —	¥ —	\$ —
Doubtful receivables	0	—	0
Past-due loans for three months or more	—	—	—
Restructured loans	—	—	—
Total	¥ 0	¥ —	\$ 0

Note: The above loan amounts are stated before deduction of reserve for possible loan losses.

(Changes in presentation method)

"Cabinet Office Order Partially Amending the Regulation for Enforcement of the Banking Act, etc." (Cabinet Office Ordinance No. 3, January 24, 2020) became effective on March 31, 2022. Accordingly, the classification of risk management loans and other items under the Banking Act are presented in accordance with the classification of receivables requiring disclosure based on the Act on Emergency Measures for the Revitalization of Financial Functions and other requirements.

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, 2022 and 2021 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Amount of unused commitments on loans	¥ 54,579	¥ 68,149	\$ 446
Of which: unused commitments with a term of less than one year or that may be cancelled unconditionally at any point of time	20,221	35,500	165

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, 2022 and 2021 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Amount of unused commitments on loans	¥ 25,367	¥ 24,863	\$ 207

7. TANGIBLE FIXED ASSETS

(1) Accumulated Depreciation

Accumulated depreciation as of March 31, 2022 and 2021 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Accumulated depreciation	¥ 1,702,779	¥ 1,640,553	\$ 13,913

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, 2022 and 2021 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Deferred gains on tangible fixed assets not recognized for tax purposes	¥ 89,959	¥ 89,252	\$ 735
Of which: deferred during the fiscal year	80	536	1

(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
	2022	2021	2022
Net rent income (losses) ¹	¥ 14,280	¥ 11,525	\$ 117
Net gains (losses) on sales ²	7,377	2,025	60
Losses on impairment ³	4,295	15,295	35
Other losses ³	302	3,733	2

Notes:

- Majority of rent income is recorded under other income, and majority of rent expenses are recorded under depreciation and amortization.
- Gains on sales are recorded under other income, and losses on sales are recorded under other expenses.
- 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
	2022	2021	2022
Consolidated balance sheet amount ¹			
Balance at the beginning of the fiscal year	¥ 492,202	¥ 485,565	\$ 4,022
Net change during the fiscal year	36,920	6,636	302
Balance at the end of the fiscal year	¥ 529,122	¥ 492,202	\$ 4,323
Fair value at the end of the fiscal year ²	¥ 744,486	¥ 675,970	\$ 6,083

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 ¥216,418 million (\$1,768 million) and ¥173,191 million as of March 31, 2022 and 2021, 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 ¥525 million (\$4 million) and ¥418 million as of March 31, 2022 and 2021, respectively.

Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance were ¥907 million (\$7 million) and ¥935 million as of March 31, 2022 and 2021, 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 ¥33,449 million (\$273 million) and ¥33,629 million as of March 31, 2022 and 2021, 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, 2022 and 2021 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Balance at the beginning of the fiscal year	¥ 1,342,855	¥ 1,437,535	\$ 10,972
Policyholder dividends paid	(155,691)	(159,817)	(1,272)
Interest accrual, etc.	9	8	0
Reduction due to the acquisition of additional annuity	(278)	(336)	(2)
Provision for reserve for policyholder dividends	73,113	65,465	597
Balance at the end of the fiscal year	¥ 1,260,009	¥ 1,342,855	\$ 10,295

11. BORROWED MONEY AND LEASE OBLIGATIONS

Borrowed money and lease obligations as of March 31, 2022 and 2021 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate ¹	Due
	2022	2021	2022		2022
Borrowed money	¥ 5,942,886	¥ 4,228,180	\$ 48,557	0.07%	—
Borrowings	5,942,886	4,228,180	48,557	0.07%	April 2022–March 2028
Lease obligations	126,147	193,084	1,031	—	April 2022–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, ¥5,603,600 million (\$45,785 million) and ¥3,917,500 million were without interest as of March 31, 2022 and 2021, respectively.
- 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.
- 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, 2022 was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 5,912,113	\$ 48,306
Due after 1 year through 2 years	7,102	58
Due after 2 years through 3 years	7,155	58
Due after 3 years through 4 years	5,800	47
Due after 4 years through 5 years	880	7
Thereafter	9,835	80
Total	¥ 5,942,886	\$ 48,557

The repayment schedule on lease obligations as of March 31, 2022 was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 16,766	\$ 137
Due after 1 year through 2 years	13,225	108
Due after 2 years through 3 years	12,050	98
Due after 3 years through 4 years	10,054	82
Due after 4 years through 5 years	6,080	50
Thereafter	67,969	555
Total	¥ 126,147	\$ 1,031

12. BONDS

Bonds as of March 31, 2022 and 2021 were as follows:

Issuer	Description	Issue	Millions of Yen		Millions of U.S. Dollars	Interest rate	Due
			2022	2021	2022		
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	\$ 817	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	¥ 200,000	\$ 1,634	1.05% ⁴	January 28, 2051
		Total	¥ 300,000	¥ 300,000	\$ 2,451		

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, 2022 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	2,451
Total	¥ 300,000	\$ 2,451

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 4.9%.

(3) Changes in Asset Retirement Obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Balance at the beginning of the fiscal year	¥ 38,659	¥ 30,239	\$ 316
Obligations incurred due to acquisition of tangible fixed assets	1,611	736	13
Obligations incurred by acquisition of consolidated subsidiaries	4,900	—	40
Time progress adjustments	51	30	0
Changes in estimates	2,864	10,576	23
Obligations settled	(8,100)	(3,407)	(66)
Other	(2,842)	483	(23)
Balance at the end of the fiscal year	¥ 37,143	¥ 38,659	\$ 303

(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, 2022 and 2021, respectively.

As a result, Changes in estimates of ¥2,864 million (\$23 million) and ¥10,576 million have been added to the amounts of asset retirement obligations.

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 ¥10,355 million (\$85 million) and ¥10,532 million for the fiscal years ended March 31, 2022 and 2021, respectively.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Balance at the beginning of the fiscal year	¥ 2,497,192	¥ 2,557,296	\$ 20,404
Service cost	111,924	113,426	914
Interest cost	16,267	16,530	133
Actuarial differences	(9,742)	(16,290)	(80)
Benefits paid	(146,738)	(135,952)	(1,199)
Prior service cost	(408)	(37,817)	(3)
Other	268	—	2
Balance at the end of the fiscal year	¥ 2,468,764	¥ 2,497,192	\$ 20,171

(*) 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
	2022	2021	2022
Balance at the beginning of the fiscal year	¥ 351,103	¥ 392,362	\$ 2,869
Expected return on plan assets	820	902	7
Actuarial differences	(1,879)	(862)	(15)
Contributions paid by the employer	236	236	2
Benefits paid	(34,927)	(41,536)	(285)
Balance at the end of the fiscal year	¥ 315,352	¥ 351,103	\$ 2,577

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Funded retirement benefit obligations	¥ 245,834	¥ 287,086	\$ 2,009
Share of public service pension	240,665	281,512	1,966
Share of another public service pension	219	318	2
Corporate pension plan	4,949	5,255	40
Plan assets	(315,352)	(351,103)	(2,577)
Share of public service pension	(308,792)	(344,380)	(2,523)
Share of another public service pension	(97)	(150)	(1)
Corporate pension plan	(6,462)	(6,571)	(53)
	(69,517)	(64,017)	(568)
Unfunded retirement benefit obligations	2,222,929	2,210,106	18,163
Lump-sum severance indemnity	2,222,929	2,210,106	18,163
Net liability (asset) for retirement benefits	¥ 2,153,412	¥ 2,146,089	\$ 17,595
Liability for retirement benefits	¥ 2,223,051	¥ 2,210,273	\$ 18,164
Asset for retirement benefits	(69,639)	(64,184)	(569)
Net liability (asset) for retirement benefits	¥ 2,153,412	¥ 2,146,089	\$ 17,595

4) Retirement benefit costs

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Service cost	¥ 111,924	¥ 113,426	\$ 914
Interest cost	16,267	16,530	133
Expected return on plan assets	(820)	(902)	(7)
Amortization of actuarial differences	(21,651)	(19,740)	(177)
Amortization of prior service cost	(24,206)	(36,361)	(198)
Other	(149)	(117)	(1)
Total	¥ 81,365	¥ 72,834	\$ 665

5) Adjustments for retirement benefits (before tax effect)

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Prior service cost	¥ (23,797)	¥ 1,455	\$ (194)
Actuarial differences	(13,788)	(4,311)	(113)
Total	¥ (37,586)	¥ (2,856)	\$ (307)

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Unrecognized prior service cost	¥ 112,619	¥ 136,639	\$ 920
Unrecognized actuarial differences	59,356	72,862	485
Total	¥ 171,976	¥ 209,501	\$ 1,405

7) Plan assets

March 31	2022	2021
Bonds	76%	80%
Stocks	1	0
Life insurance general account	0	0
Other	23	20
Total	100%	100%

Note: The percentage of retirement benefit trusts to total plan assets were 98% and 98% as of March 31, 2022 and 2021, respectively, which were set up for the Company's share of public service pensions.

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, 2022 and 2021 were as follows:

Years ended March 31	2022	2021
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 ¥11,534 million (\$94 million) and ¥15,178 million for the fiscal years ended March 31, 2022 and 2021, 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, 2022 and 2021 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Policy reserves (excluding contingency reserve)	¥ 29,331,229	¥ 31,408,726	\$ 239,654
Contingency reserve	1,203,243	1,129,662	9,831
Reserve for price fluctuations	695,157	655,111	5,680

16. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Liability for retirement benefits	¥ 751,476	¥ 759,456	\$ 6,140
Policy reserves	1,026,908	1,011,450	8,390
Reserve for outstanding claims	38,057	38,126	311
Reserve for bonuses	38,909	38,592	318
Reserve for price fluctuations	248,305	223,044	2,029
Deferred losses on hedges	240,095	167,565	1,962
Tax losses carried forward*	677,378	509,210	5,535
Other	233,959	224,652	1,912
Subtotal deferred tax assets	3,255,090	2,972,099	26,596
Valuation allowance for tax losses carried forward*	(677,301)	(509,018)	(5,534)
Valuation allowance for deductible temporary differences	(801,120)	(829,065)	(6,546)
Total valuation allowance	(1,478,421)	(1,338,083)	(12,080)
Total deferred tax assets	1,776,668	1,634,016	14,516
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(1,059,628)	(1,530,022)	(8,658)
Unrealized gains on assets and liabilities of the consolidated subsidiaries	(4,209)	(5,075)	(34)
Other	(57,859)	(23,871)	(473)
Total deferred tax liabilities	(1,121,697)	(1,558,969)	(9,165)
Net deferred tax assets (liabilities)	¥ 654,971	¥ 75,047	\$ 5,352

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						
	2022						
	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	¥ 5,467	¥ 3,647	¥ 189,180	¥ 10,175	¥ 8,300	¥ 460,607	¥ 677,378
Valuation allowance	(5,421)	(3,647)	(189,180)	(10,175)	(8,300)	(460,575)	(677,301)
Deferred tax assets	¥ 45	¥ —	¥ —	¥ —	¥ —	¥ 31	¥ 77

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 U.S. Dollars						
	2022						
	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	\$ 45	\$ 30	\$ 1,546	\$ 83	\$ 68	\$ 3,763	\$ 5,535
Valuation allowance	(44)	(30)	(1,546)	(83)	(68)	(3,763)	(5,534)
Deferred tax assets	\$ 0	\$ —	\$ —	\$ —	\$ —	\$ 0	\$ 1

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, 2022 and 2021, 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, 2022 and 2021 were as follows:

Years ended March 31	2022	2021
Statutory tax rate	30.6%	30.6%
Income not taxable for income tax purposes (e.g., non-taxable dividend income)	(1.5)	(0.5)
Changes in valuation allowance	21.2	15.3
Adjustment of book value of stocks of subsidiaries for consolidated tax payment system	(23.7)	—
Tax allowances for loss on valuation of stocks of subsidiaries and affiliates	—	(18.2)
Other	(0.2)	(0.5)
Effective income tax rate	26.5%	26.8%

17. NET ASSETS

(1) Class and Number of Shares Authorized and Issued

Year ended March 31, 2022	Thousands of shares			
	April 1, 2021	Increase	Decrease	March 31, 2022
Shares authorized:				
Common stock	18,000,000	—	—	18,000,000
Shares issued:				
Common stock	4,500,000	—	732,129	3,767,870

Note: The decrease of 732,129 thousand shares issued is due to the cancellation of treasury stock.

