

JAPAN POST GROUP

Annual Report

Year ended March 31, 2019

2019



CONTENTS

01 **Japan Post Group Management Philosophy & Group Management Policy**

02 **Financial and Non-Financial Highlights**

04 **Message from the President**

Enhancing Corporate Value

- 12 History of Japan Post Group
- 14 Japan Post Group Value Creation Process
- 16 Strengths of Japan Post Group
- 18 Value Created by Japan Post Group

Medium-term Strategy

- 22 Structure of Japan Post Group
- 23 Medium-term Management Plan
- 26 Top Messages from Each Company
- 28 Business Segment
- 39 Fostering a Sense of Unity in the Group (Team JP)
- 40 New Strategic Areas of Focus

Sustainability

- 48 Toward the Realization of a Sustainable Society
- 50 Initiatives through Business Activities
- 59 Social Contributions through Sports
- 60 Japan Post Group Corporate Governance
- 68 Directors
- 70 Interview with Outside Director
- 72 Japan Post Group Risk Management
- 74 Japan Post Group Compliance Framework
- 76 Japan Post Group Internal Audit System
- 77 Japan Post Group IT Governance
- 78 Cyber Security Measures
- 79 Initiatives for Transportation Safety
- 80 Dialogue with Stakeholders

Data Compilation

- 83 Data Compilation

Recent Events of Japan Post Group

Company Outline

Company name: JAPAN POST HOLDINGS Co., Ltd.
 Head office location: 3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo, Japan
 Date of establishment: January 23, 2006
 Paid-in capital: ¥3,500 billion
 Securities code: 6178
 Total number of shareholders: 623,985 (as of March 31, 2019)

Editorial Policy

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

This Report is combined with the Disclosure Report.

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

Subject of Reporting

Reporting Period: April 2018—March 2019 (Part of this Report includes information after this period.)

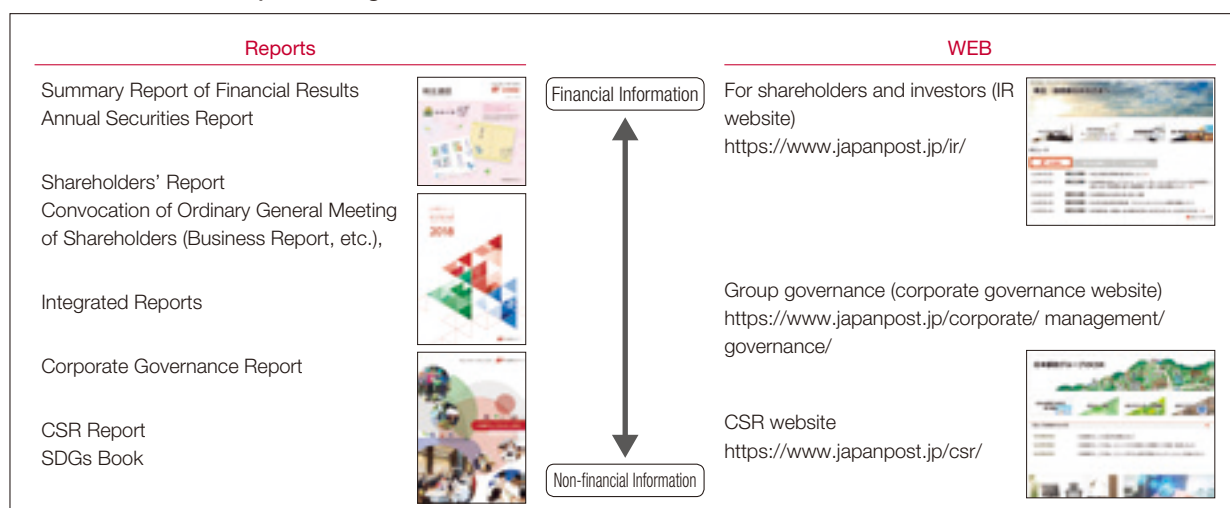
Scope of Report: Japan Post Holdings Co., Ltd. and its subsidiaries and affiliated companies

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. that include the Convocation 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 condition and business results of Japan Post Holdings Co., Ltd. and each company of Japan Post Group.

Date of Publication: July 2019

Publications and their positioning



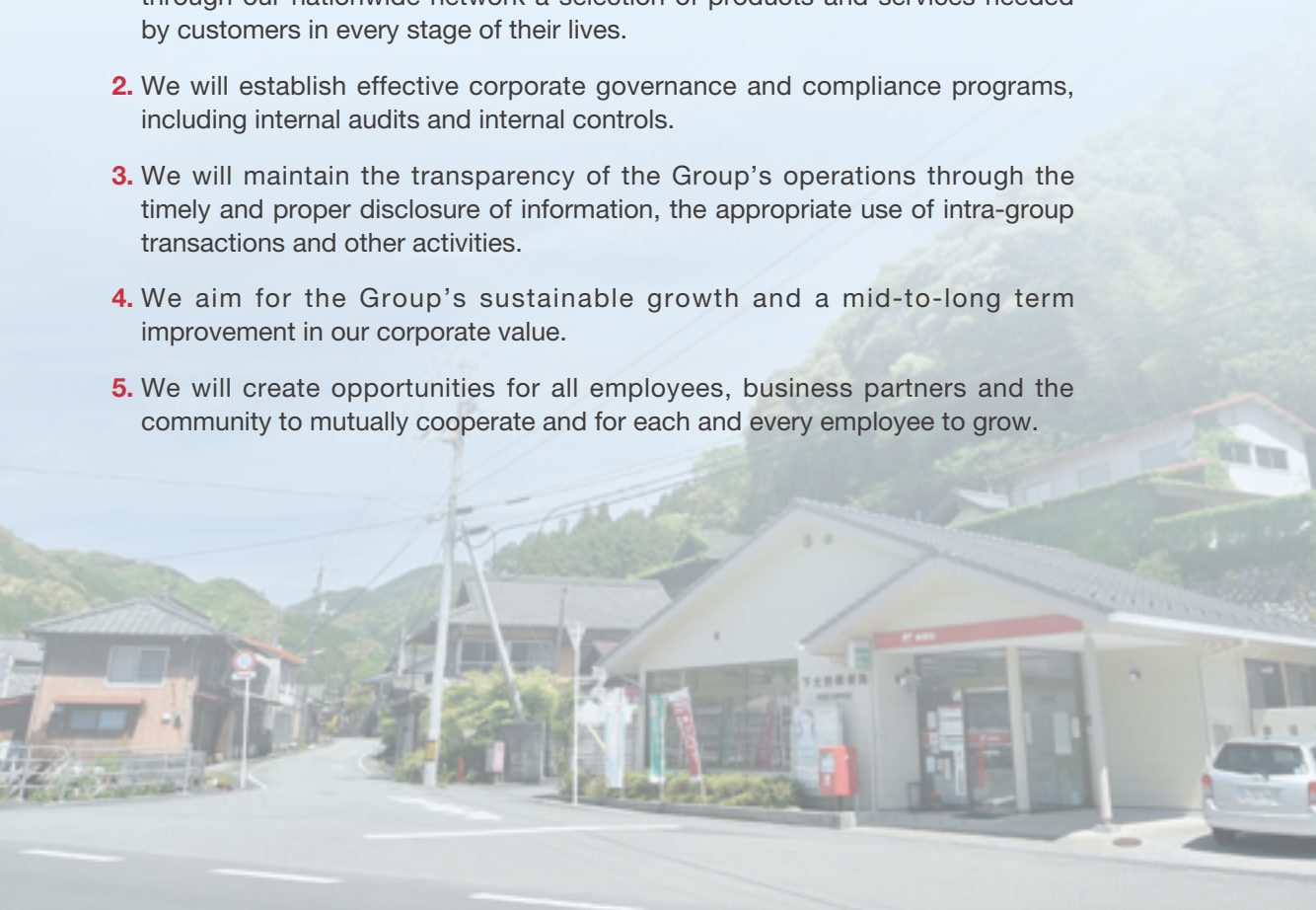
Japan Post Group Management Philosophy & Group Management Policy

Japan Post Group Management Philosophy

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

Group Management Policy

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



Disclaimer with respect to forward-looking statements

This Report is a translation of the Disclosure Document (the written explanation in Japanese of the business and financial conditions of Japan Post Holdings Co. and Japan Post Group) that was prepared pursuant to Article 52-29 of the Banking Act and Article 271-25 of the Insurance Business Act. This Report is not prepared for the purpose of soliciting any shares or other securities of Japan Post Holdings Co. and its subsidiaries. This Report contains forward-looking statements regarding future performance and other matters of Japan Post Group and each company of 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, 2019.

Financial and Non-Financial Highlights

■ Ordinary income

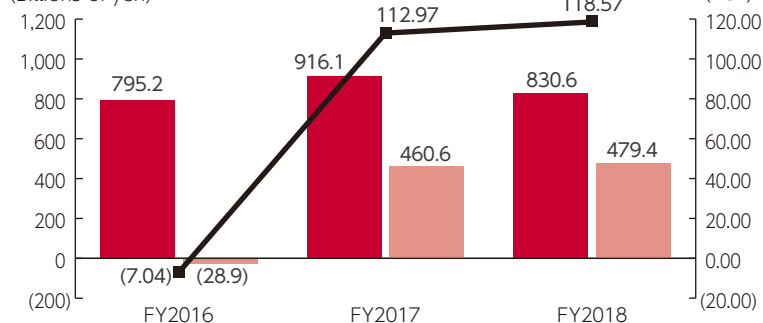
(Billions of yen)



Ordinary income in the fiscal year ended March 31, 2019, declined 1.1% from the previous fiscal year to ¥12,774.9 billion.

■ Net ordinary income/Net income (loss) attributable to Japan Post Holdings Co./Net income (loss) per share

(Billions of yen)

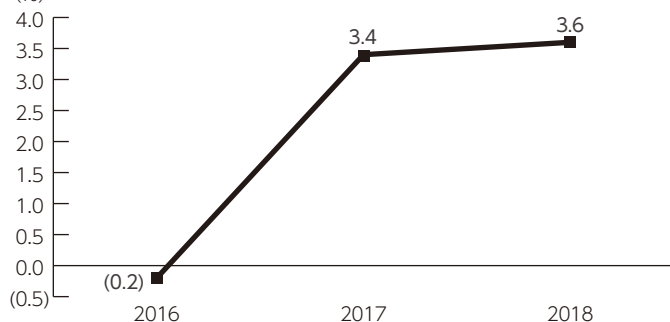


Net ordinary income in the fiscal year ended March 31, 2019, declined 9.3% from the previous fiscal year to ¥830.6 billion, net income attributable to Japan Post Holdings Co. increased 4.1% from the previous fiscal year to ¥479.4 billion and net income per share amounted to ¥118.57.

■ Net ordinary income ■ Net income (loss) attributable to Japan Post Holdings Co.
 ■ Net income per share

■ Return on equity

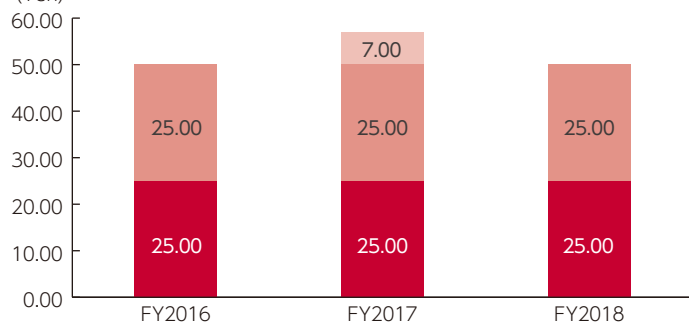
(%)



Return on equity in the fiscal year ended March 31, 2019, increased 0.2 percentage point from the previous fiscal year to 3.6%.

■ Dividend per share

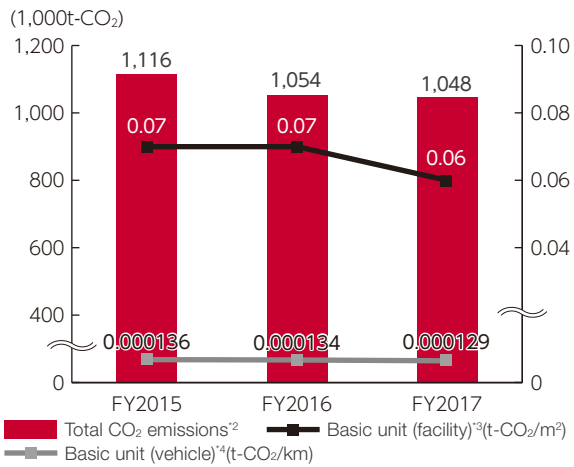
(Yen)



Annual dividend per share in the fiscal year ended March 31, 2019, amounted to ¥50 (includes an interim dividend of ¥25).

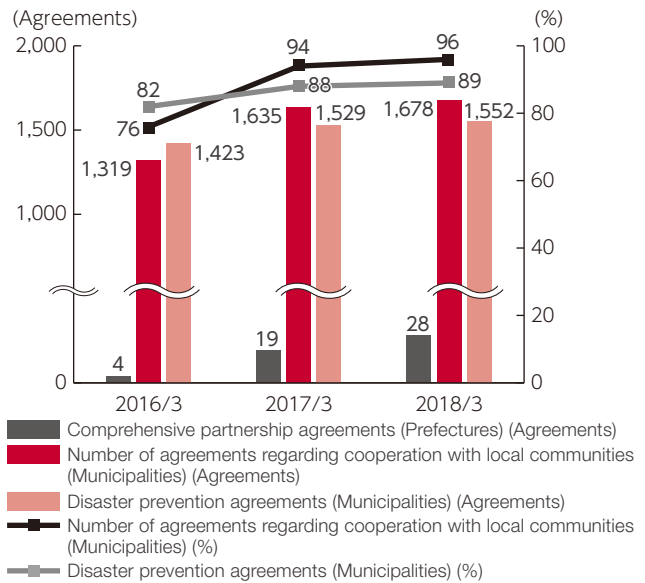
■ Interim dividend ■ Year-end dividend ■ Special dividend

Greenhouse gas¹ emissions



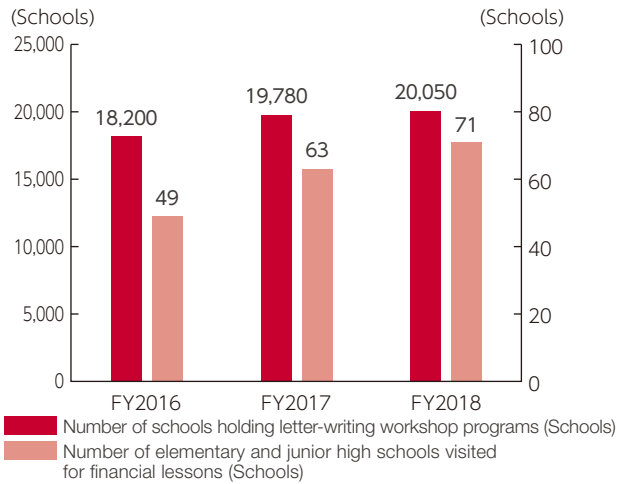
*1: Greenhouse gasses emitted by Japan Post Group's businesses refer to CO₂.
 *2: Covers Japan Post Holdings Co. and principal Group companies (Japan Post Co., Japan Post Bank Co. and Japan Post Insurance Co.).
 *3: Basic unit per facility = CO₂ emissions from facilities of the entire Group (t-CO₂)/Total floor area of the entire Group (m²)
 *4: Basic unit per vehicle = CO₂ emissions from vehicles operated by the entire Group (t-CO₂)/Distance traveled by the vehicles (km)

Number of agreements/Agreement conclusion rate regarding cooperation with local communities



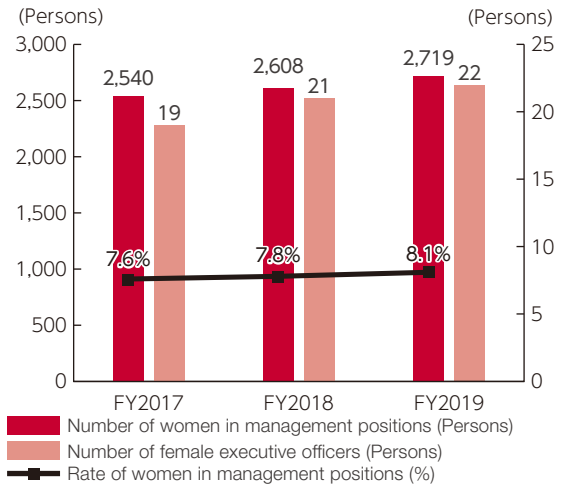
■ Comprehensive partnership agreements (Prefectures) (Agreements)
 ■ Number of agreements regarding cooperation with local communities (Municipalities) (Agreements)
 ■ Disaster prevention agreements (Municipalities) (Agreements)
 ■ Number of agreements regarding cooperation with local communities (Municipalities) (%)
 ■ Disaster prevention agreements (Municipalities) (%)

Letter-writing workshop programs/ Financial lessons



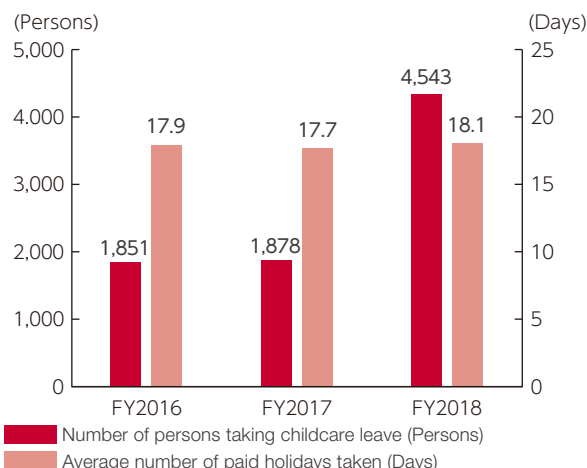
■ Number of schools holding letter-writing workshop programs (Schools)
 ■ Number of elementary and junior high schools visited for financial lessons (Schools)

Number of women in management positions/Female executive officers



■ Number of women in management positions (Persons)
 ■ Number of female executive officers (Persons)
 ■ Rate of women in management positions (%)

Average number of paid holidays taken/ Number of persons taking childcare leave



■ Number of persons taking childcare leave (Persons)
 ■ Average number of paid holidays taken (Days)

* Number of persons taking childcare leave in the fiscal year ended March 31, 2019, includes number of persons taking spouse maternity leave.

Rating

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

AA⁺ (Stable)

(As of October 12, 2018)

Vision

Enhancing Corporate Value

Medium-term Strategy

Sustainability

Data Compilation

Message from the President



Masatsugu (Mat) Nagato

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

Japan Post Group is Leveraging Its 148-Year History to Become a “Total Lifestyle Support Group” That is Close to Its Customers

“Total Lifestyle Support Group” Envisioned by Japan Post Group

Japan Post Group initiated the postal business in 1871 with the establishment of modern postal service and four years later began postal savings services followed by the start of insurance sales. Our network of 24,000 post offices that reaches to every corner of Japan is a close part of people’s lives in local communities. Throughout our 148-year history, we have continually provided reliable services in rain, wind and all types of weather in regions ranging from mountaintops to remote islands. We have also consistently developed products tailored to the needs of a large number of customers. For example, although the first life insurance services in Japan initially targeted high-income households, we began offering small-amount Postal Life Insurance through our post offices driven by our determination to provide “insurance that responds to the needs of an even greater number of customers.” By repeatedly implementing such initiatives, we have built strong trust in today’s post office network. In this manner, Japan Post Group has maintained our indispensable presence for each and every customer in local communities.

A “Total Lifestyle Support Group” is our future vision that will be further developed in coming generations based on Japan Post Group’s history of getting close to its customers in local communities.

Today as well, we provide services that support “customers throughout their entire lifetime.” These include delivery services such as Yu-Pack that are

matched to customer needs in addition to savings and cashless services that offer convenience in everyday life and core financial services such as insurance that provides people with peace of mind about their future.

Japan Post Group also implements initiatives for supporting local communities such as undertaking business consigned by local public entities through post offices, providing services in collaboration with other companies and participating in regional vitalization funds in cooperation with regional financial institutions.

Going forward, we will develop our postal and logistics, banking and insurance services that are provided mainly via the post office network. We will also promote new services that support and are a close part of people’s lives with the assumption that these services will naturally be viable as new businesses.

Issues Surrounding Japan Post Group

In reviewing current circumstances, I anticipate that the management environment this year will become increasingly severe and that global economic growth will likely decelerate gradually over the medium and long terms.

Regarding the Japanese economy, I expect the harsh interest rate environment to continue. Furthermore, from an overall perspective, the Japanese economy is becoming saturated and GDP growth of 10% that was recorded in the past is no longer possible. Japan’s latent real GDP growth rate is now under 1%. Moreover, the structurally declining birthrate and aging

of the population will advance, while declines of regional areas and a tightening of supply and demand for labor are expected to persist. For the logistics industry in particular, the redelivery of packages due to the absence of recipients is a major issue everywhere.

Meanwhile, responding to technology is also another key issue. As we maintain our awareness of cost effectiveness, in the logistics business we must keep a close watch on cutting-edge technologies such as automation in a broad sense as well as drones and autonomous driving. In the banking and life insurance businesses as well, we must rapidly adopt Fintech and other technologies. By utilizing technology to improve efficiency, I hope to deploy employees in growth fields more than ever before.

Entering the Second Year of Japan Post Group Medium-Term Management Plan 2020

In the fiscal year ended March 31, 2019, Japan Post

Group announced Japan Post Group Medium-Term Management Plan 2020 for realizing its future vision of becoming a “Total Lifestyle Support Group,” which I alluded to at the outset of this message. When the plan was announced, I remarked that “This three-year plan will face the toughest environment than will any other future Medium-Term Management Plan.” By this, I mean that approximately 70% of Japan Post Group’s profits are accounted for by Japan Post Bank Co. and 20% by Japan Post Insurance Co. So more than anything, ultra-low interest rates in Japan will have a tremendous adverse impact on the Group’s profits during the Medium-Term Management Plan.

Even though we operated under such challenging conditions in the fiscal year ended March 31, 2019, the first year of the Medium-Term Management Plan, our results exceeded the initial forecast, as revenues from Yu-Pack and Yu-Packet expanded at Japan Post Co. and investment income by Japan Post Insurance Co. trended firmly. Thanks to these results, net income attributable to Japan Post Holdings Co. amounted to ¥479.4 billion, topping the initial forecast of ¥330.0





billion. Nonetheless, as we enter the second year of the Medium-Term Management Plan, the environment surrounding Japan Post Group is becoming increasingly harsh. First of all, I believe it is imperative that we faithfully and speedily pursue the directions articulated in the Medium-Term Management Plan.

Despite the recent downtrend in our postal services business at Japan Post Co., an expansion in EC markets is expected to continue. Given this outlook, we aim to achieve further growth in the handling of Yu-Pack and Yu-Packet. We are also promoting various measures in response to tightening supply and demand for labor. For instance, to reduce the number of redeliveries, in December 2018 we undertook verification testing of OKIPPA, a service for leaving packages in designated areas, together with Yper Inc. We will also push forward with the establishment of receiving facilities beginning with “HAKO POST” receiving lockers.

We also intend to promote businesses that effectively utilize the postal network together with other companies and regional entities. As prime examples,

we are starting new businesses using the 24,000 post offices across Japan such as installing regional bank ATMs inside post offices and offering a luggage handling service for travelers. Besides these, we are now pursuing collaborative businesses by investing in venture companies through JAPAN POST CAPITAL Co.

Japan Post Bank Co.’s revenue is derived almost entirely from asset management. With this in mind, we will secure stable earnings by continuously sophisticating and diversifying asset management under appropriate risk management. On the other hand, compared with asset management revenues, service commission revenues such as from remittances, settlements and investment trust sales are still small. Although our share for deposits in Japan is roughly 20%, our investment trusts balance share is just around 3%. This amounts to ¥2 trillion in a ¥70 trillion market. As these figures suggest, we still have significant leeway for growing our market share. Additionally, regional vitalization is currently a major theme in Japan, and so we are also actively promoting investments in regional

revitalization funds in collaboration with regional financial institutions.

Japan Post Insurance Co.'s premium income from policies in force accounts for the largest portion of its revenue. Insurance products consist of savings-type

products and protection-type products. However, sales of savings-type products are becoming increasingly difficult under current low interest rate policies. On the brighter side, we foresee growing demand for protection-type products amid rising

● Trends in Medium-Term Management Plans

Business fields	Basic policies	Results of the fiscal year ended March 31, 2019
1. Postal and domestic logistics business	Comprehensive review of products and operations systems and strengthening of service infrastructure to support an expansion in parcels	<ul style="list-style-type: none"> ● Strengthening of sales to medium- and small-scale customers and building of a sales structure that can make unified responses to the wide-ranging needs of customers ● Improvement of Yu-Pack services that include commencement of new services such as Yu-Pack Smartphone Discount and e-Receiving Assistance and expansion of desired delivery time frame ● Consolidation and mechanization of internal operations at collection and delivery post offices and improvement of transportation efficiency, improvement of productivity of letter collection and delivery operations, and establishment of facilities for responding to an increase in parcels and a system for transportation and collection and delivery
2. Post office business	Coexistence with local community by maintaining, strengthening and maximally utilizing the post office network through deployment of unique and diverse post offices in accordance with regional needs, etc.	<ul style="list-style-type: none"> ● Improvement of sales capabilities of employees and of the management capabilities of managers through training in collaboration with Japan Post Bank Co. and Japan Post Insurance Co. ● Expansion of post offices handling investment trusts, permeation of management style emphasizing financial assets under management through means such as convening the Comprehensive Financial Consultation Meetings, expansion of new policies and new customers ● Expansion, upgrading and development of products, promotion of diversification of sales channels ● Promotion of leasing business that includes offices leased in JP Tower, commercial facilities, residences and nursery schools ● Strategic locating of post offices, including locating of post offices inside shopping centers ● Completion of increased deployment of cash management machines and introduction of new business flows ● Provision of Watch Over Service
3. International logistics business	Improvements in management of Toll and deployment of contract logistics in Japan through strengthening synergy between JP and Toll	<ul style="list-style-type: none"> ● Enhancement of efficiency through building of new financial accounting systems and introduction of shared services ● Entry into healthcare and other high-growth fields, opening of Toll City cutting-edge logistics hub ● Launch of JP TOLL LOGISTICS Co. that aims to provide integrated solutions
4. Banking business	Diversification and sophistication of investment management, expansion of non-interest revenue and efficient resource allocation	<ul style="list-style-type: none"> ● Increasing of asset management consultant staff, cultivation of human resources through guidance and training ● Installation and relocation of ATMs to highly convenient locations, promotion of installation of compact ATMs mainly in FamilyMart stores, installation of compact ATMs in branches of Aozora Bank, Ltd. ● Promotion of quick permeation and usage of Yucho Pay smartphone settlement service ● Promotion of internationally diversified investments under appropriate risk management, execution of alternative investments and foreign securities investment based on the market environment ● New participation in regional revitalization funds
5. Life insurance business	Reversal/growth of policies in force through sales activities focusing on protection needs and improvement in solicitation quality	<ul style="list-style-type: none"> ● Training for sales personnel, improving the sales skills, cultivation of new customer base utilizing the Family Registration Scheme ● Thoroughgoing customer-first sales activities such as further strengthening the confirmation of intent of elderly customers ● Obtained approval for new operations (underwriting of whole life insurance, endowment insurance, etc., with relaxed underwriting criteria; and underwriting of advanced medical rider) ● Expansion of digital contact points utilizing LINE and the health support app (<i>Sukoyakanpo</i>) ● Phased introduction of insurance procedure support system for automatically creating invoices based on policy information and claim contents ● Expansion of investments in risk assets within the scope of risk buffer based on ALM



longevity risk among individuals along with the ongoing aging of the population. Accordingly, we are starting to witness competitive battles of ingenuity in addressing such challenges as how to insure these risks faced by individuals, and in doing so, what types of insurance products should be developed and sold. As part of these efforts, in April 2019 we commenced sales of a newly developed rider for advanced medical care. By developing such new products, we aim to expand our business results in third sector products. As we work to strengthen sales focused on protection, we will strive to improve the development and sales skills of sales personnel. From April 2019, we launched products with relaxed underwriting criteria to enable previously uninsurable persons to enroll in insurance in line with our policy for achieving growth in the number of contracts.

Turning to the real estate business, we established Japan Post Real Estate Co. to serve as Japan Post Group's fourth primary source of revenue after the postal and logistics, banking and life insurance businesses. By establishing this company, we aim to accelerate our real estate business.

On a different front, in April 2019 we sold shares in Japan Post Insurance Co., and as a result, the Company's shareholdings in Japan Post Insurance Co. declined to 64.5%. Concerning the sale of shares of the two financial companies, in accordance with the purpose of the Postal Service Privatization Act, with a view to increasing management flexibility of these two financial companies, securing the Group's unity, and demonstrating the Group's comprehensive capabilities, the Company intends to sell shares of these two financial companies step by step so that Company's

ownership ratio will be around 50%. Although the share sale in April does not immediately eliminate the additional statutory operational regulations imposed on Japan Post Insurance Co., I believe this amply demonstrates Japan Post Holdings commitment to providing a greater degree of independence to the management of Japan Post Insurance Co.

Anticipating the Future of Japan Post Group

With an eye to the future, I believe that maintaining corporate value through self-sustaining growth alone will be difficult. To further raise the corporate value of Japan Post Group, we must therefore focus on three points.

The first is securing alternate earnings sources to replace those of Japan Post Bank Co. and Japan Post Insurance Co. In adhering to the intention of the Postal Service Privatization Act, we will, first of all, implement a policy of gradually selling shares in these two financial companies until our ownership ratio reach the 50% level. As the sale of shares in Japan Post Bank Co. and Japan Post Insurance Co. moves forward, we will gradually lose consolidated revenues and profits so we must create new sources of revenue to replace these.

The second point is to establish a solid position as our envisioned "Total Lifestyle Support Group." We must never pass up any opportunities to collaborate with other companies that have management philosophies similar to our mission or with growth companies regardless of whether these are Japanese or overseas companies.

Third, we must hedge any risk of disruptions arising from path-breaking innovations that shake the foundation of Japan Post Group's businesses and undermine these businesses.

Without the awareness of this risk of disruptions as a company that aims to be a "Total Lifestyle Support Group," we could lose out on irreplaceable major business opportunities, and this could precipitate our own decline. I believe that one of management's important responsibilities is to respond to anything that significantly changes the world.

So how will we further develop Japan Post Group? One effective means is to make investments, and in

broad terms this encompasses M&A. One such previous investment was our acquisition of Toll Holdings Limited, an Australian logistics company. More recently, Japan Post Holdings Co. invested in Aflac Incorporated.

With the investment in Aflac Incorporated, we acquired approximately 7% of Aflac Incorporated's outstanding common shares. To encourage long-term investment by shareholders, Aflac Incorporated's Articles of Incorporation stipulate that each share is entitled to 10 votes, or a ten-fold increase, after holding shares for four years. Therefore, Japan Post Holdings voting rights are expected to surpass 20% four years after acquisition. Although Japan Post Holdings Co. initially receives only dividend income from this investment, when voting rights exceed 20% we will reflect a portion of Aflac Incorporated's earnings in our consolidated earnings via application of the equity method of accounting.

In this manner, the investment for the acquisition of 7% of Aflac Incorporated's outstanding common shares will enable Japan Post Holdings Co. to earn large returns by applying the equity method. Besides

further advancing initiatives in cancer insurance carried out to the present by Aflac Life Insurance Japan Ltd., Japan Post Co. and Japan Post Insurance Co., we will also consider new initiatives for cooperation. These include leveraging digital technology in various processes, cooperation in new product development, collaboration in domestic and overseas business expansion, joint investments in third-party entities and cooperation in asset management.

Toward Sustainable Growth

Environmental, social and governance (ESG) is an essential theme when considering long-term management into the future. There are of course things we need to do regarding ESG as a company and we will make proactive efforts toward this end.

This year, I once again participated in the Davos World Economic Forum. During this time, I gained a strong sense that implementing management strategies with a long-term perspective is emerging as an



extremely important theme for a great many investors. It was also evident that making environmental considerations in business operations is becoming increasingly crucial. Regarding this point, I foresee actions, such as divestments from fossil fuel-related companies, gaining further momentum.

In April 2019, Japan Post Holdings Co., Japan Post Bank Co. and Japan Post Insurance Co. declared their support for the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)*1. To the present, Japan Post Group has promoted efforts to contribute to the realization of a sustainable society that include initiatives to reduce greenhouse gas emissions and investments in Green Bonds. Japan Post Group will strive for increased information disclosure by deepening its analysis of the impact of climate change on the business of each Japan Post Group company based on the TCFD recommendations.

At the Davos World Economic Forum, I was told by participants from various foreign countries that governance (G) is an important issue for Japan, as governance-related problems have occurred at several Japanese companies. Due in part to these incidents, Japan's corporate governance is once again being closely scrutinized. Japan Post Group pays careful attention to its governance. For example, it is frequently said that companies with listed parent and subsidiary companies should have a high percentage of outside directors. The majority of directors at Japan Post Group are outside directors, which represents an extremely high proportion of outside directors. Moreover, these directors are outstanding persons who are leading figures in Japan. Japan Post Group is continually fortified at the Board of Directors Meeting through active discussions that draw on the knowledge and experience of these directors.

*1. Established by the Financial Stability Board on December 4, 2015

Human Resources are Japan Post Group's Most Important Asset

For well over 100 years, it has been none other than our dedicated employees who have gotten close to customers and the local communities and earnestly continued to provide services. Our human resources form our team of human capital. The energy of each

and every employee is absolutely essential for us to remain an outstanding organization. Japan Post Group employees sometimes speak to me frankly about their concerns whenever I exchange opinions with them. Although work style reforms are of course essential to fully deploy the capabilities of each employee, I believe that creating environments in which supervisors can address these matters worrying employees is also important.

The most important factor for raising the motivation of every employee is for Japan Post Group to be a "Good Company." That said, regardless of the good work environments we establish, employees will never acquire passion for their jobs in a company that lacks a bright future. Mindful of this, I will strive to make Japan Post Holdings Co. a "Good Company" that is admired the world over.

To become a "Good Company," Japan Post Group must carry out unified business management while also combining individual strengths. In doing so, I aim to more firmly establish "Team JP." Experience is the best way to gain knowledge. For this reason, we implement job rotations that transcend company boundaries and also believe job rotations that can improve communications between the head office and the front lines of business are also important.

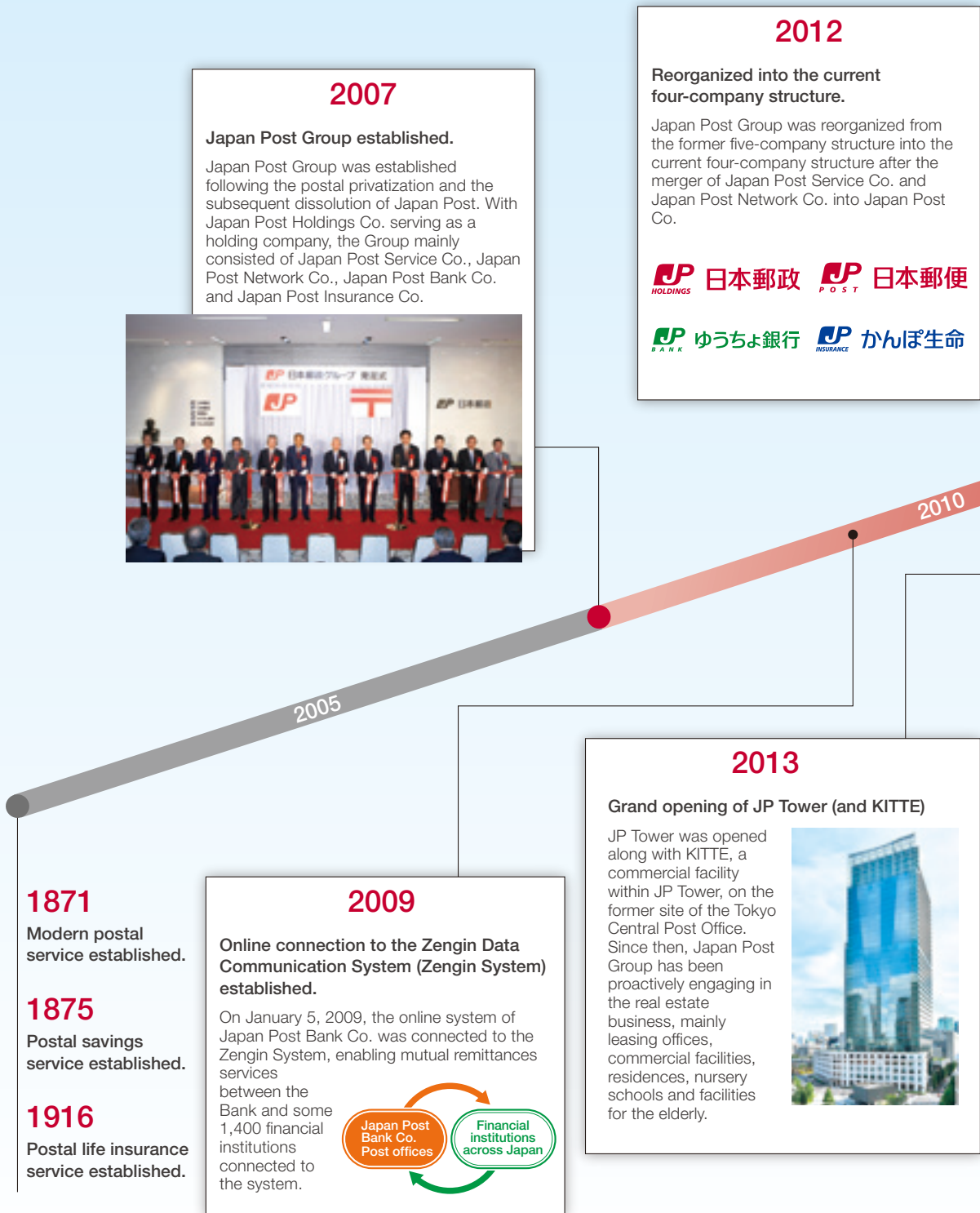
In Conclusion

When undertaking business, thinking humbly about people's needs and responding to these throughout the world is important. If we are continually aware of devoting our utmost efforts to customers, this will inevitably lead to our next business. We should continually put this idea into practice. In the future, we will naturally encounter times of difficulty because that is the very nature of business, and there will be challenges that we must overcome. As its fate, Japan Post Group is a company that must continue to shine for the next 100 years drawing on its 148-year history.

Team JP will never forget its aspirations and mission in working as one and will make its utmost efforts as it strides toward the future.

Path of Japan Post Group from Its Founding to the Present

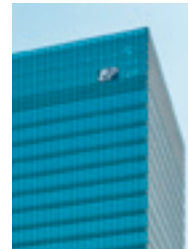
Japan Post Group marks its 148th year since modern postal service was established by Hisoka Maejima in 1871. To this date, Japan Post Group remains close to its customers by offering a variety of products and services mainly through its three core businesses of postal services, banking and insurance centered on the post office network. After the establishment of Japan Post Group in 2007 following privatization, the Group has increased its lineup of services that support the lives of its customers and local communities.



2018

New companies established to capture additional revenues.

Following the establishment of JAPAN POST CAPITAL Co. in November 2017, Japan Post Group established Japan Post Investment Corporation to accelerate revenue growth through private equity investment and Japan Post Real Estate Co. to promote the real estate business in a more efficient manner and turn it into a future revenue source for the Group. Japan Post Group will continue to seek new sources of revenue through business expansion.



2015

Listed on the First Section of the Tokyo Stock Exchange.

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



2018

Invested in Aflac Incorporated.

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



2016

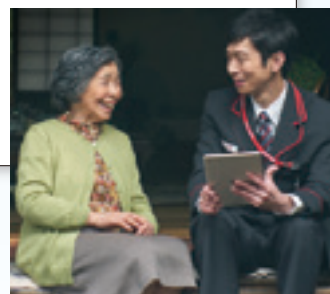
Participated in a regional vitalization fund.

Japan Post Group invested in the Kyushu Wide Area Reconstruction Assistance Investment as its first regional vitalization fund. As of March 2019, the Group has participated in 18 such funds.

2017

The Post Office Watch Over Service started.

Through its directly-operated post offices, Japan Post Group started providing the Watch Over Service, consisting of Visiting Service, Phone Service and On-call Service.



2015

Toll Holdings Limited became our wholly-owned subsidiary.

Japan Post Group acquired 100% of issued shares of Toll Holdings Limited, an Australian logistics company, and made it into its wholly-owned subsidiary. Since then, the Group has been promoting the international logistics business while leveraging Toll as its platform.



In the future, under the slogan “We work for you because we are close to you,” we will continue to stride forward with the aim of becoming a “Total Lifestyle Support Group.”

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

**Policies and Initiatives for Japan Post Group
Medium-term Management Plan 2020 (2019/3 to 2021/3)**

Postal and domestic logistics business
Comprehensive review of products and operations systems and strengthening of service infrastructure to support an expansion in parcels

Post office business
Coexistence with local community by maintaining, strengthening and maximally utilizing the post office network through deployment of unique and diverse post offices in accordance with regional needs, etc.

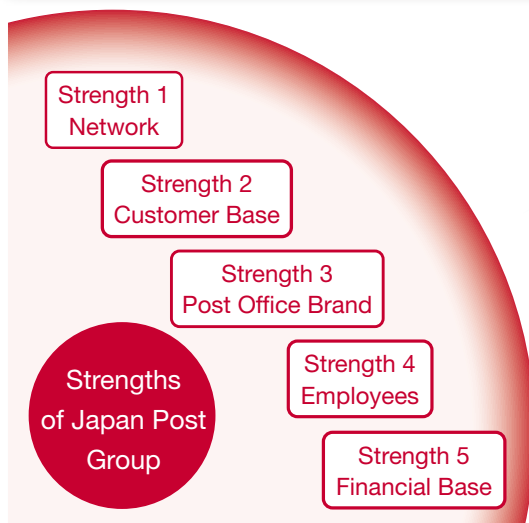
International logistics business
Improvements in management of Toll and deployment of contract logistics in Japan through strengthening synergy between JP and Toll

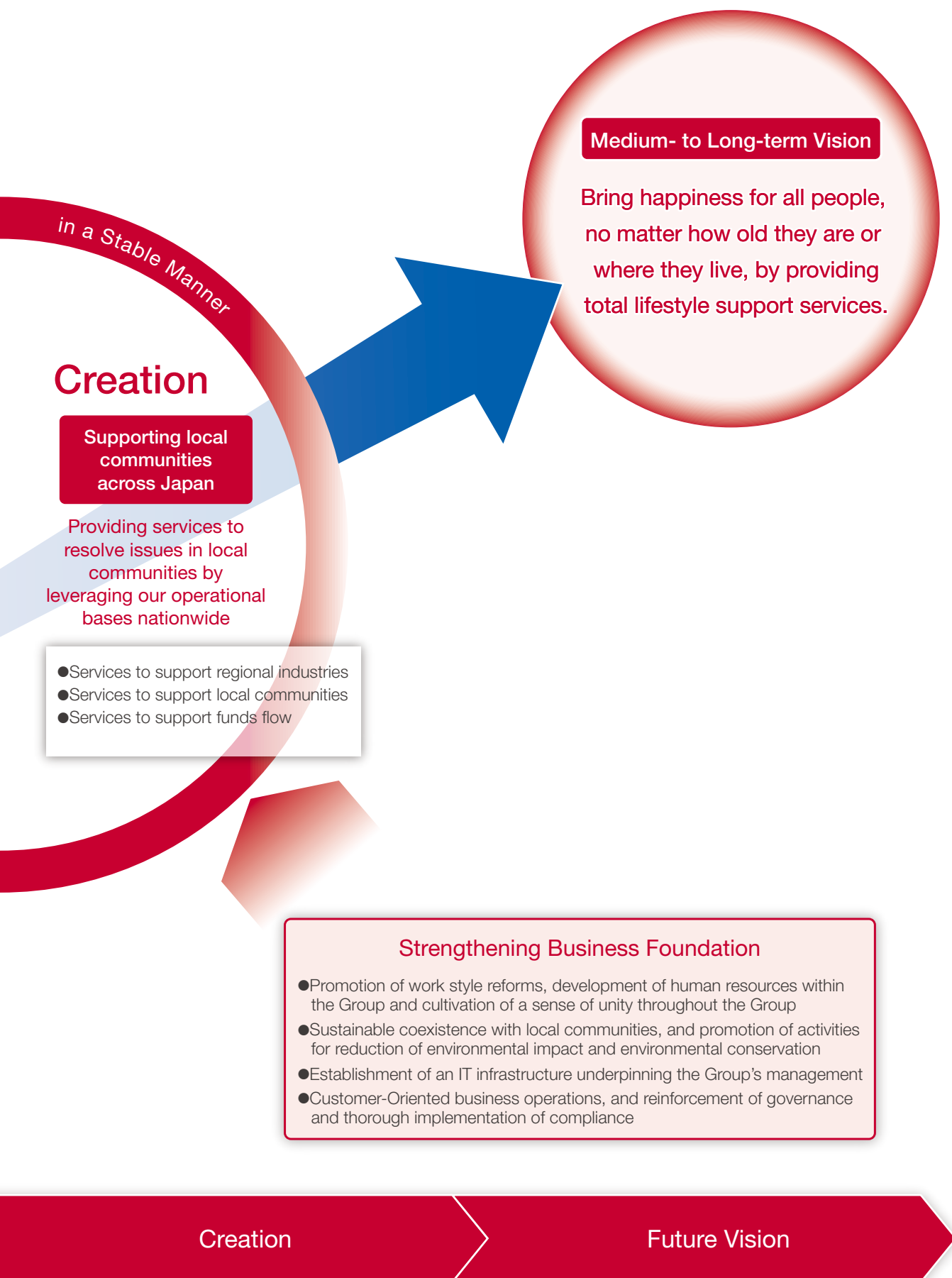
Banking business
Diversification and sophistication of investment management, expansion of non-interest revenue and efficient resource allocation

Life insurance business
Reversal/growth of policies in force through sales activities focusing on protection needs and improvement in solicitation quality

Real estate business
Japan Post Real Estate Co. established to more effectively develop the assets held by the Group and secure new sources of revenue through joint ventures participation and acquisition of profit-making properties, etc.

Growth investments
Aiming to contribute to profits while taking into consideration investments of several hundred billions of yen over a period of three years until 2021/3, through considering capital partnerships and M&As in a broad range of fields that will lead to the growth of the Group as a “Total Lifestyle Support Group”





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

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

Number of post offices
24,367



Number of countries with international logistics bases

Approx. **50**

Number of postboxes
180,774

Number of ATMs
29,837

Strength 1 Network

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

Number of postal deliveries made per day
Approx. **31 million**

Number of ordinary deposit accounts
Approx. **120 million**

Strength 2 Customer Base

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

Number of Japan Post Insurance Co. customers*
26.48 million

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

Truly
Network
Post





Strength 3 Post Office Brand

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



Top 3 customers' perceived images of post offices

Rooted in local communities

40.6%

Located everywhere

37.8%

Being close and familiar

33.4%

(Q: Please mark all images that you have for post offices.)
(Multiple choice survey conducted from October 15 to 22, 2018)

Nationwide of Offices

Strength 4 Employees

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



Number of employees in the four Group companies

420,000

Regular employees:
215,000
Non-regular employees:
202,000

(rounded down to the nearest 1,000)



Number of certification holders at post offices

Insurance Agent Certification:
107,591
Securities Sales Representative Certification:
100,481
Financial Planner Certification:
60,953

Strength 5 Financial Base

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



Equity capital

Approx. **¥13.3** trillion



Real estate held by the Group (book value)

Approx. **¥2.7** trillion

(As of March 31, 2019)

Providing Lifelong Support

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

Japan Post Group has supported customers' daily lives by providing the essential life infrastructure of postal, banking and insurance services through post offices.

Japan Post Group will continue to provide services needed by all people in all age groups to enable customers to realize safe, secure, comfortable and affluent lives and lifestyles. By providing such lifelong support to each customer in an age of 100-year life, we will endeavor to enhance our corporate value.



Value Created Providing Lifelong Support in an Age of 100-Year Life		
Highly convenient delivery services	Comprehensive financial services	Services that bring security and convenience to daily lives
Provide highly convenient delivery services in a stable manner through further enhancement of the logistics network and sophistication of services.	Provide comprehensive financial services for people of all generations with a focus on life planning, such as savings, asset-building, protection by insurance and inheritance.	Provide new services that bring security and convenience to daily lives.

Our Current Value Creation Efforts

Providing Highly Convenient Delivery Services

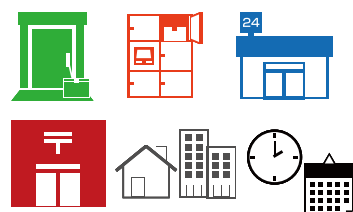
We are working to provide highly convenient delivery services in response to changes in lifestyles and society, including the expansion of the e-commerce market and an increase in double-income and single-person households.

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

As an effort to offer greater convenience in sending Yu-Pack parcels, we rolled out Yu-Pack Smartphone Discount, a new service using a free dedicated smartphone app, in September 2018. Customers can send Yu-Pack parcels more easily and at a discount rate by downloading the app onto their smartphones and using a credit card to make payment on the app.

To increase convenience on the receiving side, we started e-Receiving Assist in March 2019. This new service notifies the expected delivery date and time of Yu-Pack parcels via e-mail or LINE and allows customers to change the date, time or where to receive the parcel (including convenience stores) or specify a place to leave the parcel around their home.

ゆうパックスマホ割引アプリ



Providing Comprehensive Financial Services

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

Opening and operating unique and diverse post offices

We are promoting the opening of post offices according to the varying lifestyles of customers. Currently, we operate 86 post offices co-located with convenience stores, 33 in shopping malls and 15 in local government

facilities. Some post offices are open on Saturdays and Sundays or have counter business hours matched to their locations. Individual post offices also provide products and services tailored to different local needs.

Enhancing the lineup of financial products and promoting comprehensive financial services

At the counter of post offices nationwide, "professional" staff members provide comprehensive financial services, including savings, insurance and asset management, to support the needs and life stage of each customer. There are a total of 107,591 members holding Insurance Agent Certification, 100,481 holders of Securities Sales Representative Certification and 60,953 holders of Financial Planner Certification. We have also enhanced our services to help customers build assets for the future by starting to handle installment-type NISAs and launching a face-to-face consultation service for iDeCo (individual-type defined contribution pension plan) at 1,540 post offices handling investment trusts and some 18,000 post offices engaging in asset-building consultation and making investment trust referrals. In the field of insurance, we sell a variety of products under consignment from other life and non-life insurance companies, along with insurance products of Japan Post Insurance Co., to meet the different needs of customers. All post offices handling insurance products (excluding contracted post offices) sell cancer insurance, while some post

offices handle medical insurance with eased underwriting conditions, individual variable annuities, Post Office's Auto Insurance and JP Life Support Insurance.

Based on the Cabinet Ordinance for Partial Revision of the Order for Enforcement of the Postal Service Privatization Act, the following changes were made to deposit limits on April 1, 2019. (No change has been made to the scope of deposit protection provided under the deposit insurance system.)

1. Ordinary deposits: ¥13 million
2. Time deposits (*TEIGAKU* deposits and time deposits) (including postal savings made before privatization and transferred to the Organization for Postal Savings, Postal Life Insurance and Post Office Network, and excluding (3) below): ¥13 million
3. Asset-formation *TEIGAKU* deposits, asset-formation annuity *TEIGAKU* deposits and asset-formation housing *TEIGAKU* deposits: ¥5.5 million in aggregate

Providing New Services That Bring Security and Convenience to Daily Lives

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

Enhancing cashless services

In collaboration with GMO Payment Gateway, Inc., we released Yucho Pay, a new payment settlement service available on smartphones on May 8, 2019. This service aims to support the daily lives of customers and promote the provision of "new convenience" to them by utilizing new technologies.

When a customer having an account with Japan Post Bank Co. makes payment at a partner store of the Bank using Yucho Pay, the dedicated smartphone app instantly transfers the corresponding amount from the pre-registered account.

Providing the Post Office Watch Over Service

We are providing the Watch Over Service where staff of the neighborhood post office visit and talk with elderly customers who are living separately and report their conditions to family members.

In addition to the Visiting Service, where post office staff directly pay visits, we are also offering the Phone Service and an optional On-call Service in order to provide greater support to families living separately.



Supporting Local Communities

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

Japan Post Group has provided services to support local communities through its nationwide network of post offices.

Japan Post Group will continue to support local communities and provide services to help resolve their issues by leveraging our operational bases nationwide. By doing so, we seek coexistence with local communities while serving as a partner to co-create regional vibrancy and as a source of community security.



Our Current Value Creation Efforts

Providing Services to Support Regional Industries

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

Promoting comprehensive logistics business in Japan and overseas

We undertake the international logistics business through the bases operated by Toll Holdings Limited, an Australian logistics company, in more than 50 countries across the world. In Japan, in order to increase synergy between Toll and Japan Post Co., we

engage in business-to-business (BtoB) transactions, mainly contract logistics, through JP TOLL LOGISTICS Co., a joint venture established by the two companies on October 1, 2018.

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

In addition to leasing buildings and commercial facilities in central Tokyo and in station-front areas in local cities, we provide the “JP noie” series of rental housing mainly in Tokyo. We have also been promoting the development of nursery schools and facilities for the elderly in

consideration of the recent social background and business feasibility. In February 2019, we constructed a complex combining a nursery school and a facility for the elderly in Toshima-ku, Tokyo, and leased the entire facility to an operator, who opened it in spring 2019.

Providing Services to Support Local Communities

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

Providing various services through collaboration agreements with local governments

As of March 31, 2019, Japan Post Co. concluded comprehensive collaboration agreements with 28 prefectures for the purpose of contributing to regional revitalization and local communities. We have also concluded agreements with 1,678 municipalities for "community watch activities," "providing information about road damage" and "providing information about illegal dumping," in which employees report anything unusual they notice during the course of their work. Additionally, to help ensure mutual cooperation during disasters, we have concluded disaster prevention agreements with 1,552 municipalities and are building cooperative relationships for times of emergency. Under these agreements, we are engaging in specific initiatives matched to the needs of each local community, including conducting activities to watch

over children and elderly persons to ensure safe and secure lives, holding fairs at post offices, KITTE and other facilities to sell local specialties for the revitalization of regional economies and issuing framed stamps featuring local tourist and landmark spots.

We also installed kiosk terminals (multifunctional copy machines) at 44 post offices throughout Japan and provide services for customers to use their My Number card or basic resident registration card at these terminals to directly acquire various formal documents issued by local governments.



Expanding our ATM network throughout Japan

We are installing ATMs at and relocating the existing ATMs to highly convenient locations to expand our ATM network and offer greater convenience to customers. Since January 2017, in anticipation of an increase in tourists visiting Japan, we have been introducing compact ATMs with a 16-language compatibility at FamilyMart convenience stores, airports and other locations frequently visited by foreign users.

We have also been proactively forming alliances with regional financial institutions. In August 2018, we started replacing existing ATMs of Aozora Bank with ATMs of Japan Post Bank Co. Aozora Bank was the first regional financial institution to install Japan Post

Bank ATMs in its all branches.

Additionally, in order to increase convenience for local customers, we have been leasing a space within post offices to other financial institutions for installing their ATMs and providing some of their services at post offices. For example, we installed an ATM of Miyazaki Bank in the Kamishiiba Post Office in July 2017 and an ATM of The Bank of Toyama in the Takaoka Post Office in April 2019.

We will continue to collaborate and cooperate with each financial institution as an effort to maintain the financial infrastructure in each community.

Providing Services to Support Funds Flow

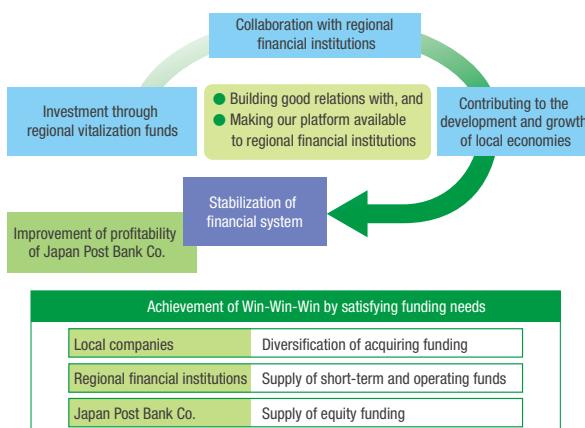
To flow back the important funds of our customers to local communities and contribute to the development and growth of regional economies across Japan, we are promoting collaboration with regional financial institutions and local governments.

Promoting participating in regional vitalization funds

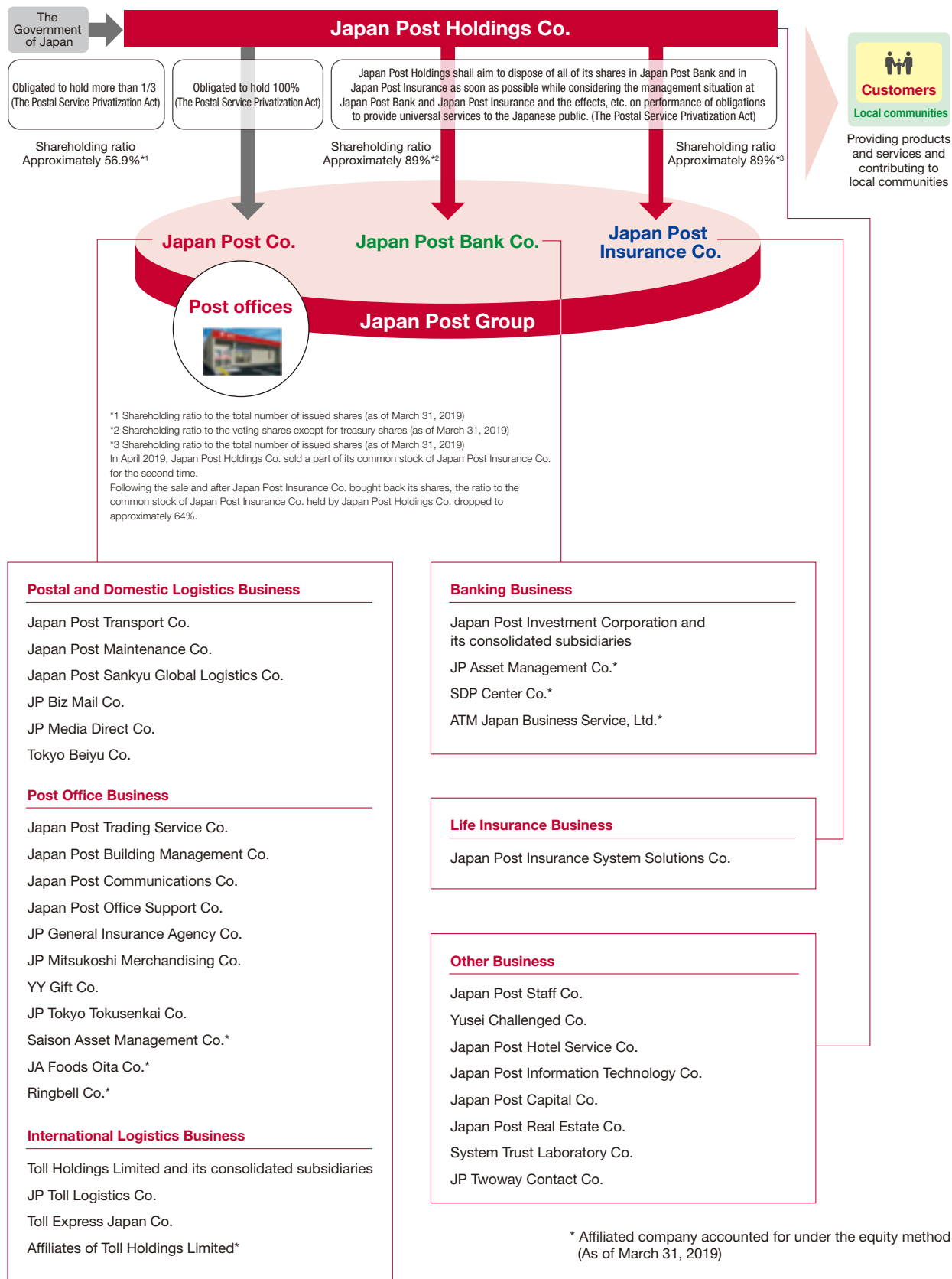
In line with our efforts to direct the important funds of our customers to local communities, we have been working with local financial institutions to actively promote participation in regional vitalization funds.

We invested in six funds, mainly focused on supporting business succession and entrepreneurship in the fiscal year ended March 31, 2019. We currently participate in 18 such funds.

Funds flow to local communities



Japan Post Group aims to become a “Total Lifestyle Support Group” through the nationwide post office network, by providing a variety of products and services mainly in its three core businesses of postal services, banking and life insurance, while deeply engaging in all aspects of customers' lives, and constantly helping customers and local communities.

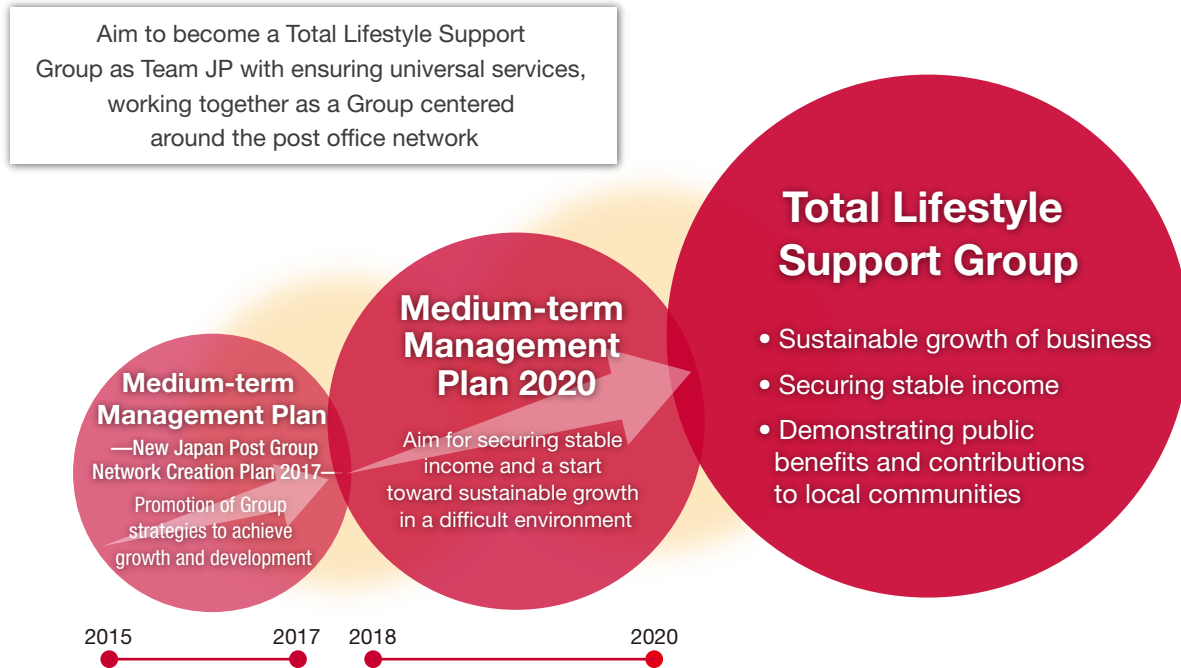


Overview of Medium-term Management Plan 2020 (2018 – 2020)*

*Published on May 15, 2018

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

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



Basic Policies by Business

Business fields	Basic policies
1 Postal and domestic logistics business	Comprehensive review of products and operations systems and strengthening of service infrastructure to support an expansion in parcels
2 Post office business	Coexistence with local community by maintaining, strengthening and maximally utilizing the post office network through deployment of unique and diverse post offices in accordance with regional needs, etc.
3 International logistics business	Improvements in management of Toll and deployment of contract logistics in Japan through strengthening synergy between JP and Toll
4 Banking business	Diversification and sophistication of investment management, expansion of non-interest revenue and efficient resource allocation
5 Life insurance business	Reversal/growth of policies in force through sales activities focusing on protection needs and improvement in solicitation quality

Numerical targets for 2021/3 and dividend policy

Group consolidated

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

Dividends per share of at least **50 yen**
(Implementation of stable dividends)

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

Japan Post Co.

- Consolidated net operating income 90 billion yen
 - Postal and domestic logistics business 40 billion yen
 - Post office business 30 billion yen
 - International logistics business 20 billion yen
- Consolidated net income 65 billion yen
- Number of Yu-Pack handled
Approx. +200 million (compared to FY2018/3)

Japan Post Bank Co.

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

* The cumulative total of "sales amount - cancellation amount" for 3 years (not market price basis).

Japan Post Insurance Co.

- Aim for reversal and growth of annualized premiums for policies in force*
- Earnings per share 155 yen
(Reference) Consolidated net income: 93 billion yen
- Aim to increase dividends per share to 76 yen while ensuring the soundness of management

* We recognize that we are presently facing difficulties to achieve the target for annualized premiums for policies in force for the fiscal year ending March 31, 2021 (approximately ¥4.9 trillion). We aim to reverse the downward trend and achieve growth during the period covered by the medium-term management plan.

Results for 2019/3

Group consolidated

Earnings per share **118.57 yen**

Dividends per share **50 yen**

Japan Post Co.

- Consolidated net operating income 182.0 billion yen
 - Postal and domestic logistics business 121.3 billion yen
 - Post office business 59.6 billion yen
 - International logistics business 10.3 billion yen
- Consolidated net income 126.6 billion yen
- Number of Yu-Pack handled
Approx. 940 million (+60 million)

Japan Post Bank Co.

- Consolidated net ordinary income 373.9 billion yen
- Consolidated net income 266.1 billion yen
- Capital adequacy ratio (non-consolidated, domestic standard) 15.78%
- Net assets of investment trusts +643.6 billion yen
- Dividends per share 50 yen

Japan Post Insurance Co.

- Annualized premiums for policies in force 4.67 trillion yen
- Earnings per share 200.86 yen
- Dividends per share 72 yen

Note: Interest rates, foreign exchange rates and stock prices, which are the premise of each numerical target, are set based on the situation at the end of December 2017.

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

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

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

Notes:

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

In addition to the above, we plan to carry out appropriate capital partnerships and M&As in a broad range of fields, which will lead to the growth of Japan Post Group as a “Total Lifestyle Support Group” and serve to enhance the Group’s and Group companies’ corporate value, after carefully judging each case

against our investment judgement criteria. To finance such partnerships and M&As, we plan to utilize our existing cash flow, borrowings backed by our abundant borrowing capacity and proceeds from the sale of shares of Japan Post Bank Co. and Japan Post Insurance Co.

Shareholder Return Policy

Japan Post Holdings Co. 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.

The decision-making body concerning dividends from retained earnings is set to be the Board of Directors as per the provisions of the Articles of Incorporation in order to ensure flexible management operations. In

addition, it is stipulated that dividends from retained earnings are to be paid with March 31 and September 30 of each year as record dates.

With regard to dividends from retained earnings for which the record date falls in the fiscal year ended March 31, 2019, based on a comprehensive judgement of the consolidated financial results and other factors, the annual dividend on common stock was ¥50 (of which interim dividend of ¥25) per share.

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



Kunio Yokoyama
President & CEO
Japan Post Co., Ltd.

Aiming to Contribute to the Realization of Enriched Lives and to Secure Sustainable Earnings

The environment surrounding Japan Post Co. is evolving every moment, as evidenced by such developments as the advance of a decreasing population, ultra-declining birthrates and aging population; the diversification of settlement methods; and the emergence of innovative new digital technologies. In Japan Post Co.'s business as well, difficult conditions such as the downtrend in mail and a persistently low interest rate environment are expected to continue. Under such conditions, to sustainably grow our businesses, I believe we must grasp these changes in the business environment and make quick responses a step ahead of the times rather than only relying on conventional experience and knowhow.

In working to realize this sustainable growth, our greatest strength is our network of 24,000 post offices. This postal network is unique to Japan Post Co. and represents a valuable asset created together with



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

Vigorously Promoting Three Pillars in Aiming to Be a Bank that Continues Medium- and Long-term Growth

During the fiscal year ended March 31, 2019, Japan Post Bank Co. steadily promoted the three pillars embodied in the Medium-term Management Plan and solidified its foundation for growth toward the fiscal year ending March 31, 2020 and onward.

First, to respond to rising customer needs for asset building, we made efforts to strengthen investment trust sales in collaboration with post offices. To this end, we expanded the number of post offices handling investment trusts to 1,540 post offices as of the end of March 2019. Additionally, we reviewed our product composition to realize a more-simplified lineup that is easier for customers to understand and increased and nurtured financial consultants. In our ATM strategy, we proactively promoted collaboration with regional financial institutions and replaced existing ATMs with Japan Post Bank Co. ATMs in branches of Aozora Bank. In May 2019, we began handling Yucho Pay, a new



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

Providing Security to Customers and Aiming for Sustainable Growth

We have established “pursue customer-first business operations,” “achieve sustainable growth,” and “maintain sound business operations” as our fundamental management approach, with the aim of increasing profit in both sales and asset management in an extremely low interest rate environment, as well as reversing the declining trend and achieving growth in annualized premiums from policies in force.

In the fiscal year ended March 31, 2019, we have strengthened sales activities focusing on protection needs, and made efforts to cultivate new customer bases, including the uninsured as well as the young and middle-aged. As a result, annualized premiums from new policies for individual insurance amounted to ¥351.3 billion (6.6% decrease year on year). However, we have steadily increased the number of new policies for ordinary whole life insurance (increased amount type) and special endowment insurance with high protection features, which together accounted for nearly 50% of all new policies. Annualized

our customers. By fully leveraging this one-and-only postal network, providing products and services that respond to the needs of society and undertaking efficient operations, we aim to contribute to the realization of enriched lives and to secure stable profits into the future.

In the postal and domestic logistics business, we will provide high value-added products and services with convenience that make it easier for customers to send and receive parcels. Concurrently, we will also work to improve business efficiency by proactively introducing cutting-edge technologies such as drones and self-driving vehicles.

In the post office business, to promote the trend of people shifting away from savings toward asset-building, we will work to support asset-building and people's life plans and expand new customer segments by proposing services tailored to the life stages of each customer.

In the international logistics business, we will progress with growth strategies for improving profits while supporting domestic B2B transactions and providing integrated and optimal logistics services in Japan and overseas by leveraging synergies with JP TOLL LOGISTICS

Co., launched in October 2018.

Moreover, in adhering to the basic concept that compliance is our most important management issue, we will steadily work to provide thoroughgoing customer-first services in collaboration with other business partners that include Japan Post Bank Co. and Japan Post Insurance Co.

In the future as well, we will work to maintain and enhance our best brand, which is the security provided by and trust in post offices, and uphold our social mission of operating post offices that co-exist with and support local communities.

We will also further enhance the appeal of post offices and operate exciting post offices with diverse and distinctive features that meet customer needs and even make people say, "I want to visit the post office" or "I'm glad I went to the post office."

We appreciate your patronage and continued use of our post offices.

smartphone settlement service. We are now proactively cultivating new outlets where this service can be used to raise convenience for customers.

In investment management, we will strive to secure stable earnings under appropriate risk management by promoting internationally diversified investments through the effective utilization of capital and expanding investments in risk assets to improve profitability. Among risk assets, we will selectively execute alternative investments based on changes in the market environment. It has been more than one year since the establishment of Japan Post Investment Corporation in February 2018, and with five investment projects so far, progress has been generally in line with our expectations. We will bolster our research capabilities and focus human and capital resources in areas that appear likely to exhibit growth.

We also participate in regional vitalization funds and as of March 31, 2019 we increased the regional vitalization funds we have invested in to 18 funds. Through these equity funds, we aim to circulate equity funds in

and thus vitalize regional communities. We will also promote collaboration and further strengthen relationships with regional financial institutions in service-related areas such as collaboration in the use of ATM networks and promoting common back-office procedures as we grow together.

In working to strengthen corporate governance, we will expand the scope of our risk appetite framework, the core of risk governance, from our asset liability management (ALM) and asset management operations to encompass our entire business operations for the purpose of increasing the sophistication of our business management system. Additionally, we will further strengthen anti-money laundering and countering terrorist financing measures.

I will execute management with a sense of passion and responsibility to enable Japan Post Bank Co. to realize further growth and share the value created by this growth with shareholders and investors. As we pursue these objectives, I ask for your continued support and patronage.

premiums from new policies for third-sector insurance amounted to ¥61.6 billion (4.1% increase year on year), marking a record high.

Looking at policies in force as of March 31, 2019, although annualized premiums from policies in force for individual insurance were on a declining trend amounting to ¥4,677.1 billion (3.8% decrease year on year), annualized premiums from policies in force for third-sector insurance amounted to ¥753.1 billion (0.3% increase year on year), and were on an increasing trend. Moving forward, we aim to reverse the current pattern, and achieve a growth in annualized premiums from policies in force during this Medium-term Management Plan period, by strengthening sales focused on protection, cultivating new customer bases, and improving solicitation quality and working to increase our policy maintenance rate by pursuing customer-first business operations.

An important mission of all life insurance companies is to provide long-term protection and peace of mind, by providing attentive explanations, while grasping the intentions of our customers, and ensuring that they purchase insurance with adequate understanding and consent. In order to achieve this mission, we are collaborating with Japan

Post Co. to conduct "customer-first sales activities."

Currently, we deliver peace of mind in the form of insurance to the people of Japan, via approximately 20,000 post offices located nationwide. We will never cease fulfilling our mission of protecting people's well-being through insurance, while also contributing to our customers as a member of the Japan Post Group. Leveraging our "trustworthy" and "reliable" brand image accumulated over the years as assets, we will do our best to stay by our customers' sides, and continue to earn their trust and affection.

In these endeavors, we request and appreciate your everlasting patronage.



In the postal and domestic logistics business, we conduct comprehensive reviews of product and operations systems and strengthen service infrastructure to support an expansion in parcels.



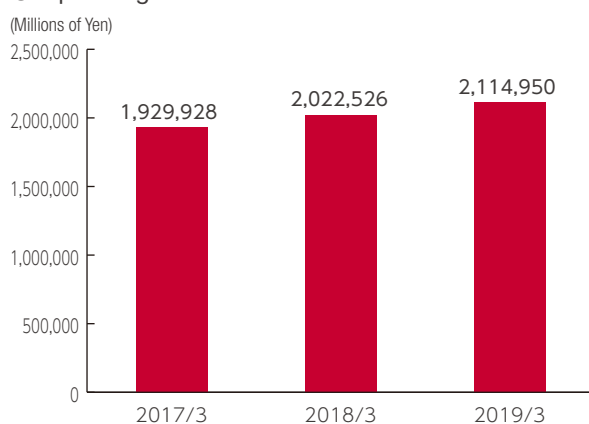
Business Overview

In addition to providing postal services at the fairest possible rates across Japan, Japan Post Co. is commissioned by the Japanese government to sell documentary stamps and issues donation-added New Year's postcards. Japan Post Co. 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.

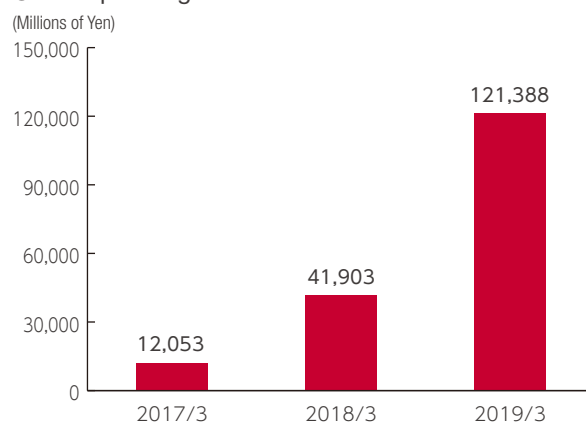
Financial Results for the Year Ended March 2019

In the postal and domestic logistics business, operating income increased, mainly due to the rise in income in the parcel field in line with the revision of price per unit and increased volume of Yu-Pack handled. Despite an increase in operating expenses in line with this, the amount was more than offset by the increase in operating income. As a result, ordinary income amounted to ¥2,119,332 million (up ¥93,795 million year-on-year) and net ordinary income amounted to ¥124,457 million (up ¥80,720 million year-on-year). In addition, operating income amounted to ¥2,114,950 million (up ¥92,423 million year-on-year) and net operating income amounted to ¥121,388 million (up ¥79,484 million year-on-year) in the postal and domestic logistics business of Japan Post Co. (consolidated) for the fiscal year ended March 31, 2019.

● Operating income



● Net operating income



Strengths

- Ability to deliver to 31 million locations daily
- Efficient delivery of small parcels through the use of motorcycles
- High-quality parcel pickup and delivery service

Challenges

- Continued decline in the volume of mail due primarily to proliferation of the Internet
- Increase in parcel redelivery, difficulty in securing labor and rising labor unit costs, etc.
- Decrease in sufficient workers for the future

Future policy

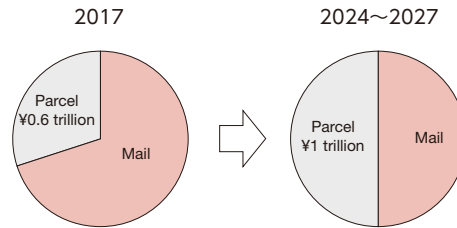
- Conduct comprehensive reviews of products and operations systems
- Expand measures to increase revenue
- Strengthen service infrastructure to support an expansion in parcels
- Enhance convenience and productivity for the future through utilization of advanced technology

Future Growth Strategy

Conduct comprehensive reviews of products and operations systems

Amid a decline in the volume of mail due mainly to proliferation of the Internet, demand for Yu-Pack and other such services is increasing primarily on the back of expansion in the e-commerce market. In order to respond to this environment, we will work to provide highly convenient postal, pickup and delivery services, and conduct reviews of products, services and operations to meet growing demand for small parcels with the aim of strengthening postal and logistics functions and securing stable profits.

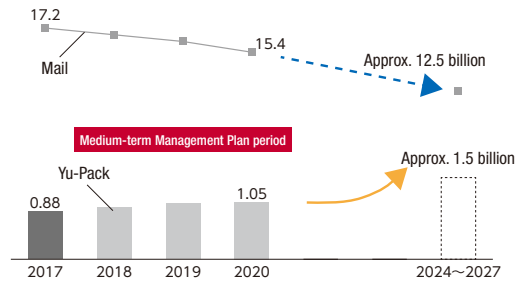
Image of business (revenue) ratio



Expand revenue

In response to changes in lifestyle and society, including an increase in double-income and single-person households, we will continue working to provide highly convenient postal, pickup and delivery services. In addition, we will strive to maintain and expand the use of mail primarily by providing social media-related services using smartphones and other devices, including New Year's postcards, and activities conveying the joy of letter-writing. We will also seek to increase revenue by creating and strengthening a sales system that can meet diverse customer needs.

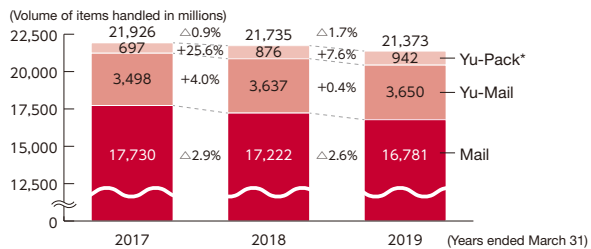
Volume handled



Strengthen service infrastructure to support an expansion in parcels

With the aim of enhancing operational efficiency at post offices, we will strive to strengthen service infrastructure to support an expansion in parcels. Specifically, we will enhance productivity of pickup and delivery services through a review of operations, bolster transport capacity through the borrowing of facilities, and increase efficiency and transport capacity through a review of transport methods for Yu-Pack and other items. By doing so, we seek to establish a facility, transport and pickup/delivery system that meets the increase in parcels. In addition, to secure the necessary labor force for operations we will undertake region-specific and effective measures to recruit workers and lay the groundwork for them to stay on the job.

Trends in volume of items handled



*Including Yu-Packet

Enhance convenience and productivity for the future through utilization of advanced technology

In order to improve efficiency in delivery operations and other areas, we are pushing ahead with the use of artificial intelligence (AI) and the Internet of things (IoT) through co-creation with a startup company as a means to visualize business and enhance productivity. In addition, we will actively utilize advanced technology such as drones, delivery robots and automated driving.



Utilizing self-driving cars



In the post office business, we will strive to ensure harmonious coexistence with the local community by maintaining, strengthening and making maximum use of our post office network through the deployment of unique and diverse post offices in accordance with regional needs.