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

(2) Class and Number of Treasury Stock

Year ended March 31, 2022	Thousands of shares			
	April 1, 2021	Increase ²	Decrease ²	March 31, 2022 ¹
Treasury stock:				
Common stock	456,635	381,134	732,250	105,519

Notes:

1. The number of treasury stock at the beginning of the fiscal year includes the shares of the Company held by the management board benefit trust of 496 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 375 thousand shares.

2. The increase of 381,134 thousand shares of treasury stock is due to 276,090 thousand shares repurchased on June 11, 2021 based on the resolution of the Board of Directors' meeting held on June 10, 2021; 105,043 thousand shares repurchased from November 1, 2021 to March 31, 2022 based on the resolution of the Board of Directors' meeting held on October 6, 2021; and the purchase of shares less than one unit of 0 thousand shares. The decrease of 732,250 thousand shares of treasury stock is due to the cancellation of treasury stock of 732,129 thousand shares and the benefits paid of the shares of the Company by the management board benefit trust of 120 thousand shares.

The acquisition of treasury stock based on the resolution of the Board of Directors' meeting held on October 6, 2021 was completed on April 7, 2022. The number of treasury stock repurchased from April 1, 2022 to April 7, 2022 was 5,028 thousand shares.

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:

1. The number of treasury stock at the beginning of the fiscal year includes the shares of the Company held by the management board benefit trust of 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.

2. The 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.

(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, 2022

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 14, 2021	Common stock	¥ 202,193	\$ 1,652	¥ 50.00	\$ 0.41	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.

Dividends paid for the fiscal year ended March 31, 2021

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, 2020 ¹	Common stock	¥ 101,096	¥ 25.00	March 31, 2020	June 18, 2020

Note: The total amount of dividends includes dividends of ¥13 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, 2022

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 13, 2022	Common stock	¥ 183,136	\$ 1,496	Retained earnings	¥ 50.00	\$ 0.41	March 31, 2022	June 20, 2022

Note: The total amount of dividends includes dividends of ¥18 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, 2022 and 2021 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Gains on sales of fixed assets	¥ 21,639	¥ 7,243	\$ 177
Compensation for transfer	1,185	1,482	10
Insurance claim income	4,383	1,973	36
Compensation income	—	1,795	—
Other	148,611	212,450	1,214
Total	¥ 175,820	¥ 224,945	\$ 1,437

19. OTHER EXPENSES

Other expenses for the fiscal years ended March 31, 2022 and 2021 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Losses on sales and disposal of fixed assets	¥ 4,609	¥ 3,259	\$ 38
Losses on impairment of fixed assets ³	11,280	93,545	92
Provision for reserve for price fluctuation	67,789	46,477	554
Losses on sale of businesses	10,898	—	89
Post office refurbishment expenses ¹	—	4,915	—
Provision for reserve for policyholder dividends ²	73,113	65,465	597
Other	201,899	243,230	1,650
Total	¥ 369,591	¥ 456,893	\$ 3,020

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 ¥54,849 million (\$448 million) and ¥46,710 million for the fiscal years ended March 31, 2022 and 2021, 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 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

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, 2022 and 2021 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ (1,543,827)	¥ 4,650,472	\$ (12,614)
Reclassification adjustments	(183,633)	(247,731)	(1,500)
Before tax effect adjustments	(1,727,460)	4,402,741	(14,114)
Tax effect	517,395	(1,286,561)	4,227
Net unrealized gains (losses) on available-for-sale securities	(1,210,064)	3,116,179	(9,887)
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	(442,446)	(176,864)	(3,615)
Reclassification adjustments	201,500	114,065	1,646
Adjustments of assets' acquisition costs	(1,239)	(1,701)	(10)
Before tax effect adjustments	(242,186)	(64,500)	(1,979)
Tax effect	72,850	22,568	595
Net deferred gains (losses) on hedges	(169,335)	(41,932)	(1,384)
Foreign currency translation adjustments:			
Amount arising during the fiscal year	(12,886)	(12,539)	(105)
Reclassification adjustments	5,115	—	42
Before tax effect adjustments	(7,771)	(12,539)	(63)
Tax effect	—	—	—
Foreign currency translation adjustments	(7,771)	(12,539)	(63)
Adjustments for retirement benefits:			
Amount arising during the fiscal year	8,220	51,264	67
Reclassification adjustments	(45,806)	(54,120)	(374)
Before tax effect adjustments	(37,586)	(2,856)	(307)
Tax effect	1,061	(406)	9
Adjustments for retirement benefits	(36,525)	(3,262)	(298)
Share of other comprehensive loss of affiliates:			
Amount arising during the fiscal year	0	(7)	0
Reclassification adjustments	—	3	—
Before tax effect adjustments	0	(3)	0
Tax effect	—	—	—
Share of other comprehensive loss of affiliates	0	(3)	0
Total other comprehensive income (loss)	¥ (1,423,696)	¥ 3,058,441	\$ (11,632)

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 ¥3,853,231 million (\$31,483 million) and ¥3,689,515 million as of March 31, 2022 and 2021, 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, 2022 and 2021 are as follows.

For the fiscal year ended March 31, 2022, stocks without market prices and investments in partnerships, etc. (for the fiscal year ended March 31, 2021, financial instruments for which fair values were extremely difficult to determine) are not included in the table below (see Notes 1 and 2 below).

Notes regarding cash and due from banks, call loans, receivables under resale agreements, receivables under securities borrowing transactions, payables under repurchase agreements and payables under securities lending transactions have been omitted, as these instruments are settled over a short-term, and their carrying amounts approximate their fair values.

Application of the Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" from the beginning of the fiscal year ended March 31, 2022.

(Millions of Yen)

March 31	2022		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Monetary claims bought	¥ 436,845	¥ 436,845	¥ —
2) Trading account securities			
Trading securities	11	11	—
3) Money held in trust	7,873,224	7,873,224	—
4) Securities			
Held-to-maturity bonds	57,195,506	61,141,595	3,946,089
Policy-reserve-matching bonds	8,604,735	9,106,029	501,294
Available-for-sale securities	124,051,186	124,051,186	—
5) Loans	8,693,923		
Reserve for possible loan losses ¹	(171)		
	8,693,751	8,922,524	228,772
Total	¥ 206,855,261	¥ 211,531,418	¥ 4,676,157
1) Deposits	191,731,173	191,761,374	30,201
2) Borrowed money	5,942,886	5,942,925	38
3) Bonds	300,000	299,760	(240)
Total	¥ 197,974,059	¥ 198,004,059	¥ 30,000
Derivative transactions ²			
Hedge accounting not applied	¥ (83,231)	¥ (83,231)	¥ —
Hedge accounting applied ³	(1,242,371)	(1,242,371)	—
Total derivative transactions	¥ (1,325,602)	¥ (1,325,602)	¥ —

(Millions of U.S. Dollars)

March 31	2022		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Monetary claims bought	\$ 3,569	\$ 3,569	\$ —
2) Trading account securities			
Trading securities	0	0	—
3) Money held in trust	64,329	64,329	—
4) Securities	0	0	0
Held-to-maturity bonds	467,322	499,564	32,242
Policy-reserve-matching bonds	70,306	74,402	4,096
Available-for-sale securities	1,013,573	1,013,573	—
5) Loans	71,035		
Reserve for possible loan losses ¹	(1)		
	71,033	72,902	1,869
Total	\$ 1,690,132	\$ 1,728,339	\$ 38,207
1) Deposits	1,566,559	1,566,806	247
2) Borrowed money	48,557	48,557	0
3) Bonds	2,451	2,449	(2)
Total	\$ 1,617,567	\$ 1,617,812	\$ 245
Derivative transactions ²			
Hedge accounting not applied	\$ (680)	\$ (680)	\$ —
Hedge accounting applied	(10,151)	(10,151)	—
Total derivative transactions	\$ (10,831)	\$ (10,831)	\$ —

Notes:

- General reserve for possible loan losses and specific reserve for possible loan losses corresponding to loans have 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 the exceptional treatment for interest rate swaps and the allocation method for forward foreign exchange, etc., 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.
- The banking subsidiary uses interest rate swaps and other derivatives to hedge market fluctuation of securities and other items subject to hedges, mainly adopting the deferral hedge method. "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (PITF No.40, March 17, 2022) is applied to these hedging relationships.

Note 1: Amounts carried on the consolidated balance sheets for stocks without market prices and investments in partnerships, etc., are as shown below; they are not included in "Assets 3) Money held in trust" and "Assets 4) Securities" under information concerning fair values of financial instruments.

	Millions of Yen	Millions of U.S. Dollars
	2022	
Money held in trust ^{1, 2 and 3}	¥ 2,889,132	\$ 23,606
Securities		
Unlisted stocks ¹	66,271	541
Investment trusts ²	3,161,984	25,835
Investments in partnerships ³	92,549	756
Other	—	—
Total⁴	¥ 6,209,937	\$ 50,739

Notes:

- In accordance with the provisions of Paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020), unlisted stocks are not included in the scope of fair value disclosures.
- In accordance with the provisions of Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019; the "Fair Value Measurement Guidance"), some investment trusts that apply transitional measures have been treated using the previous method, and are not included in the scope of fair value disclosures.
- In accordance with the provisions of Paragraph 27 of the Fair Value Measurement Guidance, investments in partnerships are not included in the scope of fair value disclosures.
- Impairment losses of ¥5,661 million (\$46 million) were recognized for the fiscal year ended March 31, 2022.

Amounts carried on the consolidated balance sheets, fair values and the difference between them as of March 31, 2021 are as shown below. 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) Monetary claims bought	¥ 638,985	¥ 638,985	¥ —
2) Trading account securities			
Trading securities	13	13	—
3) Money held in trust	9,089,795	9,073,718	(16,076)
4) 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
Available-for-sale securities	121,469,534	121,469,534	—
5) Loans	9,655,811		
Reserve for possible loan losses ¹	(182)		
	9,655,629	9,986,365	330,736
Total	¥ 210,742,465	¥ 217,256,387	¥ 6,513,922
1) Deposits	187,984,760	188,032,622	47,861
2) Borrowed money	4,228,180	4,228,186	5
3) Bonds	300,000	300,290	290
Total	¥ 192,512,941	¥ 192,561,098	¥ 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)	¥ —

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.

Note 2: The consolidated balance sheet amounts of financial instruments for which fair values are deemed extremely difficult to determine are as shown below; they are not included in "Assets 3) Money held in trust" and "Assets 4) Securities" under information concerning fair values of financial instruments.

March 31	Millions of Yen
	2021
Money held in trust ¹	¥ 940,137
Securities	
Unlisted stocks ²	54,897
Investment trusts ³	2,217,712
Investments in partnerships ⁴	72,446
Other	393
Total⁵	¥ 3,285,586

Notes:

- 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.
- 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.
- 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.
- 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.
- Impairment losses of ¥1,035 million were recognized for the fiscal year ended March 31, 2021.

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

(Millions of Yen)

March 31	2022					
	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
Monetary claims bought	¥ 22,873	¥ 8,732	¥ 85,126	¥ 82,105	¥ 36,843	¥ 200,482
Securities	21,969,273	22,196,975	15,602,697	18,003,969	20,517,210	45,261,183
Held-to-maturity bonds	10,256,223	5,653,851	4,544,503	5,744,850	7,236,070	23,360,165
Japanese government bonds	8,867,900	2,769,500	2,214,300	4,260,400	5,402,500	20,230,000
Japanese local government bonds	730,870	1,547,203	822,885	601,049	1,312,573	945,594
Japanese corporate bonds	510,972	1,023,285	924,077	872,957	520,997	1,430,306
Other	146,481	313,862	583,241	10,442	—	754,265
Policy-reserve-matching bonds	369,235	1,224,681	548,300	1,384,000	1,371,700	3,535,950
Japanese government bonds	277,000	981,400	511,000	1,359,400	1,176,900	2,394,600
Japanese local government bonds	67,299	183,364	1,100	—	60,000	233,450
Japanese corporate bonds	24,936	59,917	36,200	24,600	134,800	907,900
Available-for-sale securities with maturities	11,343,814	15,318,442	10,509,894	10,875,118	11,909,440	18,365,066
Japanese government bonds	5,879,187	4,919,770	3,327,813	3,037,447	6,437,605	11,587,600
Japanese local government bonds	731,578	1,195,920	1,017,115	382,471	41,287	142,932
Japanese short-term corporate bonds	1,434,500	—	—	—	—	—
Japanese corporate bonds	1,067,464	1,866,364	1,316,362	945,338	838,578	1,439,414
Other	2,231,084	7,336,387	4,848,602	6,509,861	4,591,968	5,195,119
Loans ¹	3,073,553	1,759,761	1,222,259	811,274	902,719	918,698
Total	¥ 25,065,700	¥ 23,965,469	¥ 16,910,084	¥ 18,897,349	¥ 21,456,773	¥ 46,380,365