Business Overview

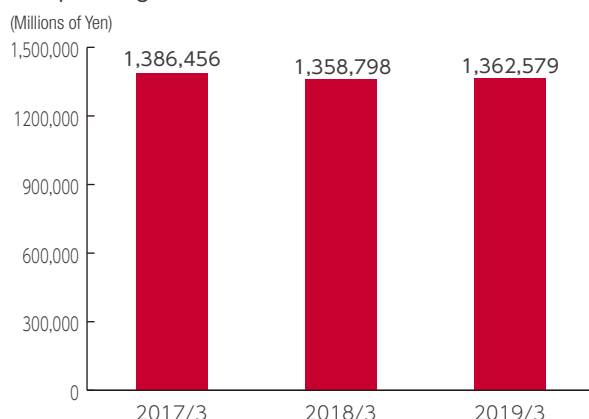
In the post office business, in addition to counter operations related to postal and logistics business, we provide banking counter operations commissioned from Japan Post Bank Co. and insurance counter operations commissioned from Japan Post Insurance Co., as well as merchandise business, real estate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

Financial Results for the Year Ended March 2019

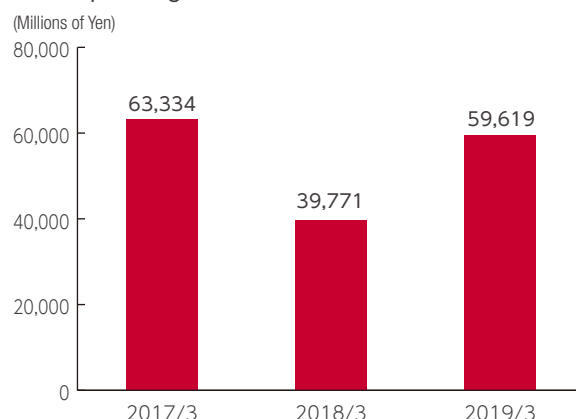
In the post office business, operating income remained roughly on par with the previous fiscal year. The fall in insurance commissions in line with a decrease in new policy sales for Japan Post Insurance Co. and lower income in the merchandise business due to the contraction of certain businesses were offset by increases in postal service and banking commissions associated with increases in acceptance and sales at post offices, and by increases in income from third-party financial product agency services and the real estate business, which were both steady.

On the other hand, operating expenses decreased year-on-year and, as a result, ordinary income amounted to ¥1,363,757 million (up ¥3,081 million year-on-year), and net ordinary income amounted to ¥59,840 million (up ¥18,856 million year-on-year). In addition, operating income amounted to ¥1,362,579 million (up ¥3,780 million year-on-year) and net operating income amounted to ¥59,619 million (up ¥19,848 million year-on-year) in the post office business of Japan Post Co. (consolidated) for the fiscal year ended March 31, 2019.

● Operating income



● Net operating income



Strengths

- A post office network of over 24,000 locations throughout Japan
- Provision of diverse products and services inside and outside the Group

Challenges

- Maintain and strengthen post office network in regions where the population is declining
- Decrease in the volume of mail handled in line with the population decline

Future policy

- Develop unique and diverse post offices in accordance with regional needs
- Strengthen competitiveness by enhancing sales productivity
- Promote greater efficiency in counter operations, etc.

Future Growth Strategy

Develop unique and diverse post offices in accordance with regional needs

In order to develop unique and diverse post offices in accordance with regional needs, we will work to expand products and services that utilize our post office network and provide products and services that meet regional needs. In addition, we will ensure diversification of counter business hours in line with local needs and make changes for each location.

To enhance customer convenience, we will continue striving to optimize the post office network, for example, by establishing new post offices that will include branches adjacent to convenience stores, inside shopping centers and in local government facilities, and by reviewing post office locations. We will also facilitate greater utilization of our post office network by leasing certain post office assets to other companies.

The Watch Over Service will continue to be provided with the aim of increasing the convenience of local customers and contributing to safe and secure living.

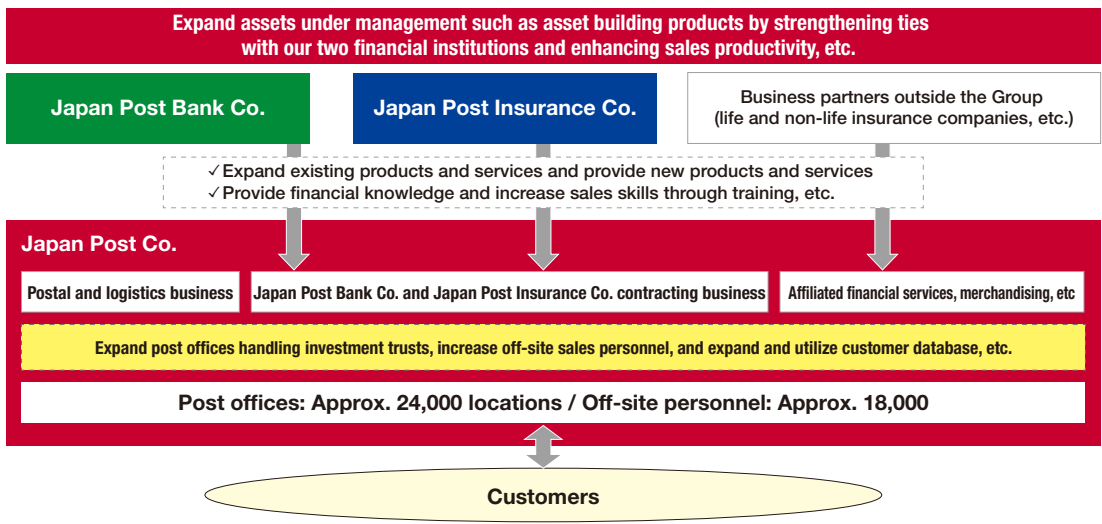
Examples of unique and diverse post offices that meet regional needs



Strengthen competitiveness by enhancing sales productivity

To enhance sales productivity, we will reinforce employees' sales capabilities through various training programs. We will also provide comprehensive financial consulting services in order to recommend products and services that meet customer needs.

In addition, we will strive to establish sales foundations by increasing the number of off-site sales personnel and expanding and utilizing sales support systems. Through these initiatives, we will enhance our competitiveness, promote the shift away from savings toward asset building, and maintain and increase the number of insurance policies in force at Japan Post Insurance Co. while working to improve business quality.



Promote greater efficiency in counter operations, etc.

By deploying various cash management machines such as automatic cash dispensers at all post office counters, we aim to mechanize cash management that was previously partially handled by hand and enhance the efficiency of daily fund management operations at post offices.



A cash management machine installed in a post office



We are going to achieve the provision of seamless solutions by rolling out integrated logistics services in Japan and overseas through the development of contract logistics in the domestic market, enhancing Toll’s growth strategy and the synergy between Japan Post Co. and Toll.

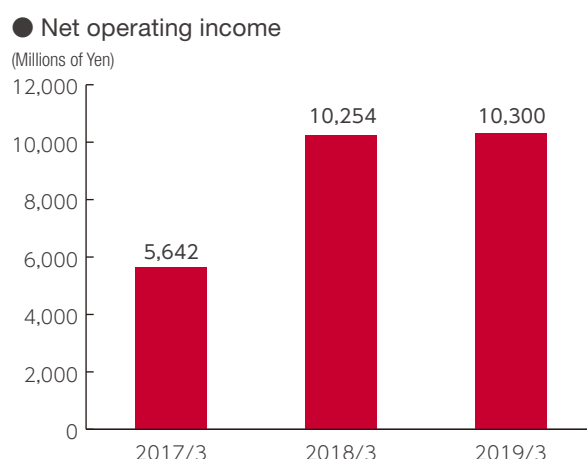
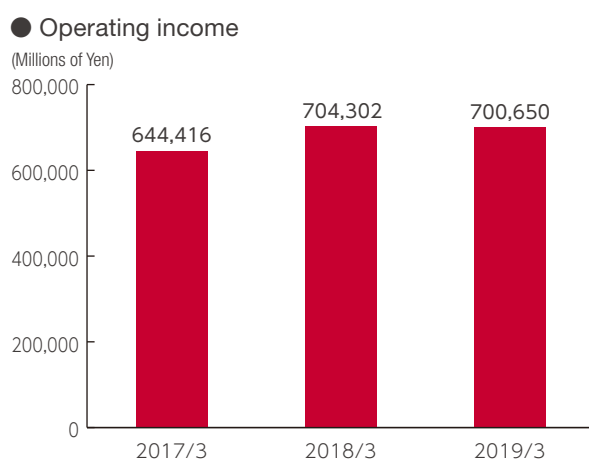


Business Overview

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

Financial Results for the Year Ended March 2019

In the international logistics segment, ordinary income amounted to ¥701,256 million (down ¥3,634 million year-on-year) and net ordinary income amounted to ¥5,094 million (down ¥1,449 million year-on-year). As for Japan Post Co., (consolidated), operating income amounted to ¥700,650 million (down ¥3,652 million year-on-year) and net operating income (EBIT) amounted to ¥10,300 million (up ¥45 million year-on-year) for the fiscal year ended March 31, 2019. This result was primarily driven by the increase in profits in the section of Corporate/Other, even though we experienced net operating income (EBIT) declines in the units of Global Express, Global Logistics and Global Forwarding due to China’s economic slowdown and temporary expense increases to address the natural disasters that occurred.



Strengths

- International logistics hubs in approximately 50 countries
- Toll City, cargo vessels, and other facilities to meet demand in rapidly growing fields including pharmaceuticals

Challenges

- Focus on growth fields
- Establishment of an effective integrated IT system and rollout of state-of-the-art administrative systems
- Exercise of the synergy between Japan Post Co. and Toll

Future policy

- Toll’s growth strategy
- Enhancement of corporate platform and utilization of cutting-edge technology
- Advancement of the synergy between Japan Post Co. and Toll, and expansion of revenue

Future Growth Strategy

Toll's growth strategy

Japan Post Co. aims to establish solid market positions in major markets by focusing on the industries of energy, retail, and industrials. We will allocate our business resources concentrating to profitable areas and the regions with high growth potentials including the Oceania Region and Singapore, in which Toll chiefly operates, and Asia and the United States that are rapidly growing. The Global Forwarding division will also focus on the trade lanes (between China and the United States, among Asian countries, and between Asia and Oceania) that are experiencing high growth. The Global Express division will aim to take advantage of the growth in the e-commerce market. The Global Logistics division will incorporate the rapid growth in the industries of pharmaceutical and technology as well as the fields of governmental operations, natural resources, and retail in which Toll has expertise.



Toll logistics facility

The Global Logistics division will incorporate the rapid growth in the industries of pharmaceutical and technology as well as the fields of governmental operations, natural resources, and retail in which Toll has expertise.

Strengthen corporate foundations and respond to technological advances

Japan Post Co. will engage in the reformation of our IT infrastructure and platform including the establishment of an IT organization that will fully utilize the latest IT technology by integrating the IT systems that differ from division to division to improve efficiency. To do so, we will also build a new financial accounting system as well as centralize and integrate several financial systems that differ from division to division. Additionally, we will work to deploy cutting-edge administrative systems including telematics.



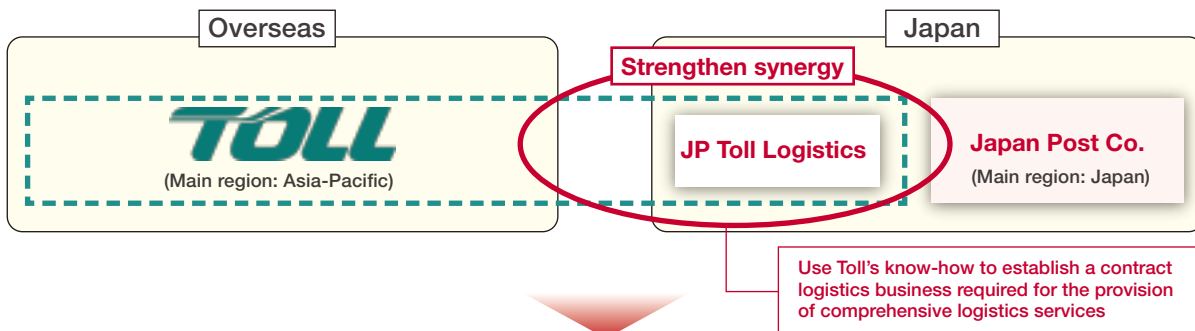
SiTadeL Control Tower for vehicle operation throughout Singapore

Strengthen synergy between Japan Post Co. and Toll and expand revenue

We aim to provide seamless solutions by enhancing the synergy between Toll Holdings which offers BtoB logistics services overseas and Japan Post Co. which has a strong customer base in Japan and by rolling out BtoB logistics services, especially contract logistics services. Specifically, we are going to offer integrated contract logistics services through JP TOLL LOGISTICS Co., which was founded on October 1, 2018, with Toll's know-how. In addition, we are going to conduct sales activities towards Japanese companies together with Japan Desk which has been deployed in Toll.

Engage in contract logistics services in Japan by strengthening synergies

Key initiative within the Medium-term Management Plan period Strengthen synergy between Toll, which mainly engages in BtoB logistics operations overseas, and Japan Post Co., which has a strong customer base in Japan, and expand BtoB logistics in Japan, particularly contract logistics



Future goal Provide integrated solutions through the development of a comprehensive logistics business in Japan and overseas



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



Business Overview

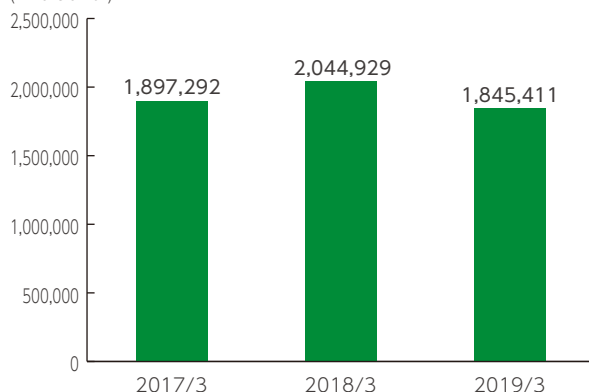
Under the Banking Act, Japan Post Bank Co. and its subsidiaries engage in the deposits, securities investment, remittances and credit card businesses as well as counter sales of Japanese government bonds, investment trusts and insurance products.

Financial Results for the Year Ended March 2019

In the banking business, deposits at Japan Post Bank Co. as of March 31, 2019 totaled ¥180,999,134 million (up ¥1,116,374 million year-on-year). Net interest income dropped mainly due to a decrease in interest on Japanese government bonds. Meanwhile, net other operating income increased primarily owing to a rise in gains on foreign exchanges. In the adverse business environment from factors such as a low yen interest rate, ordinary income amounted to ¥1,845,411 million (down ¥199,517 million year-on-year), and net ordinary income amounted to ¥373,976 million (down ¥125,666 million year-on-year).

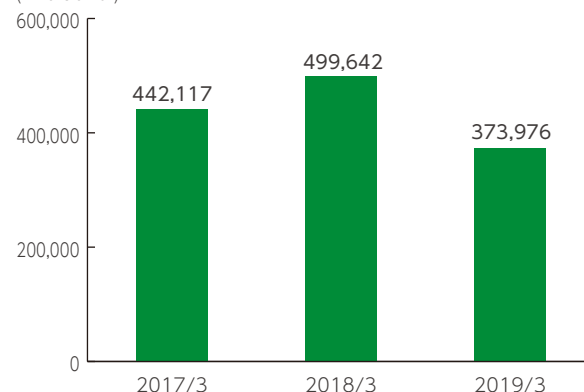
● Ordinary income

(Millions of Yen)



● Net ordinary income

(Millions of Yen)



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

Strengths

- High recognition, branding power and creditworthiness
- Sense of security and trust from individual customers
- Largest number of customers nationwide among other Japanese banks

Challenges

- Diversification of and changes in customer needs
- Declining net interest income affected by persistent ultra-low yen interest rates

Future policy

- Provision of high-quality customer-oriented financial services
- Diversification and sophistication of investment management
- Funds flow to regional communities, and others

Future Growth Strategy

Provision of high-quality customer-oriented financial services

With customers' asset-building needs clearly on the rise, we have been nurturing the investment trust sales business as a major source of revenue. For example, we increased the number of post offices handling investment trusts to 1,540 in October 2018 and have launched a service to open investment trust accounts via mail order at post offices making investment trust referrals. We have also been increasing the number of, and nurturing, financial consultants, and as of April 1, 2019, their numbers have grown to 1,700. Moreover, to develop human resources with professional skills among post office employees, we have provided more tablet devices as a sales support tool and conducted training by accompanying their sales activities.

In enhancing our settlement services, we have launched Yucho Biz Direct, an Internet banking service for corporate customers. As future efforts, we will also accelerate the installation of compact ATMs with a 16-language compatibility in anticipation of an increase in inbound tourists. At the same time, we will continue to actively promote collaboration with regional financial institutions by encouraging the use of the Bank's ATM network by making it available to them without any charge.

Diversification and sophistication of investment management

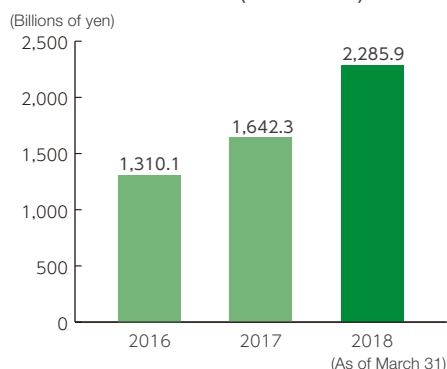
In the fiscal year ended March 31, 2019, under a portfolio management framework subdivided into seven in line with the specific risk characteristics of each investment product, we continued to adjust our portfolio to market conditions while pursuing diversification and sophistication of investment management. Responding to the decline in revenues from yen interest rate assets due to the effects of low interest rates, the Bank has built up risk assets, such as overseas credit assets and alternative assets, in line with prudent asset and liability management as well as risk management. The Bank is also targeting enhanced diversification in revenue sources, including through the development of new investment areas and the leveraging of derivatives.

To further improve earnings through private equity investment, Japan Post Investment Corporation invests mainly in domestic companies, enacting investment decisions based on an assessment of business performance and securing the support of management at companies in which it is investing. The company also provides equity funding in concert with other fund managers of the highest caliber. As of March 31, 2019, it had invested ¥13.3 billion in five projects.

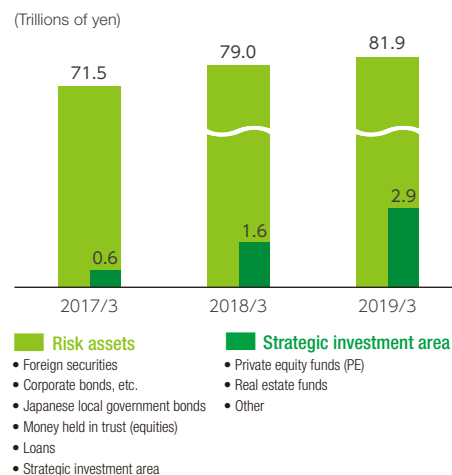
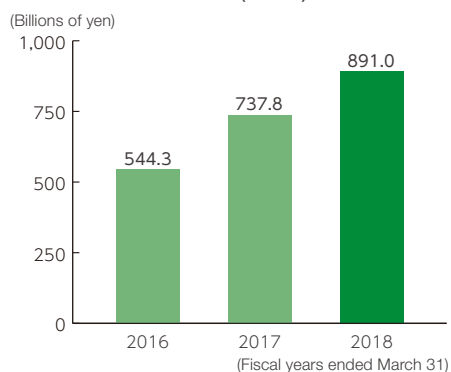
Funds flow to regional communities, and others

In line with our efforts to direct the important funds of our customers to local communities, we have been working with regional financial institutions since the fiscal year ended March 31, 2017 to actively promote participation in regional vitalization funds. We have also been promoting funds flow to regional economies by investing in local government bonds and providing loans to local governments. Going forward, we will continue to cooperate and collaborate with regional financial institutions and local governments to contribute to the development and growth of regional economies. We will dually promote investment in regional vitalization funds and reinforce our collaboration with regional financial institutions by encouraging the use of our ATM network and by sharing administrative work with regional financial institutions.

Investment trusts (net assets)



Investment trusts (sales)



JP JAPAN POST INSURANCE

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



Business Overview

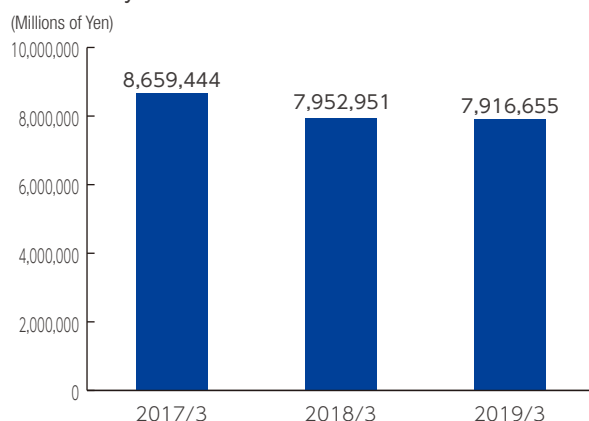
Licensed and approved under the Insurance Business Act, Japan Post Insurance Co. engages in the underwriting of life insurance and asset management business, including securities investment and loans.

Financial Results for the Year Ended March 2019

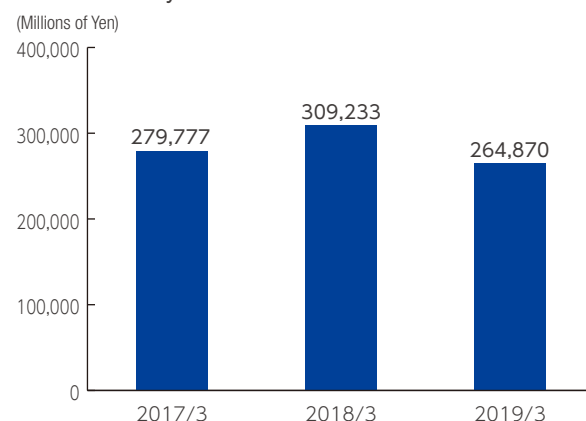
In the life insurance business, while we acquired 1,711,000 new policies amounting to ¥5,563,886 million for individual insurance, there was a decrease in the number of policies in force and an increase in investment expenses*. As a result, ordinary income amounted to ¥7,916,655 million (down ¥36,295 million year-on-year), and net ordinary income amounted to ¥264,870 million (down ¥44,363 million year-on-year).

* In order to secure investment income in a low yen interest rate environment, we are diversifying asset management through such means as increasing investment in hedged foreign bonds. This has caused an increase in hedging costs and other investment expenses.

● Ordinary income



● Net ordinary income



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

Strengths

- Reliable and trustworthy post office network
- Simple procedures and smaller coverage amounts
- Extremely large customer base centered on post office customers

Challenges

- Providing products and services matched to diverse customer needs
- Securing stable investment income in the low yen interest rate environment

Future policy

- Customer-first sales activities and improvement in solicitation quality
- Strengthening of sales activities focusing on protection needs and cultivation of new customer base
- Improve customer services and enhance efficiency in back-office administration through the use of ICT*
- Diversification of asset management and sophistication of risk management

* ICT (Information and Communication Technology): A general term for technologies related to information and communication

Future Growth Strategy

Sales and product strategy

(Strengthening of sales activities focusing on protection needs, improvement in solicitation quality, cultivation of new customer base, development of new products, and establishment of sales foundation)

Japan Post Insurance Co. will provide products and services that truly satisfy customers by adequately addressing their intention, based on thoroughgoing customer-first solicitation activities, while recognizing the setting of a roadmap for the reversal and growth of policies in force as one of our biggest challenges and strengthening measures to both acquire more new policies and retaining policies (i.e., reduce the number of lapsed or surrendered policies).

We will further focus on the training of post office offsite sales personnel and counter sales personnel and improving the sales skills of sales personnel in accordance with customers' protection needs in order to enhance and instill protection-oriented sales activities.

As for solicitation quality, we will further enhance efforts toward improvement, such as further strengthening the confirmation of intent of elderly customers by being thorough in having a family member present at policy signings, in addition to the incorporation of policy continuation indicators in the performance evaluation and sales allowance.

In cultivating new customer bases, we will create opportunities to meet more customers through Feel Secure with Kampo activities, life plan consultation meetings, and other initiatives. In addition, we will advance the development of new customer bases by strengthening approaches to uninsured and young- and middle-aged customer segments, including the family members of existing policyholders, utilizing the Family Registration Scheme and "Sukoyakanpo" health support application, as well as by strengthening solicitation in worksite and internal markets (within the Japan Post Group) through whole sale activities.

As for the development of new products, we began sales from April 2019 of products with relaxed underwriting criteria and the advanced medical rider. We will utilize these products to lead to more new policies by increasing the volume of sales activities and the closing rate. In addition, we will continue to further study the development of protection-type products including third sector products so that we can respond appropriately to the diverse needs of customers.

Our efforts also include establishment of the sales foundation. Starting from April 2019, we have introduced new mobile devices for sales personnel in a phased manner with the aim of further increasing the efficiency of sales activities.



Product with relaxed underwriting criteria

先進医療特約

Non-participation advanced medical rider

Administrative services strategy

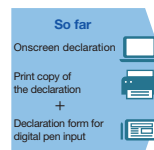
(Improving customer service and enhancing efficiency in back-office administration)

As initiatives to improve customer services, we intend to expand the scope of claims that can be handled by the "insurance procedure support system," introduce an "onscreen declaration/automated assessment system" and also introduce an "application form printing system" for printing application forms in which data is prepared in advance.

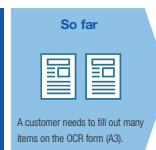
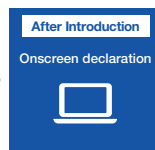
In addition, we will press ahead with services that aim to offer "simple, easy-to-understand claim procedures, anywhere, anytime" for customers by promoting multi-channel access for various claims through measures such as introducing claim procedures using Web (My Page) and other digital technology.

Furthermore, we will promote the utilization of digital technologies to enhance efficiency in back-office administration.

Onscreen declaration/automated assessment system (outline)



Application form printing system (outline)



Asset management strategy

(Diversification of asset management and sophistication of risk management)

In the fiscal year ended March 31, 2019, in addition to the start of in-house management of U.S. corporate bonds, we implemented a new investment strategy for in-house management of Japanese equities that takes into account the growth potential of companies. We also began investment in overseas real estate and private equity funds managed by Japan Post Investment Corporation* ("JP Investment"). Thus, we are steadily making progress with diversifying asset management.

In the fiscal year ending March 31, 2020, we will promote further diversification by expanding the target assets in each asset class we have invested in so far and enhancing the asset management methods.

* JP Investment is a company managing private equity funds. Established in February 2018 jointly with Japan Post Bank Co.

Key ongoing initiatives

- Diversification of investment products (expand the target currencies in foreign bond investments, expand alternative investments, etc.)
- Expansion of in-house management (U.S. corporate bonds, equities)
- Enhancing of asset management methods (derivative transactions, etc.)
- Further promotion of ESG investment • Sophistication of ALM and risk management

Hospital Business

Japan Post Holdings Co. operates three Teishin Hospitals (Chiyoda-ku, Tokyo; Nakagyo-ku, Kyoto; and Naka-ku, Hiroshima) in Japan (as of April 1, 2019). Teishin Hospitals are open for not only Group employees and their families, but also for use by any member of the public, operating to contribute to everyone in the community.

In operating these hospitals, we actively endeavor to improve the quality of safe and secure medical care from the perspective of patients, collaborate with community medical institutions and enhance emergency medical care.



Tokyo Teishin Hospital

Hotel Business

Japan Post Holdings Co. owns 53 *Kanpo no Yado* inns (including two that are temporarily closed) and other facilities across Japan. As lodging facilities, we operate *Kanpo no Yado* inns that are traditional Japanese-style inns featuring hot springs, located primarily near tourist destinations; Rafre Saitama, which is a modern hotel located near Saitama Shintoshin Station; and *Kanpo no Sato Shobara* located in the great outdoors where guests can enjoy tennis and other sports. In addition, we also operate U-Port Recreation Center in Setagaya-ku, Tokyo, featuring tennis courts, a heated indoor swimming pool and other sports facilities.

In the fiscal year ended March 31, 2019, we received 1.29 million overnight guests and 2.05 million day guests. In operating these facilities, we will work to enhance our services to attract more guests. At the same time, we will implement measures to increase revenue, such as reinforcing advertisement and visibility through the increased use of websites and responding to the growing demand from foreign visitors, as well as measures to improve productivity, including strict management of food and other costs and streamlining workflow.



Kanpo no Yado inn Atami (Main Building)

Within Japan Post Group, Japan Post Co., Japan Post Bank Co. and Japan Post Insurance Co. work as one through our post office network to provide services to customers.

Team JP Slogan for Group Employees

Japan Post Co., Japan Post Bank Co. and Japan Post Insurance Co. respectively listed their shares on the stock market in 2015, prompting an even greater need to foster a sense of unity in Japan Post Group.

To achieve this, we formulated and started using “Team JP” as a slogan for Group employees in October 2017.

Based on the Team JP concept, each employee of the Group is working together to promote cooperation on all fronts, including cooperation between Group companies, cooperation between employees working on the front line and head office, and cooperation within each region and area.

Personnel Exchange and Employee Satisfaction Survey

Japan Post Group actively promotes personnel exchanges that include personnel rotations between Group companies and between the front line, branches and head office.

In addition, we are undertaking measures to

understand and enhance employee satisfaction throughout Japan Post Group by conducting an employee satisfaction survey common to the entire Group.

Activities of the Women’s Athletics Team

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

The athletes, who belong to Japan Post Group companies, take part in *ekiden* championships as a unified team and have achieved incredible results that include victory in the 36th All Japan Industrial Teams Women’s Ekiden (Queen’s Ekiden in Miyagi).

● Major results in fiscal year ended March 31, 2019

Activity/Competition	Result	Athlete	Record
38th All Japan Industrial Teams Women’s Ekiden (Queen’s Ekiden in Miyagi)	7th	Leg 1: Eri Utsunomiya Leg 2: Chinatsu Tarumoto Leg 3: Ayuko Suzuki Leg 4: Nozomi Terauchi Leg 5: Rina Nabeshima Leg 6: Hanami Sekine	2:16:53
18th Asian Games (women’s 5000 m finals)	4th	Rina Nabeshima	15:40.37
Hokkaido Marathon 2018	1st	Ayuko Suzuki	2:28:32
102nd Japan National Championships (women’s 10000 m finals)	2nd	Ayuko Suzuki	31:57.82
102nd Japan National Championships (women’s 5000 m finals)	1st	Rina Nabeshima	15:30.93



Rina Nabeshima running in the 18th Asian Games
©PHOTO KISHIMOTO



Ayuko Suzuki placed 1st in the Hokkaido Marathon 2018
©PHOTO KISHIMOTO



Team members

Japan Post Group is aiming to further enhance profit by increasing earnings through the expansion of new business in addition to existing business, accelerating revenue in the real estate business and conducting capital alliances and mergers and acquisitions in a wide array of fields. To this end, we are further developing comprehensive logistics business in Japan and overseas through JP TOLL LOGISTICS Co. and enhancing sophistication of asset management through private equity investment via Japan Post Investment Corporation. Besides these endeavors, we are conducting the following initiatives to raise profitability. Going forward, we aim to secure new revenue through new businesses that lead to the growth of the Group as a “Total Lifestyle Support Group.”

Investment in Aflac Incorporated – Aiming to Boost the Group’s Profit

Under the Japan Post Group Medium-term Management Plan 2020, we will consider capital alliances and M&A in a broad range of fields that lead to the growth of Japan Post Group as a “Total Lifestyle Support Group.” We also aim to contribute to profit by considering investments of several hundred billion yen up to the fiscal year ending March 31, 2021.

Against this backdrop, Japan Post Holdings Co., Aflac Incorporated and Aflac Life Insurance Japan Ltd. (Aflac Japan) concluded a “Strategic Alliance Based on Capital Relationship” on December 19, 2018.

Japan Post Holdings Co. and Aflac Japan have established a strong relationship of trust as business partners over the years through the various initiatives regarding cancer insurance undertaken together with Japan Post Co. and Japan Post Insurance Co. This strategic alliance reaffirms the cancer insurance initiatives undertaken thus far and, through an investment by Japan Post Holdings Co. in Aflac Japan’s parent company Aflac Incorporated, aims to create a sustained cycle of growth for both companies by which Aflac Japan’s business growth will contribute to Japan Post Holdings Co.’s earnings.

Through this, Japan Post Holdings Co. will acquire through a trust approximately 7% of Aflac Incorporated’s outstanding common shares (excluding treasury shares) to establish the capital relationship. Upon voting rights reaching at least 20%* four years after acquisition of the shares, Japan Post Holdings Co. will aim to reflect a portion of Aflac Incorporated earnings in its consolidated earnings via application of the equity method of accounting.

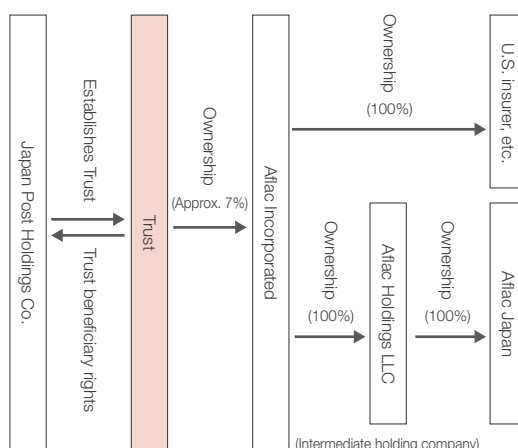
Japan Post Holdings Co. and Aflac Japan will reaffirm the initiatives regarding cancer insurance that have been implemented among Japan Post Co. and Japan Post Insurance Co. and shall make reasonable efforts to further develop them. In addition, Japan Post Holdings Co. will consider new initiatives for cooperation, including leveraging digital technology, cooperation in new product development, domestic and/or overseas business expansion and joint investment in third party entities, and cooperation regarding asset management.

* The Articles of Incorporation of Aflac Incorporated, in principle, stipulate each share is entitled to 10 votes after continuous holding of Aflac Incorporated common shares for 48 months by the same beneficial owners.



December 19, 2018
Joint press conference concerning the “Strategic Alliance Based on Capital Relationship”

● Trust structure to establish capital relationship



The purpose of this capital relationship is not for Japan Post Holdings Co. to acquire rights to control, manage or intervene in the management of Aflac Incorporated. The purpose is to create a sustained growth cycle for both companies in which Aflac Japan’s business growth contributes to Japan Post Holdings Co.’s earnings.

Initiatives for New Profit-Making Business

Real Estate Business Development – Accelerate Growth in Real Estate Earnings

Japan Post Real Estate Co. was established on April 2, 2018. Through this, we seek to grow the real estate business into a pillar of future Group revenue by accelerating efforts to further increase efficiency in real estate development utilizing former sites of post offices and company housing, engaging in joint participation in future real estate development with other companies and securing profit-making properties.

Under the Japan Post Group Medium-term Management Plan 2020, a target of ¥33 billion has been set for operating income in the fiscal year ending March 31, 2021. In addition, a total of ¥180 billion has been earmarked for investment in real estate development between the fiscal year ended March 31, 2019 and the fiscal year ending March 31, 2021.

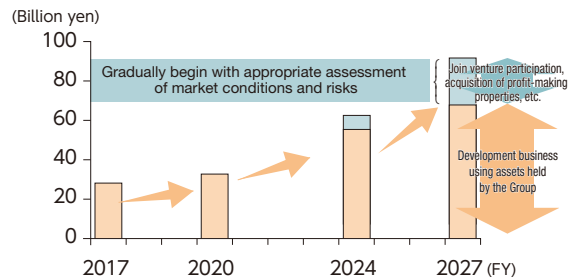
● Future development projects for the Group's real estate

- ◆Osaka station-front project (formerly Osaka Central Post Office)
Total floor area: 213,000m² (planned)
Main uses: Offices, commercial, etc.
Construction completion: Fiscal year ending March 31, 2024 (planned)
- ◆Hiroshima station south exit project (tentative) (Hiroshima-higashi Post Office)
Total floor area: 44,800m² (planned)
Main uses: Offices, commercial, etc.
Construction completion: Fiscal year ending March 31, 2023 (planned)
- ◆Toranomon/Azabudai project (participation in regional redevelopment project) (former Japan Post Tokyo Regional Branch, Azabu Post Office)
Total floor area: 862,000m² (planned) (portion scheduled to be obtained by Japan Post)
Main uses: Offices, residential, commercial, etc.
Construction completion: Fiscal year ending March 31, 2023 (planned)
- ◆Gotanda project (formerly U-Port)
Total floor area: 68,700m² (planned)
Main uses: Offices, hotel, etc.
Construction completion: Fiscal year ending March 31, 2024 (planned)

Secure new sources of revenue

Japan Post Real Estate will progressively start looking to secure new sources of revenue upon appropriate assessment of market conditions and risks, including joint venture participation in real estate development and acquisition of profit-making properties.

● Image of operating income target



Comments from Director in Charge of Real Estate Division



Yoshifumi Iwasaki
Executive Vice President
(Representative Executive Officer),
Japan Post Holdings Co., Ltd. and
President, Japan Post Real Estate
Co., Ltd.

Established in April 2018, Japan Post Real Estate Co. has focused on the development of real estate held by Japan Post Group over the past year.

The book value of the Group's properties is ¥2.7 trillion and the founding of this company provided a great opportunity to review the way the real estate business

operates. It gave us a chance to study the optimal usage method for land in consideration of how to divide up real estate for development without impeding mainstay postal operations. No two items of real estate are exactly the same. It's necessary to consider what's required in a region and what will bring customers the most joy. We maintain sustainability in the business by unearthing the real needs of people.

Going forward, we aim to contribute to regional advancement through real estate development that maximizes local characteristics more efficiently. We have already started looking into securing new sources of revenue as well. Our mission is to drive growth in the real estate business so that it becomes a future pillar of earnings for Japan Post Group.

Japan Post Group’s post office network is Japan’s preeminent real network with sites dotted all over the country. We will use this real network as an open platform and collaborate with other companies, rather than rely solely on our own capabilities, to resolve issues and raise corporate value.

Create Added Value for Our Post Office Network through Collaboration

By providing new services to customers through collaboration with other companies based on our post office network, Japan Post Group will further enhance the value of its network. Over the years, we have sold

non-life insurance and cancer insurance in conjunction with other entities and we will continue to provide various services through our post offices so that we can deliver more value to customers.

Providing new services from our post office network

Japan Post Group is providing new services to customers through use at our post offices and introductions from our post offices.

We teamed up with eco Inc., which runs “ecbo cloak,” a sharing service for luggage storage, to trial a temporary luggage storage service at post offices for travelers, businesspeople, students taking exams or looking for employment and others to resolve the issue of finding somewhere to store small items. The service is being trialed at 32 post offices in Tokyo, Kanagawa Prefecture and Kyoto. Registration on the ecbo cloak app and reservations are required for use.

We are also conducting a trial for the provision of “end of life” services such as nursing care, inheritance and funeral arrangements in Tokyo in collaboration with other businesses offering these services.



Expanding delivery service and mail receiving locations

Amid an increase in online shopping, we are striving to make it easier for customers to receive their purchases by teaming up with various companies. Products bought at Rakuten Market provided by Rakuten, Inc. can now be picked up at convenience stores or post offices or received via anonymous delivery in which users can keep their personal information concealed through Rakuma. Japan Post Group has also connected systems with Estore Corporation’s “Shop Serve” to enable use of a pickup service at convenience stores and post offices via the e-commerce site used by Shop Serve.



Collaboration with Business Partners

Joint Initiatives to Maintain Local Sites and Revitalize Society

Japan Post Group leverages the strengths of other companies that it teams up with to jointly develop business, maintain local sites and revitalize society.

In addition to the collaboration with East Japan Railway Company outlined below, we lease sections of the post office network to other companies for such

purposes as loaning space for ATMs, and also work in conjunction with local governments on different projects based on agreements. Going forward, we will continue with initiatives to maintain local sites and revitalize society through collaboration with other companies.

Collaboration with East Japan Railway Company

Japan Post Co. and East Japan Railway Company (“JR East”) concluded an agreement to strengthen initiatives aimed at revitalizing regional areas and society on June 12, 2018. The networks of both companies, which carry out many community-based activities, will be leveraged to promote active exchanges of people, materials and information inside and outside a region in a joint effort to contribute to further revitalization of regions and society.

In terms of urban settings, JP Financial Lab was opened on May 10, 2019 as a new type of store specializing in financial product consultation on the third floor of the Ecute Tachikawa facility at Tachikawa Station to promote a functional tie-up between post offices and train stations. In local communities, the companies are considering unified management of post office counters and local train station counters, which will include moving post offices to station buildings.

Other measures aimed at regional revitalization include a logistical trial for selling agricultural produce from Miyagi Prefecture at Tokyo Station by making use of Japan Post Co.’s transport network and JR East’s bullet train (November 2018) and jointly holding an exhibition of products from Tohoku and Shin-Etsu (Nagano and Niigata) at KITTE Nagoya and Nagoya Station (March 2019).