(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
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	¥ 21,501,329	¥ 35,848,970	¥ 13,750,373	¥ 16,544,570	¥ 20,745,420	¥ 44,828,607

(Millions of U.S. Dollars)

March 31	2022					
	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
Monetary claims bought	\$ 187	\$ 71	\$ 696	\$ 671	\$ 301	\$ 1,638
Securities	179,502	181,363	127,483	147,103	167,638	369,811
Held-to-maturity bonds	83,800	46,195	37,131	46,939	59,123	190,867
Japanese government bonds	72,456	22,628	18,092	34,810	44,142	165,291
Japanese local government bonds	5,972	12,642	6,723	4,911	10,725	7,726
Japanese corporate bonds	4,175	8,361	7,550	7,133	4,257	11,686
Other	1,197	2,564	4,765	85	—	6,163
Policy-reserve-matching bonds	3,017	10,006	4,480	11,308	11,208	28,891
Japanese government bonds	2,263	8,019	4,175	11,107	9,616	19,565
Japanese local government bonds	550	1,498	9	—	490	1,907
Japanese corporate bonds	204	490	296	201	1,101	7,418
Available-for-sale securities with maturities	92,686	125,161	85,872	88,856	97,307	150,054
Japanese government bonds	48,036	40,197	27,190	24,818	52,599	94,678
Japanese local government bonds	5,977	9,771	8,310	3,125	337	1,168
Japanese short-term corporate bonds	11,721	—	—	—	—	—
Japanese corporate bonds	8,722	15,249	10,755	7,724	6,852	11,761
Other	18,229	59,943	39,616	53,189	37,519	42,447
Loans ¹	25,113	14,378	9,987	6,629	7,376	7,506
Total	\$ 204,802	\$ 195,812	\$ 138,166	\$ 154,403	\$ 175,315	\$ 378,956

Note: 1. Loans does not include ¥0 million (\$0 million) of claims whose redemption schedules are not expected, such as claims against bankrupt obligors, substantially bankrupt obligors and doubtful borrowers obligors.

Note 4: Redemption schedule of deposits, borrowed money and bonds were as follows:

(Millions of Yen)

March 31	2022					
	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	¥ 121,457,781	¥ 12,086,520	¥ 13,565,375	¥ 23,932,579	¥ 20,688,915	¥ —
Borrowed money	5,912,113	14,257	6,680	9,835	—	—
Bonds	—	—	—	—	—	300,000
Total	¥ 127,369,895	¥ 12,100,778	¥ 13,572,055	¥ 23,942,414	¥ 20,688,915	¥ 300,000

(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	¥ —
Borrowed money	4,210,072	7,711	5,200	15	97	5,084
Bonds	—	—	—	—	—	300,000
Total	¥ 120,237,813	¥ 11,094,165	¥ 11,693,562	¥ 21,295,488	¥ 27,886,826	¥ 305,084

(Millions of U.S. Dollars)

March 31	2022					
	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	\$ 992,383	\$ 98,754	\$ 110,837	\$ 195,544	\$ 169,041	\$ —
Borrowed money	48,306	116	55	80	—	—
Bonds	—	—	—	—	—	2,451
Total	\$ 1,040,689	\$ 98,871	\$ 110,892	\$ 195,624	\$ 169,041	\$ 2,451

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

(6) Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

- Level 1 fair value: The fair value measured by quoted prices of identical assets or liabilities in active markets.
- Level 2 fair value: The fair value measured using observable inputs other than Level 1.
- Level 3 fair value: The fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Group classified fair values into a category to which the lowest priority is assigned.

1) Financial assets and financial liabilities measured at fair value

(Millions of Yen)

March 31	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ 19,999	¥ 416,846	¥ 436,845
Money held in trust ¹	6,037,636	—	—	6,037,636
Trading account securities and securities				
Trading securities				
Japanese government bonds	11	—	—	11
Available-for-sale securities				
Stocks	573,902	—	—	573,902
Japanese government bonds	33,972,969	1,708,273	—	35,681,243
Japanese local government bonds	—	3,498,586	34,642	3,533,229
Japanese short-term corporate bonds	—	1,434,510	—	1,434,510
Japanese corporate bonds	7,945	7,491,001	1,837	7,500,784
Other ¹	13,282,874	13,369,772	258,059	26,910,707
Total assets	¥ 53,875,339	¥ 27,522,144	¥ 711,386	¥ 82,108,870
Derivative transactions ²				
Interest rate-related derivatives	¥ —	¥ (122,044)	¥ —	¥ (122,044)
Currency-related derivatives	—	(1,203,889)	—	(1,203,889)
Credit derivatives	—	330	—	330
Total derivative transactions	¥ —	¥ (1,325,602)	¥ —	¥ (1,325,602)

(Millions of U.S. Dollars)

March 31	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	\$ —	\$ 163	\$ 3,406	\$ 3,569
Money held in trust ¹	49,331	—	—	49,331
Trading account securities and securities				
Trading securities				
Japanese government bonds	0	—	—	0
Available-for-sale securities				
Stocks	4,689	—	—	4,689
Japanese government bonds	277,580	13,958	—	291,537
Japanese local government bonds	—	28,586	283	28,869
Japanese short-term corporate bonds	—	11,721	—	11,721
Japanese corporate bonds	65	61,206	15	61,286
Other ¹	108,529	109,239	2,108	219,877
Total assets	\$ 440,194	\$ 224,872	\$ 5,812	\$ 670,879
Derivative transactions ²				
Interest rate-related derivatives	\$ —	\$ (997)	\$ —	\$ (997)
Currency-related derivatives	—	(9,836)	—	(9,836)
Credit derivatives	—	3	—	3
Total derivative transactions	\$ —	\$ (10,831)	\$ —	\$ (10,831)

Notes:

- Investment trusts applying transitional measures prescribed in Paragraph 26 of the Fair Value Measurement Guidance are not included in the above table. The amount of such investment trusts in the consolidated balance sheets was ¥49,982,519 million (\$408,387 million).
- 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.

2) Financial assets and financial liabilities not measured at fair value

(Millions of Yen)

March 31	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	¥ —	¥ 269,877	¥ —	¥ 269,877
Securities				
Held-to-maturity bonds				
Japanese government bonds	47,893,013	—	—	47,893,013
Japanese local government bonds	—	6,111,476	4,130	6,115,606
Japanese corporate bonds	—	5,339,471	—	5,339,471
Other	246,165	1,534,335	13,002	1,793,504
Policy-reserve-matching bonds				
Japanese government bonds	7,378,646	—	—	7,378,646
Japanese local government bonds	—	531,162	25,634	556,796
Japanese corporate bonds	—	1,170,585	—	1,170,585
Loans	—	—	8,922,524	8,922,524
Total assets	¥ 55,517,825	¥ 14,956,910	¥ 8,965,291	¥ 79,440,028
Deposits	¥ —	¥ 191,761,374	¥ —	¥ 191,761,374
Borrowed money	—	5,942,925	—	5,942,925
Bonds	—	299,760	—	299,760
Total liabilities	¥ —	¥ 198,004,059	¥ —	¥ 198,004,059

(Millions of U.S. Dollars)

March 31	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	\$ —	\$ 2,205	\$ —	\$ 2,205
Securities				
Held-to-maturity bonds				
Japanese government bonds	391,315	—	—	391,315
Japanese local government bonds	—	49,934	34	49,968
Japanese corporate bonds	—	43,627	—	43,627
Other	2,011	12,536	106	14,654
Policy-reserve-matching bonds				
Japanese government bonds	60,288	—	—	60,288
Japanese local government bonds	—	4,340	209	4,549
Japanese corporate bonds	—	9,564	—	9,564
Loans	—	—	72,902	72,902
Total assets	\$ 453,614	\$ 122,207	\$ 73,252	\$ 649,073
Deposits	\$ —	\$ 1,566,806	\$ —	\$ 1,566,806
Borrowed money	—	48,557	—	48,557
Bonds	—	2,449	—	2,449
Total liabilities	\$ —	\$ 1,617,812	\$ —	\$ 1,617,812

A description of the valuation techniques and inputs used in the fair value measurements

AssetsMonetary claims bought

The fair value of monetary claims bought is based on pricing offered by the broker and other third parties, and is classified primarily into Level 3 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, 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. These are classified primarily into Level 1 fair value. The fair value of beneficiary certificates of investment trusts is based on the funds' unit price in accordance with transitional measures prescribed in Paragraph 26 of the Fair Value Measurement Guidance, and is not assigned any level.

Notes to money held in trust by categories based on holding purposes are provided in Note 4 (4) "Money Held in Trust."

Trading account securities

The fair value of trading account securities is based on the purchase price of the Bank of Japan, and is classified primarily into Level 1 fair value because unadjusted quoted prices in active markets are available.

Securities

The fair value of stocks is based on the price on the stock exchange, and is classified primarily into Level 1 fair value because unadjusted quoted prices in active markets are available.

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 price calculated using the comparable price method or the price provided by a third party such as a vendor or a broker.

For bonds whose fair value is based on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association or the price calculated using the comparable price method and other criteria, principally, the fair value of Japanese government bonds and Japanese treasury discount bills is classified into Level 1 fair value, and that of other bonds is classified into Level 2 fair value. In addition, the fair value

of bonds whose fair value is based on the price provided by a third party such as a vendor or a broker is classified into Level 1, Level 2 or Level 3 fair value depending on whether the obtained prices and inputs and other indicators used in the pricing are observable in markets.

The fair value of bonds subject to the allocation method of forward foreign exchange, etc., reflects the fair value of the relevant forward foreign exchange, etc.

The fair value of beneficiary certificates of investment trusts is based on the funds' unit price in accordance with transitional measures prescribed in Paragraph 26 of the Fair Value Measurement Guidance, and is not assigned any level.

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, book value approximates fair value provided the obligor's credit standing has not significantly changed 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 values based on the loan terms and conditions.

The fair value of these loans is classified into Level 3 fair value.

Liabilities

Deposits

For demand deposits such as transfer deposits and ordinary 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, and the fair value is classified into Level 2 fair value.

For time deposits, fair value is based on the net present value calculated by discounting estimated future cash flows, following a division into certain periods, and fair value is classified into Level 2 fair value.

For fixed deposits, fair value is based on the net present value calculated by discounting estimated future cash flows, which reflect an early cancellation rate calculated using historical results, following a division into certain periods. The fair value is classified into Level 2 fair value if the effect of unobservable inputs is immaterial, and into Level 3 fair value if significant unobservable inputs are used.

The interest rate applicable to new savings is used as the discount rate.

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.

The fair value of borrowed money is classified into Level 2 fair value.

The fair value of borrowed money subject to the exceptional treatment for interest rate swaps reflects the fair value of the relevant interest rate swaps.

Bonds

The fair value of bonds issued by the Company's consolidated subsidiaries is based on the publicly released quoted price, and is classified into Level 2 fair value.

Derivative transactions

For derivative transactions that unadjusted quoted prices in active markets are available, fair value is classified into Level 1 fair value.

However, as most of the derivative transactions are over-the-counter transactions and there is no publicly released quoted price, valuation techniques such as the discounted present value method is used to calculate fair value depending on the type of transaction and the period to maturity. The main inputs used in these techniques are interest rates and foreign exchange rates. In case where unobservable inputs are not used or their effects are immaterial, the fair value of derivative transactions is classified into Level 2 fair value, such as for plain vanilla interest rate swaps and forward foreign exchange. In case where significant unobservable inputs are used, the item is classified into Level 3 fair value.

Information about Level 3 fair value of financial assets and financial liabilities measured at fair value is as follows:

A) Quantitative information on significant unobservable inputs

For the fiscal year ended March 31, 2022

This information is not presented because the Company's consolidated subsidiaries do not estimate unobservable inputs.