Collaboration through Investment from JAPAN POST CAPITAL Co.

JAPAN POST CAPITAL invests in high-growth companies and makes collaborations between these companies and Japan Post Group in order to generate and develop new businesses which correspond to latest social trends and our seeking to be a “Total Lifestyle Support Group.”

Leveraging some strengths of Japan Post Group such as the nationwide post office network, brand power and trust in relationships with regional communities, JAPAN POST CAPITAL pursues growth acceleration of the investee companies and increase in profitability of the Group in the medium to long-term.

JAPAN POST CAPITAL endeavors to contribute to the development of regional communities through its investment business aimed at ensuring better lives and brighter futures for people all around Japan.



* Some of the companies invested in as of July 31, 2019

Collaboration with Local Financial Institutions Including through Regional Vitalization Funds

In line with our efforts to direct the important funds of our customers to local communities, we have been working with local financial institutions since the fiscal year ended March 31, 2017 to actively promote participation in regional revitalization funds. We invested in six funds, mainly focused on supporting business succession and entrepreneurship in the fiscal year ended March 31, 2019.



Fund name	Participation as of	Fund total
① Kyushu Wide Area Reconstruction Assistance Investment LP	July 2016	Approx. ¥11.7 billion
② KFG Regional Enterprise Support Investment LP	November 2016	¥2.5 billion
③ Hokkaido Growth Companies Support Investment LP	November 2016	¥200 million ^{*1}
④ Chubu / Hokuriku Region Vitalization Investment LP	April 2017	Over ¥5.0 billion ^{*2}
⑤ Shiga Bank Core Business Support Investment LP	June 2017	¥600 million
⑥ Toho Business Succession Investment LP	August 2017	¥500 million
⑦ Kyushu Setouchi Potential Value Investment LP	October 2017	¥2.3 billion ^{*1}
⑧ MIYAKO Kyoto University Innovation LP	November 2017	Approx. ¥2.0 billion ^{*1}
⑨ MBC Shisaku 1 LP	December 2017	Approx. ¥2.0 billion ^{*2}
⑩ Michinoku Regional Vitalization Investment LP	March 2018	¥500 million
⑪ Fukui Future Business Support Investment LP	March 2018	Approx. ¥500 million ^{*1}
⑫ Ehime Regional Vitalization Investment LP	March 2018	¥300 million
⑬ Healthcare New Frontier Investment LP	August 2018	¥1.25 billion
⑭ Tokyo SME Support 2 LP	August 2018	¥2.0 billion
⑮ Succession Investment LP, I	October 2018	¥3.0 billion
⑯ TOKYO Relationship No.1 Investment, L.P.	December 2018	¥3.4 billion ^{*1}
⑰ Kyoto-University-Venture NVCC No.2 Investment LP	March 2019	¥5.4 billion
⑱ Aomori Bank Regional Vitalization LP	March 2019	Approx. ¥300 million

^{*1} As of date of establishment

^{*2} Final targeted investment amount

^{*3} Received Minister of State for Regional Revitalization's Award for a "Characteristic Example of Initiatives by Financial Institutions, etc. Contributing to Regional Revitalization" (March 2019)

We are also actively promoting partnerships with regional financial institutions using the Japan Post ATM network.

April 2018	The Juroku Bank, Ltd. (Free ATM charge nationwide up to four times a month for customers who make a certain number of transactions)
October 2018	The Bank of Kyoto, Ltd. (Free ATM charge during the day on weekdays in Osaka, Shiga, Nara, Hyogo, Aichi and Tokyo)
March 2019	The Kagoshima Bank, Ltd. (Free ATM charge during the day on weekdays in Okinawa)
April 2019	The Ehime Bank, Ltd. (Free ATM charge nationwide up to 4 times a month during the day on weekdays) The Bank of Nagoya, Ltd. (Free ATM charge nationwide up to 4 times a month during the day on weekdays for customers who make a certain number of transactions)

In addition, we have been gradually replacing all existing ATMs at Aozora Bank with Japan Post Bank ATMs since August 2018.

Going forward, we will continue to promote relationships with regional financial institutions mainly by using our ATM network.

Strengthen Collaboration in Asset Building Field with Daiwa Securities Group

Japan Post Holdings Co., Japan Post Bank Co., Daiwa Securities Group Inc. and Daiwa Securities Co. signed a Memorandum of Understanding to enter a partnership to strengthen collaboration in supporting asset building on May 15, 2019.

Japan Post Group and Daiwa Securities Group will look into collaboration in developing new consulting services which meet the lifestyle and needs of each customer such as discretionary

investment management services^{*1,2}. This will support the shift from savings to asset formation in Japan and contribute to the realization of more enriched lives by leveraging each Group's fields of expertise and management resources.

^{*1} Japan Post Bank needs the approval of regulatory authorities to provide new services, such as discretionary investment management services.

^{*2} Discretionary investment management services are a form of investment management in which buy and sell decisions are fully or partially made by a portfolio manager for the client's account based on investment discretionary contracts.

Japan Post Group will leverage fast-advancing technology to respond appropriately to changes in the business environment and promote business.

Japan Post's Open Innovation Initiatives

Implementation of POST LOGITECH INNOVATION PROGRAM

Since the fiscal year ended March 31, 2018, Japan Post Co. has been implementing the POST LOGITECH INNOVATION PROGRAM as an open innovation program with the aim of realizing a more enriched society through the provision of postal and logistics services befitting a new era.

In the second program in the year ended March 31, 2019, the theme was "transform the entire postal and logistics value chain through technology" with the aim of shifting to the optimum format for all operations from the acceptance to delivery of mail and packages, as well as for the last one mile of logistics, by way of cutting-edge technology.

Rapyuta Robotics Co. and A*Quantum Inc. were selected in October 2018 from 70 start-up companies that applied to the program and worked on co-creation. A Demo Day was held on February 5, 2019 to announce results and Rapyuta Robotics won the top POST LOGITECH INNOVATION AWARD.



POST LOGITECH INNOVATION PROGRAM Demo Day
(fiscal year ended March 31, 2019)

Co-creation with other start-up companies

Japan Post actively advances co-creation with other start-up companies.

Examples of co-creation

- Yper Inc.: Reduction in redeliveries via use of delivery bags
- OPTIMIND Inc.: Optimization of delivery routes using artificial intelligence
- Autonomous Control Systems Laboratory Ltd.: Transport of parcels, etc., between post offices using drones



Screen on a tablet showing optimized delivery route
(OPTIMIND Inc.)

●Rapyuta Robotics Co.

Rapyuta Robotics undertook an initiative to automate operations at post offices by using a robotic arm to take down small parcels from a cart and put them on a supply line for sorting. In addition, the rapyuta.io platform was used in a process to transport the carts that had been taken down from a truck to the various workstations. Demonstration trials were implemented toward the practical viability of a system combining an automated guided vehicle (AGV) and a robotic arm.



Rapyuta Robotics performs a demonstration at Demo Day.

●A*Quantum Inc.

Amid a decline in the number of truck drivers, we have been aiming to optimize our transport network primarily in terms of vehicle fleet, cost and load efficiency by leveraging the quantum computer software development technology held by A*Quantum. We are conducting a demonstration test in the eastern area of Saitama Prefecture where there are around 30 post offices and have started to see the effects, notably being able to reduce the number of vehicles operating transport services in the evening and at night.

Start of Yucho Pay

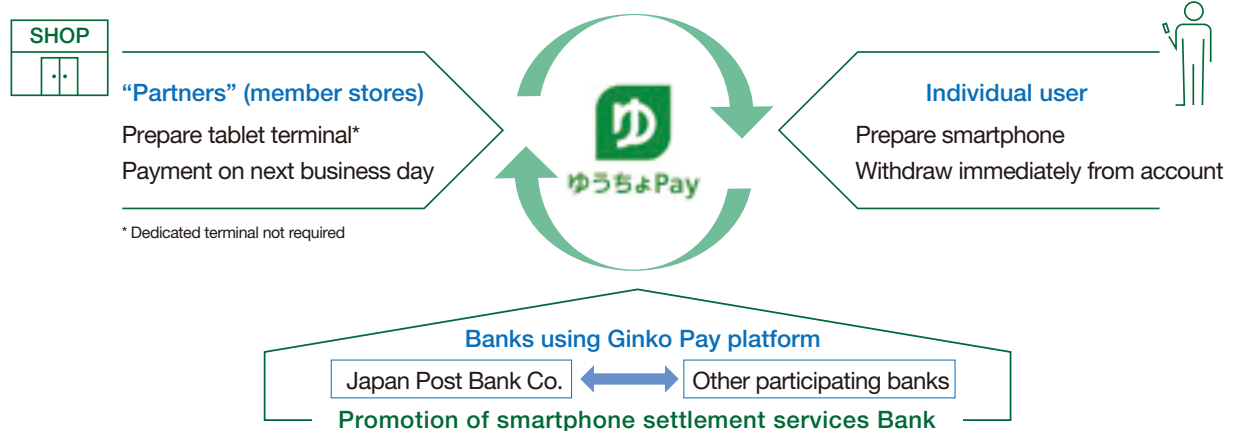
Japan Post Bank teamed up with GMO Payment Gateway, Inc. on May 8, 2019 and started handling “Yucho Pay,” a new smartphone settlement service that aims to provide “new convenience” to customers by enhancing lifestyles through new technology.

Customers with a Japan Post Bank account can withdraw money from a pre-registered account by operating a dedicated smartphone app when settling a bill at a merchant, for instance, that has agreed to

introduce the service.

In addition, we have connected with financial institutions that have introduced the same settlement system provided by GMO Payment Gateway through “Ginko Pay,” which is interoperable (“multi-bank”), so that customers can use this settlement service irrespective of the bank they use and the region they live in.

● “Yucho Pay” system



In addition to payment settlement at merchants, users will be able to pay charges simply by reading the QR code or barcode printed on the bank’s payment handling slip or convenience store’s payment slip with the “Yucho Pay” app. This eliminates the need to head to a convenience store or ATM to withdraw money, enabling payment regardless of time and place.

The service also allows the withdrawal of bank savings at train stations simply through the use of a

smartphone, which is a first for Japan. Users can withdraw a designated amount of cash from ticket vending machines at stations along Tokyu lines (85 stations on six lines, excluding Kodomonokuni Line and Setagaya Line) just by hovering a QR code displayed on their smartphone app, either Japan Post Bank Co.’s “Yucho Pay” or The Bank of Yokohama, Ltd.’s “Hama Pay.”

● Example of using a cash out service



● Sample payment handling slip



Improvement of Customer Service and Enhancement of Efficiency in Back-Office Administration through the Use of ICT at Japan Post Insurance Co.

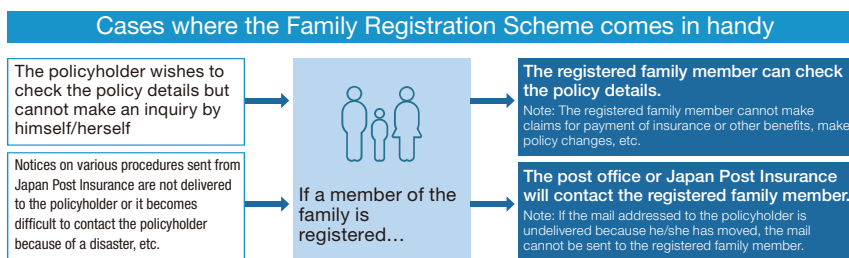
The social environment continues to change each year, characterized by diversifying customer needs on the back of changing lifestyles, a decline in the working population and evolution of information and

communications technology (ICT). In order to respond to such a social environment, Japan Post Insurance Co. is striving to improve customer service and enhance efficiency in back-office administration.

Improvement of customer service

In the fiscal year ended March 31, 2019, we implemented initiatives to improve customer service in terms of the scheme and the IT system, including introduction of the Family Registration Scheme in readiness for aging of policyholders and in the event of disaster. In addition, we introduced an “insurance procedure support

system” for certain claims that prints the necessary information for various claim documents in advance and automatically determines the documents needed at the time of a claim so as to offer “simple, easy-to-understand claim procedures.”



Enhancement of efficiency in back-office administration

Since March 2017, we have introduced decision support for insurance claim payment examination work using artificial intelligence (AI). By inputting past payment cases in the AI system, we are able to obtain judgment materials based on the results obtained by machine learning. Using AI enables us to make quick assessments at a level on par with employees with sophisticated knowledge and experience regarding our products,

policy conditions, and medicine, and to gain benefits such as faster payment processing. Going forward, we will examine the possibility of using AI in other fields as well, which includes enhancing customer contact by expanding scope of usage to inquiries concerning administrative procedures from post offices and enhancing the efficiency of back-office administration through the utilization of digital technology.

Comments from the Director in Charge of IT Systems Division



Toshihide Komatsu
Executive Vice President
(Representative Executive Officer)
Japan Post Holdings Co., Ltd.

The Japan Post Group Medium-term Management Plan 2020 sets out three IT strategies: (1) Promote IT to support new business development for future growth; (2) Promote work style reform and productivity improvement; and (3) Reinforce our management base in order to support sustainable growth. These strategies aim to promote business transformation using IT in response to changes in the business environment, including customer needs.

Based on recent advancements in digitization, we are

actively utilizing AI, the Internet of Things (IoT), financial technology and other new technologies, and working to strengthen customer contact, expand new products and services, and implement working style reforms as well as systematically develop human resources who can take on key roles in this era of digitization.

In addition, we are establishing a framework and posture to ensure business continuity and safeguard customer assets in response to the threat of increasingly sophisticated and elaborate cyber attacks as the use of the Internet spreads. We are also striving to reduce costs through stable operation of IT foundations and by optimizing the Group as a whole. This includes maintaining our communications network connecting around 24,000 post offices as well as a PC environment with guaranteed security, and expanding the cloud environment in-house to increase Group-wide resource efficiency.

Japan Post Group's Sustainability Management

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

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

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

● Realization of the SDGs

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD











Realization of the SDGs

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

Japan Post Group has selected CSR Priority Issues (Materiality) in the three fields of local communities, the earth and people and the key themes of the Japan Post Group CSR Basic Policy, and is undertaking activities that are linked to each of the SDGs. In order to ensure

harmony between our management strategy and our SDG-related activities, we implement the “provision of universal services” and “fair business practices” as part of our Medium-term Management Plan 2020 announced in May 2018. We also incorporate the SDGs into the framework of our management strategy and through our Group-wide business activities aim to contribute to the achievement of the SDGs and become a company trusted by society.

Priority Issue	Future vision	Measures	Fiscal year ending March 31, 2021 Targets
① Provision of Universal Services	 <p>Provide products and services necessary for every stage of life based on a post office network that is essential to the infrastructure of society and prioritizes the livelihood of customers</p>	Maintenance of post office network and provision of universal services	Provision of universal services through a seamless post office network
(Together with Local Communities) ② Promoting Healthy Living ③ Nurturing the Next Generations ④ Development with Local Communities	   <p>Create a secure and prosperous society where everyone can live a safe and healthy life, and a sustainable society that will lead us into the future</p>	<ul style="list-style-type: none"> Expansion of Watch Over Service Promotion of Radio Exercise Promotion of Kampo Platinum Life Service Promotion of letter-writing Financial education (on-site lessons at elementary and other schools, and Japan Post Bank Piggy Bank Design Contest for Children) Partnerships with local municipal organizations 	Continued promotion of Watch Over Service and other services
(Together with the Earth) ⑤ Reducing Greenhouse Gas Emissions ⑥ Effective Use of Resources and Reduction of Waste	  <p>Actively contribute to society through corporate activities that take into consideration climate change and global warming</p>	<ul style="list-style-type: none"> Regeneration of regional communities through the development of green areas Support for environmental conservation activities through expanded use of non-passbook general accounts Implementation of donations based on online provision of contract guidelines and policy conditions 	Reduction of CO ₂ emissions by 47,000 tons (4.4%) compared with the fiscal year ended March 31, 2017
(Together with People) ⑦ Development of Human Resources ⑧ Workstyle Reform	 <p>Create an environment where each and every employee is motivated to actively demonstrate their full capabilities</p>	<ul style="list-style-type: none"> Training in accordance with career paths (training by level, frontline leader training, etc.) Group joint training (for transferees, newly appointed executives, etc.) Promotion of active participation of female employees (promotion to higher positions including management, etc.) Promotion of employment of people with disabilities Acceleration of understanding of gender diversity (LGBT) Promotion of child and family care leave Workstyle reform (reduction of working hours, etc.) Promotion of employee physical and mental health maintenance and improvement 	<ul style="list-style-type: none"> Target percentage of women in management Japan Post Co.: 10% or more Japan Post Bank Co.: 14% or more Japan Post Insurance Co.: 14% or more Japan Post Holdings Co.: 11% or more Employment rate of persons with disabilities: achieve and maintain 2.5% of the Group target
⑨ Fair Business Practices	 <p>Require transparent management, comply with regulations, and contribute to the development of society and the local community</p>	<ul style="list-style-type: none"> Thorough Group-wide compliance Elimination of relationships with antisocial forces 	<ul style="list-style-type: none"> Zero internal criminal activity Continued elimination of relationships with antisocial forces

Japan Post Group CSR Basic Policy

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

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

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

1 Together with Local Communities

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

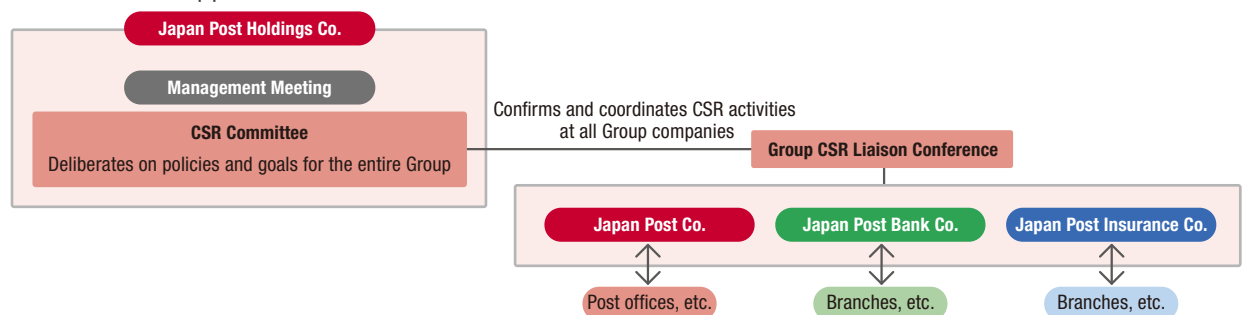
2 Together with the Earth

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

3 Together with People

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

● Promotional Approach to CSR



● Response to ESG challenges

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

Together with Local Communities

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

Participating in Regional Vitalization Funds

 JAPAN POST BANK

Japan Post Bank Co. has actively encouraged participation in regional vitalization funds since fiscal 2016 to cycle important customer capital throughout all of Japan by way of alliances with local financial institutions. (For details, please refer to page 44.)

➔ Impact on society

Vitalization of local economy and alliances with local financial institutions

Supporting Healthy and Fulfilling Lifestyles

 JAPAN POST INSURANCE

Popularization and promotion of Radio Exercise

To benefit the health of people throughout Japan, Japan Post Insurance Co. is working to popularize and promote Radio Exercise together with NHK (Japan Broadcasting Corporation) and the NPO Japan Radio-taiso Federation.

● Radio Exercise and *Minna no Taiso* Tour

Japan Post Insurance Co. holds the Radio Exercise and *Minna no Taiso* Summer Tour in 43 venues over 43 days across Japan from July 20th to August 31st every year (including the Festival of 10 Million People's Radio Exercise and *Minna no Taiso*).

Additionally, we hold the Radio Exercise and *Minna no Taiso* Special Tour primarily on Sundays and holidays at 10 venues throughout Japan from April to the end of October every year (excluding the period for the Radio Exercise and *Minna no Taiso* Summer Tour).



57th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* (Held in Kurashiki City, Okayama Prefecture, on August 5, 2018)

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

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

Providing the health support app "Sukoyakanpo"

The role expected of the life insurance business is shifting from the provision of conventional services, that is, protection against illness and injury, to the provision of services for prevention of illness and injury and for maintaining and promoting health. To fulfill such a role, Japan Post Insurance Co. intends to vigorously support health and affluent lifestyles.

As a measure for such support, we have launched the "Sukoyakanpo" health support free app that helps people pursue health at ease.

➔ Impact on society

Promotion of health among customers, etc.



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

JP JAPAN POST JP JAPAN POST INSURANCE

The Post Office Watch Over Service

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

Kampo Platinum Life Service

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

➔ Impact on society

Provision of services that the elderly can use with peace of mind

➔ Impact on society

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



Publication of an information magazine for elderly customers



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

Initiatives to Increase Logistics Efficiency Using Next-generation Mobility

JP JAPAN POST

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

There are still many challenges to overcome, including technical issues and the development of a legal system, but we plan to continue with these initiatives.

➔ Impact on society

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

November 2018	<p>Started transports between post offices using small unmanned drones</p> <p>Japan Post Co. started parcel transports using a small unmanned drone without an operator watching the airborne device or an assistant who monitors its movements for the first time in Japan from a post office in the city of Minamisoma in Fukushima Prefecture to the town of Namie (about 9km).</p>
January 2019	<p>Demonstration test to realize application of delivery robots to the logistics field</p> <p>A demonstration test using a delivery robot was conducted in the city of Minamisoma and the town of Namie to test the possibility of delivery robots for the last one mile of logistics. An automobile school and public housing for disaster victims were used for the test as they closely resemble the actual road environment and delivery environment.</p>
March 2019	<p>Demonstration test for self-driving transport cars</p> <p>Japan Post Co. has conducted a test for a self-driving transport car assuming the transport of mail between the Tokyo International Post Office and Shin Tokyo Post Office. A further test was conducted that was unmanned on the premises of the Shin Tokyo Post Office.</p>



Drone



Experiment using a self-driving car

Together with the Earth

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

Initiatives to Address Climate Change

Declaration of support for TCFD

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

Japan Post Group has declared in the Japan Post Group CSR Basic Policy that we will “strive to undertake business operations adapted to the impact of climate change and actively promote business and environmental conservation activities with consideration toward reducing our burden on the environment.” In addition, under the Japan Post Group Medium-term Management Plan 2020, the Group upholds a policy to

reduce greenhouse gas emissions as one of our initiatives targeted at achieving the United Nations Sustainable Development Goals (SDGs), and also works to contribute to the creation of a sustainable society through such means as investment in green bonds.

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



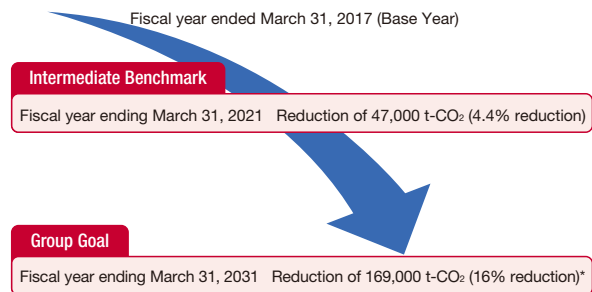
Japan Post Group Environmental Statistics

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

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

* Greenhouse gasses emitted by Japan Post Group's businesses refer to CO₂.

● Greenhouse gas emission reductions by Japan Post Group



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

Initiatives to Reduce Environmental Load in Logistics

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

Expanded introduction of EVs

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



● EV-related initiatives

FY2008	Japan Post Co. proceeded with preparations toward full-scale introduction of EVs, conducting demonstration tests of electric vehicles to verify benefits and issues in terms of the environment and business from various perspectives and asking automakers for cooperation in development.
FY2013	Japan Post Co. introduced EVs on a trial basis and conducted tests on the effect on the environment as well as practicality and efficiency. A total of 69 EVs (vehicles for collection and delivery) have been deployed as of March 31, 2019.
FY2017	Japan Post Co. started examining collaboration with Honda Motor Co. on demonstration testing for environmentally responsible electric motorcycles for postal deliveries.
FY2019	Plan to replace approximately 400 vehicles from November
FY2020	Plan to replace approximately 800 vehicles from April

Initiatives to reduce redeliveries

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

In March 2019, we expanded our email notification service and designated location delivery service for customers using a Yubin ID. We are also working to enhance our channels for receiving mail such as HAKO POST receiving lockers.

→ Impact on society

Alleviation of climate change and global warming

**● Improvement of Yu-Pack service**

Expansion of delivery notice emails	Japan Post Co. expanded its mail notification service to customers who use a Yubin ID. Information on the destination provided to Japan Post Co. by the shipper is matched with the information on record for a customer who has attained a Yubin ID, and an email is sent to the recipient with notification of scheduled delivery or stating that they were not at home when the package was delivered.
Expansion of services where delivery location can be designated	Customers who have received mail with notification of scheduled delivery of a Yu-Pack sent by the shipper or stating that they were not at home when the Yu-Pack was delivered can have it sent to a designated location. [Possible pickup locations] • In front of door • Delivery box • Mailbox • Meter box • Storeroom • Carport
Other initiatives	Japan Post Co. has conducted a demonstration test for the OKIPPA delivery bag for 1,000 households in the Sugunami Ward of Tokyo in conjunction with Yper Inc. Redeliveries were reduced by approximately 61% during the test period of around a month.

Effective Use of Resources and Reduction of Waste

JAPAN POST HOLDINGS JAPAN POST BANK JAPAN POST INSURANCE

Reducing paper with paperless bank accounts

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

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

Since paper usage is being reduced by the increasingly widespread adoption of this service, we decided to donate an amount equivalent to the number of accounts opened in the fiscal year ended March 31, 2018, under the title “Yucho Eco-Communication,” to 13 organizations (non-profit organizations) across Japan that are engaged with local residents in activities that have both an environmental conservation and a social contribution aspect. The funds were used for activities conducted between January and December 2018.

Contributions to environmental preservation through online provision of the contract guidelines and policy conditions

On October 2, 2014, Japan Post Insurance Co. began offering the contract guidelines and policy conditions on the Company’s website.

Previously, we had provided our contract guidelines and policy conditions to all customers in a paper booklet format. By selecting “web viewing,” policyholders now have the option of confirming their contract guidelines and policy conditions in PDF format on our website instead of receiving a paper brochure. The provision of the contract guidelines and policy conditions on the website eliminates the need for conventional brochures, thereby enabling a reduction in the amount of paper used.

In July 2018, we donated a total of ¥33.0 million to 33 environmental groups working on forestation based on the number of customers who opted for online contract guidelines and policy conditions in the 12 months from October 2016 to September 2017.

Eliminating paper

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

➔ Impact on society

Reduction in paper consumption and work style reform



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



A meeting space used to further communication

Head Office Building Acquires Gold-level LEED-CI Certification (2009 Version) JAPAN POST HOLDINGS

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

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

ESG Investment Policy

 JAPAN POST BANK  JAPAN POST INSURANCE

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

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

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

Japan Post Insurance Co. manages assets in accordance with the ESG Investment Policy as an institutional investor managing assets over the long term.

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

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

ESG Investment Activities

 JAPAN POST INSURANCE

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

In asset management, we will consider various factors of ESG in making investment decisions, in order to realize a sustainable society, improve investment results and reduce risks in the long-term.

■ Integration of ESG factors into the investment process Initiatives in the area of internal domestic equity investments

We utilize ESG integration as a method to consider ESG factors in making investment decisions in addition to financial information, and manage the following two domestic equity funds.

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

Initiatives in the area of internal bond investments etc.

We utilize ESG-themed investment as a method to consider ESG

factors in making investment decisions. We select themes that can widely contribute to the achievement of SDGs and the resolution of issues related to them, and invest in projects beneficial to the resolution of ESG issues.

- Investment in solar power generation projects
- Investment in a Thematic Bond promoting gender equality
- Investment in a Climate Awareness Bond

Initiatives in the area of externally managed assets

In our external manager selection, appointment and monitoring processes, we confirm their ESG initiatives.

■ Stewardship activities

Through constructive engagement, we are striving to build strong relationships with investee companies and to appropriately monitor their status.

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

https://www.jp-life.japanpost.jp/aboutus/company/assets/pdf/stewardship_taiyo.pdf (in Japanese)

■ United Nations Principles for Responsible Investment (UN PRI) signatory

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

Signatory of:



Together with People

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

Formulation of Japan Post Group Human Rights Policy

 JAPAN POST HOLDINGS

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

Accordingly, in April 2019 the Group established the Japan Post Group Human Rights Policy in accordance with international principles such as the United Nations Guiding Principles on Business and Human Rights.

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

➔ Impact on society

Respect for human rights and alleviation of discrimination

Initiatives Related to Preventing Discrimination and Respecting Human Rights

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

As part of efforts to put these ideals into practice, we strive to bring enlightenment on human rights, give training to managers that draw on cases of harassment and distribute a booklet on such matters. We have also

set up counters inside and outside the company for consultation on harassment and take consultations anonymously to protect the privacy of the consulter.

➔ Impact on society

Respect of human rights and alleviation of discrimination

Promoting Diversity Management

 JAPAN POST HOLDINGS

Promotion of the active participation of women

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

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

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

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

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

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



Employment of persons with disabilities

Cognizant of the fact that providing suitable employment opportunities to persons with disabilities is our social responsibility as a corporation, we are working proactively to promote such employment. As of April 2019, the employment rate of persons with disabilities was 2.29%, exceeding the legally mandated mark of 2.2%. These persons are engaged in a variety of roles in different places of work.

Empowerment of the elderly

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

→ Impact on society

Creation of organizational innovation through the use of diverse ideas and the generation of employment opportunities for persons with disabilities

Response to the aging society and enhancement of employee motivation

Creating a Motivating Workplace

 JAPAN POST HOLDINGS

Proper management of work hours

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

Initiatives in health management

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

Each Group company also conducts stress checks not only in offices with 50 or more employees, where such checks are mandatory, but also for approximately 100,000 employees at 19,000 nationwide offices with less than 50 employees. These stress checks are used for early detection of mental health problems and improvement of work environments.

Support measures for child care, nursing care and illness

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

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

→ Impact on society

Enhancement of motivation and quality of life

Development of Human Resources

Developing human resources who fulfill their expected roles

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

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

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

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

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

Comments from an Executive in Charge of Personnel



Kazuhide Kinugawa
Japan Post Holdings Co., Ltd.
Senior Managing Executive Officer

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

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

It is essential to create an environment in which each employee can work in good health and with vitality since employees are the foundation underpinning business activities for postal operations highly dependent on human power. We are currently undertaking measures relating to work style reform in order to fully draw out the capabilities of employees. These include reducing overtime; providing

strong support for child care, nursing care and illness; promoting diversity management; and improving the employment conditions for fixed-term employees.

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

Further, we are improving conditions for fixed-term employees as we view them as critically important resources to the Group's business management. This comes amid demands for improved conditions for non-regular workers, which has become an issue pervading society on the whole. Our policy is to contribute to the growth and development of the Group by implementing various measures to improve conditions from the perspective of equal pay for equal work. Our measures have been executed ahead of the April 2020 enforcement of the Act on the Arrangement of Related Acts to Promote Work Style Reform, otherwise known as the Work Style Reform Act (“Part-Time/Fixed-Term Employment Act”).

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

Support for the Olympic and Paralympic Games Tokyo 2020

A desire to support From Tokyo to Japan's Olympic and Paralympic Games

As the Olympic and Paralympic Games Tokyo 2020 official postal services partner, we are contributing to the excitement of Tokyo 2020 across Japan by utilizing our nationwide network of approximately 24,000 post offices that are deeply rooted in local communities and our over 400,000 employees.



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

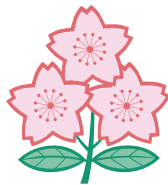
Supporting the Japan National Rugby Team

JAPAN POST HOLDINGS JAPAN POST

We are providing support for the Japan National Rugby Team as an official supporter of the team. In doing so, we are contributing to the spread and penetration of rugby throughout Japan.



©JRFU, 2018



Supporting the Japan GoalBall Association

JAPAN POST HOLDINGS

We are contributing to the spread and advance of sports for persons with disabilities by proactively supporting activities carried out by the Japan GoalBall Association (JGBA). This includes dispatching employee volunteers to participate in various types of competitions and experiential events run by JGBA.



©Ryo/CHIKAWA/JGBA



Supporting the Japan National 3x3 Basketball Team

JAPAN POST HOLDINGS

Japan Post Holdings Co. contributes to the spread and permeation of 3x3 basketball through its support of the activities of the Japan National 3x3 Basketball Team and games held by the Japan Basketball Association (JBA) as a partner in JBA's postal, home delivery and freight transport category.



©JBA



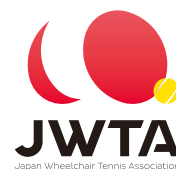
Supporting the Japan Wheelchair Tennis Association and Concluding an Affiliation Contract with Player Momoko Otani

JAPAN POST INSURANCE

Driven by a desire to contribute to the advance and spread of wheelchair tennis, Japan Post Insurance Co. is supporting wheelchair tennis experiential events, training camps for young athletes and tournaments in Japan. Additionally, in the fiscal year ending March 31, 2020, we concluded an affiliation contract with wheelchair tennis player Momoko Otani.



Player Momoko Otani is affiliated with Japan Post Insurance Co.



Basic Views

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

1. Japan Post Holdings Co. 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 Japan Post Group's three core businesses through Japan Post Group's post office network.
2. Fully recognizing its fiduciary responsibility to its shareholders, Japan Post Holdings Co. shall give consideration to appropriately secure rights and equal treatment of shareholders.
3. Japan Post Holdings Co. 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 Co. shall strive to secure management transparency and commit to

appropriate disclosure and provision of information.

4. Japan Post Holdings Co. 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.

Japan Post Holdings Co. sets out its “Basic Policy on Corporate Governance” concerning the basic views, framework and operation policy regarding the corporate governance of Japan Post Holdings Co., with a view to ensuring sustainable growth of Japan Post Group and enhancing its corporate value over the medium to long term, and develops the corporate governance structure of Japan Post Group.

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

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


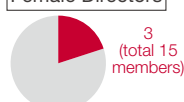

Group Operation and Management Structure

Japan Post Holdings Co. has concluded agreements on Japan Post Group's operation and management (hereinafter “Japan Post Group Management Agreements”) with and between Japan Post Co., Japan Post Bank Co. and Japan Post Insurance Co. on 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 Japan Post Group companies.

In addition, Japan Post Co. 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 Co. and Japan Post Insurance Co.) are required to give prior approval 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 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 Japan Post Group companies for the purpose of promoting effective and efficient operation of Japan Post Group.

Characteristics of the Board of Directors

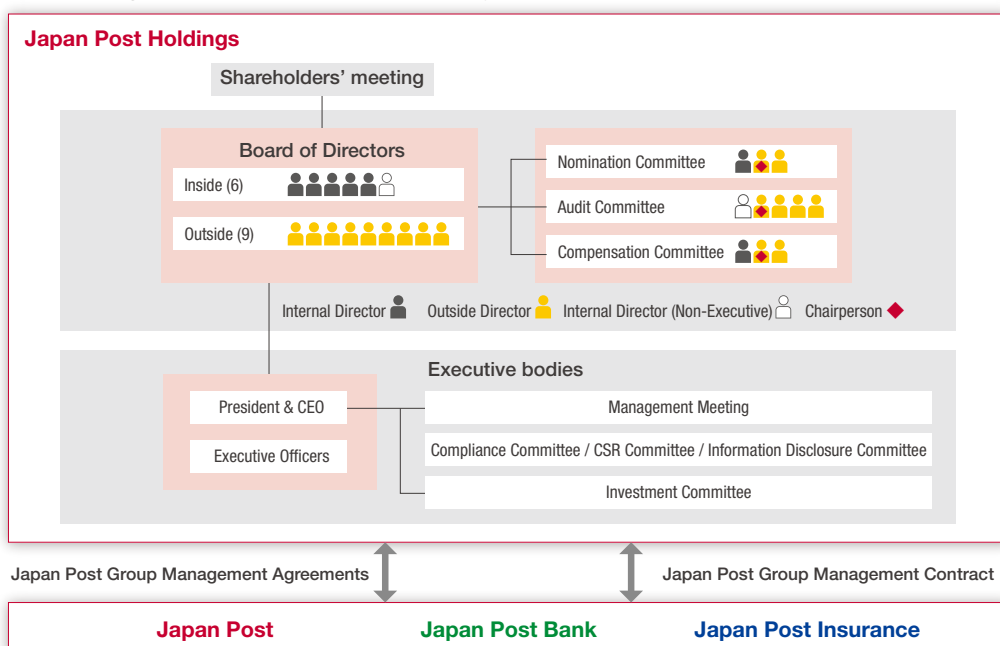
Characteristic (1)	Characteristic (2)	Characteristic (3)	Characteristic (4)
Company with nomination committee, etc.	The majority of the board are outside directors	Putting diversity into practice	Implementation of Board of Directors effectiveness evaluation
Since becoming a listed company in November 2015, Japan Post Holdings Co. has maintained a system as a company with nomination committee etc. The nomination, compensation and audit committees have at least three members each, the majority of which are independent officers.	The Board of Directors consists of 15 directors (up to 20 as defined in the Articles of Incorporation), of which the majority nine directors are independent outside directors.	The Board of Directors consists of diverse directors, who have a wealth of knowledge, experience and insight.	Every year, the Board of Directors confirms the opinions of each director regarding the Board of Directors meetings, then analyzes and evaluates the effectiveness of the Board of Directors overall, and discloses an overview of the results, using them to improve operation of the Board of Directors.
	<p>Outside Directors</p>  <p>9 (total 15 members)</p>	<p>Female Directors</p>  <p>3 (total 15 members)</p> <p>Foreign Director</p>  <p>1 (total 15 members)</p>	

Overview of Committees

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

	Role and Structure	Operation Status	Meetings in the fiscal year ended March 31, 2019 (average attendance rate)
Board of Directors	The Board of Directors, comprised of 15 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, 2019, the Board of Directors discussed the development of the Group Medium-term Management Plan, as well as matters concerning the revision of our basic policies concerning corporate governance, and received reports concerning the operation status of the “internal control system”, group performance important issues, risk management and the state of compliance and internal audits.	12 times (97%)
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., resolutions for the election and dismissal of Directors of the Japan Post Holdings Co. shall not become effective without the approval of the Minister for Internal Affairs and Communications.	In the fiscal year ended March 31, 2019, the Nomination Committee determined candidates for Directors, listened to succession plans for the Directors and Representative Executive Officers and discussed the content of plans. In addition, this committee examined and discussed the appointment and dismissal criteria for officers.	3 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, 2019, the Compensation Committee decided on individual compensation for Directors and Executive Officers, as well as performance-linked compensation for executives, and examined and discussed the executive compensation system of Japan Post Holdings Co.	3 times (100%)
Audit Committee	The Audit Committee consists of five Directors (including four Outside Directors), who audit the execution of duties by Directors and Executive Officers, 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, 2019, the Audit Committee determined the auditing policy and auditing plan, and collaborated with the accounting auditors and Internal Auditing Department to conduct audits by attending important meetings such as those of the Management Meeting. With regard to the internal control system developed based on resolutions by the Board of Directors, the Audit Committee received regular reports from Directors and Executive Officers about the development and operation status of the internal control system, and received regular reports from the departments in charge of internal control functions, such as the Compliance Department, the Risk Management Department, the Accounting Department and the Finance Department. With regard to subsidiaries, the Audit Committee exchanged information with subsidiary Directors, Audit Committee members and Corporate Auditors, and received reports on business as necessary. In addition, the Audit Committee monitored and verified whether accounting auditors hold an independent positions and conduct audits properly. The Audit Committee also reviewed financial documents by receiving reports from the accounting auditors on the status of the execution of duties by the accounting auditors, and by receiving notices based on Article 131 of the Ordinance on Company Accounting.	20 times (100%)

● Japan Post Holdings Co. Corporate Governance System



*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 consist of independent officers.

Evaluation of Effectiveness of the Board of Directors

Method of Evaluation

The effectiveness of the Board of Directors of Japan Post Holdings Co. in the fiscal year ended March 31, 2019 was evaluated based on the questionnaires for the directors and opinions expressed at meetings of Outside Directors.

Overview of Evaluation Results

The evaluation reached the conclusion that in the Board of Directors, members with diverse experience and expertise actively engage in constructive discussions that make full use of their respective insights and experiences, and so the Board of Directors is generally functioning well.

In the evaluation made the previous year, the issue was raised that there was room to improve, as the Board of Directors of a holding company should spend more time discussing the direction of management of the entire Group, the medium-term growth strategy and

other important issues.

Since then, the Board of Directors has addressed these issues, but in this evaluation the issue was raised that despite the fact that discussions have been held that spend more time on important issues, it is necessary for all Directors to have a common understanding of the environment affecting business and hold deeper discussions about giving direction to the medium-term vision and strategy.