B) Changes from balance at the beginning of the fiscal year to balance at the end of the fiscal year and gain (loss) on valuation recognized as gain (loss) for the fiscal year under review

(Millions of Yen)

	2022							
	Balance at the beginning of fiscal year	Gain (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales, issuances and settlements	Reclassified as level 3 fair value ³	Reclassified from level 3 fair value ⁴	Balance at the end of the fiscal year	Of the amounts listed under gain (loss) for the fiscal year, gain (loss) on valuation of held financial assets and liabilities held on the date of the consolidated balance sheet ¹
		Recorded as gain (loss) ¹	Recorded in other comprehensive income ²					
Monetary claims bought	¥ 383,992	¥ (8)	¥ (1,995)	¥ 34,858	¥ —	¥ —	¥ 416,846	¥ —
Securities								
Available-for-sale securities								
Japanese local government bonds	29,238	1,105	(958)	(759)	6,016	—	34,642	1,105
Japanese corporate bonds	3,951	(6)	(6)	(2,100)	—	—	1,837	—
Other	357,493	6,079	258	(48,649)	—	(57,122)	258,059	4,571

(Millions of U.S. Dollars)

	2022							
	Balance at the beginning of fiscal year	Gain (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales, issuances and settlements	Reclassified as level 3 fair value ³	Reclassified from level 3 fair value ⁴	Balance at the end of the fiscal year	Of the amounts listed under gain (loss) for the fiscal year, gain (loss) on valuation of held financial assets and liabilities held on the date of the consolidated balance sheet ¹
		Recorded as gain (loss) ¹	Recorded in other comprehensive income ²					
Monetary claims bought	\$ 3,137	\$ (0)	\$ (16)	\$ 285	\$ —	\$ —	\$ 3,406	\$ —
Securities								
Available-for-sale securities								
Japanese local government bonds	239	9	(8)	(6)	49	—	283	9
Japanese corporate bonds	32	(0)	(0)	(17)	—	—	15	—
Other	2,921	50	2	(397)	—	(467)	2,108	37

Notes:

- Included mainly in banking business income, life insurance business income and operating expenses in the consolidated statements of income.
- Included in net unrealized gains (losses) on available-for-sale securities under other comprehensive income in the consolidated statements of comprehensive income.
- Reclassified from level 2 fair value to level 3 fair value. For Japanese local government bonds, this is because material observable data cannot be used. The reclassification is made at the beginning of the fiscal year.
- Reclassified from level 3 fair value to level 2 fair value. For foreign bonds, this is because material observable data can be used. The reclassification is made at the beginning of the fiscal year.

C) A description of valuation processes used for fair value measurements

The fair value verification department of the banking subsidiary has established policies and procedures for measuring fair value, and each fair value measurement department measures fair value accordingly. A fair value verification department independent from the fair value measurement departments verifies whether the fair value obtained is measured using valid valuation techniques and inputs and classifies them into levels of the fair value hierarchy. The results of the verification are reported to the ALM committee to ensure that the policies and procedures for measuring fair value are appropriate.

In measuring fair value, the Company uses a valuation model that most appropriately reflects the nature, characteristics and risks of each financial instrument. In addition, when using quoted prices obtained from third parties, the Company verifies whether the prices are valid using appropriate methods, such as confirming the valuation techniques and inputs used and comparing them with the fair value of similar financial instruments.

The fair value measurement division of the insurance subsidiary has established policies and procedures for measuring fair value, measures fair value, and determines its level in the fair value hierarchy. The risk management division of the insurance subsidiary has established verification procedures for measuring fair value of financial instruments. If quoted prices obtained from a third party is used, the division verifies the validity of prices using appropriate methods such as confirmation of the valuation techniques and inputs used, and comparison with fair value of similar financial instruments. Thus, the Group ensures that the fair value measurement of financial instruments and other matters are appropriate.

D) A narrative description of sensitivity of the fair value measurement to changes in significant unobservable inputs

This information is not presented because the Company's consolidated subsidiaries do not estimate unobservable inputs.

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 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) Currency-related derivatives

(Millions of Yen)

March 31	2022			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Currency swaps	¥ 681,912	¥ 681,912	¥ (74,510)	¥ (74,510)
Forward foreign exchange:				
Sold	304,205	—	(14,659)	(14,659)
Bought	202,603	—	5,607	5,607
Total			¥ (83,562)	¥ (83,562)

(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 U.S. Dollars)

March 31	2022		Fair value ²	Valuation gains (losses)
	Contract amount			
	Total	Over 1 year		
Over-the-counter transactions				
Currency swaps	\$ 5,572	\$ 5,572	\$ (609)	\$ (609)
Forward foreign exchange:				
Sold	2,486	—	(120)	(120)
Bought	1,655	—	46	46
Total			\$ (683)	\$ (683)

Note: The above transactions are measured at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.

2) Bond-related derivatives

There were no bond-related derivatives as of March 31, 2022.

(Millions of Yen)

March 31	2021		Fair value ²	Valuation gains (losses)
	Contract amount			
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Sold	¥ 19,470	¥ —	¥ (147)	¥ (147)
Total			¥ (147)	¥ (147)

Note: The above transactions are measured at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.

3) Credit-related derivatives

(Millions of Yen)

March 31	2022		Fair value ²	Valuation gains (losses)
	Contract amount			
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold	¥ 28,223	¥ 14,000	¥ 330	¥ 330
Total			¥ 330	¥ 330

(Millions of Yen)

March 31	2021		Fair value ²	Valuation gains (losses)
	Contract amount			
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold	¥ 28,107	¥ 28,107	¥ 576	¥ 576
Total			¥ 576	¥ 576

(Millions of U.S. Dollars)

March 31	2022		Fair value ²	Valuation gains (losses)
	Contract amount			
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold	\$ 231	\$ 114	\$ 3	\$ 3
Total			\$ 3	\$ 3

Notes:

- The above transactions are measured at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.
- "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 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	2022			
			Contract amount	Contract amount due after 1 year	Fair value ²	
Hedge accounting method	Deferral hedge method	Interest rate swaps: Receivable fixed rate / Payable floating rate	Securities Deposits	¥ 3,400,000	¥ 3,400,000	¥ 13,672
				Receivable floating rate / Payable fixed rate	4,027,945	3,634,863
Hedge accounting method	Exceptional treatment for interest rate swaps	Interest rate swaps: Receivable floating rate / Payable fixed rate	Borrowings	5,035	4,632	
				Total		

(Millions of Yen)

March 31	Type of derivative	Major hedged item	2021			
			Contract amount	Contract amount due after 1 year	Fair value ²	
Hedge accounting method	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
Hedge accounting method	Exceptional treatment for interest rate swaps	Interest rate swaps: Receivable floating rate / Payable fixed rate	Borrowings	41	38	
				Total		

(Millions of U.S. Dollars)

March 31	Type of derivative	Major hedged item	2022			
			Contract amount	Contract amount due after 1 year	Fair value ²	
Hedge accounting method	Deferral hedge method	Interest rate swaps: Receivable fixed rate / Payable floating rate	Securities Deposits	\$ 27,780	\$ 27,780	\$ 112
				Receivable floating rate / Payable fixed rate	32,911	29,699
Hedge accounting method	Exceptional treatment for interest rate swaps	Interest rate swaps: Receivable floating rate / Payable fixed rate	Borrowings	41	38	
				Total		

Notes:

- In principle, these derivatives are accounted for using deferred hedge accounting.
- Interest rate swaps subject to the exceptional treatment are accounted for in combination with the borrowings 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	2022			
			Contract amount	Contract amount due after 1 year	Fair value ²	
Hedge accounting method	Deferral hedge method	Currency swaps	Securities	¥ 8,782,501	¥ 7,754,729	¥ (762,595)
				Foreign currency-denominated forecasted transactions		
Hedge accounting method	Allocation method	Currency swaps	Securities	641,528	635,047	
				Recognition of gain or loss on the hedged item		
Hedge accounting method	Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	4,032,109	—	(290,030)
				Currency swaps	477,496	316,058
Hedge accounting method	Total					¥ (1,120,327)

(Millions of Yen)

March 31	Type of derivative	Major hedged item	2021		
			Contract amount	Contract amount due after 1 year	Fair value
Hedge accounting 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 U.S. Dollars)

March 31	Type of derivative	Major hedged item	2022		
			Contract amount	Contract amount due after 1 year	Fair value ²
Hedge accounting method	Currency swaps	Securities	\$ 71,758	\$ 63,361	\$ (6,231)
		Foreign currency-denominated forecasted transactions			
Allocation method	Currency swaps	Securities	5,242	5,189	
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	32,945	—	(2,370)
	Currency swaps		3,901	2,582	(553)
		Total			\$ (9,154)

Notes:

- In principle, these derivatives are accounted for using deferred hedge accounting.
- Currency swaps, which are accounted for as forward foreign exchange subject to the allocation method, are accounted for in combination with the securities that are subject to the hedge. Therefore, their fair value is included in the fair value of the relevant securities in Note 21 "FINANCIAL INSTRUMENTS."

23. LEASE TRANSACTIONS

Operating Leases

(1) As lessee

Future lease payments under non-cancelable operating leases as of March 31, 2022 and 2021 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Due within 1 year	¥ 7,936	¥ 7,368	\$ 65
Due after 1 year	30,772	37,139	251
Total	¥ 38,709	¥ 44,508	\$ 316

(2) As lessor

Future lease receivables under non-cancelable operating leases as of March 31, 2022 and 2021 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Due within 1 year	¥ 14,828	¥ 15,683	\$ 121
Due after 1 year	47,226	44,444	386
Total	¥ 62,055	¥ 60,128	\$ 507

24. 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 ¥61,334 million (\$501 million) and ¥64,872 million as of March 31, 2022 and 2021, 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.

25. BUSINESS COMBINATIONS

(1) Transactions Under Common Control

Sale of a portion of stocks 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

A) Overview and purpose of the transaction

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., and also disposed of a portion of its shares in Japan Post Insurance Co., Ltd. through a share disposal trust. As a result, the Company's holdings fell below 50%.

B) 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

C) Date of the business combination

a. Sale of shares in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd.

May 17, 2021

b. Sale of shares through the establishment of a share disposal trust

From June 10, 2021 to June 17, 2021

D) Legal form of the business combination

Sale of a portion of stock for cash consideration

E) 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 Guidance No. 10, January 16, 2019).

3) Matters concerning changes in the Company's equity interest as a result of transaction with non-controlling shareholders

A) Main cause for change in capital surplus

Sale of a portion of stock in a subsidiary

B) Decreased amount of capital surplus as a result of transaction with non-controlling shareholders

¥76,576 million (\$626 million)

(2) Business Divestiture

The Company, Japan Post Co., Ltd. and Toll, which are consolidated subsidiaries of the Company, transferred 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") on August 31, 2021. In addition, 9 companies including Toll IPEC Pty Ltd were excluded from the scope of consolidation due to this business transfer.

1) Overview of the business divestiture

A) Name of the successor companies

Australian Parcels Group Pty Ltd, Australian Parcels Pty Ltd, Tasmania Maritime Pty Ltd, and NZ Logistics Holdings, Limited.

B) Details of the divested business

The global express business of Toll

C) Main reason for the business divestiture

The Japan Post Group has considered various business strategic 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.

D) Date of the business divestiture

August 31, 2021

E) Other matters on overview of the transaction including legal form

A business transfer in exchange for consideration limited to cash and other property

2) Overview of the accounting treatment applied

A) Amount of gain and loss due to the transfer

Losses on sale of businesses: ¥10,898 million (\$89 million)

The above amount may fluctuate to some extent because the final transfer price will be determined based on the terms of the transfer contract.

B) Appropriate book value of assets and liabilities of the transferred business

Total assets: ¥137,075 million (\$1,120 million)

Total liabilities: ¥136,351 million (\$1,114 million)

C) Accounting treatment

The difference between the fair value of assets received as consideration for the transfer and the shareholders' equity amount attributable to the transferred business has been recorded as losses on sale of businesses in "Other expenses," assuming the investment in the transferred global express business has been liquidated.

3) Reportable segment that contained the divested business

International logistics business

4) Estimated amount of profit and loss of the divested business recorded in the consolidated statements of income for the fiscal year ended March 31, 2022

Income: ¥99,212 million (\$811 million)

26. 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.

(Changes in classification of reportable segments)

Pursuant to a partial change in performance management classifications within the Group, the businesses conducted by Japan Post Information Technology Co., Ltd. and System Trust Laboratory Co., Ltd., which were previously included in "Other" for the purposes of classifying the Group's reportable segment, have been reclassified as part of the "Post office" business beginning from the fiscal year ended March 31, 2022.

The segment information for the fiscal year ended March 31, 2021 was presented based on the new classification.

(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.

(Application of the Revenue Recognition Accounting Standard)

As described in Note 2 (24) "Changes in Accounting Policies," the Group has applied the Revenue Recognition Accounting Standard from the fiscal year ended March 31, 2022. With this change in the accounting treatment for revenue recognition, the Company has correspondingly changed the method used to calculate business segment profit or loss.

As a result of this change, during the fiscal year ended March 31, 2022, income and segment profit for the postal and domestic logistics business decreased by ¥2,689 million (\$22 million) and ¥1,980 million (\$16 million), respectively; and income for the post office business decreased by ¥59,679 million (\$488 million); and income for the banking business decreased by ¥779 million (\$6 million) while segment profit increased by ¥51 million (\$0 million); and income and segment profit for the other business decreased by ¥534 million (\$4 million) and ¥9 million (\$0 million), respectively, compared to the previous method.