Furthermore, with regard to important management issues, the opinion was stated in the Board of Directors that continuous monitoring and follow-up are necessary.

In the future, from a broad perspective the Board of Directors will hold deeper discussions on the direction of business in the medium to long term, and from the perspective of Group governance, and will further enhance its effectiveness as the Board of Directors of a holding company.

Independence Criteria of Outside Directors

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

Post Holdings Co., 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.

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

1. Anyone who has been an executive of the Japan Post Group in the past
2. Anyone for whom Japan Post Group is a major business partner, or an executive thereof
3. Anyone who is a major business partner of Japan Post Group, or an executive thereof
4. Consultants, accounting experts or legal experts who receive or have received large payments of money or property from 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)
5. Major shareholders of Japan Post Holdings Co. (if that party is a legal entity (excluding the Japanese Government), then anyone who is an executive of that legal entity)
6. The spouse or relatives within second degree of kinship of the following parties (excluding unimportant ones.)
 - (1) Anyone listed in parts 1 to 5 above
 - (2) Executives of subsidiaries of Japan Post Holdings Co.
7. Executives of other companies in which an executive of Japan Post Group is appointed as an outside director
8. 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)

*Please see the following website for details.
https://www.japanpost.jp/group/governance/pdf/02_08.pdf (Japanese)

Training of Directors & Support System for Outside Directors

Training of Directors

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

Support System for Outside Directors

Japan Post Holdings Co. has developed an operation system for Outside Directors with consideration for the coordination of a flexible annual schedule, accurate

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

Policy on Appointment of Directors

Scale and Composition of Candidates for Directors

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

Internal Directors

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

- (1) Has expertise in the business of Japan Post Holdings Co.
- (2) Has superior ability in management judgment and management execution
- (3) Has superior ability in leadership, determination,

- foresight and planning
- (4) Has an appropriate personality and insight as a Director
- (5) Has no health problems when performing duties as an Internal Director

Outside Directors

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

- (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
Akio Mimura	Akio Mimura has served as Representative Director, President, and Chairman of Nippon Steel & Sumitomo Metal Corporation (now Nippon Steel Corporation). He has been involved in the management of corporations for many years, so he is expected to fulfill management oversight and check functions based on his experience and insight as an expert in management cultivated over the course of his career.
Tadashi Yagi	Tadashi Yagi has served as Nagoya Bureau Chief and later as Managing Controller of Kyodo News Service General Incorporated Association. He has deep insights of broad events affecting corporate management, including politics and economics, so he is expected to fulfill management oversight and check functions based on his experience and insight.
Kunio Ishihara	Kunio Ishihara has served as Director, President and Chairman of Tokio Marine & Nichido Fire Insurance Co., Ltd. He has been involved in the management of corporations for many years, so he is expected to fulfill management oversight and check functions based on his experience and insight as an expert in management cultivated over the course of his career.
Charles Ditmars Lake II	Charles Ditmars Lake II has served as Chairman and Representative Director of Aflac Life Insurance Japan Ltd. He has been involved in the management of corporations for many years, so he is expected to fulfill management oversight and check functions based on his experience and insight as an expert in management cultivated over the course of his career.
Michiko Hirono	Michiko Hirono has served as President of 21 Lady Co., Ltd. She has been involved in the management of corporations for many years, so she is expected to fulfill management oversight and check functions based on her experience and insight as an expert in management cultivated over the course of her career.
Tsuyoshi Okamoto	Tsuyoshi Okamoto has served as Representative Director, President and Chairman of Tokyo Gas Co., Ltd. He has been involved in the management of corporations for many years, so he is expected to fulfill management oversight and check functions based on his experience and insight as an expert in management cultivated over the course of his career.
Miharu Koezuka	Miharu Koezuka has served as Representative Director and Senior Managing Director of Takashimaya Company, Limited. She has been involved in the management of corporations for many years, so she is expected to fulfill management oversight and check functions based on her experience and insight as an expert in management cultivated over the course of her career.
Takayuki Aonuma	Takayuki Aonuma has been in the legal profession for many years, including service as the superintendent public prosecutor of the Nagoya High Public Prosecutors Office. He is expected to fulfill management oversight and check functions based on his experience and insight as an expert in the law cultivated over the course of his career. Although Mr. Aonuma has never been involved in corporate management in any way other than serving as an outside officer in the past, for the reasons given above he has been deemed capable of properly performing his duties as an Outside Director.
Sakie Akiyama	Sakie Akiyama has been involved in the management of corporations for many years as President of Saki Corporation. She is expected to fulfill management oversight and check functions based on her experience and insight as an expert in management cultivated over the course of her career.

Compensation System for Directors and Executive Officers

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

Compensation System

1. When serving concurrently as a Director and Executive Officer, compensation shall be paid as an executive officer.
2. Directors of Japan Post Holdings Co. shall be paid a fixed amount of compensation according to their duty, based on the scope and size of their responsibility for management.
3. Executive Officers of Japan Post Holdings Co. 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 Co. 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 business that Executive Officer is responsible for.

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

Indicators related to company performance	Goal	Performance in the fiscal year ended March 31, 2019
Consolidated net income attributable to Japan Post Holdings Co.	At least ¥330,000 million	¥479,419 million
Consolidated ordinary income ratio	At least 5.344%	6.503%
Dividend per share	At least ¥50	¥50

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

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

Classification	Total amount of compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)		Number of persons
		Fixed Compensation	Performance-based stock compensation	
Directors (excluding Outside Directors)	27	27	—	1
Executive Officers	768	627	141	26
Outside Directors	84	84	—	11

- (Notes) 1. No compensation as a director is paid to those who concurrently serve as a Director and Executive Officer.
 2. Three Directors serve concurrently as Directors and Executive Officers of major consolidated subsidiaries, but they have not been paid compensation as Directors of Japan Post Holdings Co. 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 ¥123 million.
 3. Seven Executive Officers serve concurrently as Directors or Executive Officers of major consolidated subsidiaries, six of whom have not been paid as Executive Officers of Japan Post Holdings Co. 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 six Directors from major consolidated subsidiaries is ¥167 million.
 4. Performance-based stock compensation shows the amount recorded as expenses in the current fiscal year.
 5. There are no retirement benefits or bonuses for Directors.

Policy Equity

Holding Policy for Policy Equity

1. Japan Post Holdings Co. 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 Japan Post Group for reasons other than net investment, such as strengthening business alliances (hereinafter referred to as “policy equity”).
2. Every year, the Board of Directors shall verify the aim and rationality of holding policy equity that is held by Japan Post Holdings Co., taking into account medium-to-long-term economic rationality and future prospects, and disclose the content of this verification.
3. With regard to the exercise of voting rights on policy equity, Japan Post Holdings Co. shall decide how to vote on proposals having individually examined whether each proposal conforms to Japan Post Holdings Co.’s 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 Co., every year the Board of Directors verifies the aim and rationality of holding policy equity that is held by Japan Post Holdings Co., 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 June 2019, it was confirmed to be appropriate to continue holding one brand of policy equity held by Japan Post Holdings Co.

Primary Legal Regulations

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

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

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

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

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

(a) Regulations pertaining to Japan Post Bank Co. and Japan Post Insurance Co.

Japan Post Bank Co., our consolidated subsidiary, engages in the banking business and Japan Post Insurance Co., also our consolidated subsidiary, engages in the life insurance business (hereinafter referred to as our “two financial subsidiaries”) and 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.

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

business other than as set forth by the laws based on the Insurance Business Act and other related business regulations. In addition, Japan Post Insurance Co. is required to maintain a solvency margin ratio of at least 200% as an indicator of whether it has a “payment reserve” that enables it to cope with risks that occur beyond normal expectations, such as catastrophic disasters or the massive collapse of stock prices. As of March 31, 2019, Japan Post Bank Co. has a consolidated capital adequacy ratio of 15.80% and Japan Post Insurance Co. has a consolidated solvency margin ratio of 1,189.8%, so both subsidiaries have maintained high levels compared with the ratios regulated by law.

(b) Regulations pertaining to Japan Post Co.

Based on the Banking Act and the Insurance Business Act, Japan Post Co. is subject to supervision by the Financial Services Agency with regard to the post office business of Japan Post Group as a banking agency and affiliated bank of Japan Post Bank Co. and as an insurance solicitor and affiliated insurance company of Japan Post Insurance Co.

As a banking agency, Japan Post Co. is not permitted to conduct business other than as set forth by law and is subject to such regulations as the obligation for separate management, the obligation to explain banking agency services it engages in to customers, and the prohibition of certain activities such as making definitive claims, without approval from the Prime Minister. Also, as an insurance solicitor, it is subject to such regulations as the obligation to provide explanations for customers and the prohibition of certain activities such as providing false explanations.

(c) Regulations pertaining to Japan Post Holdings Co.

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

As of March 31, 2019, Japan Post Holdings Co. has a consolidated capital adequacy ratio of 17.73% and a consolidated solvency margin ratio of 670.7%, so it has maintained high levels compared to the ratios regulated by law.

(d) Licensing required by law

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.	None	Article 52-34, Paragraph 1 of the Banking Act
Insurance Holding Company Authorization	Article 271-18, Paragraph 1 of the Insurance Business Act	Japan Post Holdings Co.	None	Article 271-30, Paragraph 1 of the Insurance Business Act
Bank Agency Authorization	Article 52-36, Paragraph 1 of the Banking Act	Japan Post Co.	None	Article 52-56, Paragraph 1 of the Banking Act
Life Insurance Solicitor Registration	Article 276 of the Insurance Business Act	Japan Post Co.	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.	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.	None	Article 132, Paragraph 1; Article 133; Article 134 of the Insurance Business Act

(3) Regulations specifically applicable to Japan Post Group

Based on the Postal Service Privatization Act and other laws, Japan Post Holdings Co. and Japan Post Co. are obligated to provide postal services so that payment of simple savings, remittances, services for settlement of debts and credits, and services for easy-to-use life insurance are available to customers at post offices in an integrated format and in a manner that is easy to use by customers. They are also obligated by law to maintain the post office network to ensure fair use across all of Japan well into the future (provision of services through the post office network based on these obligations referred to hereinafter as "universal services").

With regard to universal services, in October 2013 the Minister for Internal Affairs and Communications consulted with its consultative body, the Postal Policy Committee of the Telecommunications Council, about "Securing universal services of the postal business and the proper means for revitalizing the post and correspondence market," and a report was issued by the Telecommunications Council on September 28, 2015.

Depending on the content of the government policies implemented in response to the report, it is possible they will have an effect on the business, performance, and financial status of the Japan Post Group.

In the report, with regard to securing universal services, it states that in the short term, "Japan Post Holdings Co. and Japan Post Co. are required to maintain the current scope and level of services by their own management efforts," and, "In addition, it is necessary for the national government to examine measures that will serve as incentives for securing universal services." The report continues, stating that in the medium to long term, "Considering changes in the environment of the postal business or in the scope and level of service expected by the people and users in response, it is necessary to continuously examine measures for securing universal services and how the cost burden is borne."

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

Also, Japan Post Holdings Co. and Japan Post Co. 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 Co. only), formulate business plans, amend articles of incorporation, conduct mergers or split or dissolve companies based on the Act on Japan Post Holdings Co. and Act on Japan Post Co., respectively, (however, only notification of new businesses to the Minister for Internal Affairs and Communications is required for Japan Post Co.). 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 Co.) and particular subsidiaries (Japan Post Insurance Co.), 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 Co. may not in itself have banks as subsidiaries and neither may Japan Post Insurance Co. 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.

(Reference) Maximum deposit amounts in Japan Post Bank Co.

Under the Postal Service Privatization Act, Japan Post Bank Co. 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, fixed amount savings, fixed term savings (Excluding B) ... ¥13 million in total

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

However, the maximum amount of money of A and B includes postal savings deposited before postal service privatization (taken over by the Organization for Postal Savings, Postal Life Insurance and Post Office Network).

Based on a government ordinance promulgated on March 13, 2019 partially revising the Postal Service Privatization Act Enforcement Ordinance, the deposit limits have been changed as follows from April 1, 2019, the enforcement date of that government ordinance. There is no change in the scope of savings protected by the deposit insurance system.

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 Co.

Insurance policies for Japan Post Insurance Co. 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

for specific endowment insurance is ¥5 million, and 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).

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 special insurance 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

(Notes) The insurance amount of special policies are limited within the insurance amount of the basic policy to which the special policy is added. However, with regard to the insurance amount of the underwriting-based relief non-divided general medical special policy which was launched for sale in April 2019, when the enrollment age of the basic policy to which the special policy 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 special policies can exceed the insurance amount of the basic policy to which the special policy 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) Outline of the law partially revising the Act on the Management Organization for Postal Savings and Postal Life Insurance and its impact on business consignment contracts with the two financial subsidiaries

On December 1, 2018, a law was enacted to partially revise the Act on the Management Organization for Postal Savings and Postal Life Insurance. This resulted in the name of the Management Organization for Postal Savings and Postal Life Insurance being changed to the "Organization for Postal Savings, Postal Life Insurance and Post Office Network" (hereinafter referred to as the "Japan Postal Service Organization"). Accordingly, one item was added to the purpose of the Japan Postal Service Organization, stating "Secure provision of basic services pertaining to postal services and contribute to securing convenience for users and the stability of public life by making grants to support the maintenance of the post office network."

The expenses required to maintain the post office network were previously covered by commission fees based on the contract between Japan Post Co. and related banks and insurance companies. Among these expenses, basic expenses excluding the amount that should be borne by Japan Post Co. shall be covered by grants issued by the Japan Postal Service Organization to Japan Post Co. using funds from Japan Post Bank Co. and Japan Post Insurance Co. starting in the fiscal year ending March 31, 2020, based on this law.

The method for calculating the basic expenses is to find the sum of the following expenses based on the latest status of maintenance of the post office network.

A. Labor costs, rents, construction expenses and other expenses required to maintain post offices, expenses required to transport and manage cash, as well as fixed property tax and business office tax, when the post office network is configured with post offices of the minimum scale necessary to ensure that universal services are available at post offices throughout Japan.

B. Expenses required for the minimum consignment to ensure that basic services related to postal service can be used at contracted post offices.

The administrative expenses of the Japan Postal Service Organization related to the calculation of these basic expenses and grants/funds are allotted in proportion to the degree of use of the post office network by users expected in mail counter work, bank counter work and insurance counter work. Japan Post Bank Co. shall contribute the allotted amount for the bank counter work, while Japan Post Insurance Co. shall contribute the allotted amount related to the insurance counter work, with the amount calculated each year by the Japan Postal Service Organization, and approval obtained from the Minister of Internal Affairs and Communications. In the fiscal year ending March 31, 2020, the amount of contributions to be paid by Japan Post Bank Co. in the fiscal year ending March 31, 2020 is ¥237.8 billion, and the amount to be paid by Japan Post Insurance Co. is ¥57.5 billion.

From the fiscal year ending March 31, 2020, the basic expenses required for maintaining the post office network are paid for with grants issued by the Japan Postal Service Organization to Japan Post Co. using funds from Japan Post Bank Co. and Japan Post Insurance Co., with the exception of the amount that should be borne by Japan Post Co. Using this opportunity, Japan Post Bank Co. and Japan Post Insurance Co. are revising the consignment fees they pay to Japan Post Co. based on consignment contracts starting from the fiscal year ending March 31, 2020. Bank agency service fees have been revised to eliminate "counter basic fees" to maintain the post office network, and insurance agency service fees have been revised to reduce the fees paid according to the number of post offices, out of "maintenance and collection fees" paid according to the number of policies held.

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

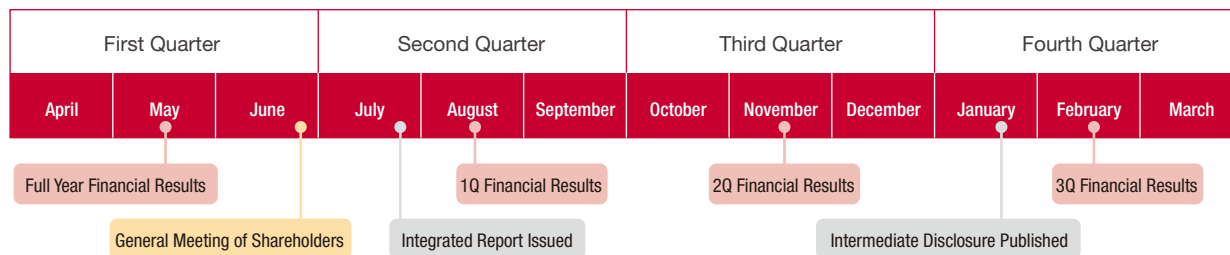
As successors of government-owned companies, Japan Post Holdings Co., Japan Post Co. and the two financial institutions are required to comply with procedures set forth by international agreements when procuring items subject to government procurement agreements and other international agreements.

Dialogue with Shareholders

Japan Post Group will work to disclose information accurately and fairly to all shareholders and investors and engage in constructive dialogue in order to achieve sustainable growth and improve medium-to-long-term

corporate value. The management team will share requests received through this dialogue and use them to improve management.

● IR Annual Schedule



● Activities in the fiscal year ended March 31, 2019

14th Annual General Meeting of Shareholders	Date: June 19, 2019 Attendees: 918
Briefing Sessions for Individual Investors for Fiscal Year Ended March 31, 2019	Meetings Held: 23 Participants: Approximately 1,460
Financial Results Briefings & Small Meetings for Fiscal Year Ended March 31, 2019 (for Institutional Investors & Analysts)	Meetings Held: 7
Dialogue with Institutional Investors & Analysts (Fiscal Year Ended March 31, 2019)	Meetings Held: Approximately 200 (Including about 120 individual interviews with overseas investors)
Participation in IR Conferences in Japan and Abroad (Fiscal Year Ended March 31, 2019)	Meetings Held: 6



14th Annual General Meeting of Shareholders
(June 19, 2019)



For the Fiscal Year Ended March 31, 2019 Results Briefing
(May 22, 2019)

Appropriate Information Disclosure

The Company shall make disclosures through such means as the Electronic Disclosure for Investors' NETwork (EDINET), the Timely Disclosure network (TDnet) and the Company's website, as required based on the Financial Instruments and Exchange Act, other

related laws and regulations, securities listing regulations of the Tokyo Stock Exchange, etc. Other information other than the above shall be disclosed through the Company's website and other means.

● Total Shareholder Return (Based on March 31, 2016)

	Japan Post Holdings Co.	TOPIX*
March 31, 2017	-3.7%	14.7%
March 31, 2018	-7.6%	32.9%
March 31, 2019	-3.3%	26.2%

*including dividends

**Masatsugu Nagato**

Director and Representative Executive Officer, President & CEO
Member of the Nomination Committee
Member of the Compensation Committee
Number of shares held: 3,800 shares
Number of years as director: 4 years
Attendance at Board of Directors meetings: 11/12 times (91.7%)
Attendance at Nomination Committee meetings: 3/3 times (100%)
Attendance at Compensation Committee meetings: 3/3 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

June 2000 Executive Officer of The Industrial Bank of Japan, Limited June 2001 Managing Executive Officer of The Industrial Bank of Japan, Limited April 2002 Managing Executive Officer of Mizuho Bank, Ltd. April 2003 Managing Executive Officer of Mizuho Corporate Bank, Ltd. June 2006 Corporate Executive Vice President of Fuji Heavy Industries Ltd. June 2007 Director of the Board, Corporate Executive Vice President of Fuji Heavy Industries Ltd. June 2010 Representative Director of the Board, Deputy President of Fuji Heavy Industries Ltd. June 2011 Director & Vice Chairman of Citibank Japan Ltd. January 2012 Director & Chairman of Citibank Japan Ltd. May 2015 President and Representative Executive Officer of Japan Post Bank Co., Ltd. June 2015 Director of the Company April 2016 Director and Representative Executive Officer, President & CEO of the Company (present); Director of Japan Post Co., Ltd. (to present); Director of Japan Post Bank Co., Ltd. (present) June 2016 Director of Japan Post Insurance Co., Ltd. (present)

**Yasuo Suzuki**

Director and Representative Executive Officer, Senior Executive Vice President, in charge of Internal Control Management
Number of shares held: 8,800 shares
Number of years as director: 6 years
Attendance at Board of Directors meetings: 12/12 times (100%)

Significant Concurrent Positions

Director, Japan Post Co., Ltd.

Career Summary

May 2005 Director-General of the Postal Services Policy Department, Ministry of Internal Affairs and Communications (MIC) July 2006 Director-General of the Information and Communications Policy Bureau, MIC July 2007 Vice-Minister for Policy Coordination (Postal Service & Communication), MIC July 2009 Administrative Vice-Minister for Management and Coordination, MIC January 2010 Advisor to MIC October 2010 Advisor to Somo Japan Inc. (currently Somo Japan Nipponkoa Insurance Inc.) June 2013 Director and Representative Executive Officer, Executive Vice President of the Company; Director of Japan Post Co., Ltd. (present) June 2015 Director and Representative Executive Officer, Senior Executive Vice President of the Company (present)

**Norito Ikeda**

Director
Number of shares held: 1,100 shares
Number of years as director: 3 years
Attendance at Board of Directors meetings: 12/12 times (100%)

Significant Concurrent Positions

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

Career Summary

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

**Kunio Yokoyama**

Director
Number of shares held: 2,300 shares
Number of years as director: 3 years
Attendance at Board of Directors meetings: 12/12 times (100%)

Significant Concurrent Positions

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

Career Summary

February 2006 Executive Officer of the Company October 2007 Senior Managing Executive Officer of the Company October 2009 Executive Officer of Sumitomo Mitsui Banking Corporation April 2011 Managing Executive Officer of Sumitomo Mitsui Banking Corporation May 2013 Executive Deputy President of Sumitomo Mitsui Asset Management Company, Limited June 2013 Director and Deputy President, Executive Deputy President of Sumitomo Mitsui Asset Management Company, Limited April 2014 Representative Director, President & CEO of Sumitomo Mitsui Asset Management Company, Limited June 2016 President & CEO (Representative Executive Officer) of Japan Post Co., Ltd. (present); Director of the Company (present)

**Mitsuhiko Uehira**

Director
Number of shares held: 700 shares
Number of years as director: 2 years
Attendance at Board of Directors meetings: 11/12 times (91.7%)

Significant Concurrent Positions

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

Career Summary

June 2012 Executive Officer of Tokio Marine Holdings, Inc. June 2013 Managing Executive Officer of Japan Post Insurance Co., Ltd. June 2015 Senior Managing Executive Officer of Japan Post Insurance Co., Ltd. June 2017 Director and President, CEO Representative Executive Officer of Japan Post Insurance Co., Ltd. (present); Director of the Company (present)

**Riki Mukai**

Director
Member of the Audit Committee (standing)
Number of shares held: 1,500 shares
Number of years as director: 2 years
Attendance at Board of Directors meetings: 12/12 times (100%)
Attendance at Audit Committee meetings: 20/20 times (100%)

Significant Concurrent Positions

None

Career Summary

April 2007 Executive Officer of Japan Post Corporation (Nippon Yusei Kosha) October 2007 Managing Executive Officer of Japan Post Bank Co., Ltd. June 2017 Director of the Company (present)

**Akio Mimura**

Outside Director
Chairperson of the Nomination Committee
Number of shares held: –shares
Number of years as director: 6 years
Attendance at Board of Directors meetings: 10/12 times (83.3%)
Attendance at Nomination Committee meetings: 3/3 times (100%)

Significant Concurrent Positions

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

Career Summary

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

**Tadashi Yagi**

Outside Director
Chairperson of the Audit Committee
Member of the Compensation Committee
Number of shares held: 5,400 shares
Number of years as director: 6 years
Attendance at Board of Directors meetings: 12/12 times (100%)
Attendance at Audit Committee meetings: 20/20 times (100%)
Attendance at Compensation Committee meetings: 3/3 times (100%)

Significant Concurrent Positions

Advisor to K.K. Kyodo News

Career Summary

January 2008 Nagoya Bureau Chief (Equivalent to Director) of Kyodo News Service Incorporated Association (currently Kyodo News Service General Incorporated Association) June 2010 Managing Controller of Kyodo News Service June 2012 Special Advisor to Kyodo News Service June 2013 Director of the Company (present); Corporate Auditor of Kyodo Tsushin Kaikan Co., Ltd. June 2015 Corporate Auditor of K.K. Kyodo News June 2016 Advisor to K.K. Kyodo News (present)



Kunio Ishihara

Outside Director
Member of the Nomination Committee
Number of shares held: 6,200 shares
Number of years as director: 4 years
Attendance at Board of Directors meetings: 12/12 times (100%)
Attendance at Nomination Committee meetings: 3/3 times (100%)

Significant Concurrent Positions

Senior Advisor to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.; External Corporate Auditor of Tokyu Corporation; External Director of NIKON CORPORATION

Career Summary

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



Charles Ditmars Lake II

Outside Director
Number of shares held: —shares
Number of years as outside director: 3 years
Attendance at Board of Directors meetings: 12/12 times (100%)

Significant Concurrent Positions

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

Career Summary

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



Michiko Hirono
(Michiko Fujii)

Outside Director
Number of shares held: 2,300 shares
Number of years as outside director: 3 years
Attendance at Board of Directors meetings: 12/12 times (100%)

Significant Concurrent Positions

None

Career Summary

May 1997 Managing Director of PokkaCreate Co., Ltd. July 1998 Senior Vice-President of K.K. MVC July 1998 Vice President of Tully's Coffee Japan Co., Ltd. March 2000 Founded 21 Lady Co., Ltd., President (present) June 2002 Representative Director and President of HIROTA Co., Ltd. March 2010 Representative Director and President of 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)



Tsuyoshi Okamoto

Outside Director
Chairperson of the Compensation Committee
Number of shares held: 600 shares
Number of years as director: 1 year
Attendance at Board of Directors meetings: 10/10 times (100%)
Attendance at Compensation Committee meetings: 2/2 times (100%)

Significant Concurrent Positions

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

Career Summary

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



Miharu Kozuka

Outside Director
Member of the Audit Committee
Number of shares held: 400 shares
Number of years as director: 1 year
Attendance at Board of Directors meetings: 10/10 times (100%)
Attendance at Audit Committee meetings: 15/15 times (100%)

Significant Concurrent Positions

Advisor to Takashimaya Company Limited; Director of Okayama Takashimaya Co., Ltd.; Advisor to Dear Mayuko Co., Ltd.; Outside Director of Nankai Electric Railway 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. (present) March 2016 Director of Takashimaya Company, Limited (present) May 2016 Advisor to Takashimaya Company, Limited (present) October 2016 Representative Director and President of Dear Mayuko Co., Ltd. March 2018 Advisor to Dear Mayuko Co., Ltd. (present) June 2018 Director of the Company (present)



Takayuki Aonuma

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

Significant Concurrent Positions

Attorney, Outside Corporate Auditor of FamilyMart UNY Holdings Co., Ltd.

Career Summary

April 2005 Director of Trial Department, Osaka District Public Prosecutors Office January 2010 Prosecutor of Supreme Public Prosecutors Office December 2010 Director-General of the Rehabilitation Bureau, Ministry of Justice July 2014 Chief Prosecutor of Tokyo District Public Prosecutors Office December 2015 Deputy Prosecutor-General of Supreme Public Prosecutors Office September 2016 Superintending Prosecutor of Nagoya High Public Prosecutors Office February 2018: Attorney of City-Yuwa Partners (present) June 2019 Director of the Company (present)



Sakie Akiyama

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

Significant Concurrent Positions

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



Akio Mimura

Outside Director of Japan Post Holdings Co., Ltd.
Honorary Company Fellow and Honorary Chairman of NIPPON STEEL CORPORATION
Chairman of the Japan Chamber of Commerce and Industry

What are your thoughts on the current state of the Board of Directors?

Japan Post Holdings Co. has adopted a structure of company with nomination committee, etc., under which the majority of directors are independent Outside Directors, and it undertakes management with a clear separation of roles, with execution carried out under the Executive Officer, President & CEO and supervision performed by the Board of Directors.

Therefore, matters brought up to the Board of Directors have basically been given sufficient consideration at executive bodies. Nevertheless, the expected role of Outside Directors is to deliberate on important matters based on their knowledge and experience gained from their respective fields of specialization and to supervise overall business execution from an objective standpoint.

At the Company's Board of Directors, we maintain

an environment in which the Outside Directors can easily voice their opinions to engage in active discussions, and I believe Directors' roundtable discussions also fulfill a certain function. Additionally, I feel that questions from the Outside Directors as well as opinions derived from the evaluation of the effectiveness of the Board of Directors are being responded to seriously.

In governance, there are no absolute correct answers such as "everything will be okay as long as you do this." With this in mind, it is crucial to constantly take repeated resourceful approaches to assure effectiveness. In the future as well, I would like to see everyone maintain their tireless efforts in accordance with the business environment and issues surrounding the Company. I, too, will personally strive to continue to contribute to these efforts as an Outside Director.

Could you explain your thoughts on the current state of Japan Post Group, such as its features and strengths?

Looking first of all at circumstances in Japan, thanks to the effectiveness of Abenomics, the Japanese economy continues to normalize after finally emerging from prolonged persistent deflation. Regarding the economy as a whole, however, the labor shortage is the biggest issue amid insufficient supply capabilities. Moreover, I believe the actual management of financial institutions is also becoming increasingly severe due to long-running monetary easing. Over the medium and long terms as well, improving productivity, promoting regional vitalization and assuring the sustainability of social security even with a declining population are absolutely essential. Under these conditions, the role that must be fulfilled by Japan Post Group is extremely large.

Since its very beginning with the start of postal operations in 1871, the postal business has served as one of Japan's most important infrastructures, and through the provision of enhanced postal, banking and insurance services it has helped enrich the lives of the country's citizens and local communities.

The network built through the establishment of post offices across Japan during this process and the trust in this network are Japan Post Group's biggest assets. In the future, I foresee Japan Post Group being put to the test in addressing such issues as utilizing these assets to balance its public nature with profitability, improve productivity within the current labor shortage, engage in value creation in collaboration with other stakeholders and promote regional vitalization.

What do you believe Japan Post Group must do to raise corporate value?

Japan Post Group must fully leverage its strengths and assets that include its nationwide network of post offices, customer base, human resources and land. In each business, Japan Post Group should work to solve issues throughout the world and promote initiatives to build these efforts into an earnings base.

For improving productivity in particular, specific seeds have already begun to sprout in the form of the latest technologies that include such digital technologies as artificial intelligence (AI), information technology (IT) and the Internet of Things (IoT), as well as autonomous driving. There are also rising needs for solving such issues as how can private-sector companies maintain the sustainability of their business amid a labor shortage and how can regional communities maintain essential services despite declining populations. Through considerations at such forums as the Council on Investments for the Future, in which I also participate, the Japanese government will provide a boost to such

movements via deregulation and other measures, with the main target year being 2020, when the Tokyo Olympics and Paralympics will be held. Many specific initiatives such as demonstration testing have already gotten underway in various fields.

Japan Post Group has already commenced attempts to use autonomous driving and delivery robots as well, and the Group must make further active efforts toward actual social implementation. Furthermore, it is also important to strengthen collaboration with outside partners so that each business mutually brings its own strengths and deploys mutually complementary roles.

As Chairperson of the Nomination Committee, what are your views about the election of Directors?

The most important matter for any company is to select the most suitable management members giving consideration to such factors as moment-to-moment business characteristics, the management environment and management issues. At Japan Post Holdings Co., upon prescribing Nominating Criteria for Candidates for Directors for ideal human resources for both internal Directors and Outside Directors, the Nomination Committee convenes two to three times per year to discuss and then decide on the specific persons to be selected.

Regarding internal Directors, it is important to systematically nurture people who are suitable to serve as a Director of Japan Post Holdings Co., which is involved in a wide range of business fields. The President & CEO, who is a member of the Nomination Committee, and the Outside Directors engage in sincere exchanges of opinions. I believe we should also nurture and elect Directors from a medium- and long-term perspective.

Regarding Outside Directors as well, to ensure supervision responsibilities are fulfilled through the Board of Directors and other bodies, bringing expertise and outstanding insights from a diversity of fields and engaging in frank and lively exchanges of opinions are important. Because Outside Directors do not have access to the same volume of information as executive bodies, one key role of Outside Directors is to bring crucial matters to the attention of management by raising "good questions" that get directly to the essence of resolutions from perspectives not based on internal conventional thinking and avoid digressory discussions from start to finish.

In the future, while exchanging opinions with executive bodies and other Outside Directors, I would like to candidly express my opinions regarding optimal Directors for the Company and the state of the Board of Directors.

Japan Post Holdings Co., as the holding company of Japan Post Group, recognizes that properly managing risk within the Group is one of management’s highest priorities and has formulated a basic policy concerning Group risk management. Based on the shared understanding of this policy among Group companies, Japan Post Holdings Co. establishes a risk management system for the entire Group.

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

Group Risk Management Framework

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

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

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

The Executive Officer in charge of risk periodically

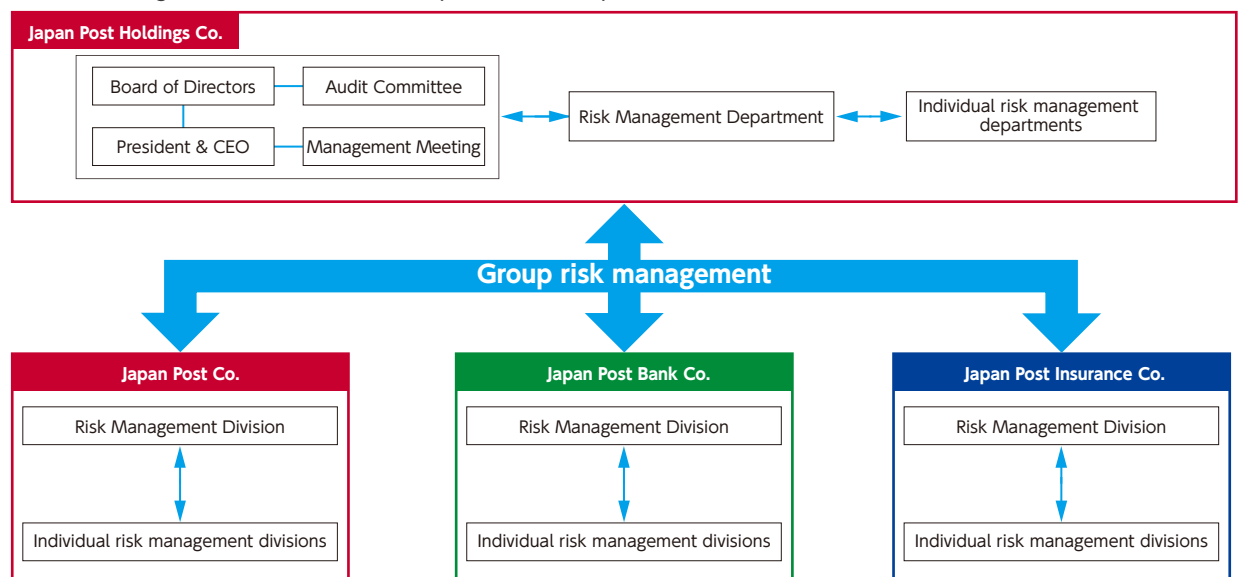
submits Group company risk management reports to the Board of Directors and the Management Meeting. The Management Meeting also discusses the Group’s risk management policies and risk management systems. In addition, the Board of Directors appropriately supervises Executive Officers who execute business.

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

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

Japan Post Holdings Co. manages risk by

● Risk Management Framework for Japan Post Group



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

Japan Post Holdings Co. also checks the implementation status of stress tests conducted by Group companies to ascertain risks that cannot be determined through normal risk measurement, and reports this to the Board of Directors and the Management Meeting. In addition, Japan Post Holdings Co. and Japan Post Group follow internal and external financial regulations that include the Basel Capital Accord to carry out management corresponding to the

capital adequacy ratio and solvency margin ratio, as well as respond or make disclosures as necessary, such as by submitting reports in response to demands from regulatory authorities.

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

Japan Post Group Risk Management System

Managing risk at Japan Post Group companies is recognized as one of management's highest priorities. After specifying risks associated with each business activity, each Group company has established a management system in accordance with the characteristics of each risk based on the basic policy

for Group risk management and manages those risks autonomously. A department responsible for managing risk has been set up in each Group company and a system for checks and balances has been created together with the individual risk management departments.

● Risk Categories and Definitions

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

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

Japan Post Group recognizes compliance as one of its highest management priorities and conducts rigorous compliance activities. In particular, as one of our highest management priorities, we are further promoting and managing initiatives for preventing the recurrence of misconduct such as the inappropriate receipt of fees and the abandonment and concealment of mail and for the implementation of anti-corruption measures such as anti-money laundering and combating the financing of terrorism measures.

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

Japan Post Group Compliance Framework

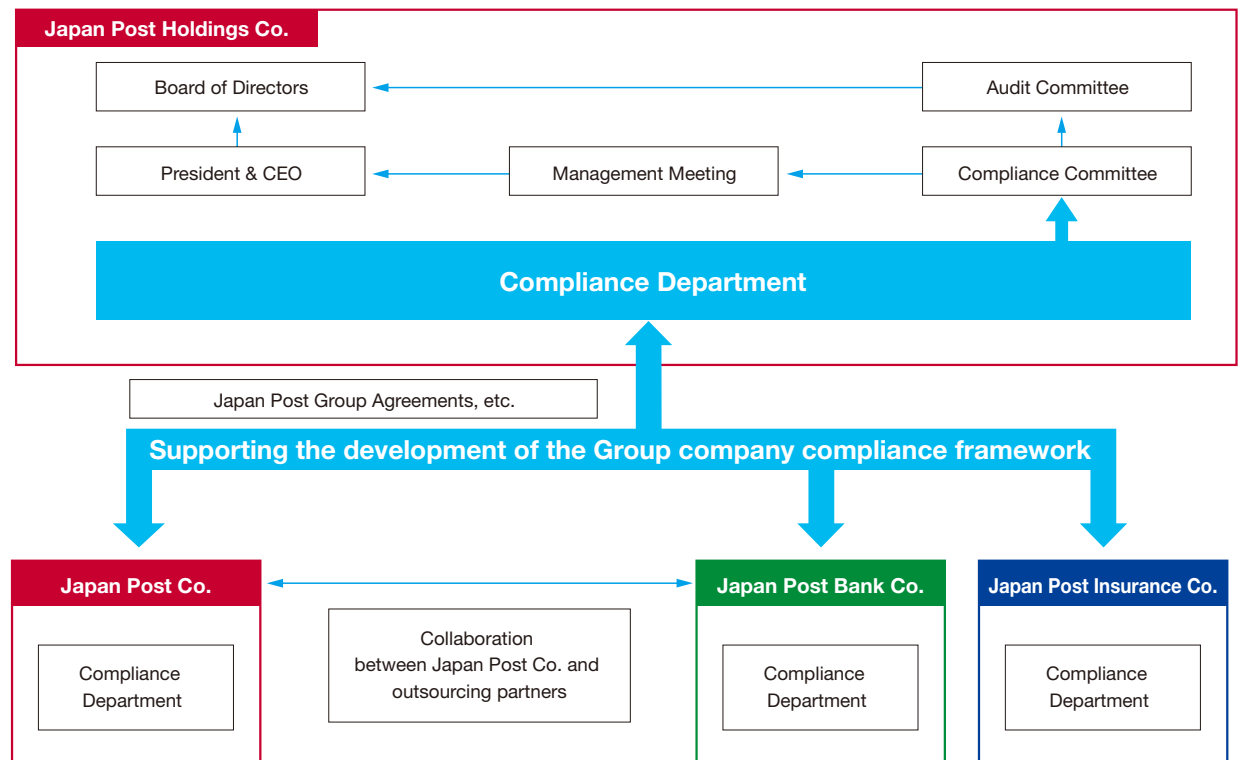
Japan Post Group employs a common compliance framework. Each Group company establishes a Compliance Department to conduct integrated management of compliance-related matters.

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

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

In order to ensure Group-wide compliance, the Compliance Department of Japan Post Holdings Co. provides support in accordance with Japan Post Group Agreements, etc., to Group companies to help them establish their respective compliance frameworks, and by doing so, strives to maintain and improve compliance functions for the Group as a whole.

● Japan Post Group Compliance Framework



Group Company Compliance Framework

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

1. Compliance Framework

• Line of responsibility for compliance activities

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

• Response to compliance violations

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

2. Promotion of Compliance

• Establishment of compliance program

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

• Activities related to compliance items

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

3. Efforts for anti-money laundering and combating the financing of terrorism (“AML/CFT”)

In response to the increasing demands to prevent money laundering and terrorism financing in recent years, Group companies, as a unified Group, cooperate with each other to establish a framework for

• Internal reporting system

In each Group company, the Compliance Department has a compliance hotline that can be used by employees and others to prevent compliance violations, including corruption such as giving or taking bribes or giving or taking inappropriate gifts or entertainment, prevent their recurrence and resolve them quickly. In addition, a compliance hotline has been established at a designated external law firm. This reporting system makes it possible to quickly deal with compliance violations and prevent them from spreading while maintaining a structure to resolve issues at the earliest stage.