(3) Selected Financial Information on Reportable Segment

(Millions of Yen)

Year ended March 31	2022							
	Reportable segment						Other ²	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income ¹ :								
Income from third parties	¥ 2,003,084	¥ 88,635	¥ 687,579	¥ 1,976,004	¥ 6,454,191	¥ 11,209,496	¥ 52,826	¥ 11,262,323
Intersegment income	40,540	1,069,917	237	1,637	16	1,112,348	278,899	1,391,247
Total	¥ 2,043,624	¥ 1,158,552	¥ 687,817	¥ 1,977,642	¥ 6,454,208	¥ 12,321,845	¥ 331,725	¥ 12,653,571
Segment profit	¥ 103,898	¥ 24,742	¥ 21,226	¥ 490,893	¥ 356,113	¥ 996,874	¥ 209,273	¥ 1,206,147
Segment assets	2,185,467	2,635,119	435,273	232,954,438	67,174,796	305,385,095	5,921,129	311,306,224
Other items:								
Depreciation and amortization	71,381	37,758	36,620	37,716	54,562	238,039	17,708	255,748
Amortization of goodwill	183	—	—	—	—	183	1,133	1,317
Interest and dividend income	10	1	375	1,369,735	985,879	2,356,001	10,007	2,366,008
Interest expenses	817	0	7,872	226,652	2,352	237,696	52	237,749
Equity in earnings of affiliates	—	358	879	290	—	1,527	—	1,527
Gains on sales of fixed assets	60	7,025	1,815	6,379	5,696	20,977	661	21,639
Losses on sales and disposal of fixed assets	1,258	1,001	965	681	326	4,234	379	4,613
Losses on impairment of fixed assets	659	3,035	576	15	—	4,286	6,995	11,282
Provision for reserve for price fluctuation	—	—	—	—	67,789	67,789	—	67,789
Post office refurbishment expenses	—	—	—	—	—	—	—	—
Provision for reserve for policyholder dividends	—	—	—	—	73,113	73,113	—	73,113
Income taxes	32,380	4,638	6,466	142,348	62,517	248,350	(25,571)	222,779
Investments in affiliates accounted for by the equity method	—	2,564	11,413	1,063	—	15,041	—	15,041
Increase in tangible fixed assets and intangible assets	38,238	35,199	20,468	44,685	31,958	170,550	49,331	219,882

(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	¥ 158,759	¥ 749,862	¥ 1,944,878	¥ 6,786,210	¥ 11,670,681	¥ 46,077	¥ 11,716,758
Intersegment income	40,907	1,126,706	206	1,833	16	1,169,671	165,331	1,335,002
Total	¥ 2,071,877	¥ 1,285,465	¥ 750,069	¥ 1,946,712	¥ 6,786,226	¥ 12,840,352	¥ 211,408	¥ 13,051,760
Segment profit (loss)	¥ 126,587	¥ 39,846	¥ (7,003)	¥ 394,206	¥ 345,736	¥ 899,373	¥ 113,110	¥ 1,012,483
Segment assets	2,029,293	2,649,894	529,536	223,870,630	70,172,982	299,252,337	6,058,846	305,311,183
Other items:								
Depreciation and amortization	82,132	44,132	51,129	35,033	59,387	271,814	14,879	286,694
Amortization of goodwill	—	—	—	—	—	—	167	167
Interest and dividend income	9	1	183	1,198,391	1,004,635	2,203,221	7,376	2,210,598
Interest expenses	550	1	10,685	241,154	2,312	254,705	1	254,706
Equity in earnings of affiliates	—	238	48	273	—	560	—	560
Gains on sales of fixed assets	12	498	5,096	—	—	5,606	1,636	7,243
Losses on sales and disposal of fixed assets	703	922	294	560	255	2,736	528	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	1,884	(274)	113,124	67,434	183,195	2,610	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	67,557	27,587	41,178	33,110	196,370	44,652	241,023

(Millions of U.S. Dollars)

Year ended March 31	2022							
	Reportable segment						Other ²	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income ¹ :								
Income from third parties	\$ 16,366	\$ 724	\$ 5,618	\$ 16,145	\$ 52,735	\$ 91,588	\$ 432	\$ 92,020
Intersegment income	331	8,742	2	13	0	9,089	2,279	11,367
Total	\$ 16,698	\$ 9,466	\$ 5,620	\$ 16,159	\$ 52,735	\$ 100,677	\$ 2,710	\$ 103,387
Segment profit	\$ 849	\$ 202	\$ 173	\$ 4,011	\$ 2,910	\$ 8,145	\$ 1,710	\$ 9,855
Segment assets	17,857	21,531	3,556	1,903,378	548,859	2,495,180	48,379	2,543,559
Other items:								
Depreciation and amortization	583	309	299	308	446	1,945	145	2,090
Amortization of goodwill	1	—	—	—	—	1	9	11
Interest and dividend income	0	0	3	11,192	8,055	19,250	82	19,332
Interest expenses	7	0	64	1,852	19	1,942	0	1,943
Equity in earnings of affiliates	—	3	7	2	—	12	—	12
Gains on sales of fixed assets	0	57	15	52	47	171	5	177
Losses on sales and disposal of fixed assets	10	8	8	6	3	35	3	38
Losses on impairment of fixed assets	5	25	5	0	—	35	57	92
Provision for reserve for price fluctuation	—	—	—	—	554	554	—	554
Post office refurbishment expenses	—	—	—	—	—	—	—	—
Provision for reserve for policyholder dividends	—	—	—	—	597	597	—	597
Income taxes	265	38	53	1,163	511	2,029	(209)	1,820
Investments in affiliates accounted for by the equity method	—	21	93	9	—	123	—	123
Increase in tangible fixed assets and intangible assets	312	288	167	365	261	1,393	403	1,797

Notes:

1. Income is presented instead of net sales which is typical for companies in other industries.

2. Other business includes the hotel business and the hospital business. Segment profit in other business includes dividend income from subsidiaries and affiliates recorded by the Company in the amount of ¥203,393 million (\$1,662 million) and ¥97,209 million for the fiscal years ended March 31, 2022 and 2021, 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
	2022	2021	2022
Total income of reportable segments ¹	¥ 12,321,845	¥ 12,840,352	\$ 100,677
Income of other business ¹	331,725	221,408	2,710
Eliminations of intersegment transactions	(1,391,247)	(1,335,002)	(11,367)
Adjustments ²	2,451	3,644	20
Subtotal	¥ 11,264,774	¥ 11,720,403	\$ 92,040
Gains on sales of fixed assets	21,639	7,243	177
Compensation for transfer	1,185	1,482	10
Compensation income	—	1,795	—
Insurance claim income	4,383	1,973	36
Other	2,232	1,202	18
Total income on the consolidated statements of income	¥ 11,294,215	¥ 11,734,100	\$ 92,281

Notes:

1. Income is presented instead of net sales which is typical for companies in other industries.

2. "Adjustments" are primarily due to differences in the calculation methods used for income for the international logistics business segment and the consolidated statements of income.

2) Reconciliation between total segment profit of reportable segments and income before income taxes on the consolidated statements of income

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Total segment profit (loss) of reportable segments	¥ 996,874	¥ 899,373	\$ 8,145
Segment profit in other business	209,273	113,110	1,710
Eliminations of intersegment transactions	(211,684)	(92,024)	(1,730)
Adjustments ¹	(2,997)	(6,294)	(24)
Subtotal	¥ 991,464	¥ 914,164	\$ 8,101
Gains on sales of fixed assets	21,639	7,243	177
Compensation for transfer	1,185	1,482	10
Compensation income	—	1,795	—
Insurance claim income ²	4,383	1,973	36
Losses on sales and disposal of fixed assets	(4,609)	(3,259)	(38)
Losses on impairment of fixed assets	(11,280)	(93,545)	(92)
Provision for reserve for price fluctuation	(67,789)	(46,477)	(554)
Losses on sale of businesses	(10,898)	—	(89)
Post office refurbishment expenses	—	(4,915)	—
Provision for reserve for policyholder dividends	(73,113)	(65,465)	(597)
Other, net	(9,693)	(18,471)	(79)
Income before income taxes on the consolidated statements of income	¥ 841,287	¥ 694,525	\$ 6,874

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

3) Reconciliation between total segment assets of reportable segments and total assets on the consolidated balance sheets

March 31	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Total segment assets of reportable segments	¥ 305,385,095	¥ 299,252,337	\$ 2,495,180
Segment assets in other business	5,921,129	6,058,846	48,379
Eliminations of intersegment transactions	(7,459,244)	(7,573,052)	(60,947)
Total assets on the consolidated balance sheets	¥ 303,846,980	¥ 297,738,131	\$ 2,482,613

4) Reconciliation between other items on reportable segments and the amounts of items equivalent to those items on the consolidated financial statements

Year ended March 31	(Millions of Yen)			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 238,039	¥ 17,708	¥ (386)	¥ 255,361
Amortization of goodwill	183	1,133	—	1,317
Interest and dividend income	2,356,001	10,007	(0)	2,366,008
Interest expenses	237,696	52	(265)	237,483
Equity in earnings of affiliates	1,527	—	—	1,527
Gains on sales of fixed assets	20,977	661	—	21,639
Losses on sales and disposal of fixed assets	4,234	379	(4)	4,609
Losses on impairment of fixed assets	4,286	6,995	(1)	11,280
Provision for reserve for price fluctuation	67,789	—	—	67,789
Post office refurbishment expenses	—	—	—	—
Provision for reserve for policyholder dividends	73,113	—	—	73,113
Income taxes	248,350	(25,571)	—	222,779
Investments in affiliates accounted for by the equity method	15,041	—	—	15,041
Increase in tangible fixed assets and intangible assets	170,550	49,331	(143)	219,739

(Millions of Yen)

Year ended March 31	(Millions of Yen)			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 271,814	¥ 14,879	¥ (410)	¥ 286,283
Amortization of goodwill	—	167	—	167
Interest and dividend income	2,203,221	7,376	(264)	2,210,334
Interest expenses	254,705	1	(264)	254,441
Equity in earnings of affiliates	560	—	—	560
Gains on sales of fixed assets	5,606	1,636	—	7,243
Losses on sales and disposal of fixed assets	2,736	528	(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	183,195	2,610	—	185,806
Investments in affiliates accounted for by the equity method	12,992	—	—	12,992
Increase in tangible fixed assets and intangible assets	196,370	44,652	(483)	240,540

(Millions of U.S. Dollars)

Year ended March 31	(Millions of U.S. Dollars)			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	\$ 1,945	\$ 145	\$ (3)	\$ 2,086
Amortization of goodwill	1	9	—	11
Interest and dividend income	19,250	82	(0)	19,332
Interest expenses	1,942	0	(2)	1,940
Equity in earnings of affiliates	12	—	—	12
Gains on sales of fixed assets	171	5	—	177
Losses on sales and disposal of fixed assets	35	3	(0)	38
Losses on impairment of fixed assets	35	57	(0)	92
Provision for reserve for price fluctuation	554	—	—	554
Post office refurbishment expenses	—	—	—	—
Provision for reserve for policyholder dividends	597	—	—	597
Income taxes	2,029	(209)	—	1,820
Investments in affiliates accounted for by the equity method	123	—	—	123
Increase in tangible fixed assets and intangible assets	1,393	403	(1)	1,795

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

(Millions of Yen)

Year ended March 31	2022							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	¥ 183	¥ —	¥ —	¥ —	¥ —	¥ 183	¥ 1,133	¥ 1,317
Unamortized balance of goodwill	—	—	—	—	—	—	8,905	8,905

(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 U.S. Dollars)

Year ended March 31	2022							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ 9	\$ 11
Unamortized balance of goodwill	—	—	—	—	—	—	73	73

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

There were no gains on negative goodwill for the fiscal years ended March 31, 2022 and 2021.

(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, 2022 and 2021.

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, 2022 and 2021.

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, 2022 and 2021.

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, 2022 and 2021.

27. PER SHARE DATA

March 31	Yen		U.S. Dollars
	2022	2021	2022
Net assets per share ^{2 and 3}	¥ 3,361.06	¥ 3,411.60	\$ 27.46

Years ended March 31	Yen		U.S. Dollars
	2022	2021	2022
Net income per share ^{2 and 5}	¥ 131.93	¥ 103.44	\$ 1.08

Notes:

- Diluted net income per share is not presented for the fiscal years ended March 31, 2022 and 2021 as potential common stock did not exist.
- As described in Note 2 (24) "Changes in Accounting Policies," the Group has applied the Revenue Recognition Accounting Standard from the fiscal year ended March 31, 2022. As a result, net assets per share as of March 31, 2022 and net income per share for the fiscal year ended March 31, 2022 decreased by ¥0.51 (\$0.00).