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

• Preparation and distribution of compliance manual

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

• Implementation of compliance-related training

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

implementing AML/CFT measures, and based on the characteristics of each business, are working on AML/CFT measures.

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

Japan Post Group Internal Audit System Framework

Japan Post Group sets forth the fundamental matters necessary to create an internal audit system framework in the 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. evaluates and examines the audit

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

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

Internal Audit System at Group Companies

1. Overview

Each Group company has an Internal Audit Department independent from the business-executing departments which conducts internal audits from an independent and objective standpoint. These departments examine

the internal management system, such as ascertaining the state of the execution of management activities and whether mutual supervision is functioning.

2. Implementation of Effective Internal Audits

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

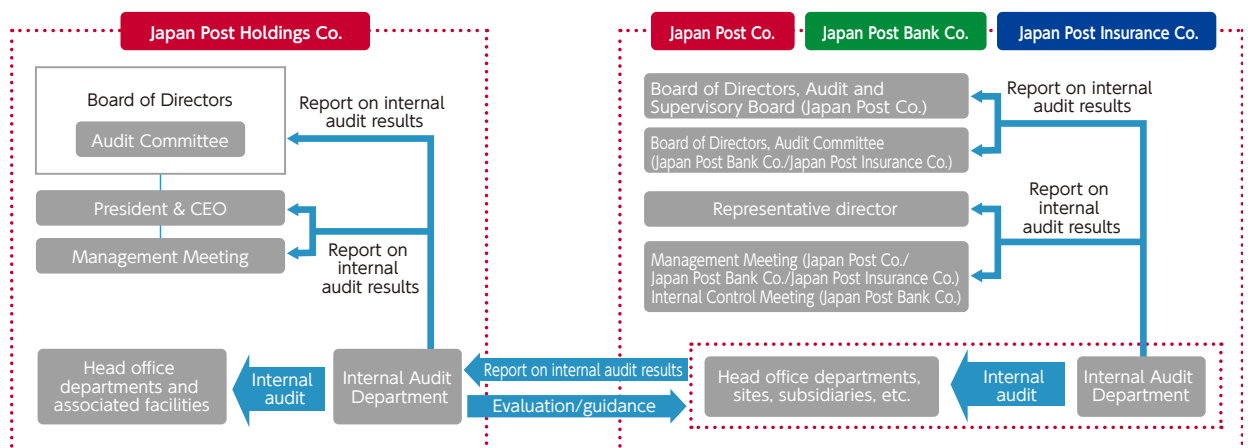
operations within the scope of the internal audit.

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

3. Reporting on Results of Internal Audits and Making Improvements

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

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



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

Based on this agreement, Group companies minimize risk arising from improving productivity

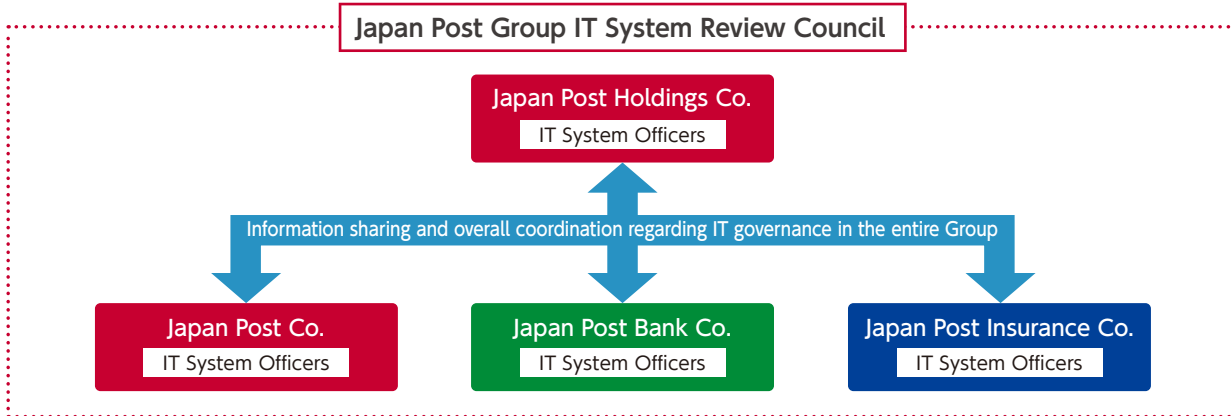
through the development and execution of an IT strategy, streamlining management and using IT, and realize IT governance necessary to maximize corporate value by ensuring the soundness of Group management.

Implementing Effective IT Governance

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 information sharing and overall coordination related to IT governance in the entire Group. Effective IT governance is implemented based mainly on the agenda items and report items on the right.

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

● Organizational chart of IT governance in Japan Post Group



IT Strategy to Support Group Management

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

1. Promote IT to support new business development for future growth
 - Respond to the changing needs of society and customers by providing products and services that totally support their lives
2. Promote work style reform and productivity improvement
 - Actively adopt the latest technology in order to

- develop an IT environment where employees can fully demonstrate their own abilities
- Train IT human resources who are familiar with business and technology, and can support the next generation of systems
- 3. Reinforce our management base in order to support sustainable growth
 - Reduce IT costs for the Group by concentrating Group IT infrastructure in stages
 - Strengthen cyber security and provide reliable IT services

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.

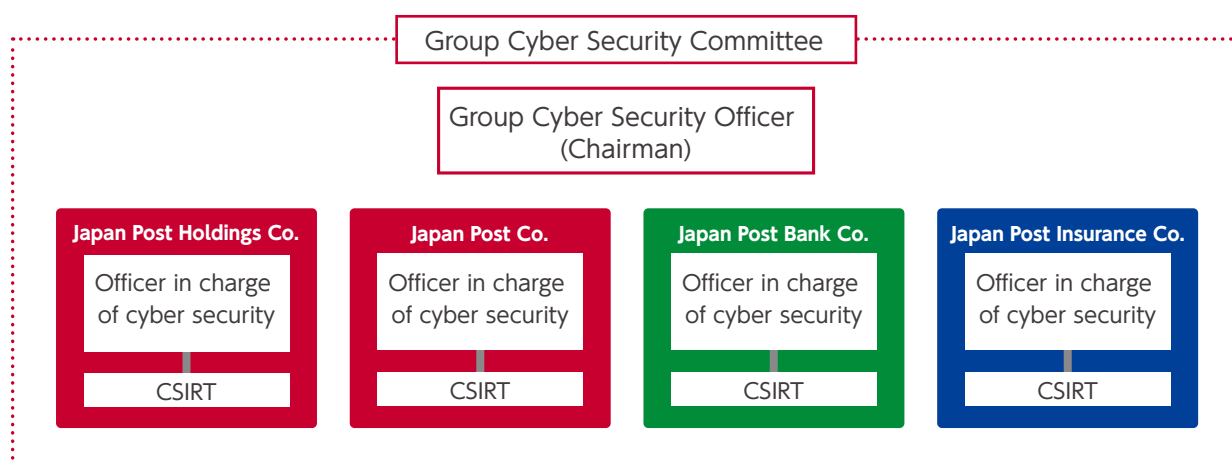
Group Cyber Security System

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

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

In our system, executives in charge of cyber security at Japan Post Holdings Co. 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 Co.

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

Basic Approach to Transportation Safety

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

We have set four basic policies regarding health and safety, namely “maintenance, reform and

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

Initiatives for Transportation Safety

Safety education for employees who drive vehicles

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

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

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

Safe driving instructors

Japan Post Co. 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. (63 instructors competed in two-wheeled and 65 instructors in four-wheeled vehicle contests for a total of 128 participants in the year ended March 31, 2019.)



Daily training

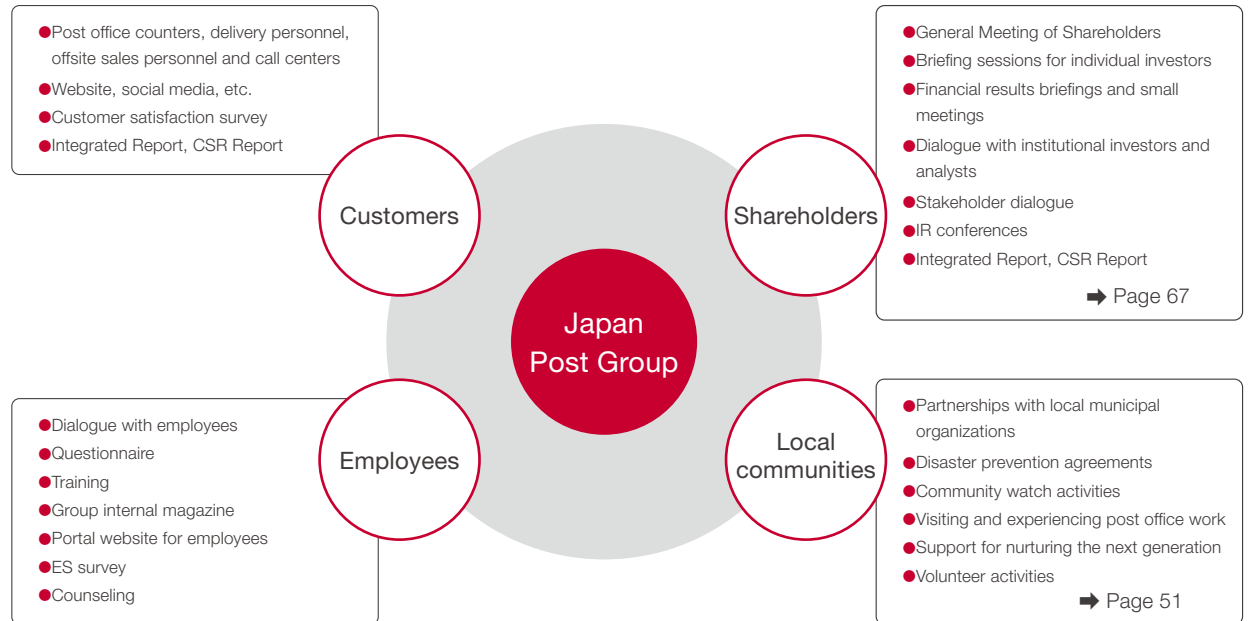


Safe Driving Contest

● Transportation safety record

Goal	Number of Serious Accidents: 0
Actual for the year ended March 31, 2017:	5 (4 fatal accidents, 1 vehicle failure)
for the year ended March 31, 2018:	2 (1 fatal accident, 1 vehicle failure)
for the year ended March 31, 2019:	1 (1 health-caused accident)

Japan Post Group's Stakeholders



Main Initiatives: Dialogue with Customer

Initiatives to improve customer satisfaction

Japan Post Group is working to improve customer satisfaction by enhancing response skills at post offices and sharing information about appreciation or praise received from customers.

- “No.1 in Customer Satisfaction” All-Japan Customer Interaction Contest



- Preventing damages from special fraud



Post office helped to prevent damages from bank transfer fraud, which has recently become a major social problem, and received certificates of appreciation for these efforts.

Customer-oriented business conduct

Japan Post Group formulated The Basic Policies Concerning Customer-Oriented Business Management in working to further promote customer-oriented business management (Japan Post Insurance Co.: April 2017, Japan Post Bank Co.: June 2017, Japan Post Co.: March 2018).

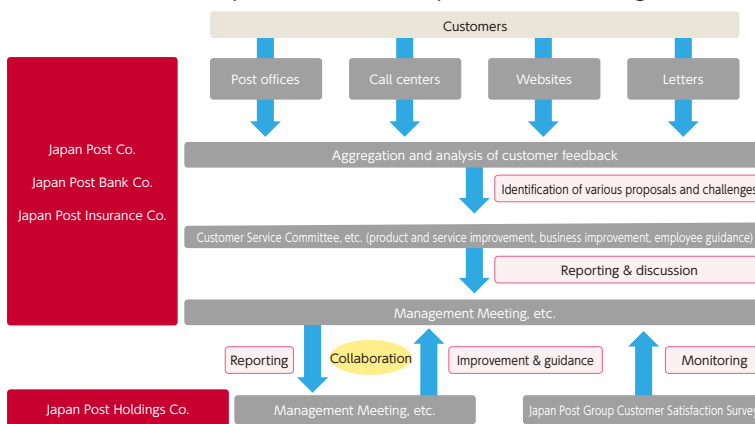
Japan Post Group works to conduct a customer-oriented business as it states in Japan Post Group Management Philosophy, “Stressing the security and confidence of Japan Post Group network, the Group, as a private corporation, is demonstrating creativity and efficiency to the greatest extent possible and will provide customer-oriented services, support the lives of customers in local communities and aim for the happiness of customers and employees.”

*For details, please refer to the Japan Post Holdings Co. website (<https://www.japanpost.jp/corporate/fiduciary.html>) (in Japanese).

Listening to customers' feedback

Japan Post Group aggregates and analyzes customer feedback and makes required improvements with the aim of providing products and services that bring customer satisfaction.

● Initiatives to incorporate customer opinions into management



● Example of improvements made based on customers' feedback

Company	Customers' feedback	Improvements
Japan Post Co.	I hope you'll bring back regional-edition new year's postcards that I looked forward to every year.	We issued 19 types of illustrated postcards (regional editions) with donations, which bear the drawings of official regional mascot characters, as regional limited-edition postcards. (November 1, 2018 ~)
Japan Post Bank Co.	I'd like to see you extend the hours for using Japan Post Bank Co.'s ATMs.	We extended the hours of Japan Post Bank ATMs for making deposits. The hours ATMs can be used for deposits and withdrawals are now the same.
Japan Post Insurance Co.	I'm elderly so I'd like details to also go to other family members.	We newly introduced the "Family Registration System". For registered families, we enabled the disclosure of policy details to the same degree as for the policyholder and thereby enhanced the ease of maintaining and monitoring policies by families. (April 2018 ~)

Japan Post Group customer satisfaction survey

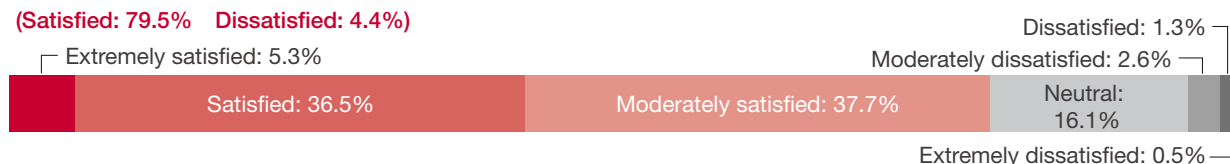
Japan Post Holdings Co. conducts a survey on customer satisfaction levels and intentions of use at post offices in order to accurately ascertain customer opinions on products and services and respond to new needs.

Japan Post Group will continue to regularly conduct surveys as a means of further improving customer satisfaction and the results of analysis of issues and other aspects learned through these surveys will be actively reflected in management operations.

● Overall Group satisfaction

How satisfied are you with post offices overall*?

* "Overall" refers to counter operations and telephone support, quantity and types of products and services handled by post offices, business days and hours, and facilities.



For survey results regarding various Group services, please refer to <https://www.japanpost.jp/group/pdf/cs2018.pdf> (in Japanese).

Data Compilation INDEX

1. Outline of Japan Post Holdings Co., Ltd.		6. Japan Post Group Companies —Consolidated Financial Data	
1. Company Outline	84	CONSOLIDATED BALANCE SHEETS	100
2. Information on Shares	84	CONSOLIDATED STATEMENTS OF OPERATIONS	102
3. Number of Employees	84	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME.....	102
4. List of Directors, Executive Officers and Management Committees.....	85	CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS	103
5. Organization Chart.....	86	CONSOLIDATED STATEMENTS OF CASH FLOWS.....	106
6. Principal Subsidiaries and Affiliates of Japan Post Holdings Co.....	87	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	108
2. Outline of Japan Post Co., Ltd.		Capital Adequacy	143
1. Company Outline	89	Qualitative Disclosure.....	145
2. Management Philosophy	89	Compensation, etc., Subject to Disclosure.....	160
3. Information on Shares	89	Consolidated Solvency Margin Ratio (Japan Post Group).....	162
4. Number of Employees	89	Non-consolidated Solvency Margin Ratio (Japan Post Insurance Co.)	163
5. List of Directors, Auditors and Executive Officers....	90	7. Japan Post Group Privacy Policy	
6. Organization Chart.....	91	1. Japan Post Group Privacy Policy.....	164
3. Outline of Japan Post Bank Co., Ltd.		2. Sharing of Personal Data among Japan Post Group Companies.....	165
1. Company Outline	92	8. Japan Post Group's Approach to Procurement Activity	
2. Management Philosophy	92	Japan Post Group's Approach to Procurement Activity	165
3. Information on Shares	92	9. Japan Post Group Conflicts of Interest Management Policy	
4. Number of Employees	92	Japan Post Group Conflicts of Interest Management Policy	166
5. List of Directors, Executive Officers and Management Committees.....	93	10. Japan Post Group Information Security Declaration	
6. Organization Chart.....	94	Japan Post Group Information Security Declaration.....	166
4. Outline of Japan Post Insurance Co., Ltd.		11. Declaration by Top Management regarding the Elimination of Relationships with Antisocial Forces	
1. Company Outline	95	Declaration by Top Management regarding the Elimination of Relationships with Antisocial Forces...	167
2. Management Philosophy and Management Policy...	95	12. Disclosure Policy	
3. Information on Stocks	95	Disclosure Policy	167
4. Number of Employees	95		
5. List of Directors, Executive Officers and Management Committees.....	96		
6. Organization Chart.....	97		
5. Transition of Significant Management Indicators, etc.			
Japan Post Group (Consolidated).....	98		
Japan Post Holdings Co. (Non-consolidated)	98		
Japan Post Co. (Consolidated).....	98		
Postal and domestic logistics business segment (Consolidated)	99		
Post office business segment (Consolidated) ...	99		
International logistics business segment (Consolidated).....	99		
Japan Post Bank Co. (Consolidated).....	99		
Japan Post Insurance Co. (Consolidated).....	99		

① Company Outline

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

② Information on Shares

(As of March 31, 2019)

1. Number of Shares

Total number of authorized shares	18,000,000,000
Total number of issued shares	4,500,000,000
Total number of shareholders	623,985

2. Major Shareholders

	Capital contribution to the company	
	Number of shares held	Shareholding ratio
Minister of Finance	2,559,524,700	63.29%
The Master Trust Bank of Japan, Ltd. (Trust Account)	93,685,200	2.31%
Japan Trustee Services Bank, Ltd. (Trust Account)	65,445,700	1.61%
Japan Post Holdings Employee Shareholding Association	60,379,100	1.49%
STATE STREET BANK WEST CLIENT - TREATY 505234	33,702,449	0.83%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	30,736,700	0.76%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	27,873,000	0.68%
JP MORGAN CHASE BANK 385151	26,023,166	0.64%
STATE STREET BANK AND TRUST COMPANY 505103	21,216,261	0.52%
Japan Trustee Services Bank, Ltd. (Trust Account 1)	20,427,400	0.50%

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

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

3. Matters Concerning Stock Acquisition Rights

None.

③ Number of Employees

2,106 (as of March 31, 2019)

* The number of employees excludes employees assigned to other companies by Japan Post Holdings Co. but includes employees assigned to Japan Post Holdings Co. by other companies. The figures do 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 5, 2019)

1. Directors

President & CEO (Representative Executive Officer).....	Masatsugu Nagato (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.)
Senior Executive Vice President (Representative Executive Officer) ...	Yasuo Suzuki (Concurrently holds the position of Director of Japan Post Co., Ltd.)
Director	Norito Ikeda (Concurrently holds the position of Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd.)
Director	Kunio Yokoyama (Concurrently holds the position of President & CEO (Representative Executive Officer) of Japan Post Co., Ltd.)
Director	Mitsuhiro Uehira (Concurrently holds the position of Director and President, CEO Representative Executive Officer of Japan Post Insurance Co., Ltd.)
Director	Riki Mukai
Director (Outside)	Akio Mimura (Concurrently holds the position of Honorary Company Fellow and Honorary Chairman of NIPPON STEEL CORPORATION)
Director (Outside)	Tadashi Yagi (Concurrently holds the position of Advisor to K. K. Kyodo News)
Director (Outside)	Kunio Ishihara (Concurrently holds the position of Senior Advisor to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.)
Director (Outside)	Charles Ditmars Lake II (Concurrently holds the position of Chairman and Representative Director of Aflac Life Insurance Japan Ltd.)
Director (Outside)	Michiko Hirono
Director (Outside)	Tsuyoshi Okamoto (Concurrently holds the position of Senior Corporate Advisor to Tokyo Gas Co., Ltd.)
Director (Outside)	Miharu Koezuka (Concurrently holds the position of Advisor to Takashimaya Co., Ltd.)
Director (Outside)	Takayuki Aonuma (Attorney at Law)
Director (Outside)	Sakie Akiyama (Concurrently holds the position of Founder (Advisor) of Saki Corporation)

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

Executive Vice President (Representative Executive Officer)	Toshihide Komatsu	Managing Executive Officer	Chikashi Isayama
Executive Vice President (Representative Executive Officer)	Yoshifumi Iwasaki	Managing Executive Officer	Kazuyuki Negishi
Senior Managing Executive Officer	Kunio Tanigaki	Managing Executive Officer	Susumu Tanaka
Senior Managing Executive Officer	Noboru Ichikura	Managing Executive Officer	Nobuyasu Kato
Senior Managing Executive Officer	Kazuhide Kinugawa	Executive Officer	Makoto Sakurai
Senior Managing Executive Officer	Atsuhiko Ikeda	Executive Officer	Tsutomu Shomura
Senior Managing Executive Officer	Toru Inasawa	Executive Officer	Mamiko Izumi
Managing Executive Officer	Kenji Fukumoto	Executive Officer	Noriko Kinoshita
Managing Executive Officer	Kimihiko Oku	Executive Officer	Toshitaka Shima
Managing Executive Officer	Yoshiharu Miyazaki	Executive Officer	Kozo Otaka
Managing Executive Officer	Hiroaki Kawamoto	Executive Officer	Nobuo Tsuruda
Managing Executive Officer	Kenji Ogata	Executive Officer	Makoto Kazamatsuri
Managing Executive Officer	Hiroyuki Furusato	Executive Officer	Kenji Meguro
Managing Executive Officer	Kenichi Kozuka	Executive Officer	Tomonori Asai
			Hitoshi Arawaka

3. Nomination Committee

Chairperson	Akio Mimura
Member	Kunio Ishihara
Member	Masatsugu Nagato

4. Audit Committee

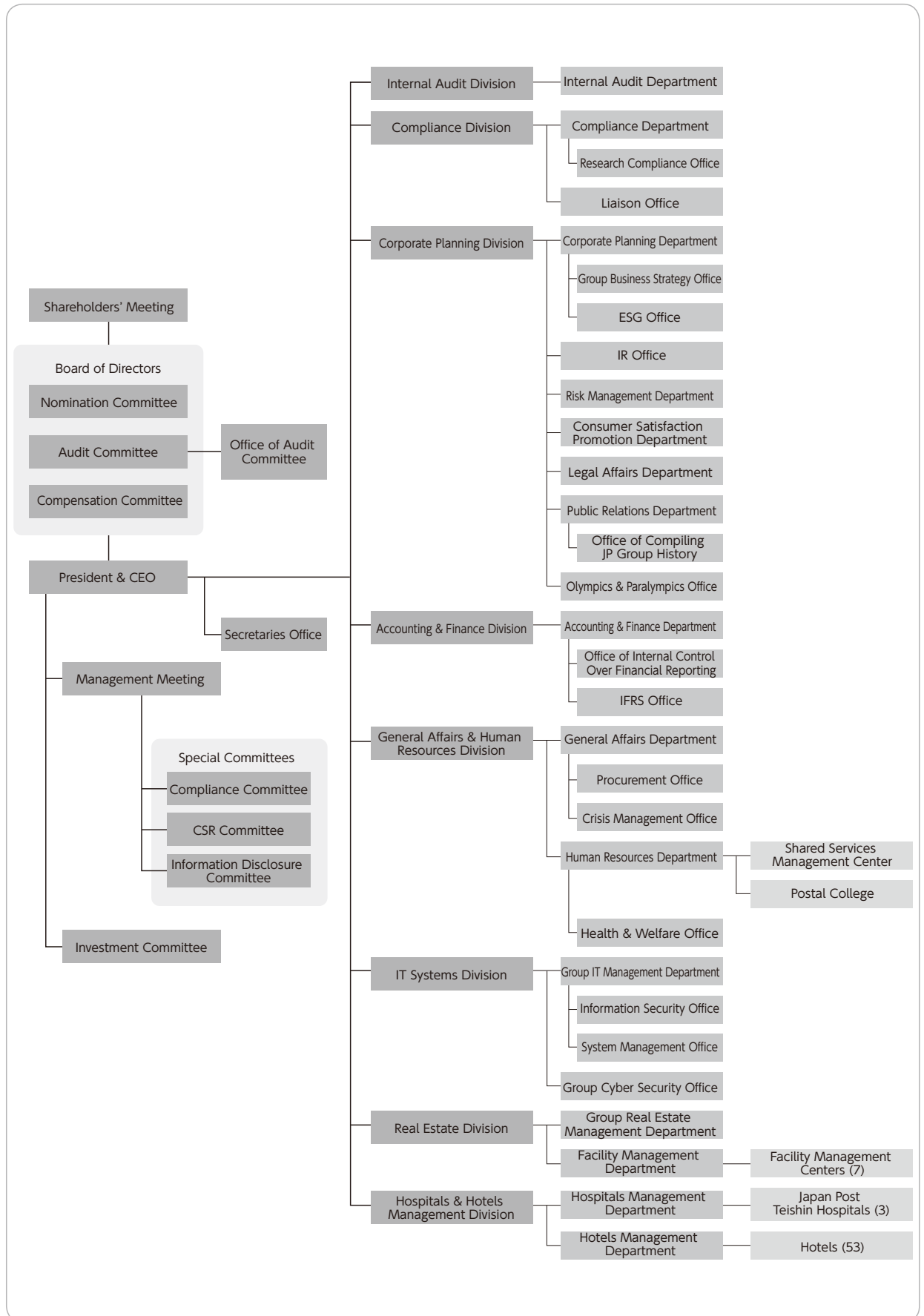
Chairperson	Tadashi Yagi
Member	Miharu Koezuka
Member	Takayuki Aonuma
Member	Sakie Akiyama
Member	Riki Mukai

5. Compensation Committee

Chairperson	Tsuyoshi Okamoto
Member	Tadashi Yagi
Member	Masatsugu Nagato

5 Organization Chart

(As of April 1, 2019)



6 Principal Subsidiaries and Affiliates of Japan Post Holdings Co.

(As of March 31, 2019)

Affiliation	Company name	Location	Issued capital (millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000	Postal and domestic logistics business, post office business	October 1, 2007	100.0%
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Postal and domestic logistics business (truck cargo transportation)	November 30, 2007	100.0% (100.0%)
	JAPAN POST MAINTENANCE Co., Ltd.	Koto-ku, Tokyo	¥50	Postal and domestic logistics business (automobile maintenance and machinery maintenance business, product sales business, vehicle maintenance and management business)	March 31, 1991	100.0% (100.0%)
	JAPAN POST SANKYU GLOBAL LOGISTICS CO., LTD.	Chuo-ku, Tokyo	¥300	Postal and domestic logistics business (international air freight forwarding)	July 1, 2008	60.0% (60.0%)
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Postal and domestic logistics business (preparation and posting of postal items)	February 1, 2006	58.5% (58.5%)
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥300	Postal and domestic logistics business (planning, development and sales of direct mail and contracted shipment of merchandise)	February 29, 2008	51.0% (51.0%)
	Tokyo Beiyu Co., Ltd.	Meguro-ku, Tokyo	¥22	Postal and domestic logistics business (petroleum sales business)	March 10, 1949	79.8% (79.8%)
	Japan Post Trading Service Co., Ltd.	Koto-ku, Tokyo	¥100	Post office business (merchandise business, contracting business for merchandise operations)	September 11, 2007	100.0% (100.0%)
	Japan Post Building Management Co., Ltd.	Chiyoda-ku, Tokyo	¥150	Post office business (property management for commercial buildings)	April 1, 2011	100.0% (100.0%)
	Japan Post Communications Co., Ltd.	Minato-ku, Tokyo	¥350	Post office business (operations related to posting advertisements in post offices)	August 8, 2014	100.0% (100.0%)
	JAPAN POST OFFICE SUPPORT Co., Ltd.	Minato-ku, Tokyo	¥100	Post office business (merchandise sales, facilities management and contracting business)	March 16, 1971	100.0% (100.0%)
	JP GENERAL INSURANCE AGENCY Co., Ltd.	Chiyoda-ku, Tokyo	¥20	Post office business (non-life insurance and automobile liability insurance agency business)	August 7, 1950	70.0% (70.0%)
	JP MITSUKOSHI MERCHANDISING Co., Ltd.	Koto-ku, Tokyo	¥50	Post office business (mail-order business, wholesale, others)	April 1, 2014	60.0% (60.0%)
	YY Gift Co., Ltd.	Nishi-ku, Yokohama-shi, Kanagawa	¥20	Post office business (sales of catalog products, mail-order business, agency business for sales of alcohol)	April 23, 1996	51.0% (51.0%)
	JP TOKYO TOKUSENKAI Co., Ltd.	Taito-ku, Tokyo	¥30	Post office business (sales of catalog products, mail-order business)	March 2, 2015	51.0% (51.0%)
	Toll Holdings Limited	Melbourne, Australia	AUD2,978	International logistics business (forwarding business, 3PL business, express business)	June 20, 1986	100.0% (100.0%)
	JP TOLL LOGISTICS, Co., Ltd.	Chiyoda-ku, Tokyo	¥100	International logistics business (Forwarding business, 3PL business)	September 16, 2009	100.0% (100.0%)
	TOLL EXPRESS JAPAN CO., LTD.	Ibaraki-shi, Osaka	¥10	International logistics business (express business)	January 29, 2002	100.0% (100.0%)
	JAPAN POST BANK Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000	Banking business	September 1, 2006	89.0%
	Japan Post Investment Corporation	Chiyoda-ku, Tokyo	¥750	Banking business (securities investment management business)	February 9, 2018	75.0% (75.0%) [25.0%]
JAPAN POST INSURANCE Co., Ltd.	Chiyoda-ku, Tokyo	¥500,000	Life insurance business	September 1, 2006	89.0%	
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%	

Vision

Enhancing Corporate Value

Medium-term Strategy

Sustainability

Data Compilation

Affiliation	Company name	Location	Issued capital (millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	YUSEI CHALLENGED CO., Ltd.	Setagaya-ku, Tokyo	¥5	Other businesses (office cleaning)	November 20, 2007	100.0%
	Japan Post Hotel Service Co., Ltd.	Chuo-ku, Saitama-shi, Saitama	¥39	Other businesses (contracted hotel management)	December 25, 1996	100.0%
	Japan Post Information Technology Co., Ltd.	Shinjuku-ku, Tokyo	¥3,150	Other businesses (communication network maintenance and management)	January 30, 1987	100.0%
	Japan Post Capital Co., Ltd.	Chiyoda-ku, Tokyo	¥1,500	Other businesses (investment business, consulting business for management and financial matters)	November 1, 2017	100.0%
	Japan Post Real Estate Co., Ltd.	Chiyoda-ku, Tokyo	¥1,500	Other businesses (ownership, leasing and management business of real estate, development business of residential and commercial land, etc.)	April 2, 2018	100.0%
	System Trust Laboratory Co., Ltd.	Shinagawa-ku, Tokyo	¥99	Other businesses (consulting, planning and development business for business systems and basic technologies)	August 1, 1989	100.0% (100.0%)
	JP TWOWAY CONTACT Co., Ltd.	Nishi-ku, Osaka-shi, Osaka	¥182	Other businesses (telemarketing services)	April 18, 1988	82.9% (82.9%)
	and 235 other companies					
Affiliated companies accounted for under the equity method	SAISON ASSET MANAGEMENT Co., Ltd.	Toshima-ku, Tokyo	¥1,000	Post office business (type II financial instruments business operation and investment trust management business, others)	June 12, 2006	40.0% (40.0%)
	JA FOODS OITA CO., LTD.	Kitsuki-shi, Oita	¥493	Post office business (processing and sales of agricultural products, fruits and vegetables)	December 2, 1991	20.0% (20.0%)
	RINGBELL Co., Ltd.	Chuo-ku, Tokyo	¥354	Post office business (planning, production and sales of gift catalogs, others)	July 3, 1987	20.0% (20.0%)
	JP Asset Management Co., Ltd.	Chuo-ku, Tokyo	¥500	Banking business (type II financial instruments business operation and investment management business)	August 18, 2015	50.0% (50.0%)
	SDP Center Co., Ltd.	Chuo-ku, Tokyo	¥2,000	Banking business (bank agency operations)	May 28, 1980	45.0% (45.0%)
	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 16 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 Co., Japan Post Bank Co. and Japan Post Insurance Co. correspond to specified subsidiary.

Note 3: Among the affiliated companies listed above, Japan Post Bank Co., and Japan Post Insurance Co. 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: In April 2019, the Company executed a second sale of common shares of Japan Post Insurance Co. As a result of this sale and the acquisition of treasury stock by Japan Post Insurance Co., the Company's percentage ownership of voting rights in Japan Post Insurance Co. became approximately 64%.

Note 6: Among the affiliated companies listed above, the ordinary income (excluding intercompany ordinary income of consolidated companies) of Japan Post Co., Japan Post Bank Co. and Japan Post Insurance Co. exceeded 10% of consolidated ordinary income. Information on principal profits and losses of Japan Post Co. is detailed below. Information on Japan Post Bank Co. and Japan Post Insurance Co. 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 Co.	¥ 3,119,646	¥ 177,105	¥ 133,581	¥ 706,102	¥ 4,695,990

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, 2019)

1. Number of Shares

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

2. Shareholder

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

④ Number of Employees

192,889* (as of March 31, 2019)

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

5 List of Directors, Auditors and Executive Officers

(As of July 1, 2019)

1. Directors

Chairman	Toru Takahashi
President & CEO (Representative Executive Officer).....	Kunio Yokoyama (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Senior Executive Vice President (Representative Director).....	Tomohiro Yonezawa
Executive Vice President (Director)	Chikashi Isayama (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Director	Yasuo Suzuki (Concurrently holds the position of Representative Director and Senior Executive Vice President of Japan Post Holdings Co., Ltd.)
Director	Masatsugu Nagato (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director (Outside)	Risa Tanaka (Concurrently holds the position of President of The Graduate School of Project Design and Director of Media and Information of Sendenkaigi Co., Ltd.)
Director (Outside)	Kaori Sasaki (Concurrently holds the position of President and CEO of ewoman, Inc.)
Director (Outside)	Yoshikuni Sugiyama (Concurrently holds the position of Representative Director and President of Yomiuri Land Co., Ltd.)
Director (Outside)	Takako Suwa (Concurrently holds the position of Representative Director of Daiya Seiki Co. Ltd.)
Director (Outside)	Toyohiko Takabe (Formerly held the position of Representative Director and President of Nippon Telegraph and Telephone Corporation)
Director (Outside)	Akira Nokina (Concurrently holds the position of Representative Director and Chairman of North Pacific Securities Co., Ltd.)

2. Audit and Supervisory Board Members

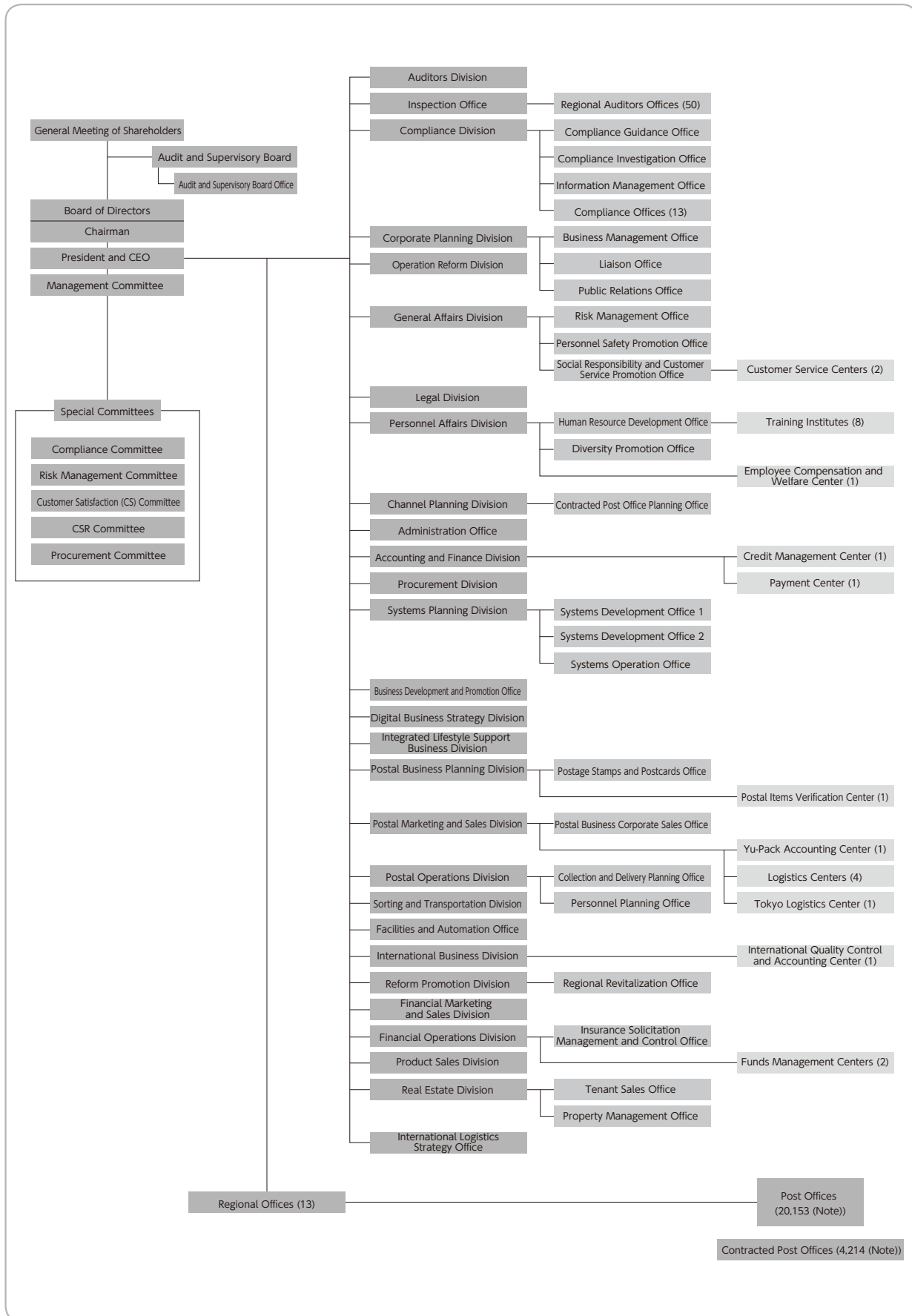
Mitsuyuki Yamamoto
Toshiyuki Takano
Hiroshi Shidehara
Masayasu Oguro

3. Executive Officers

Vice President	Makoto Osawa	Executive Officer	Hitoshi Arawaka (Concurrently holds the position of Executive Officer of Japan Post Holdings Co., Ltd.)
First Executive Officer	Taneki Ono	Executive Officer	Masahiko Metoki
First Executive Officer	Yoshinori Suzuki	Executive Officer	Atsushi Fuchie
First Executive Officer	Yoshiyuki Higuchi	Executive Officer	Kanako Asami
Senior Executive Officer	Satoru Tatebayashi	Executive Officer	Koji Kamiozaki
Senior Executive Officer	Norio Wakasa	Executive Officer	Katsuyo Yamazaki
Senior Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Yoshiharu Miyazaki	Executive Officer	Akihito Nishiguchi
Senior Executive Officer	Satoshi Higashikozono	Executive Officer	Hiroaki Yasuda
Senior Executive Officer	Kimikazu Sano	Executive Officer	Yasuhiro Takahashi
Senior Executive Officer	Michio Kaneko	Executive Officer	Atsushi Hasegawa
Senior Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Kazuyuki Negishi	Executive Officer	Shinya Koike
Senior Executive Officer	Masaaki Yamazaki	Executive Officer	Masato Ogawa
		Executive Officer	Shinji Denishi
		Executive Officer	Katsunori Nakai
		Executive Officer	Tsukasa Namiki
		Executive Officer	Takayuki Urase
		Executive Officer	Akihiko Isohata

6 Organization Chart

(As of April 1, 2019)



Note: The number of directly managed post offices and contracted post offices is as of March 31, 2019.

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 Co. aims to become "the most accessible and trustworthy bank in Japan," guided by the needs and expectations of our customers.

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

③ Information on Shares

(As of March 31, 2019)

1. Number of Shares

Total shares issued	4,500,000,000
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2. Major Shareholders

		Shares owned (thousand)	Shareholding ratio (%)
1	Japan Post Holdings Co., Ltd.	3,337,032	88.99
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	28,077	0.74
3	Japan Trustee Services Bank, Ltd. (Trust Account)	22,968	0.61
4	Japan Trustee Services Bank, Ltd. (Trust Account 5)	10,968	0.29
5	STATE STREET BANK WEST CLIENT - TREATY 505234	10,084	0.26
6	Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,250	0.22
7	Japan Post Bank Employee Shareholding Association	8,102	0.21
8	Japan Trustee Services Bank, Ltd. (Trust Account 1)	7,258	0.19
9	Japan Trustee Services Bank, Ltd. (Trust Account 2)	6,790	0.18
10	JP MORGAN CHASE BANK 385151	6,495	0.17

Note 1: Japan Post Bank Co. holds 750,524 thousand shares of treasury stock (16.67% of total issued), which are not included in the above list of major shareholders. Treasury stock does not include shares of Japan Post Bank Co. owned by the stock benefit trust (683 thousand shares).

Note 2: The shareholding ratio has been calculated excluding treasury stock (750,524 thousand shares) and rounded down to the second decimal place.

④ Number of Employees

12,800* (as of March 31, 2019)

* The number of employees excludes employees assigned to other companies by Japan Post Bank Co. but includes employees assigned to Japan Post Bank Co. by other companies. The figures do 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, 2019)

1. Directors

President and Representative Executive Officer.....	Norito Ikeda (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Representative Executive Vice President.....	Susumu Tanaka (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Director	Masatsugu Nagato (Concurrently holds the position of Director and Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director	Ryoichi Nakazato
Outside Director	Tomoyoshi Arita (Attorney-at-Law)
Outside Director	Sawako Nohara (Concurrently holds the position of President and CEO of IPSe Marketing, Inc.)
Outside Director	Tetsu Machida (Independent Economic Journalist)
Outside Director	Nobuko Akashi (Concurrently holds the position of Board chairman of a non-profit organization, Japan Manners & Protocol Association)
Outside Director	Katsuaki Ikeda (Formerly held the position of Corporate Auditor of MS&AD Insurance Group Holdings, Inc.)
Outside Director	Ryoji Chubachi (Concurrently holds the position of President of National Institute of Advanced Industrial Science and Technology)
Outside Director	Keisuke Takeuchi (Formerly held the position of Principal Corporate Advisor of JGC Corporation)
Outside Director	Makoto Kaiwa (Concurrently holds the position of Representative Director & Chairman of the Board of Tohoku Electric Power Co., Inc.)
Outside Director	Risa Aihara (Concurrently holds the position of Representative Director and President of Ai-LAND Co., Ltd.)

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

Executive Vice President	Yoshinori Hagino	Executive Officer	Yoko Makino
Executive Vice President	Kunio Tahara	Executive Officer	Kunihiko Amaha
Senior Managing Executive Officer	Masahiro Murashima	Executive Officer	Makoto Shinmura
Senior Managing Executive Officer	Hiroichi Shishimi	Executive Officer	Satoru Ogata
Senior Managing Executive Officer	Harumi Yano	Executive Officer	Toshiharu Ono
Managing Executive Officer	Masahiro Nishimori	Executive Officer	Shigeyuki Sakurai
Managing Executive Officer	Atsuko Onodera	Executive Officer	Shinobu Nagura
Managing Executive Officer	Masato Tamaki	Executive Officer	Nobuhiro Fukuoka
Managing Executive Officer	Minoru Kotouda	Executive Officer	Ryotaro Yamada
Managing Executive Officer	Toshiyuki Yazaki	Executive Officer	Haruchika Tsukioka
Managing Executive Officer	Takayuki Tanaka	Executive Officer	Hideki Nakao
		Executive Officer	Etsuko Kishi

3. Nomination Committee

Chairman	Masatsugu Nagato
Member	Tomoyoshi Arita
Member	Ryoji Chubachi
Member	Makoto Kaiwa

4. Audit Committee

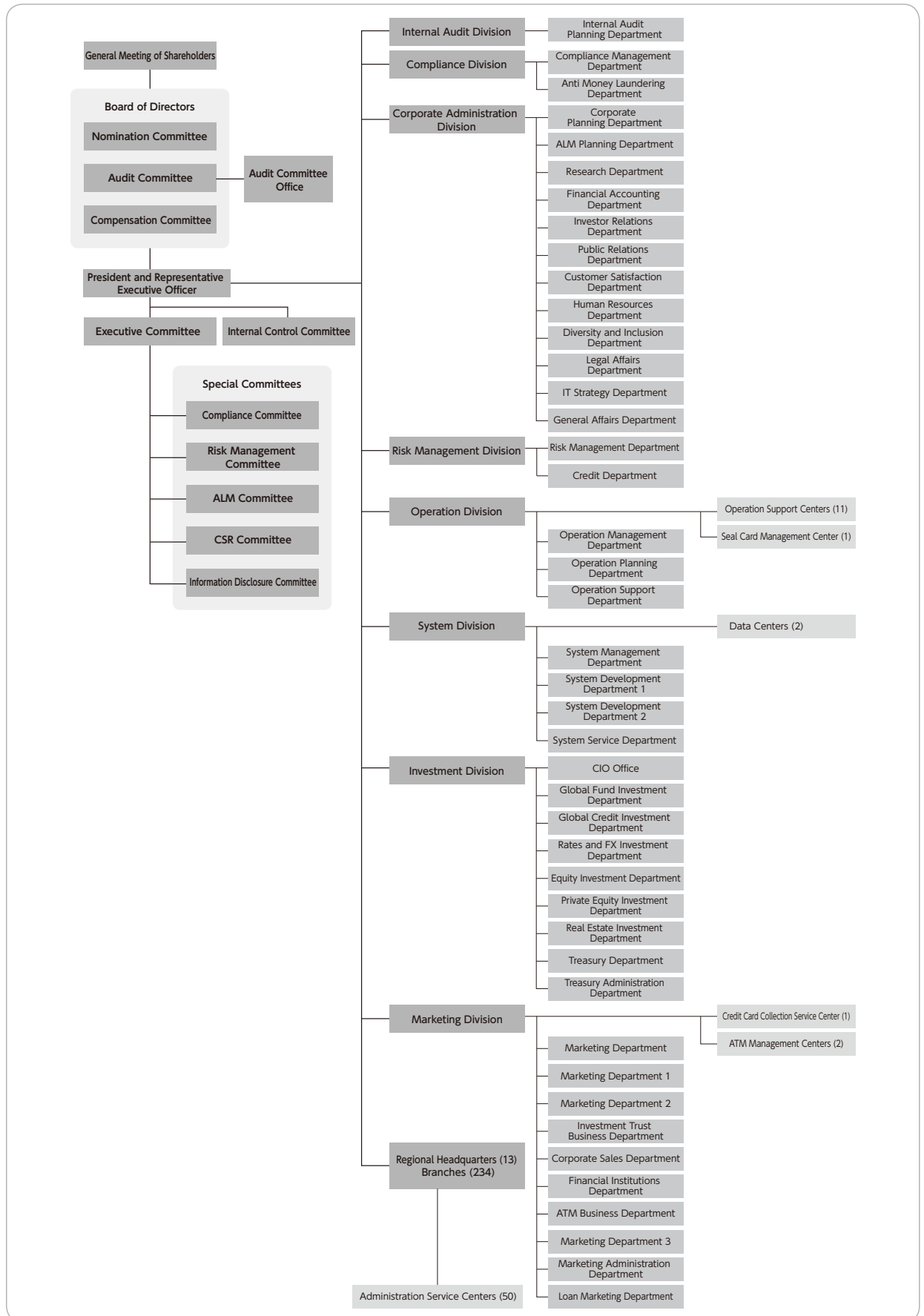
Chairman	Tomoyoshi Arita
Member	Ryoichi Nakazato
Member	Sawako Nohara
Member	Tetsu Machida
Member	Katsuaki Ikeda

5. Compensation Committee

Chairman	Ryoji Chubachi
Member	Masatsugu Nagato
Member	Katsuaki Ikeda
Member	Keisuke Takeuchi

6 Organization Chart

(As of July 1, 2019)



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, 2019)

1. Number of Stocks

Issued stocks	600,000,000
---------------	-------------

Note: The total number of issued stocks decreased by 37,400,000 shares due to the cancellation of shares on May 31, 2019, pursuant to a resolution at a meeting of the Board of Directors held on May 15, 2019.

2. Major Shareholders

	Investments in Japan Post Insurance Co., Ltd.	
	Number of shares held	Percentage of shares held
Japan Post Holdings Co., Ltd.	534,000,000	89.00%
THE BANK OF NEW YORK - JASDECNON - TREATY ACCOUNT	4,483,478	0.75%
Japan Trustee Services Bank, Ltd. (Trust Account)	3,585,700	0.60%
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,579,200	0.60%
Japan Post Insurance Employee Shareholding Association	2,252,000	0.38%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,787,200	0.30%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,460,900	0.24%
JP MORGAN CHASE BANK 385151	993,780	0.17%
Japan Trustee Services Bank, Ltd. (Trust Account 1)	970,000	0.16%
Japan Trustee Services Bank, Ltd. (Trust Account 2)	913,100	0.15%

Note 1: Percentage of shares held is rounded to two decimal places.

Note 2: The ratio of the shares held by Japan Post Holdings Co. to the total number of issued stocks (excluding treasury stock) of Japan Post Insurance Co. declined from the previous 89% to around 64% due to the secondary offering of stocks and the acquisition of treasury stock (April 2019).

④ Number of Employees

7,617* (as of March 31, 2019)

* The number of employees excludes employees assigned to other companies by Japan Post Insurance Co. but includes employees assigned to Japan Post Insurance Co. by other companies. The figures do 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, 2019)

1. Directors

Director and President, CEO, Representative Executive Officer	Mitsuhiro Uehira (Concurrently holds the position of Director, Japan Post Holdings Co., Ltd.)
Director and Deputy President, Representative Executive Officer	Masaaki Horigane
Director	Masatsugu Nagato (Concurrently holds the position of Representative Executive Officer, President & CEO, Japan Post Holdings Co., Ltd.)
Outside Director	Masako Suzuki (Concurrently holds the position of Senior Advisor of Pasona Group Inc.)
Outside Director	Tamotsu Saito (Concurrently holds the position of Chairman of the Board of IHI Corporation)
Outside Director	Michiaki Ozaki (Attorney-at-law)
Outside Director	Meyumi Yamada (Concurrently holds the position of Executive Director of istyle Inc.)
Outside Director	Yoshie Komuro (Concurrently holds the position of President of Work-Life Balance Co., Ltd.)
Outside Director	Kazuyuki Harada (Concurrently holds the position of President & Representative Director of Keikyu Corporation)
Outside Director	Akira Satake

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

Deputy President Representative Executive Officer Tetsuya Senda	Executive Officer	Toru Onishi
Senior Managing Executive Officer Yoshito Horie	Executive Officer	Hidekazu Sakamoto
Managing Executive Officer Atsushi Tachibana	Executive Officer	Masamichi Yokoyama
Managing Executive Officer Nobuyasu Kato (Concurrently holds the position of Managing Executive Officer, Japan Post Holdings Co., Ltd.)	Executive Officer	Takashi Iida
Managing Executive Officer Yasuaki Hironaka	Executive Officer	Shinsuke Fujii
Managing Executive Officer Tomoaki Nara	Executive Officer	Norihiro Fujimori
Managing Executive Officer Nobuatsu Uchikoba	Executive Officer	Hajime Saito
Managing Executive Officer Yasumi Suzukawa	Executive Officer	Susumu Miyamoto
Managing Executive Officer Yoshiki Miyanishi	Executive Officer	Takashi Muro
Managing Executive Officer Michiko Matsuda	Executive Officer	Takayuki Haruna
Managing Executive Officer Kieko Onoki	Executive Officer	Takeshi Kume
Managing Executive Officer Junko Koie		
Managing Executive Officer Motonori Tanaka		

3. Nomination Committee

Chairman	Masatsugu Nagato
Member	Tamotsu Saito
Member	Kazuyuki Harada

4. Audit Committee

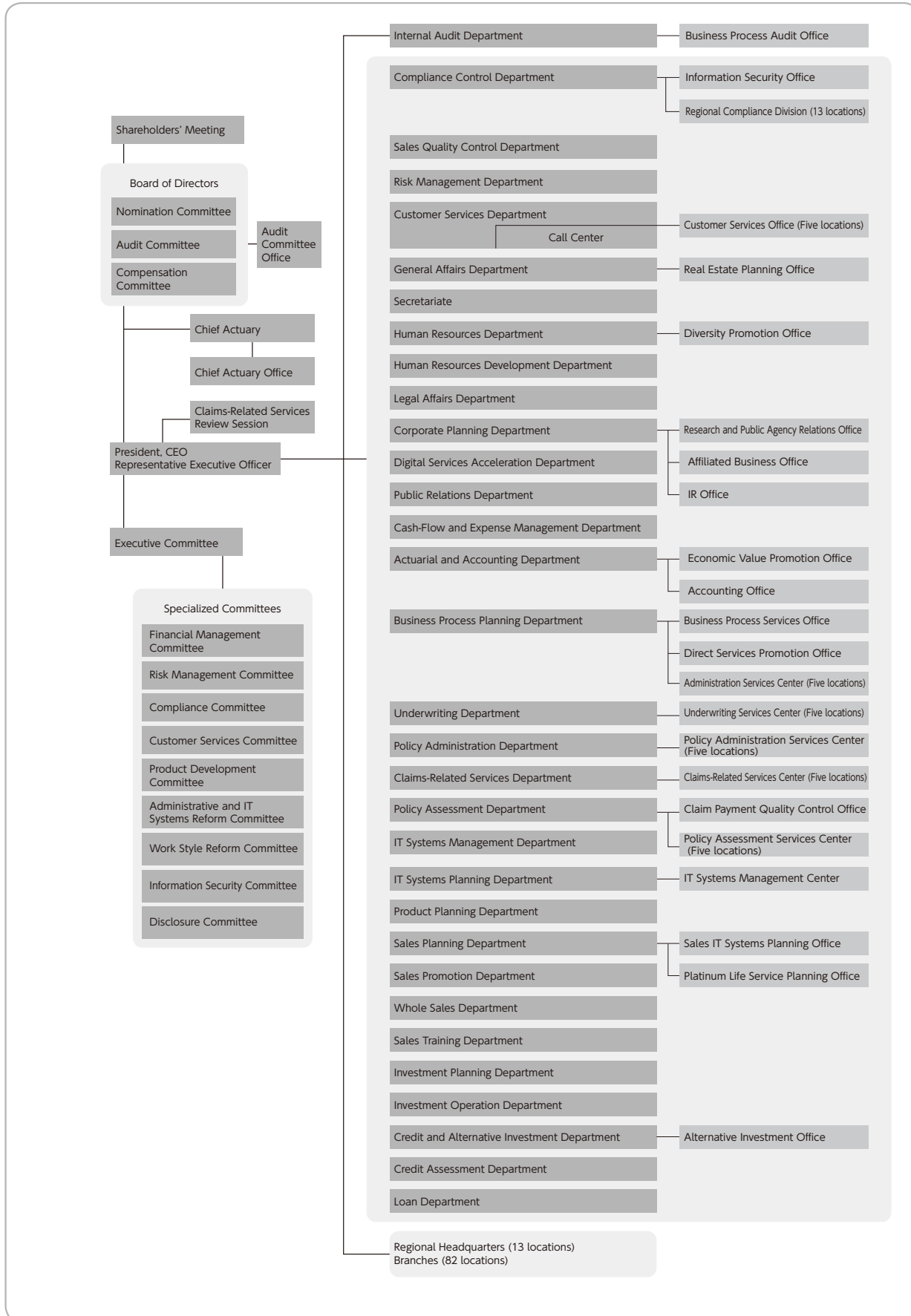
Chairman	Michiaki Ozaki
Member	Masako Suzuki
Member	Meyumi Yamada
Member	Akira Satake

5. Compensation Committee

Chairman	Tamotsu Saito
Member	Masatsugu Nagato
Member	Kazuyuki Harada

6 Organization Chart

(As of April 1, 2019)



Vision

Enhancing Corporate Value

Medium-term Strategy

Sustainability

Data Compilation

Japan Post Group (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Total income	14,268,281	14,272,742	13,336,802	13,012,517	12,804,409
Income before income taxes	780,319	670,943	170,887	709,134	695,487
Net income (loss)	482,682	425,972	(28,976)	460,623	479,419
Comprehensive income (loss)	2,212,035	(177,994)	8,867	118,564	291,836
Net assets	15,301,561	15,176,088	14,954,581	14,743,234	14,788,654
Total assets	295,849,794	291,947,080	293,162,545	290,640,154	286,170,709
Consolidated capital adequacy ratio (domestic standard)	40.40%	27.47%	23.80%	19.11%	17.73%
Consolidated solvency margin ratio	1,621.1%	1,087.4%	922.0%	722.7%	670.7%

Notes:

1. The amount of net income (loss) attributable to Japan Post Holdings Co. from the fiscal year ended March 31, 2016 has been used for net income (loss) of Japan Post Group (Consolidated).
2. The consolidated capital adequacy ratio (domestic standard) has been calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006).
3. The consolidated solvency margin ratio has been calculated in accordance with Articles 210-11-3 and 210-11-4 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.

Japan Post Holdings Co. (Non-consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Operating income	251,919	309,975	303,808	280,850	274,551
Net operating income	147,187	231,417	226,964	218,727	213,623
Net ordinary income	149,298	232,919	228,831	219,729	215,900
Net income	131,181	94,311	207,015	196,232	220,791
Net assets	8,744,456	8,057,703	8,057,856	7,950,122	7,940,442
Total assets	9,107,178	8,418,459	8,261,109	8,127,442	8,079,602

Japan Post Co. (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Operating income	—	3,638,847	3,758,970	3,881,943	3,960,669
Net operating income	—	39,105	53,430	86,564	182,021
Net ordinary income	—	42,336	52,221	85,459	179,865
Net income (loss)	—	47,247	(385,235)	58,476	126,614
Net assets	—	1,244,984	794,244	831,253	915,130
Total assets	—	5,651,387	5,091,375	5,098,926	5,182,809

Notes:

1. Because figures have been listed on a consolidated basis from the fiscal year ended March 31, 2016, figures for the fiscal year ended March 31, 2015 when non-consolidated figures had been listed, are expressed with the symbol[—](same for each segment).
2. The method of presentation has been changed for Japan Post Co. from the fiscal year ended March 31, 2017, whereby rental transactions of post offices, etc., which had previously been included in other income and other expenses, are included in operating income, operating costs and sales, general and administrative costs. Accordingly, figures for the fiscal year ended March 31, 2016 have been reclassified to reflect this change in presentation.
3. The amount of net income (loss) attributable to Japan Post Co. has been used for net income (loss) of Japan Post Co. (Consolidated).
4. Japan Post Co. 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, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Operating income	—	1,929,444	1,929,928	2,022,526	2,114,950
Net operating income	—	10,323	12,053	41,903	121,388

Note:

The method of presentation has been changed for Japan Post Co. from the fiscal year ended March 31, 2017, whereby rental transactions of post offices, etc., which had previously been included in other income and other expenses, are included in operating income, operating costs and sales, general and administrative costs. Accordingly, figures for the fiscal year ended March 31, 2016 have been reclassified to reflect this change in presentation.

[Post office business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Operating income	—	1,360,344	1,386,456	1,358,798	1,362,579
Net operating income	—	39,299	63,334	39,771	59,619

Note:

The method of presentation has been changed for Japan Post Co. from the fiscal year ended March 31, 2017, whereby rental transactions of post offices, etc., which had previously been included in other income and other expenses, are included in operating income, operating costs and sales, general and administrative costs. Accordingly, figures for the fiscal year ended March 31, 2016 have been reclassified to reflect this change in presentation.

[International logistics business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Operating income	—	544,062	644,416	704,302	700,650
Net operating income	—	17,231	5,642	10,254	10,300

Note:

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

Japan Post Bank Co. (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Ordinary income	—	—	—	2,044,940	1,845,413
Net ordinary income	—	—	—	499,654	373,978
Net income	—	—	—	352,775	266,189
Net assets	—	—	—	11,521,680	11,362,365
Total assets	—	—	—	210,629,821	208,974,134
Consolidated capital adequacy ratio (domestic standard)	—	—	—	17.43%	15.80%

Notes:

1. Because financial statements have been prepared on a consolidated basis from the fiscal year ended March 31, 2018, figures for the fiscal year ended March 31, 2017 and prior years, when nonconsolidated figures had been listed, are expressed with the symbol [—].
2. The amount of net income attributable to Japan Post Bank Co. has been used for net income of Japan Post Bank Co. (Consolidated).
3. The Consolidated capital adequacy ratio (domestic standard) has been calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No. 19, the Financial Services Agency, 2006).

Japan Post Insurance Co. (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Ordinary income	—	9,605,743	8,659,444	7,952,951	7,916,655
Net ordinary income	—	411,504	279,755	309,233	264,870
Net income	—	84,897	88,596	104,487	120,480
Net assets	—	1,882,982	1,853,203	2,003,126	2,135,137
Total assets	—	81,545,182	80,336,760	76,831,261	73,905,017
Consolidated solvency margin ratio	—	1,570.3%	1,290.6%	1,131.8%	1,189.8%

Notes:

1. Because figures have been listed on a consolidated basis from the fiscal year ended March 31, 2016, figures for the fiscal year ended March 31, 2015 and prior years, when non-consolidated figures had been listed, are expressed with the symbol [—].
2. The amount of net income attributable to Japan Post Insurance Co. has been used for net income of Japan Post Insurance Co. (Consolidated).
3. The consolidated solvency margin ratio has been calculated in accordance with Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.

6. Japan Post Group Companies — Consolidated Financial Data

Data Compilation

CONSOLIDATED BALANCE SHEETS MARCH 31, 2019 AND 2018

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019 (As of March 31, 2019)	2018 (As of March 31, 2018)	2019 (As of March 31, 2019)
ASSETS:			
Cash and due from banks (Notes 3, 5 and 22)	¥ 52,244,467	¥ 50,782,381	\$ 470,713
Call loans (Note 22)	550,000	745,000	4,955
Receivables under resale agreements (Note 22)	8,368,139	—	75,395
Receivables under securities borrowing transactions (Note 22)	2,792,202	11,520,376	25,157
Monetary claims bought (Note 22)	650,638	454,635	5,862
Trading account securities (Note 22)	2	32	0
Money held in trust (Notes 4 and 22)	6,778,335	7,056,398	61,072
Securities (Notes 3, 4, 5 and 22)	195,647,107	199,363,017	1,762,745
Loans (Notes 6 and 22)	12,083,499	13,772,684	108,870
Foreign exchanges	80,396	87,487	724
Other assets (Note 5)	2,419,069	2,365,569	21,795
Tangible fixed assets (Note 7)			
Buildings	1,172,950	1,195,097	10,568
Land	1,538,589	1,544,016	13,862
Construction in progress	113,808	83,165	1,025
Other tangible fixed assets	329,714	332,333	2,971
Total tangible fixed assets	3,155,062	3,154,613	28,427
Intangible assets			
Software	299,378	309,572	2,697
Goodwill	2,718	2,885	24
Other intangible assets	19,867	17,421	179
Total intangible assets	321,964	329,880	2,901
Asset for retirement benefits (Note 14)	50,214	43,694	452
Deferred tax assets (Note 16)	1,035,930	970,601	9,334
Reserve for possible loan losses	(6,323)	(6,217)	(57)
Total assets	¥ 286,170,709	¥ 290,640,154	\$ 2,578,347

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019 (As of March 31, 2019)	2018 (As of March 31, 2018)	2019 (As of March 31, 2019)
LIABILITIES:			
Deposits (Notes 5 and 22)	¥ 179,625,834	¥ 178,489,035	\$ 1,618,397
Payables under repurchase agreements (Notes 5 and 22)	11,569,371	1,985,285	104,238
Policy reserves and others			
Reserve for outstanding claims (Note 8)	519,568	548,196	4,681
Policy reserves (Notes 8 and 15)	65,060,549	67,777,297	586,184
Reserve for policyholder dividends (Note 10)	1,513,634	1,622,889	13,638
Total policy reserves and others	67,093,751	69,948,383	604,503
Payables under securities lending transactions (Notes 5 and 22)	5,896,268	17,475,671	53,124
Commercial papers (Notes 11 and 22)	28,029	191,481	253
Foreign exchanges	628	309	6
Bonds (Notes 12 and 22)	100,000	—	901
Other liabilities (Notes 3, 5, 11 and 13)	2,755,370	3,350,756	24,825
Reserve for bonuses	122,665	126,869	1,105
Liability for retirement benefits (Note 14)	2,236,273	2,256,418	20,148
Reserve for employee stock ownership plan trust	839	809	8
Reserve for management board benefit trust	1,033	727	9
Reserve for reimbursement of deposits	88,332	86,114	796
Reserve for price fluctuations (Note 15)	897,492	916,743	8,086
Deferred tax liabilities (Note 16)	966,160	1,068,313	8,705
Total liabilities	¥ 271,382,054	¥ 275,896,920	\$ 2,445,104
NET ASSETS (Note 17):			
Capital stock	¥ 3,500,000	¥ 3,500,000	\$ 31,534
Capital surplus	4,135,429	4,135,462	37,259
Retained earnings	3,799,974	3,551,054	34,237
Treasury stock	(831,887)	(831,945)	(7,495)
Total shareholders' equity	10,603,516	10,354,570	95,536
Net unrealized gains (losses) on available-for-sale securities	2,580,765	2,688,219	23,252
Net deferred gains (losses) on hedges	(55,415)	2,784	(499)
Foreign currency translation adjustments	(89,350)	(85,870)	(805)
Accumulated adjustments for retirement benefits	253,992	294,238	2,288
Total accumulated other comprehensive income	2,689,992	2,899,371	24,236
Non-controlling interests	1,495,145	1,489,292	13,471
Total net assets	14,788,654	14,743,234	133,243
Total liabilities and net assets	¥ 286,170,709	¥ 290,640,154	\$ 2,578,347

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED MARCH 31, 2019 AND 2018

	Millions of yen		Millions of U.S. Dollars (Note 1)
	2019 (From April 1, 2018 to March 31, 2019)	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)
INCOME:			
Postal business income	¥ 2,767,219	¥ 2,676,204	\$ 24,932
Banking business income (Note 18)	1,843,742	2,042,980	16,612
Life insurance business income	7,916,596	7,952,894	71,327
Other income (Note 19)	276,850	340,438	2,494
Total income	12,804,409	13,012,517	115,365
EXPENSES:			
Operating expenses	9,014,985	8,971,688	81,223
Personnel expenses	2,613,671	2,629,701	23,549
Depreciation and amortization	269,382	279,165	2,427
Other expenses (Notes 18 and 20)	210,882	422,825	1,900
Total expenses	12,108,921	12,303,382	109,099
Income before income taxes	695,487	709,134	6,266
Income taxes (Note 16):			
Current	255,828	357,503	2,305
Deferred	(82,829)	(160,395)	(746)
Total income taxes	172,999	197,107	1,559
Net income	522,488	512,027	4,708
Net income attributable to non-controlling interests	43,069	51,404	388
Net income attributable to Japan Post Holdings	¥ 479,419	¥ 460,623	\$ 4,319

	Yen		U.S. Dollars
	2019 (From April 1, 2018 to March 31, 2019)	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)
Per share of common stock (Note 28):			
Basic net income	¥ 118.57	¥ 112.97	\$ 1.07
Diluted net income	—	—	—

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED MARCH 31, 2019 AND 2018

	Millions of yen		Millions of U.S. Dollars (Note 1)
	2019 (From April 1, 2018 to March 31, 2019)	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)
Net income	¥ 522,488	¥ 512,027	\$ 4,708
Other comprehensive loss (Note 21)			
Net unrealized gains (losses) on available-for-sale securities	(120,913)	(468,530)	(1,089)
Net deferred gains (losses) on hedges	(65,392)	119,718	(589)
Foreign currency translation adjustments	(3,888)	(5,111)	(35)
Adjustments for retirement benefits	(40,455)	(39,544)	(364)
Share of other comprehensive income (loss) of affiliates	(2)	5	(0)
Total other comprehensive loss	(230,651)	(393,462)	(2,078)
Comprehensive income	¥ 291,836	¥ 118,564	\$ 2,629
Total comprehensive income attributable to:			
Japan Post Holdings	¥ 270,054	¥ 105,804	\$ 2,433
Non-controlling interests	21,782	12,759	196

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED MARCH 31, 2019 AND 2018

2019 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2018	¥ 3,500,000	¥ 4,135,462	¥ 3,551,054	¥ (831,945)	¥ 10,354,570
Changes in the fiscal year:					
Cash dividends			(230,500)		(230,500)
Net income attributable to Japan Post Holdings			479,419		479,419
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		(32)			(32)
Disposals of treasury stock				58	58
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	(32)	248,919	58	248,945
BALANCE, MARCH 31, 2019	¥ 3,500,000	¥ 4,135,429	¥ 3,799,974	¥ (831,887)	¥ 10,603,516

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income (loss)		
BALANCE, APRIL 1, 2018	¥ 2,688,219	¥ 2,784	¥ (85,870)	¥ 294,238	¥ 2,899,371	¥ 1,489,292	¥ 14,743,234
Changes in the fiscal year:							
Cash dividends							(230,500)
Net income attributable to Japan Post Holdings							479,419
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							(32)
Disposals of treasury stock							58
Net changes in items other than shareholders' equity in the fiscal year	(107,454)	(58,199)	(3,479)	(40,245)	(209,379)	5,853	(203,525)
Net changes in the fiscal year	(107,454)	(58,199)	(3,479)	(40,245)	(209,379)	5,853	45,419
BALANCE, MARCH 31, 2019	¥ 2,580,765	¥ (55,415)	¥ (89,350)	¥ 253,992	¥ 2,689,992	¥ 1,495,145	¥ 14,788,654

See the accompanying notes to consolidated financial statements.

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Enhancing Corporate Value

Medium-term Strategy

Sustainability

Data Compilation

2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2017	¥ 3,500,000	¥ 4,135,414	¥ 3,294,130	¥ (731,992)	¥ 10,197,552
Changes in the fiscal year:					
Cash dividends			(204,013)		(204,013)
Net income attributable to Japan Post Holdings			460,623		460,623
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		47			47
Purchases of treasury stock				(99,999)	(99,999)
Disposals of treasury stock				46	46
Changes in the scope of consolidation			314		314
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	47	256,923	(99,953)	157,018
BALANCE, MARCH 31, 2018	¥ 3,500,000	¥ 4,135,462	¥ 3,551,054	¥ (831,945)	¥ 10,354,570

	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, 2017	¥ 3,105,162	¥ (103,790)	¥ (80,730)	¥ 333,571	¥ 3,254,213	¥ 1,502,815	¥ 14,954,581
Changes in the fiscal year:							
Cash dividends							(204,013)
Net income attributable to Japan Post Holdings							460,623
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							47
Purchases of treasury stock							(99,999)
Disposals of treasury stock							46
Changes in the scope of consolidation							314
Net changes in items other than shareholders' equity in the fiscal year	(416,943)	106,575	(5,140)	(39,333)	(354,842)	(13,522)	(368,365)
Net changes in the fiscal year	(416,943)	106,575	(5,140)	(39,333)	(354,842)	(13,522)	(211,347)
BALANCE, MARCH 31, 2018	¥ 2,688,219	¥ 2,784	¥ (85,870)	¥ 294,238	¥ 2,899,371	¥ 1,489,292	¥ 14,743,234

See the accompanying notes to consolidated financial statements.

2019 (From April 1, 2018 to March 31, 2019)

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

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2018	\$ 31,534	\$ 37,260	\$ 31,994	\$ (7,496)	\$ 93,293
Changes in the fiscal year:					
Cash dividends			(2,077)		(2,077)
Net income attributable to Japan Post Holdings			4,319		4,319
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		(0)			(0)
Disposals of treasury stock				1	1
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	(0)	2,243	1	2,243
BALANCE, MARCH 31, 2019	\$ 31,534	\$ 37,259	\$ 34,237	\$ (7,495)	\$ 95,536

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income (loss)		
BALANCE, APRIL 1, 2018	\$ 24,220	\$ 25	\$ (774)	\$ 2,651	\$ 26,123	\$ 13,418	\$ 132,834
Changes in the fiscal year:							
Cash dividends							(2,077)
Net income attributable to Japan Post Holdings							4,319
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							(0)
Disposals of treasury stock							1
Net changes in items other than shareholders' equity in the fiscal year	(968)	(524)	(31)	(363)	(1,886)	53	(1,834)
Net changes in the fiscal year	(968)	(524)	(31)	(363)	(1,886)	53	409
BALANCE, MARCH 31, 2019	\$ 23,252	\$ (499)	\$ (805)	\$ 2,288	\$ 24,236	\$ 13,471	\$ 133,243

See the accompanying notes to consolidated financial statements.

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Sustainability

Data Compilation

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2019 AND 2018

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019 (From April 1, 2018) to March 31, 2019)	2018 (From April 1, 2017) to March 31, 2018)	2019 (From April 1, 2018) to March 31, 2019)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 695,487	¥ 709,134	\$ 6,266
Income taxes paid	(367,228)	(277,031)	(3,309)
Policyholder dividends paid	(220,769)	(267,178)	(1,989)
Depreciation and amortization	269,382	279,165	2,427
Losses on impairment of fixed assets	12,927	17,964	116
Amortization of goodwill	287	167	3
Equity in (earnings) losses of affiliates	(699)	(348)	(6)
Gains on negative goodwill	—	(568)	—
Net change in reserve for outstanding claims	(28,628)	(29,180)	(258)
Net change in policy reserves	(2,716,748)	(2,397,936)	(24,477)
Provision for interest on policyholder dividends	7	7	0
Provision for reserve for policyholder dividends	111,806	117,792	1,007
Net change in reserve for possible loan losses	170	(1,491)	2
Net change in reserve for bonuses	(4,728)	25,138	(43)
Net change in asset and liability for retirement benefits	(26,564)	(30,736)	(239)
Net change in reserve for employee stock ownership plan trust	30	809	0
Net change in reserve for management board benefit trust	306	473	3
Net change in reserve for reimbursement of deposits	2,218	84,018	20
Net change in reserve for price fluctuations	(19,251)	128,031	(173)
Interest income (accrual basis)	(1,357,775)	(1,502,747)	(12,233)
Interest expenses (accrual basis)	347,157	331,781	3,128
Net (gains) losses on securities	50,858	62,931	458
Net (gains) losses on money held in trust	(156,619)	(146,122)	(1,411)
Net (gains) losses on foreign exchanges	(578,515)	14,473	(5,212)
Net (gains) losses on sales and disposal of fixed assets	1,089	(83,462)	10
Net change in loans	846,288	(2,083,094)	7,625
Net change in deposits	1,136,799	484,716	10,242
Net change in borrowed money	1,500	2,400	14
Net change in call loans, etc.	(8,300,349)	(36,222)	(74,785)
Net change in receivables under securities borrowing transactions for banking business	8,224,153	494,752	74,098
Net change in call money, etc.	9,584,086	978,911	86,351
Net change in commercial papers	(163,451)	151,156	(1,473)
Net change in payables under securities lending transactions for banking business	(11,338,666)	117,829	(102,159)
Net change in foreign exchanges (assets)	7,090	(8,840)	64
Net change in foreign exchanges (liabilities)	318	(97)	3
Interest received (cash basis)	1,372,572	1,556,245	12,367
Interest paid (cash basis)	(781,463)	(823,888)	(7,041)
Other, net	(212,880)	(206,350)	(1,918)
Total adjustments	(4,305,287)	(3,046,529)	(38,790)
Net cash used in operating activities	¥ (3,609,800)	¥ (2,337,394)	\$ (32,524)

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019 (From April 1, 2018 to March 31, 2019)	2018 (From April 1, 2017 to March 31, 2018)	2019 (From April 1, 2018 to March 31, 2019)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of call loans	¥ (8,535,000)	¥ (8,090,000)	\$ (76,899)
Proceeds from redemption of call loans	8,650,000	7,975,000	77,935
Purchases of monetary claims bought	(1,319,999)	(429,999)	(11,893)
Proceeds from sale and redemption of monetary claims bought	1,141,145	281,242	10,282
Net change in receivables under securities borrowing transactions for life insurance business	504,020	224,499	4,541
Net change in payables under securities lending transactions for life insurance business	(240,736)	(1,225,519)	(2,169)
Purchases of securities	(26,180,484)	(29,433,620)	(235,881)
Proceeds from sale of securities	4,011,552	4,623,202	36,143
Proceeds from redemption of securities	26,578,983	26,568,676	239,472
Purchases of money held in trust	(810,563)	(726,363)	(7,303)
Proceeds from sale of money held in trust	943,016	78,158	8,496
Payments for loans	(891,512)	(911,162)	(8,032)
Proceeds from collection of loans	1,731,609	1,343,823	15,601
Purchases of tangible fixed assets	(221,079)	(204,687)	(1,992)
Proceeds from sale of tangible fixed assets	10,069	122,726	91
Purchases of intangible assets	(83,146)	(82,949)	(749)
Purchases of stocks of subsidiaries resulting in change in the scope of consolidation	—	(425)	—
Proceeds from purchases of stocks of subsidiaries resulting in change in the scope of consolidation	30	—	0
Payments for sale of stocks of subsidiaries resulting in change in the scope of consolidation	(656)	—	(6)
Other, net	(101,204)	(13,588)	(912)
Net cash provided by investing activities	¥ 5,186,043	¥ 99,012	\$ 46,725
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	¥ 86,054	¥ 103,644	\$ 775
Repayment of borrowings	(47,715)	(64,360)	(430)
Proceeds from issuance of bonds	99,398	—	896
Purchases of treasury stock	—	(99,999)	—
Purchases of treasury stock of subsidiaries	(542)	(449)	(5)
Proceeds from disposals of treasury stock of subsidiaries	54	25	0
Dividends paid	(230,383)	(203,633)	(2,076)
Dividends paid to non-controlling interests	(25,150)	(25,589)	(227)
Purchases of stocks of subsidiaries that do not result in change in the scope of consolidation	(4)	(132)	(0)
Proceeds from sale of stocks of subsidiaries that do not result in change in the scope of consolidation	8,647	—	78
Other, net	(1,613)	(1,545)	(15)
Net cash used in financing activities	(111,256)	(292,041)	(1,002)
Effect of exchange rate changes on cash and cash equivalents	774	(944)	7
Net change in cash and cash equivalents	1,465,761	(2,531,367)	13,206
Cash and cash equivalents at the beginning of the fiscal year	50,694,528	53,225,675	456,749
Increase in cash and cash equivalents resulting from change in the scope of consolidation	—	220	—
Cash and cash equivalents at the end of the fiscal year (Note 3)	¥ 52,160,289	¥ 50,694,528	\$ 469,955

See the accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2019 AND 2018

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 Act, Ordinance for Enforcement of Insurance Business Act and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRS").

The accounts of overseas subsidiaries and affiliates, are, in principle, integrated with those of the Company's accounting policies for purposes of consolidation unless they apply different accounting principles and standards as required under U.S. GAAP or IFRS, in which case a certain limited number of items are adjusted based on materiality.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share information. Accordingly, the total of each account may not be equal to the combined total of individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.99 to U.S. \$1, the approximate rate of exchange as of March 31, 2019. 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, 2019 and 2018 include the accounts of the Company and its significant subsidiaries (collectively, the "Group").

A) Consolidated subsidiaries

The Company has 265 (264 in 2018) 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, 2019, Japan Post Real Estate Co., Ltd., 1 subsidiary of Toll Holdings Limited (hereinafter referred to as "Toll") and other 1 subsidiary were included in the scope of consolidation due to the establishment of these companies. System Trust Laboratory Co., Ltd. was included in the scope of consolidation due to the purchase of its stock. Japan Post Delivery Co., Ltd. and 1 subsidiary of Toll were excluded from the scope of consolidation due to the liquidation. JP Logi Service Co., Ltd. was excluded from the scope of consolidation due to the sale of its stock.