3. Net assets per share is calculated based on the following:

March 31	Millions of yen		Millions of U.S. Dollars
	2022	2021	2022
Net assets	¥ 14,688,981	¥ 16,071,067	\$ 120,018
Amount deducted from net assets:			
Non-controlling interests	2,379,590	2,276,705	19,443
Net assets attributable to common stock at the fiscal year-end	¥ 12,309,391	¥ 13,794,361	\$ 100,575

(Thousands of shares)

March 31	2022	2021
Number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share ⁴	3,662,350	4,043,364

- 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 375,400 shares and 496,100 shares as of March 31, 2022 and 2021, respectively.
- Net income per share is calculated based on the following:

Years ended March 31	Millions of yen		Millions of U.S. Dollars
	2022	2021	2022
Net income attributable to Japan Post Holdings	¥ 501,685	¥ 418,238	\$ 4,099
Amount not attributable to common stockholders	—	—	—
Net income attributable to common stock	¥ 501,685	¥ 418,238	\$ 4,099

(Thousands of shares)

Years ended March 31	2022	2021
Average number of common stock outstanding during the fiscal year ⁶	3,802,720	4,043,357

- 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 413,423 shares and 503,664 shares for the fiscal years ended March 31, 2022 and 2021, respectively.

28. REVENUE RECOGNITION

(1) Disaggregation of Revenue from Contracts with Customers

The following is a disaggregation of the main components of revenue from contracts with customers in the Japan Post Group. The relationship between this revenue disaggregation and segment income is as follows.

(Millions of Yen)

Year ended March 31	2022		
	Revenue from contracts with customers	Other sources	Income from third parties
Postal and domestic logistics business segment	¥ 1,999,942	¥ 3,142	¥ 2,003,084
Postal operations, etc.	1,902,472		
Other	97,469		
Post office business segment	53,173	35,461	88,635
Merchandising	37,596		
Third-party financial	7,585		
Other	7,991		
International logistics business segment	686,777	802	687,579
Banking business segment	155,607	1,820,397	1,976,004
Life insurance business segment	—	6,454,191	6,454,191
Other business	30,950	21,876	52,826
Total	¥ 2,926,450	¥ 8,335,872	¥ 11,262,323

(Millions of U.S. Dollars)

Year ended March 31	2022		
	Revenue from contracts with customers	Other sources	Income from third parties
Postal and domestic logistics business segment	\$ 16,341	\$ 26	\$ 16,366
Postal operations, etc.	15,544		
Other	796		
Post office business segment	434	290	724
Merchandising	307		
Third-party financial	62		
Other	65		
International logistics business segment	5,611	7	5,618
Banking business segment	1,271	14,874	16,145
Life insurance business segment	—	52,735	52,735
Other business	253	179	432
Total	\$ 23,911	\$ 68,109	\$ 92,020

Note: "Other business" includes the hotel business, hospital business and other businesses not included in reportable segments.

(2) Fundamental Information for Understanding Revenue from Contracts with Customers

1) Postal and domestic logistics business

The postal and domestic logistics business consists primarily of the postal business, sale of stamps, issuance of items such as New Year's postcards, domestic logistics business, and other businesses. The domestic logistics business also includes the general logistics business. The domestic logistics business involves not only the general motor truck transportation business, consigned freight forwarding business, and incidental operations related to domestic cargo but also operations equivalent to parcel and mail delivery operations (Yu-Pack, Yu-Mail).

Performance obligations underlying revenue from mail and parcels in the postal operations, etc., are satisfied over time from undertaking of the item to the completion of delivery. Therefore, revenue is recognized by measuring progress toward complete satisfaction of a performance obligation. In addition, consideration amount received before performance obligations are satisfied is recognized as contract liabilities.

For revenue related to mail and parcels, consideration amount for deferred-payment mail is generally received within one month based on separately stipulated payment terms, and for receivables based on contracts with these customers, significant financing component are not included.

2) Post office business

The post office business involves not only customer counter operations, banking customer counter operations, and insurance customer counter operations related to the postal and domestic logistics business conducted by directly-managed post offices established throughout the country as sales bases to provide services to customers but also merchandising business, real estate business, third-party financial services and other related businesses.



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, 2022 and 2021, 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, 2022 and 2021, 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.

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.

The Group recognizes revenue from catalogue sales, etc., when goods and others are transferred to customers because that is when the customer has obtained control of the goods and others and performance obligations are deemed to be satisfied. Revenue from sales of goods and others in which the Group is deemed to be an agent is recognized at the net amount after deducting corresponding payments to suppliers.

Consideration amount for catalog sales, etc., is generally collected within one year of delivering products, etc., to customers, and for receivables based on contracts with these customers, significant financing component are not included.

3) International logistics business

The international logistics business involves the forwarding business as well as the logistics business.

Performance obligations underlying revenue from the forwarding business are satisfied over the contractual transportation period. Therefore, revenue is recognized by measuring progress toward complete satisfaction of a performance obligation. On the other hand, the Group recognizes revenue from the logistics business when the provision of services to customers is completed, because that is when performance obligations are deemed to be satisfied.

Consideration amount in the international logistics business is generally collected within one year of transferring items to customers through the provision of services to customers, and for receivables based on contracts with these customers, significant financing component are not included.

(3) Relationship between Satisfying Performance Obligations based on Contracts with Customers and Cash Flows from Those Contracts and Amount of Revenue Projected to be Recognized in the Following Fiscal Year and After from Contracts with Existing Customers as of the End of the Fiscal Year under Review

1) Balances of contract assets and contract liabilities

Receivables arising from contracts with customers, contract assets and contract liabilities were as follows. Receivables arising from contracts with customers and contract assets are included in other assets while contract liabilities are included in other liabilities in the consolidated balance sheets.

March 31	Millions of Yen	Millions of U.S. Dollars
	2022	2022
Receivables arising from contracts with customers		
Balance at the beginning of the fiscal year	¥ 280,812	\$ 2,294
Balance at the end of the fiscal year	270,339	2,209
Contract assets		
Balance at the beginning of the fiscal year	6,423	52
Balance at the end of the fiscal year	8,523	70
Contract liabilities		
Balance at the beginning of the fiscal year	44,142	361
Balance at the end of the fiscal year	46,266	378

Contract assets are primarily those related to rationally estimated revenue proportional to progress in satisfying performance obligations for received mail and parcels employing deferred payment in the postal and domestic logistics business that have not been delivered by the end of the fiscal period. Contract assets are transferred to receivables arising from contracts with customers when rights to consideration become unconditional. The consideration for deferred postage payment mail, etc., is received mostly within one month based on payment terms separately determined.

Contract liabilities are primarily the rationally estimated amount considering the degree that performance obligations have been satisfied when delivery has not been completed by the end of the fiscal year for received mail and parcels in the postal and domestic logistics business (excluding deferred payment, etc.), and the rationally estimated amount of unused items at the end of the fiscal period based on factors such as the value of remaining inventory of postal stamps at locations that sell postal stamps compared to value of purchased postal stamps. Contract liabilities are reversed as revenue is recognized.

The amount of revenue recognized in the fiscal year ended March 31, 2022 and included in contract liabilities at the beginning of the fiscal year was ¥43,792 million (\$358 million).

There were no significant amounts in revenue recognized in the fiscal year ended March 31, 2022 from performance obligations satisfied (or partially satisfied) in previous periods.

2) Transaction prices allocated to the remaining performance obligations

The Group has omitted notes by applying practical expedient because there are no material transactions for which the initially expected contract period exceeds 1 year.

29. SUBSEQUENT EVENTS

(1) Cancellation of Treasury Stock

The Company resolved to cancel its treasury stock in accordance with Article 178 of the Companies Act at the meeting of the Board of Directors held on April 25, 2022, and implemented it on May 20, 2022.

1) Reason for the cancellation of treasury stock

The Company cancelled treasury stock in order to eliminate concerns about future dilution.

2) Details of the cancellation of treasury stock

A) Class of shares cancelled: Common stock of the Company

B) Total number of shares cancelled: 110,072,529 shares (2.92% to the total number of shares issued before the cancellation)

C) Date of cancellation: May 20, 2022

(Reference)

Total number of shares issued (after the cancellation): 3,657,797,700 shares

(2) Repurchase of Treasury Stock

The Company resolved on matters concerning the repurchase of its treasury stock in accordance with Article 39, Paragraph 1 of the Company's Articles of Incorporation based on Article 459, Paragraph 1, Item 1 of the Companies Act at the meeting of the Board of Directors held on May 13, 2022.

1) Reason for the repurchase 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.

2) Details of the repurchase of treasury stock

A) Class of shares to be repurchased: Common stock of the Company

B) Total number of shares to be repurchased: 278,000,000 shares (maximum) (7.6% to the total number of shares issued (excluding treasury stock))

C) Total repurchase cost of shares: ¥200,000 million (\$1,634 million) (maximum)

D) Repurchase period: From May 16, 2022 to March 31, 2023

E) Method of repurchase: Market purchases based on discretionary transaction agreements for the repurchase of treasury stock

1. Reasonableness of the valuation of available-for-sale securities categorized within Level 2 and Level 3 held by JAPAN POST BANK Co., Ltd.

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 ¥193,172,232 million were recognized as of March 31, 2022, accounting for approximately 64% 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. Available-for-sale securities booked at fair value on the bank subsidiary’s consolidated balance sheet include Japanese corporate bonds and Others (“Bonds”) of ¥15,854,418 million, which were categorized within Level 2, and Bonds of ¥214,995 million, which were categorized within Level 3. The bank subsidiary calculated the fair value based on prices mainly obtained from third parties including information vendors and brokers. However, as described in the 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, and in particular, for the fair-value valuation of certain illiquid Bonds categorized within Level 2 and Level 3 (such as private placement bonds and securitized products), their estimates may have high estimation uncertainty. Accordingly, using the prices obtained from third parties as fair value involved significant management judgment, and the use of a price</p>	<p>In order to assess whether the valuation of certain illiquid Bonds categorized within Level 2 and Level 3 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 Bonds categorized within Level 2 and Level 3. 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 multiple 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 Bonds categorized within Level 2 and Level 3 individually selected by the component auditor of the bank subsidiary, 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.

based on inappropriate assumptions may have a significant impact on the consolidated financial statements.

We, therefore, determined that our assessment of the reasonableness of the valuation of certain illiquid Bonds categorized within Level 2 and Level 3 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 ¥56,533,454 million were recognized as of March 31, 2022, accounting for approximately 20% 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 procedures 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</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 firm:</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

<p>procedures 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 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.</p> <p>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.</p>	<p>calculation system used for financial reporting purpose; and</p> <ul style="list-style-type: none"> ● controls that the insurance subsidiary's management receives the opinion report of the chief actuary to evaluate the sufficiency of policy reserves. <p>(2) Assessment of the accuracy of the calculation of policy reserves</p> <ul style="list-style-type: none"> ● The component auditor confirmed that the policy reserves which were revised during the current fiscal year were accurately calculated in accordance with the statements of calculation procedures 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. <p>(3) Assessment of the sufficiency of the amount of policy reserves</p> <ul style="list-style-type: none"> ● 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 <p>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.</p>
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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 ¥1,019,228 million were recognized as of March 31, 2022. As described in Note 16, "DEFERRED TAX ASSETS AND LIABILITIES" to the consolidated financial statements, the amount of gross deferred tax</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>

<p>assets before being offset by deferred tax liabilities amounted to ¥1,776,668 million. Of this amount, the deferred tax assets related to policy reserves and reserve for price fluctuations were ¥1,026,908 million and ¥248,305 million, respectively, accounting for a significant portion.</p> <p>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.</p> <p>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") for the current fiscal year. 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.</p> <p>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.</p>	<p>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 insurance subsidiary's internal controls relevant to the estimate of future taxable income, including those over the development of a business plan.</p> <p>(2) Assessment of a company category</p> <p>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.</p> <p>(3) Assessment of the appropriateness and feasibility of estimated future taxable income</p> <ul style="list-style-type: none"> ● The component auditor inquired of the insurance subsidiary's management and the personnel in the relevant department and obtained an understanding of assumptions underlying the insurance subsidiary's business plan, which formed the basis for the estimate of future taxable income; ● The component auditor obtained an understanding of main causes of any differences between the future taxable income estimated in the previous fiscal years and the actual results by inquiring of the insurance subsidiary's personnel in the relevant department and assessed their impacts to the estimated future taxable income; and ● The component auditor confirmed the consistency between the estimated future taxable income and the business plan.
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Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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, 2022 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
August 10, 2022

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)

Items	(Millions of yen)	
	2022 (As of March 31, 2022)	2021 (As of March 31, 2021)
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	¥ 10,151,816	¥ 10,218,464
of which: capital and capital surplus	5,102,510	7,652,892
of which: retained earnings	5,349,170	3,620,048
of which: treasury stock (deduction)	96,106	831,661
of which: cash dividends to be paid (deduction)	203,758	222,815
of which: other than those above	—	—
Accumulated other comprehensive income included in Core Capital	56,069	99,712
of which: foreign currency translation adjustments	(112,443)	(104,433)
of which: remeasurements of defined benefit plans	168,512	204,146
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)	255,976	251,813
Reserves included in Core Capital: instruments and reserves	224	247
of which: general reserve for possible loan losses	224	247
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	542,641	605,697
Core Capital: instruments and reserves (A)	11,006,729	11,175,935
Core Capital: regulatory adjustments		
Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	93,860	88,744
of which: goodwill (net of related tax liability, including those equivalent)	8,905	2,383
of which: other intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	84,954	86,360
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	48,312	44,528
Investments in own shares (excluding those reported in the Net Assets section)	—	—
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	2022 (As of March 31, 2022)	2021 (As of March 31, 2021)
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)	142,172	133,272
Total capital		
Total capital ((A) - (B)) (C)	10,864,556	11,042,663
Risk-weighted assets		
Credit risk-weighted assets	60,339,441	60,117,356
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%	2,784,254	2,801,572
Credit risk-weighted assets adjustments	—	—
Operational risk equivalent adjustments	—	—
Total amount of risk-weighted assets (D)	63,123,696	62,918,929
Capital adequacy ratio		
Capital adequacy ratio ((C) / (D))	17.21%	17.55%

Note 1: The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006, hereinafter referred to as Holding Company Capital Adequacy Ratio Notice). The data is calculated on a consolidated basis and according to the domestic standard.

Note 2: In accordance with Article 15, Paragraph 3 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd. is not included in the scope of consolidation.

Qualitative Disclosure

1. Scope of consolidation

(1) Differences and the causes of the relevant differences between companies belonging to the Japan Post Group that calculate the consolidated capital adequacy ratio in accordance with Article 15 of the Financial Service Agency's (FSA) Holding Company Capital Adequacy Ratio Notice and companies that are included in the scope of consolidation in accordance with Regulations for Consolidated Financial Statements. The Company calculates its consolidated capital adequacy ratio as follows. Pursuant to Article 52-25 of the Banking Act, Consolidated capital adequacy ratio is calculated its capital adequacy in accordance with the capital adequacy ratio measurement guidelines, FSA's Notice No. 20, March 27, 2006 (hereinafter referred to as Holding Company Capital Adequacy Ratio Notice), which requires the bank holding company to calculate its capital adequacy based on assessment of the assets of the bank holding company and its subsidiaries. Please refer to pages 95 through 96 for the names of principal subsidiaries. In accordance with Article 15, the Group is comprised of the following 244 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 245 companies, comprising 244 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 42 and 103 through 105.

(2) Number of consolidated subsidiaries and names and details of main business activities of principal consolidated subsidiaries within the Group

As mentioned previously, the Group is composed of the Company and 244 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 40 through 42 and 97 through 102 of this report.

(3) Number of affiliated corporations engaged in financial businesses subject to application of Article 21 of the Holding Company Capital Adequacy Ratio Notice, names of affiliated companies engaged in the relevant financial businesses, total amounts of assets and total amounts of net assets on the balance sheets and details of principal businesses
None

(4) Names of companies belonging to the Group that are not included in the scope of consolidation and companies not belonging to the Group that are included in the scope of consolidation, total amounts of assets and total amounts of net assets on the balance sheets and details of principal businesses

1) Companies belonging to the Group that are not included in the scope of consolidation
None

2) Companies not belonging to the Group that are included in the scope of consolidation
Japan Post Insurance Co., Ltd.
Refer to page 107 of this report for details on the total amount of assets and total amount of net assets for Japan Post Insurance Co., Ltd. and to page 42 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, 2022 calculated in accordance with the Holding Company Capital Adequacy Ratio Notice was 17.21%. 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 Management" on pages 78 through 79 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 guarantees 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 changed the method of applying eligible financial collateral from the "simplified method" to the "comprehensive method" as prescribed in the Capital Adequacy Ratio Notification as of March 31, 2022.

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 2022, Japan Post Bank was not using the offsetting of loans and self-deposits.

■ Categories and credit standing of guarantors and major credit derivative counterparties

Principal guarantors at Japan Post Bank are the central governments, etc., to which lower risk weightings than the guaranteed obligations are applied.

Additionally, credit derivative counterparties are the financial institutions to which lower risk weightings than the reference 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, the credit balance calculation method for credit risk management was changed from the current exposure method to SA-CCR as of March 31, 2022.

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		2022 (As of March 31, 2022)	2021 (As of March 31, 2021)
1	Cash	¥ —	¥ —
2	Japanese government and the Bank of Japan	—	—
3	Foreign central governments and central banks	8,207	8,122
4	Bank for International Settlements, etc.	—	—
5	Non-central government public-sector entities	—	—
6	Foreign non-central government public-sector entities	6,997	14,155
7	Multilateral Development Banks	—	—
8	Japan Finance Organization for Municipalities	2,640	2,720
9	Japanese government agencies	10,148	10,630
10	Three regional public corporations under Japanese local governments	494	517
11	Financial Institutions and Type I Financial Instruments Business Operators	80,109	73,009
12	Corporates	256,652	247,091
13	Small and medium-sized enterprises and individuals	2	3
14	Mortgage loans	—	—
15	Project finance (acquisition of real estate)	204	—
16	Past-due loans (three months or more)	101	95
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	23,543	22,682
	of which: exposure to investments	23,543	22,682
	of which: exposure to significant investments	—	—
21	Other than above	193,113	229,898
	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	22,959	27,662
	of which: exposure related to portions not included in adjustment items among specified items	46,733	77,671
	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	123,420	124,564
22	Securitization transactions	16,903	19,619
	of which: STC requirements are applied	—	—
	of which: non-STC requirements are applied	16,903	19,619
23	Re-securitization transactions	29	34
24	Exposure to which deemed calculation of risk weight is applied	1,771,447	1,717,900
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		¥2,370,595	¥2,346,484

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		2022 (As of March 31, 2022)	2021 (As of March 31, 2021)
1	Commitment lines that can be cancelled automatically or unconditionally at any time	¥ —	¥ —
2	Commitment lines with original contracts of one year or less	80	466
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	325	335
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)	12,716	16,622
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	23,253	35,860
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 SA-CCR Derivative transactions Long-term settlements transactions	2,432	1,735
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		¥ 38,807	¥ 55,020

Note 1: Required capital is calculated using the following formula:
Credit risk-weighted assets × 4%

Note 2: Japan Post Bank Co., Ltd. changed the calculation method for credit equivalents for derivative transactions and long-term settlements transactions from the current exposure method to the Standardized Approach for Counterparty Credit Risk (SA-CCR) as of the end of the fiscal year ended March 31, 2022.

(3) Total amount of consolidated required capital

		(Millions of yen)	
Item		2022 (As of March 31, 2022)	2021 (As of March 31, 2021)
Total amount of consolidated required capital		¥ 2,524,947	¥ 2,516,757
Amount of required capital for credit risk		642,130	686,793
Portfolios where the standardized approach is applied		621,023	663,949
Securitization exposure		16,933	19,654
CVA risk equivalent amount		3,642	2,602
Central counterparty risk exposure		531	586
Amount of required capital for credit risk pertaining to exposure for which deemed calculation of risk weight is applied		1,771,447	1,717,900
Amount of required capital for market risk equivalent amount		—	—
Amount of required capital for operational risk equivalent amount		111,370	112,062
Basic indicator approach		111,370	112,062

Note 1: The total amount of consolidated required capital is the denominator of the consolidated capital adequacy ratio × 4%.

Note 2: The amount of required capital for credit risk is the amount of credit risk assets × 4%.

Note 3: The amount of required capital for operational risk equivalent amount is operational risk equivalent amount divided by 8% × 4%.

3. Credit risk

(1) Credit risk exposure by region, industry and customer

(Millions of yen)

Counterparts		2022 (As of March 31, 2022)				
		Loans and deposits	Securities	Derivatives	Others	Total
Domestic	Sovereigns	¥ 77,196,464	¥ 63,810,250	¥ —	¥ 152,099	¥ 141,158,814
	Financial institutions	6,014,245	11,105,504	301,703	41,011	17,462,465
	Corporates	563,960	6,622,689	—	340,914	7,527,565
	Small and medium-sized enterprises and individuals	—	—	—	153	153
	Others	2,512,519	6,145,019	24,873	3,141,610	11,824,022
	Domestic total	86,287,190	87,683,463	326,576	3,675,790	177,973,021
	Overseas total	86,329	11,534	1,453	204,704	304,023
Investment trust, etc.	5,475,207	50,521,955	—	—	55,997,163	
Total	¥ 91,848,728	¥ 138,216,954	¥ 328,030	¥ 3,880,495	¥ 234,274,208	

(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	

- Note 1: All subsidiaries other than Japan Post Bank Co., Ltd. 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	2022 (As of March 31, 2022)				
	Loans and deposits	Securities	Derivatives	Others	Total
1 year or less	¥ 15,266,311	¥ 20,105,265	¥ 12,351	¥ 476,343	¥ 35,860,271
Over 1 year to 3 years	720,488	17,153,287	8,794	—	17,882,570
Over 3 years to 5 years	828,286	11,412,789	217,393	43	12,458,513
Over 5 years to 7 years	235,687	9,302,351	5,361	—	9,543,400
Over 7 years to 10 years	514,516	10,938,669	45,818	—	11,499,005
Over 10 years	806,724	17,862,012	38,310	—	18,707,048
No due date or perpetual	68,001,504	920,621	—	3,404,108	72,326,234
Investment trust, etc.	5,475,207	50,521,955	—	—	55,997,163
Total	¥ 91,848,728	¥ 138,216,954	¥ 328,030	¥ 3,880,495	¥ 234,274,208

(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

- 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	2022 (As of March 31, 2022)					2021 (As of March 31, 2021)				
	Loans and deposits	Securities	Derivatives	Others	Total	Loans and deposits	Securities	Derivatives	Others	Total
Domestic										
Sovereigns	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Financial institutions	—	—	—	—	—	—	—	—	—	—
Corporates	—	—	—	5	5	—	—	—	6	6
Small and medium-sized enterprises and individuals	—	—	—	60	60	—	—	—	61	61
Others	—	—	—	3,769	3,769	—	—	—	3,312	3,312
Domestic total	—	—	—	3,835	3,835	—	—	—	3,380	3,380
Overseas total	—	—	—	—	—	—	—	—	—	—
Investment trust, etc.	—	—	—	—	—	—	—	—	—	—
Total	¥ —	¥ —	¥ —	¥ 3,835	¥ 3,835	¥ —	¥ —	¥ —	¥ 3,380	¥ 3,380

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)

	2022 (As of March 31, 2022)	2021 (As of March 31, 2021)
General reserve for possible loan losses	¥ 170	¥ 161
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Change during the period

(Millions of yen)

	2022 (From April 1, 2021 to March 31, 2022)	2021 (From April 1, 2020 to March 31, 2021)
General reserve for possible loan losses	¥ 9	¥ 23
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	2022 (As of March 31, 2022)		2021 (As of March 31, 2021)	
	Rated	Not rated	Rated	Not rated
0%	¥ 134,408,945	¥ 8,542,611	¥ 126,816,967	¥ 33,129,255
2%	—	476,632	—	653,415
4%	—	—	—	—
10%	230,454	3,197,215	267,093	3,337,699
20%	17,262,270	61,853	18,987,226	64,686
35%	—	—	—	—
50%	6,641,552	3,532	6,133,528	2,774
75%	—	93	—	103
100%	2,229,080	4,423,986	2,219,544	4,506,374
150%	207	302	65	606
250%	64,014	632,910	91,004	962,341
1,250%	—	—	—	—
Others	—	101,381	—	101,911
Investment trust, etc.	—	55,997,163	—	52,603,400
Total	¥ 160,836,524	¥ 73,437,683	¥ 154,515,431	¥ 95,362,569

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.

In accordance with the change of the collateral consideration method to the comprehensive method at Japan Post Bank Co., Ltd. as of March 31, 2022, the exposure amounts are reduced for assets that are considered eligible financial collateral.

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 79.08% as of March 31, 2022 (compared with 81.64% as of March 31, 2021).

4. Credit risk mitigation methods

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	2022 (As of March 31, 2022)		2021 (As of March 31, 2021)	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Eligible financial collateral	¥ 31,202,008	92.84%	¥ 24,748,981	91.23%
Guarantees and credit derivatives	2,407,220	7.16%	2,379,347	8.77%
Total	¥ 33,609,228	100.00%	¥ 27,128,329	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	2022 (As of March 31, 2022)	2021 (As of March 31, 2021)
Amount for which the current exposure method has been applied		
Aggregate sum of amounts of gross reconstruction costs	¥ 195	¥ 112,896
Aggregate sum of gross add-on amounts	1,335	602,559
Gross credit equivalents	1,531	715,493
Foreign exchange related transactions	1,531	560,653
Interest rate related transactions	—	154,635
Stock related transactions	—	—
Credit derivative transactions (counterparty risk)	—	201
Long-term settlements transactions	—	3
Reduction in credit equivalents through netting (deduction)	—	470,617
Net credit equivalents (before taking into account the effect of credit risk reduction by collateral)	1,531	244,875
Amount of SA-CCR to be applied		
Aggregate sum of amounts of gross reconstruction costs	78,070	—
Gross credit equivalents	634,606	—
Collateral amount received	42,021	4,488
Marketable securities	32,517	4,488
Cash	9,504	—
Collateral amount pledged	966,963	—
Marketable securities	260,252	—
Cash	706,710	—
Net credit equivalents (after consideration of effectiveness of risks mitigated by collateral)	326,961	—
Net credit equivalents (current exposure method and SA-CCR)	¥ 328,492	¥ 244,875

Note 1: Japan Post Bank Co., Ltd. changed the method of calculating credit equivalents from the current exposure method to the SA-CCR from the end of the fiscal year ended March 31, 2022. Other credit equivalent amounts are calculated using 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 as of the end of the fiscal year ended March 31, 2021 is considered through risk weighting, and credit equivalent amounts are not considered.
 Note 6: The amount of netting effect on credit equivalents through netting as of the end of the fiscal year ended March 31, 2021 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	2022 (As of March 31, 2022)	2021 (As of March 31, 2021)
Total return swaps	¥ 1,600	¥ 33,584
Purchase of protection	1,600	33,584
Among these, those that are used for considering the effects of credit risk mitigation methods	1,600	31,729
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	2022 (As of March 31, 2022)	2021 (As of March 31, 2021)
Mortgage loans	¥ 212,326	¥ 198,143
Auto loans	176,926	182,148
Leases	5,389	4,484
Accounts receivable	54,286	38,818
Corporate loans	1,680,066	2,043,193
Others	—	—
Total	¥ 2,128,995	¥ 2,466,789

Note 1: There are no off-balance sheet transactions.
 Note 2: Excludes 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	2022 (As of March 31, 2022)		2021 (As of March 31, 2021)	
	Balance	Required capital	Balance	Required capital
15% or more and 20% or less	¥ 2,128,995	¥ 16,903	¥ 2,466,789	¥ 19,619
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	¥ 2,128,995	¥ 16,903	¥ 2,466,789	¥ 19,619

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)

	2022 (As of March 31, 2022)		2021 (As of March 31, 2021)	
	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)	33,038	—	23,846	—
Total	¥ 33,038	—	¥ 23,846	—

Note 1: Shares with market quotations are listed.
 Note 2: Shares without market prices 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) Re-securitization exposure and breakdown by type of main underlying assets

(Millions of yen)

Type of underlying assets	2022 (As of March 31, 2022)	2021 (As of March 31, 2021)
Mortgage loans	¥ 735	¥ 870
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 735	¥ 870

Note 1: There are no off-balance sheet transactions.
 Note 2: Excludes re-securitization exposure included in investment trust, etc.

(4) Balance by risk weight of re-securitization exposure and amount of required capital

(Millions of yen)

Risk weight	2022 (As of March 31, 2022)		2021 (As of March 31, 2021)	
	Balance	Required capital	Balance	Required capital
100%	¥ 735	¥ 29	¥ 870	¥ 34
Over 100% and less than 1,250%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 735	¥ 29	¥ 870	¥ 34

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%.

(2) Gains and losses on sale or write-off of investment or equity exposures

(Millions of yen)

	2022	2021
	(From April 1, 2021 to March 31, 2022)	(From April 1, 2020 to March 31, 2021)
Gains / Losses	¥(1,501)	—
Gains	—	—
Losses	—	—
Write-off	¥ 1,501	—

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)

	2022	2021
	(As of March 31, 2022)	(As of March 31, 2021)
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) Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income

(Millions of yen)

	2022	2021
	(As of March 31, 2022)	(As of March 31, 2021)
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	2022 (As of March 31, 2022)		2021 (As of March 31, 2021)	
		Balance	Required capital	Balance	Required capital
Look-through approach (LTA)	—	¥ 55,803,848	¥ 1,734,931	¥ 52,485,384	¥ 1,687,429
Mandate-based approach (MBA)	—	—	—	—	—
Probability approach	250%	110,168	11,016	61,535	6,153
	400%	47,279	7,564	11,535	1,845
Fall-back approach (FBA)	1,250%	35,867	17,933	44,944	22,472
Total		¥ 55,997,163	¥ 1,771,447	¥ 52,603,400	¥ 1,717,900

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		2022		2021	
		(As of March 31, 2022)	(As of March 31, 2021)	(As of March 31, 2022)	(As of March 31, 2021)	(As of March 31, 2022)	(As of March 31, 2021)		
1	Upward parallel shift	¥ 1,053,364	¥ 567,767	¥ 331,727	¥ 254,339				
2	Downward parallel shift	1,095,093	2,274,001	2,296	(4,553)				
3	Steepening								
4	Flattening								
5	Rise in short-term interest rates								
6	Decrease in short-term interest rates								
7	Maximum value	1,095,093	2,274,001	331,727	254,339				
8	Amount of equity	(E)		(F)		2022		2021	
		(As of March 31, 2022)		(As of March 31, 2021)		¥ 10,864,556		¥ 11,042,663	

Note 1: Decreased economic value and interest income are shown as positive values.

Note 2: Key assumptions for ΔEVE and ΔNII calculations are as follows:

- The Bank has applied an internal model to allocate the estimated balance and termination dates of liquid deposits that have remained on deposit in the Bank for a long term without being withdrawn, (so-called "core deposits"). The average repricing maturities of liquid deposits are 3.7 years. The longest repricing maturities are 10 years.
- Interest rate risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow using an internal model.
- The Bank aggregates ΔEVE of JPY, USD, EUR, GBP, and AUD taking into account the correlation between each different currency. On the other hand, the Bank adds only positive ΔEVE of the other currencies. ΔNII is the simple sum of ΔNII measured for each currency.
- Spread levels are included in discount rates and cash flows.

Note 3: The Bank confirms that it has secured sufficient capital to counter measured interest rate risk.

Note 4: According to the "Comprehensive Guidelines for Supervision of Major Banks, etc." prescribed by the Financial Services Agency (FSA), "Because JAPAN POST BANK is obligated legally to hold a portion of its assets in JGBs and other "safe" assets, the FSA takes this special information into consideration in its oversight of the Bank in terms of the application of the materiality test."

Note 5: Regarding interest rate risks, the assets of consolidated subsidiaries are insignificant, and Japan Post Bank's non-consolidated figures are shown excluding the amount of equity capital.

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, the 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.

(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 2021 to March 2022)
Japan Post Holdings	Compensation Committee	5 times
	Shareholders' Meeting	0 times
Japan Post	Board of Directors	3 times
	Board of Corporate Auditors	1 time
Japan Post Bank	Compensation Committee	4 times
	Evaluation Committee	13 times
Japan Post Insurance	Compensation Committee	7 times

Note: The total amount of compensation is not listed because this amount cannot be calculated separating only the portion corresponding to compensation for the execution of duties of the Compensation Committee.

2. Matters concerning evaluation of the appropriateness of the design and operation of the compensation system for subject executives and employees of the Company (Group)

(1) Policies concerning compensation for "subject executives"

The Company determines compensation for the Company's directors according to job responsibilities based on the scope and size of responsibilities for management and other areas. For executive officers, the Company has designed a compensation system that considers job content as an executive officer, personal evaluations and job performance. As a specific executive compensation system, compensation for executives consists of base compensation.

(2) Policies concerning compensation for "subject employees"

In determining compensation for Company employees, the Company determines compensation for directors and auditors according to job responsibilities based on the scope and size of responsibilities for management and in other areas. For executive officers and executives, the Company has designed a compensation system that considers job content as an executive officer or executive, personal evaluations and job performance. As a specific compensation system, compensation consists of base compensation.

The Company determines compensation for employees based on employee evaluations to reflect the degree of attainment of targets and job behavior. As a specific compensation system for employees, compensation is determined based on salary rules and regulations.

3. Matters concerning consistency between the compensation system for subject executives and employees of the Company (Group) and risk management and the link between compensation and performance

In determining compensation for subject executives, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined.

In determining compensation for subject employees, compensation for directors and auditors of Japan Post is determined based on resolutions at the Shareholders' Meeting, while compensation for executive officers is determined based on resolutions by the Board of Directors. Regarding executives of Japan Post Bank and Japan Post Insurance, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined. In determining compensation for professional positions at Japan Post Bank, the scheme for determining compensation is discussed at the Evaluation Committee, after which details of compensation for each individual are determined. Compensation for other employees is determined based on salary rules and regulations.

Compensation for subject executives and subject employees takes into consideration the state of employee evaluations and the appropriateness of amounts paid without excessive emphasis on performance based systems.

4. Matters concerning the types of compensation for subject executives and employees of the Company (Group), total amount paid and payment method
Total amount of compensation for subject executives and employees (From April 1, 2021 to March 31, 2022)

Classification	Number of persons	Total amount of compensation (Millions of yen)						Retirement benefits	Other
		Total fixed compensation		Total variable compensation					
		Base compensation		Bonuses	Stock compensation				
Subject executives (excluding outside executives)	41	1,140	908	908	232	—	232	—	0
Subject employees, etc.	23	1,031	593	593	434	199	235	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.

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>

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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.

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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 Japan Post 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 Japan Post 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 Japan Post Group will continually perform inspections and work on improvements.

5. Coordination with external organizations

The Japan Post 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.

13. Disclosure Policy

Fundamental policy

The Japan Post Group has stipulated in its Charter of Corporate Conduct to "fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner" to earn the trust of customers. To achieve sustainable growth and medium- to long-term improvement in our enterprise value, Japan Post Holdings Co., Ltd. (the "Company") shall disclose information in a fair and accurate manner to its shareholders, investors, and other stakeholders. In addition, the management shall make efforts to actively communicate with them and share among its own staff the requests, expectations, and so on obtained through this communication.

Standards for information disclosure

The Company shall comply with the Financial Instruments and Exchange Act of Japan, other applicable laws and regulations and the securities listing regulations stipulated by the Tokyo Stock Exchange, manage important information about the Company and its subsidiaries, and swiftly disclose it in a timely manner.

Moreover, the Company shall not only disclose information in accordance with the aforementioned laws and regulations and other relevant rules and regulations, but it shall also strive to voluntarily disclose information that will contribute to the deepening of understanding of the Company and its subsidiaries at occasions such as investor information meetings.

Establishment of internal systems

The Company shall strive to establish and reinforce its internal systems by appointing the executive officer in charge of the Corporate Planning Division to be responsible for establishing the internal system for our IR

activities, so that each division works together in an organic manner to ensure appropriate information disclosure. Furthermore, the Company has established the Disclosure Committee for discussions about information disclosure.

Method of disclosing information

The Company shall make disclosure as required based on the Financial Instruments and Exchange Act of Japan, other related laws and regulations, securities listing regulations of the Tokyo Stock Exchange, etc., through prescribed means including the Electronic Disclosure for Investors' NETwork (EDINET), which is operated by the Financial Services Agency, the Timely Disclosure network (TDnet), which is operated by the Tokyo Stock Exchange, and through the Company's website.

Disclosure of information through methods other than the above shall be made through the Company's website and other means.

Future outlook

Information disclosed of the Company might include forward-looking statements. Such statements have been prepared in accordance with judgments made by the management based on the information available to the Company at the time of disclosure and on certain assumptions that the Company believes to be reasonable in making its predictions of the future, thereby containing various risks, as well as some degree of indeterminacy and uncertainty. Accordingly, actual figures and financial results may differ from the forward-looking statements included in the disclosed information depending on future business operation as well as changes in economic and other circumstances.

JAPAN POST GROUP

Annual Report 2022

(April 1, 2021–March 31, 2022)

Published in August 2022

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