During the fiscal year ended March 31, 2018, Japan Post Capital Co., Ltd., Japan Post Investment Corporation and other 1 subsidiary were included in the scope of consolidation due to the establishment of these companies. Tokyo Beiyu Co., Ltd., which was a non-consolidated subsidiary, was included in the scope of consolidation due to an increase in its materiality. 1 of Toll's affiliates was included in the scope of consolidation due to becoming a subsidiary by additional purchases of its stock. 15 subsidiaries of Toll were excluded from the scope of consolidation due to the liquidation.

During the fiscal year ended March 31, 2017, Japan Post Maintenance Co., Ltd., which was a non-consolidated subsidiary, was included in the scope of consolidation due to an increase in its materiality because of the merger with Nippan Co., Ltd.

and Universal Technics Co., Ltd., which were non-consolidated subsidiaries. Japan Post Finance Co., Ltd. and 3 subsidiaries of Toll were excluded from the scope of consolidation due to the sale of their stocks and the other 13 subsidiaries of Toll were excluded from the scope of consolidation due to the liquidation.

B) Non-consolidated subsidiaries

The Company has 2 (1 in 2018) non-consolidated subsidiaries, namely, silent partnership(s) investing in real estate for all periods presented.

The non-consolidated subsidiaries are excluded from the scope of consolidation because their assets, income, net income (loss) (amount corresponding to the Group's equity position), retained earnings (amount corresponding to the Group's equity position), accumulated other comprehensive income (amount corresponding to the Group's equity position) and others are immaterial, and the exclusion of these companies from the scope of consolidation does not hinder a reasonable understanding of the Group's financial position and results of operations.

2) Application of the equity method

A) Non-consolidated subsidiaries accounted for by the equity method

There were no non-consolidated subsidiaries accounted for by the equity method for all periods presented.

B) Affiliates accounted for by the equity method

The Company has 22 (22 in 2018) affiliates accounted for by the equity method, namely, JA Foods Oita Co., Ltd., Ring Bell Co., Ltd., Saison Asset Management Co., Ltd., SDP Center Co., Ltd., ATM Japan Business Service, Ltd., JP Asset Management Co., Ltd. and Toll's affiliates for all periods presented.

During the fiscal year ended March 31, 2019, 1 of Toll's affiliates was included in the scope of the equity method due to the establishment of the company and another 1 of Toll's affiliates was excluded from the scope of the equity method due to the sale of its stock.

During the fiscal year ended March 31, 2018, 1 of Toll's affiliates was excluded from the scope of the equity method due to becoming a subsidiary by additional purchases of its stock and another 1 of Toll's affiliates was excluded from the scope of the equity method due to the sale of its stock.

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

The Company has 1 (2 in 2018) non-consolidated subsidiaries that are not accounted for by the equity method, namely, silent partnership(s) investing in real estate for all periods presented.

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

The Company has 2 affiliates (1 in 2018) that are not accounted for by the equity method, namely, BPO.MP COMPANY LIMITED and Palma Co., Ltd. for the fiscal year ended March 31, 2019 and BPO.MP COMPANY LIMITED for the fiscal year ended March 31, 2018, 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	2019	2018
June 30	3 companies	4 companies
December 31	32 companies	29 companies
March 31	230 companies	231 companies

B) For the fiscal year ended March 31, 2019, 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.

For the fiscal year ended March 31, 2018, 28 consolidated subsidiaries with a fiscal year-end date of December 31 and

consolidated subsidiaries with a fiscal year-end date of June 30 are consolidated using the preliminary financial statements as of March 31. For the other 1 consolidated subsidiary with a fiscal year-end date of December 31, there was no closing date during the period between the establishment date and the consolidated fiscal year-end date of March 31, 2018. Accordingly, only its balance sheet as of the establishment date was consolidated. Appropriate adjustments were made for material transactions during the period between the establishment date and the consolidated fiscal year-end date.

(2) Trading Account Securities

Trading account securities are carried at fair value.

(3) Securities

Held-to-maturity bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

In accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 21), policy-reserve-matching bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost and the cost of these securities sold is calculated using the moving-average method.

Available-for-sale securities are, in principle, carried at average market prices during the final month of the fiscal year for stocks, and at market prices at the fiscal year end for others. Cost of securities sold is calculated using mainly the moving-average method. Available-for-sale securities which are deemed to be extremely difficult to determine fair value are carried at cost using the moving-average method or amortized cost (the straight-line method). Net unrealized gains (losses) on available-for-sale securities (including net unrealized gains (losses) arising from fluctuations in foreign exchange, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations), net of income taxes, are included in "Net assets".

Securities included in "Money Held in Trust Classified as Trading" are carried at fair value and the cost of these securities sold is calculated using mainly the moving-average method. In addition, securities included in "Money Held in Trust Classified as Other than Trading or Held-to-Maturity" are carried using the same method used for securities mentioned above. Net unrealized gains (losses) on money held in trust classified as other than trading or held-to-maturity, net of income taxes, are included in "Net assets".

(4) Derivative Transactions

All derivative transactions are valued at fair value.

(5) Hedge Accounting

1) Hedge accounting for interest rate risks

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

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

As for portfolio hedges on groups of large-volume, small-value monetary debts, the banking subsidiary applies the deferred hedge method as stipulated in "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24). To evaluate the hedge effectiveness, the banking subsidiary designates deposits as hedged items and interest rate swaps and others as hedging instruments and assesses how the hedging instruments offset changes in the fair value of hedged items by grouping them based on their maturities.

2) Hedge accounting for foreign exchange risks

The Company and its consolidated subsidiaries apply the deferred hedge method, the fair value hedge method or the allocation method translating the foreign currency receivables at forward rates for hedges of foreign exchange fluctuation risk arising from the securities denominated in foreign currencies.

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

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

(6) Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation of tangible fixed assets is computed using the straight-line method.

Useful lives of principal assets are as follows:

Buildings: 2-50 years

Others: 2-75 years

2) Intangible assets (excluding leased assets)

Amortization of intangible assets is computed using the straight-line method. The capitalized development costs of software intended for internal use are amortized over the expected useful lives (mainly 5 years) determined by the Company and its consolidated subsidiaries.

3) Leased assets

Leased assets under finance lease arrangements that transfer the ownership of leased property to the lessee are depreciated using the same method applied to company-owned tangible assets. These leased assets are mainly buildings included in "Tangible fixed assets".

Leased assets under finance lease arrangements that do not transfer the ownership of leased property to the lessee are depreciated to the residual value of zero or guaranteed value using the straight-line method over the lease term. These leased assets are mainly personal properties included in "Tangible fixed assets" and software included in "Intangible assets".

(7) Amortization of Goodwill

Goodwill is amortized for a period up to 20 years depending on the causes of occurrence using the straight-line method. Goodwill deemed immaterial, however, is expensed as incurred.

(8) Reserve for Possible Loan Losses

1) For reserve for possible loan losses of the Company and its consolidated subsidiaries other than the banking subsidiary and insurance subsidiary, an allowance is provided for loans other than specific loans using a rate determined based on past bad debt experience. In addition, an allowance is provided for specific loans such as loans to bankrupt or effectively/substantially bankrupt borrowers at the estimated amount considered uncollectible based on review of the respective nature of loans.

2) Reserve for possible loan losses of the banking subsidiary is provided for in accordance with the write-off and provision standards as described below:

In accordance with "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" JICPA, Special Committee for Audits of Banks, etc., Report No. 4), loans to normal borrowers and borrowers requiring caution are classified into certain groups, and an allowance is provided for each group based on the estimated rate of loan losses.

For loans to doubtful borrowers, an allowance is provided for based on the amount of loans net of amounts expected to be collected through disposal of collateral or through execution of guarantees and considered to be necessary based on a solvency assessment. For loans to bankrupt or substantially bankrupt borrowers, an allowance is provided in the amount of loans, net of amounts expected to be collected through disposal of collateral or to be recoverable under guarantees.

All loans are assessed initially by the marketing and other departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the marketing and other departments, reviews these self-assessments.

- 3) Reserve for possible loan losses of the insurance subsidiary is provided pursuant to its standards for self-assessment of asset quality and its write-off and provision standards, and a general allowance is provided using a rate determined by past bad debt experience. In addition, a specific allowance, which is determined after reviewing individual collectability of accounts, is recorded.
- All loans and claims are assessed initially by the relevant departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the relevant departments, reviews these self-assessments. The above allowances are recorded based on the results of these assessment.
- 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 ¥232 million (\$2 million) and ¥65 million for the fiscal years ended March 31, 2019 and 2018, respectively.
- (9) Policy Reserves
- Policy reserves are reserves provided in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recognized based on the following methodology:
- 1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
 - 2) Reserves for the other contracts are calculated based on the net level premium method.
- Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, effective from the fiscal year ended March 31, 2011, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period for a portion of reinsurance contracts from the Management Organization for Postal Savings and Postal Life Insurance (The name of the organization was changed to "Organization for Postal Savings, Postal Life Insurance and Post Office Network" on April 1, 2019; hereinafter referred to as the "Management Organization" in this note), which is an independent administrative institution. As a result, the amounts of provision for additional policy reserves were ¥179,882 million (\$1,621 million) and ¥180,903 million for the fiscal years ended March 31, 2019 and 2018, respectively.
- In addition, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated, in preparation for future performance of obligations, for lump-sum payment annuities for the fiscal year ended March 31, 2018. As a result, the amount of provision for additional policy reserves for the fiscal year ended March 31, 2018 was ¥17,025 million. Income before income taxes decreased by the same amount compared with the case where the accumulation was not made for the fiscal year ended March 31, 2018.
- The Management Organization was established in October 2007 to support the privatization of Japan Post Group by succeeding from the former Japan Post Corporation's Postal Savings such as fixed amount or term postal savings deposited by and Postal Life Insurance Contracts concluded by September 2007 to ensure that such Postal Savings and Postal Life Insurance Contracts are managed appropriately and to fulfill the relevant liabilities without fail.
- The insurance subsidiary has entered into reinsurance contracts comprising outsourcing agreements for the administrative operation of the Postal Life Insurance and reinsurance contracts for insurance liabilities based on former Postal Life Insurance Contracts, for Postal Life Insurance Contracts concluded by September 2007 that have been assumed by the Management 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 Management Organization under the same loan conditions as those of the contracts between the former Japan Post Corporation and its counterparties.
- (10) Reserve for Bonuses
- A reserve for the employee bonus payments is provided based on the amount expected to be incurred at the end of the fiscal year based on the projected obligations as of the end of the fiscal year.
- (11) Reserve for Employee Stock Ownership Plan Trust
- For a certain consolidated subsidiary, to provide for the payment of the consolidated subsidiary's shares to its employees that are determined based on the rule set by the consolidated subsidiary, a reserve is provided based on the estimated amount of stock benefit obligations at the end of the fiscal year.
- (12) Reserve for Management Board Benefit Trust
- For the Company and its certain consolidated subsidiaries, to provide for the payment of the Company's shares, etc. to Executive Officers and other management that are determined based on the rules set by each company, a reserve is provided based on the estimated amount of stock benefit obligations at the end of the fiscal year.
- (13) Reserve for Reimbursement of Deposits
- To provide for requests for refunds by depositors with regard to deposits that are no longer recorded as liabilities, a reserve is provided based on the estimated amount of losses to be incurred in accordance with future requests for refunds.
- (14) Retirement Benefits
- 1) In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit to respective service period. Treatment of prior service cost and actuarial difference are accounted for as follows.

Prior service cost is amortized using the straight-line method over a fixed period (7-14 years) within the estimated average remaining service period for employees as incurred from the fiscal year in which the difference is incurred.

Actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (7-14 years) within the estimated average remaining service period for employees as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.
 - 2) Charges for the pension program of national public service personnel associated with pension benefits for the service period until December 1958 for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of "Asset for retirement benefits". The Company has established retirement benefit trusts for the above pension program.

The actuarial difference is amortized using the straight-line method over a fixed period (9 years) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

The prior service cost is amortized using the straight-line method over a fixed period (9 years) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year in which the difference is incurred.
 - 3) Charges for the pension program of national public service personnel associated with pension benefits for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired by December 1958 (hereinafter referred to as "share of another public service pension") are recognized as part of "Liability for retirement benefits". The Company has established retirement benefit trusts for the above mutual aid pension program.

The actuarial difference is amortized using the straight-line method over a fixed period (5 years) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.
- (15) 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 mainly translated into Japanese yen at the exchange rates prevailing at the fiscal year-end and income and expenses are mainly translated into Japanese yen at the average exchange rates for the fiscal year. The resulting translation differences are included in "Foreign currency translation adjustments" and "Non-controlling interests" under "Net assets".

(16) Reserve for Price Fluctuations

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

(17) 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).

(18) Consumption Taxes

All figures are net of consumption taxes.

(19) Consolidated Tax Payment System

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

(20) New Accounting Pronouncements

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

1. Overview

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

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

2. Effective date

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

3. Effects of the application of the standards

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

Toll and its subsidiaries and affiliates
"Leases" (IFRS 16, January 13, 2016)

1. Overview

The above standard, in principle, requires lessees to recognize assets and liabilities for all leases.

2. Effective date

Effective from the beginning of the fiscal year ending March 31, 2020.

3. Effects of the application of the standard

The Company is currently in the process of determining the effects of this new standard on the consolidated financial statements.

(21) Changes in Accounting Estimates

For the fiscal year ended March 31, 2018

The Company has changed the amortization period of actuarial

difference and prior service cost concerning retirement benefits for employees from 8 years to 7 years due to the decrease in the estimated average remaining service period for employees from the fiscal year ended March 31, 2018.

As a result, expenses decreased by ¥341 million while income before income taxes increased by the same amount for the fiscal year ended March 31, 2018.

In addition, the Company has changed the amortization period of actuarial difference and prior service cost concerning share of public service pension from 10 years to 9 years due to the decrease in the estimated average remaining payment period for eligible personnel from the fiscal year ended March 31, 2018.

As a result, expenses decreased by ¥6,187 million while income before income taxes increased by the same amount for the fiscal year ended March 31, 2018.

(22) 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 ¥923 million (\$8 million) and ¥981 million, and the number of shares of the treasury stock was 656 thousand shares and 698 thousand shares as of March 31, 2019 and 2018, 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.

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
	2019	2018	2019
Cash and due from banks	¥ 52,244,467	¥ 50,782,381	\$ 470,713
Negotiable certificates of deposit of the banking subsidiary included in "Cash and due from banks"	(65,000)	(65,000)	(586)
Negotiable certificates of deposit included in "Securities"	15,000	10,000	135
Deposits with maturities of more than three months	(200)	(165)	(2)
Bank overdrafts included in "Other liabilities"	(33,978)	(32,688)	(306)
Cash and cash equivalents at the end of the fiscal year	¥ 52,160,289	¥ 50,694,528	\$ 469,955

4. SECURITIES

(1) Securities

Securities as of March 31, 2019 and 2018 consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Stocks and investments in capital ¹	¥ 353,933	¥ 247,369	\$ 3,189
Japanese government bonds ²	96,397,982	102,339,666	868,529
Japanese local government bonds	13,908,380	14,918,774	125,312
Japanese corporate bonds	15,358,784	16,189,271	138,380
Other ²	69,628,027	65,667,935	627,336
Total	¥ 195,647,107	¥ 199,363,017	\$ 1,762,745

Notes:

- Stocks and investments in capital include investments in non-consolidated subsidiaries and affiliates of ¥15,521 million (\$140 million) and ¥15,382 million as of March 31, 2019 and 2018, respectively.
- Unsecured and secured loaned securities for which borrowers have the right to sell or pledge in the amount of ¥1,887,211 million (\$17,003 million) and ¥11,911,005 million were included in Japanese government bonds and other in "Securities" as of March 31, 2019 and 2018, respectively. Unsecured borrowed securities, securities borrowed under resale agreements and securities borrowed with cash collateral, etc. for which the Group has the right to sell or pledge amounted to nil and ¥131,681 million for pledged securities, and ¥8,522,183 million (\$76,783 million) and ¥11,903,620 million for securities held at the end of the fiscal year without being sold or pledged as of March 31, 2019 and 2018, respectively.

(2) Policy-Reserve-Matching Bonds

The consolidated balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2019 and 2018 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Consolidated balance sheet amount	¥ 10,570,049	¥ 10,676,330	\$ 95,234
Fair value	11,724,384	11,769,615	105,635

The outline of the risk management policy of policy-reserve-matching bonds is as follows:

The insurance subsidiary categorizes its insurance products into the sub-groups below based on the attributes of each product in order to manage risks arising from fluctuations in interest rates of assets and liabilities, and adopts the management policy whereby the duration gap between policy-reserve-matching bonds and policy reserves by sub-groups are reconciled within a certain range and the duration gap is periodically checked.

- Postal Life Insurance Contracts (insurance policies with a remaining period within 30 years for the fiscal year ended March 31, 2019 and within 20 years for the fiscal year ended March 31, 2018)
- Japan Post Insurance life insurance contracts (general) (all insurance policies)
- Japan Post Insurance life insurance contracts (lump-sum payment annuity) (excluding some insurance types)

The remaining period of insurance policies comprising the sub-group Postal Life Insurance Contracts used to be within 20 years, but has been changed to within 30 years from the fiscal year ended March 31, 2019, as the issuance of 30- and 40-year Japanese government bonds has expanded to facilitate duration gap adjustment of long-term insurance contracts. This change has no impact on profit or loss.

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

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

1) Held-to-maturity bonds

Millions of Yen

March 31	2019				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 53,193,355	¥ 60,167,232	¥ 6,973,876	¥ 6,974,114	¥ (238)
Japanese local government bonds	6,450,184	6,783,423	333,239	333,320	(81)
Japanese corporate bonds	3,859,903	4,061,791	201,888	202,031	(143)
Other	130,433	136,766	6,333	6,333	—
Total	¥ 63,633,877	¥ 71,149,214	¥ 7,515,337	¥ 7,515,800	¥ (463)

Millions of Yen

March 31	2018				
	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	¥ 58,393,875	¥ 64,978,047	¥ 6,584,172	¥ 6,620,087	¥ (35,915)
Japanese local government bonds	6,847,288	7,199,958	352,669	355,924	(3,254)
Japanese corporate bonds	4,577,427	4,752,532	175,105	177,530	(2,425)
Other	130,433	140,737	10,304	10,304	—
Total	¥ 69,949,024	¥ 77,071,276	¥ 7,122,251	¥ 7,163,847	¥ (41,595)

Millions of U.S. Dollars

March 31	2019				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	\$ 479,263	\$ 542,096	\$ 62,833	\$ 62,836	\$ (2)
Japanese local government bonds	58,115	61,117	3,002	3,003	(1)
Japanese corporate bonds	34,777	36,596	1,819	1,820	(1)
Other	1,175	1,232	57	57	—
Total	\$ 573,330	\$ 641,042	\$ 67,712	\$ 67,716	\$ (4)

2) Policy-reserve-matching bonds

Millions of Yen

March 31	2019				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 9,429,778	¥ 10,520,296	¥ 1,090,518	¥ 1,091,024	¥ (506)
Japanese local government bonds	552,443	580,239	27,795	27,825	(29)
Japanese corporate bonds	587,826	623,848	36,021	36,033	(12)
Total	¥ 10,570,049	¥ 11,724,384	¥ 1,154,334	¥ 1,154,883	¥ (548)

Millions of Yen

March 31	2018				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 9,884,662	¥ 10,942,829	¥ 1,058,167	¥ 1,068,439	¥ (10,271)
Japanese local government bonds	561,453	587,254	25,801	26,148	(346)
Japanese corporate bonds	230,214	239,531	9,316	9,316	(0)
Total	¥ 10,676,330	¥ 11,769,615	¥ 1,093,285	¥ 1,103,904	¥ (10,618)

Millions of U.S. Dollars

March 31	2019				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	\$ 84,961	\$ 94,786	\$ 9,825	\$ 9,830	\$ (5)
Japanese local government bonds	4,977	5,228	250	251	(0)
Japanese corporate bonds	5,296	5,621	325	325	(0)
Total	\$ 95,234	\$ 105,635	\$ 10,400	\$ 10,405	\$ (5)

3) Available-for-sale securities

Millions of Yen

March 31	2019				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	¥ 323,246	¥ 325,034	¥ (1,787)	¥ 17,653	¥ (19,440)
Bonds	51,591,653	50,224,768	1,366,884	1,369,755	(2,870)
Japanese government bonds	33,774,848	32,597,283	1,177,564	1,177,651	(87)
Japanese local government bonds	6,905,751	6,850,935	54,816	55,184	(368)
Japanese short-term corporate bonds	220,998	220,998	—	—	—
Japanese corporate bonds	10,690,055	10,555,551	134,504	136,919	(2,414)
Other	69,388,063	68,379,981	1,008,082	1,453,771	(445,688)
Of which: foreign bonds	27,013,884	26,191,986	821,897	1,122,115	(300,217)
Of which: investment trusts	41,230,438	41,048,500	181,938	327,388	(145,450)
Total	¥ 121,302,964	¥ 118,929,784	¥ 2,373,179	¥ 2,841,179	¥ (468,000)

Millions of Yen

March 31	2018				
	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	¥ 221,526	¥ 209,300	¥ 12,225	¥ 15,981	¥ (3,756)
Bonds	52,952,790	51,645,706	1,307,084	1,336,433	(29,348)
Japanese government bonds	34,061,129	32,940,041	1,121,087	1,129,996	(8,909)
Japanese local government bonds	7,510,032	7,450,152	59,880	66,018	(6,137)
Japanese short-term corporate bonds	229,998	229,998	—	—	—
Japanese corporate bonds	11,151,630	11,025,514	126,116	140,418	(14,301)
Other	66,008,125	65,372,081	636,043	1,422,609	(786,566)
Of which: foreign bonds	24,349,410	23,965,582	383,828	1,017,858	(634,030)
Of which: investment trusts	40,702,353	40,449,321	253,032	401,750	(148,718)
Total	¥ 119,182,442	¥ 117,227,088	¥ 1,955,353	¥ 2,775,025	¥ (819,671)

Millions of U.S. Dollars

March 31	2019				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	\$ 2,912	\$ 2,928	\$ (16)	\$ 159	\$ (175)
Bonds	464,832	452,516	12,315	12,341	(26)
Japanese government bonds	304,305	293,696	10,610	10,610	(1)
Japanese local government bonds	62,220	61,726	494	497	(3)
Japanese short-term corporate bonds	1,991	1,991	—	—	—
Japanese corporate bonds	96,315	95,104	1,212	1,234	(22)
Other	625,174	616,091	9,083	13,098	(4,016)
Of which: foreign bonds	243,390	235,985	7,405	10,110	(2,705)
Of which: investment trusts	371,479	369,840	1,639	2,950	(1,310)
Total	\$ 1,092,918	\$ 1,071,536	\$ 21,382	\$ 25,599	\$ (4,217)

- 4) Held-to-maturity bonds sold for the fiscal years ended March 31, 2019 and 2018
There were no held-to-maturity bonds sold for the fiscal years ended March 31, 2019 and 2018.
- 5) Policy-reserve-matching bonds sold for the fiscal years ended March 31, 2019 and 2018
There were no policy-reserve-matching bonds sold for the fiscal years ended March 31, 2019 and 2018.
- 6) Available-for-sale securities sold for the fiscal years ended March 31, 2019 and 2018

Millions of Yen

Year ended March 31	2019		
	Sales	Gains	Losses
Stocks	¥ 116,978	¥ 7,773	¥ (11,685)
Bonds	1,654,705	8,831	(2,898)
Japanese government bonds	1,516,682	7,495	—
Japanese local government bonds	23,572	27	—
Japanese corporate bonds	114,449	1,308	(2,898)
Other	1,992,836	35,106	(75,561)
Of which: foreign bonds	1,643,650	32,032	(69,858)
Of which: investment trusts	349,185	3,074	(5,703)
Total	¥ 3,764,519	¥ 51,712	¥ (90,145)

Millions of Yen

Year ended March 31	2018		
	Sales	Gains	Losses
Stocks	¥ 38,459	¥ 4,908	¥ (1,152)
Bonds	1,277,587	5,938	(6,353)
Japanese government bonds	1,258,985	5,937	(5,910)
Japanese local government bonds	—	—	—
Japanese corporate bonds	18,602	1	(442)
Other	3,360,306	41,037	(101,363)
Of which: foreign bonds	3,055,360	40,763	(79,537)
Of which: investment trusts	304,945	274	(21,826)
Total	¥ 4,676,353	¥ 51,885	¥ (108,869)

Millions of U.S. Dollars

Year ended March 31	2019		
	Sales	Gains	Losses
Stocks	\$ 1,054	\$ 70	\$ (105)
Bonds	14,909	80	(26)
Japanese government bonds	13,665	68	—
Japanese local government bonds	212	0	—
Japanese corporate bonds	1,031	12	(26)
Other	17,955	316	(681)
Of which: foreign bonds	14,809	289	(629)
Of which: investment trusts	3,146	28	(51)
Total	\$ 33,918	\$ 466	\$ (812)

7) Securities incurred impairment losses

For the securities (excluding trading securities) with market quotations, and in case whose fair value declines significantly from their acquisition cost, with no prospect of recovering to their acquisition cost, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation differences as losses in the fiscal year in which they are recognized. Impairment losses amounted to ¥8,063 million (\$73 million) and nil for the fiscal year ended March 31, 2019 and 2018, respectively.

(4) Money Held in Trust

1) Money Held in Trust Classified as Trading

Millions of Yen

March 31	2019	
	Consolidated balance sheet amount	Valuation gains (losses) included in the consolidated statements of income for the current fiscal year
Money held in trust classified as trading	¥ 39,290	¥ (3)

Millions of Yen

March 31	2018	
	Consolidated balance sheet amount	Valuation gains (losses) included in the consolidated statements of income for the current fiscal year
Money held in trust classified as trading	¥ 79,273	¥ (370)

Millions of U.S. Dollars

March 31	2019	
	Consolidated balance sheet amount	Valuation gains (losses) included in the consolidated statements of income for the current fiscal year
Money held in trust classified as trading	\$ 354	\$ (0)

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

Millions of Yen

March 31	2019				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading or held-to-maturity	¥ 6,313,068	¥ 4,796,958	¥ 1,516,109	¥ 1,589,719	¥ (73,609)

Millions of Yen

March 31	2018				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading or held-to-maturity	¥ 6,818,229	¥ 5,012,583	¥ 1,805,646	¥ 1,848,301	¥ (42,654)

Millions of U.S. Dollars

March 31	2019				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading or held-to-maturity	\$ 56,880	\$ 43,220	\$ 13,660	\$ 14,323	\$ (663)

Notes: 1. For securities with market quotations included as trust assets in "Money Held in Trust Classified as Other than Trading or Held-to-Maturity", and in case whose fair value declines significantly from their acquisition cost, with no prospect of recovering to their acquisition cost, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation differences as losses in the fiscal year in which they are recognized. Impairment losses amounted to ¥14,434 million (\$130 million) and ¥1,650 million for the fiscal years ended March 31, 2019 and 2018, respectively.

2. "Money held in trust classified as other than trading or held-to-maturity" include investment in non-consolidated subsidiaries of ¥19,680 million (\$177 million) and ¥8,150 million as of March 31, 2019 and 2018, respectively.

5. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of March 31, 2019 and 2018 consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Assets pledged as collateral:			
Cash and due from banks	¥ 10	¥ —	\$ 0
Securities	17,536,796	19,887,925	158,003
Liabilities corresponding to assets pledged as collateral:			
Deposits	1,265,494	1,982,813	11,402
Payables under repurchase agreements	11,569,371	1,932,490	104,238
Payables under securities lending transactions	5,896,268	17,396,513	53,124
Other liabilities	3,980	2,400	36

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, 2019 and 2018:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Assets pledged as collateral:			
Cash and due from banks	¥ 30	¥ 30	\$ 0
Securities	1,686,972	682,296	15,199

"Other assets" include margins for future transactions, guarantee deposits, margins with central counterparty and cash collateral paid for financial instruments as of March 31, 2019 and 2018 as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Other assets:			
Margins for future transactions	¥ 146,257	¥ 139,092	\$ 1,318
Guarantee deposits	17,116	15,703	154
Margins with central counterparty	647,946	511,672	5,838
Cash collateral paid for financial instruments	28,966	38,953	261

6. LOANS

Risk management loans as of March 31, 2019 and 2018 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Loans to bankrupt borrowers	¥ —	¥ —	\$ —
Non-accrual delinquent loans	—	0	—
Past-due loans for three months or more	—	—	—
Restructured loans	—	—	—
Total	¥ —	¥ 0	\$ —

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

Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The banking subsidiary will make the loans upon the request of an obligor to draw down funds under such loan agreements, unless any terms or conditions stipulated in the relevant loan agreement are violated. The amounts of unused commitments on loans of the banking subsidiary as of March 31, 2019 and 2018 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Amount of unused commitments on loans	¥ 16,997	¥ 19,364	\$ 153
Of which: unused commitments with a term of less than one year or that may be cancelled unconditionally at any point of time	—	—	—

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows of the banking subsidiary. Conditions are included in certain loan agreements that allow the banking subsidiary to decline the request for a loan draw-down when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the banking subsidiary's credit. At the inception of contracts, the banking subsidiary has the obligor pledge collateral to the banking subsidiary in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the banking subsidiary reviews the obligor's financial condition in accordance with the banking subsidiary's established internal procedures and takes necessary measures to protect its credit.

The amounts of unused commitments on loans of the insurance subsidiary as of March 31, 2019 and 2018 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Amount of unused commitments on loans	¥ 14,751	¥ 3,000	\$ 133

7. TANGIBLE FIXED ASSETS

(1) Accumulated Depreciation

Accumulated depreciation as of March 31, 2019 and 2018 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Accumulated depreciation	¥ 1,426,018	¥ 1,335,371	\$ 12,848

(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, 2019 and 2018 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Deferred gains on tangible fixed assets not recognized for tax purposes	¥ 89,044	¥ 63,221	\$ 802
Of which, deferred during the fiscal year	31,602	150	285

(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
	2019	2018	2019
Net rent income (losses) ¹	¥ 11,272	¥ 10,342	\$ 102
Net gains (losses) on sales ²	5	2,829	0
Losses on impairment ³	8,180	8,533	74
Other losses ³	239	1,201	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
	2019	2018	2019
Consolidated balance sheet amount ¹			
Balance at the beginning of the fiscal year	¥ 479,460	¥ 483,204	\$ 4,320
Net change during the fiscal year	(7,825)	(3,743)	(71)
Balance at the end of the fiscal year	¥ 471,634	¥ 479,460	\$ 4,249
Fair value at the end of the fiscal year ²	¥ 618,477	¥ 572,762	\$ 5,572

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 were ¥126,895 million (\$1,143 million) and ¥38,701 million as of March 31, 2019 and 2018, 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 ¥454 million (\$4 million) and ¥515 million as of March 31, 2019 and 2018, respectively.

Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance were ¥985 million (\$9 million) and ¥946 million as of March 31, 2019 and 2018, 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 ¥33,174 million (\$299 million) and ¥31,569 million as of March 31, 2019 and 2018, 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, 2019 and 2018 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance at the beginning of the fiscal year	¥ 1,622,889	¥ 1,772,565	\$ 14,622
Policyholder dividends paid	(220,769)	(267,178)	(1,989)
Interest accrual, etc.	7	7	0
Reduction due to the acquisition of additional annuity	(300)	(297)	(3)
Provision for reserve for policyholder dividends	111,806	117,792	1,007
Balance at the end of the fiscal year	¥ 1,513,634	¥ 1,622,889	\$ 13,638

11. BORROWINGS, LEASE OBLIGATIONS AND COMMERCIAL PAPERS

Borrowings and lease obligations as of March 31, 2019 and 2018 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate ¹	Due
	2019	2018	2019	2019	2019
Borrowings	¥ 281,021	¥ 239,344	\$ 2,532	2.17%	April 2019 - December 2021
Lease obligations	19,817	20,624	179	— ²	April 2019 - March 2040

Notes:

- The interest rates above are calculated using the weighted-average method based on the interest rate and balance at the fiscal year-end date.
- The average interest rate of lease obligations is not presented above because interest included in the total amount of lease payments is allocated to each period using the straight-line method in certain consolidated subsidiaries.
- Borrowings and lease obligations are included in "Other liabilities" in the accompanying consolidated balance sheets.

The repayment schedule on borrowings as of March 31, 2019 was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 205,261	\$ 1,849
Due after 1 year through 2 years	60,074	541
Due after 2 years through 3 years	15,685	141
Due after 3 years through 4 years	—	—
Due after 4 years through 5 years	—	—
Thereafter	—	—
Total	¥ 281,021	\$ 2,532

The repayment schedule on lease obligations as of March 31, 2019 was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 1,564	\$ 14
Due after 1 year through 2 years	1,361	12
Due after 2 years through 3 years	1,165	10
Due after 3 years through 4 years	1,028	9
Due after 4 years through 5 years	903	8
Thereafter	13,795	124
Total	¥ 19,817	\$ 179

Commercial papers issued as of March 31, 2019 and 2018 to procure funds for operating activities were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate	Due
	2019	2018	2019	2019	2019
Commercial papers	¥ 28,029	¥ 191,481	\$ 253	0.85%	April 2019 - June 2019

12. BONDS

Bonds as of March 31, 2019 were as follows:

Issuer	Description	Issue	Millions of Yen	Millions of U.S. Dollars	Interest rate	Due
Japan Post Insurance Co., Ltd.	First series of subordinated unsecured bonds with interest deferral option and early redemption option	January 29, 2019	¥ 100,000	\$ 901	1.00%	January 29, 2049
		Total	¥ 100,000	\$ 901		

Notes:

- The above bonds are subordinated bonds with the special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.
- No collateral was provided for the above bonds.
- Interest rate from the day immediately following January 29, 2029, shall be 6-month Euroyen LIBOR plus 1.78%.

The repayment schedule on borrowings as of March 31, 2019 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	100,000	901
Total	¥ 100,000	\$ 901

There were no bonds as of March 31, 2018.

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 Service 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 6 months and 47 years and applying discount rates ranging from 0.0% to 3.0%.

(3) Changes in Asset Retirement Obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance at the beginning of the fiscal year	¥ 21,630	¥ 15,576	\$ 195
Obligations incurred due to acquisition of tangible fixed assets	1,518	268	14
Time progress adjustments	49	33	0
Obligations settled	(573)	(1,770)	(5)
Other ¹	5,430	7,522	49
Balance at the end of the fiscal year	¥ 28,055	¥ 21,630	\$ 253

Note: 1. "Other" includes an increasing cost recognized as asset retirement obligations primarily due to the change in estimates of the removal costs for the future demolition of the assets.

14. RETIREMENT BENEFITS

(1) Outline of Retirement Benefits

The Company and major consolidated subsidiaries have lump-sum severance indemnity plans as a defined benefit plan. Certain consolidated subsidiaries adopt the simplified method in calculating their retirement benefit obligations. Under the simplified method, the amount to be required for voluntary termination at the fiscal year-end is recorded as projected benefit obligations. The charges concerning share of public service pension and share of another public service pension (as defined in Note 2(14)) 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 ¥10,886 million (\$98 million) and ¥10,893 million for the fiscal years ended March 31, 2019 and 2018, respectively.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance at the beginning of the fiscal year	¥ 2,697,454	¥ 2,779,280	\$ 24,304
Service cost	118,274	120,230	1,066
Interest cost	17,058	17,398	154
Actuarial differences	(6,993)	(11,954)	(63)
Benefits paid	(200,771)	(207,441)	(1,809)
Other	(458)	(59)	(4)
Balance at the end of the fiscal year	¥ 2,624,564	¥ 2,697,454	\$ 23,647

2) Changes in plan assets

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance at the beginning of the fiscal year	¥ 484,731	¥ 535,821	\$ 4,367
Expected return on plan assets	1,107	1,246	10
Actuarial differences	2,012	479	18
Contributions paid by the employer	242	243	2
Benefits paid	(49,277)	(53,059)	(444)
Other	(311)	—	(3)
Balance at the end of the fiscal year	¥ 438,504	¥ 484,731	\$ 3,951

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Funded retirement benefit obligations	¥ 388,477	¥ 441,248	\$ 3,500
Share of public service pension	381,700	433,411	3,439
Share of another public service pension	512	666	5
Corporate pension plan	6,264	7,170	56
Plan assets	(438,504)	(484,731)	(3,951)
Share of public service pension	(430,791)	(475,838)	(3,881)
Share of another public service pension	(326)	(454)	(3)
Corporate pension plan	(7,387)	(8,438)	(67)
	(50,027)	(43,482)	(451)
Unfunded retirement benefit obligations	2,236,087	2,256,205	20,147
Lump-sum severance indemnity	2,236,087	2,256,205	20,147
Net liability (asset) for retirement benefits	¥ 2,186,059	¥ 2,212,723	\$ 19,696
Liability for retirement benefits	¥ 2,236,273	¥ 2,256,418	\$ 20,148
Asset for retirement benefits	(50,214)	(43,694)	(452)
Net liability (asset) for retirement benefits	¥ 2,186,059	¥ 2,212,723	\$ 19,696

4) Retirement benefit costs

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Service cost	¥ 118,274	¥ 120,230	\$ 1,066
Interest cost	17,058	17,398	154
Expected return on plan assets	(1,107)	(1,246)	(10)
Amortization of actuarial differences	(21,873)	(24,150)	(197)
Amortization of prior service cost	(28,410)	(28,701)	(256)
Other	1,000	4	9
Total	¥ 84,942	¥ 83,535	\$ 765

5) Adjustments for retirement benefits (before tax effect)

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Prior service cost	¥ (28,410)	¥ (28,640)	\$ (256)
Actuarial differences	(12,867)	(11,717)	(116)
Total	¥ (41,278)	¥ (40,357)	\$ (372)

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Unrecognized prior service cost	¥ 170,641	¥ 198,883	\$ 1,537
Unrecognized actuarial differences	87,044	99,779	784
Total	¥ 257,685	¥ 298,662	\$ 2,322

7) Plan assets

March 31	2019	2018
Bonds	85%	89%
Stocks	0	0
Life insurance general account	0	0
Other	15	11
Total	100%	100%

Note: Total plan assets are comprised 98% of retirement benefit trusts as of March 31, 2019 and 2018, respectively, which were set up for share of public service pension and share of another public service pension.

Current and target asset allocations, current and expected returns on various categories of plan assets have been taken into consideration in determining the long-term expected rate of return on plan assets.

8) Actuarial assumptions

The principal actuarial assumptions used for the fiscal years ended March 31, 2019 and 2018 were as follows:

Years ended March 31	2019	2018
Discount rate	0.2% - 0.7%	0.2% - 0.7%
Long-term expected rate of return on plan assets	0.1% - 2.0%	0.1% - 2.0%

(3) Defined Contribution Plans

The amounts required to be contributed to the defined contribution plans by certain consolidated subsidiaries were ¥14,977 million (\$135 million) and ¥13,986 million for the fiscal years ended March 31, 2019 and 2018, respectively.

15. RESERVES RELATED TO REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance (The name of the organization was changed to "Organization for Postal Savings, Postal Life Insurance and Post Office Network" on April 1, 2019), 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 Management Organization for Postal Savings and Postal Life Insurance (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, 2019 and 2018 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Policy reserves (excluding contingency reserve)	¥ 35,566,089	¥ 38,351,137	\$ 320,444
Contingency reserve	1,491,491	1,665,082	13,438
Reserve for price fluctuations	¥ 661,836	¥ 665,523	\$ 5,963

16. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Liability for retirement benefits	¥ 796,783	¥ 818,966	\$ 7,179
Policy reserves	918,790	832,310	8,278
Reserve for outstanding claims	44,069	44,659	397
Reserve for bonuses	37,509	38,757	338
Reserve for price fluctuations	208,438	207,552	1,878
Deferred losses on hedges	27,525	1	248
Tax losses carried forward*	256,727	263,274	2,313
Other	192,029	205,527	1,730
Subtotal deferred tax assets	2,481,873	2,411,050	22,361
Valuation allowance for tax losses carried forward*	(256,296)	—	(2,309)
Valuation allowance for deductible temporary differences	(827,325)	—	(7,454)
Total valuation allowance	(1,083,621)	(1,107,330)	(9,763)
Total deferred tax assets	1,398,252	1,303,720	12,598
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(1,294,114)	(1,364,938)	(11,660)
Unrealized gains on assets and liabilities of the consolidated subsidiaries	(7,581)	(8,583)	(68)
Other	(26,784)	(27,911)	(241)
Total deferred tax liabilities	(1,328,481)	(1,401,432)	(11,969)
Net deferred tax assets (liabilities)	¥ 69,770	¥ (97,712)	\$ 629

* Amounts of tax losses carried forward and its deferred tax assets by expiration periods were as follows:

March 31	Millions of Yen						
	2019						
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Tax losses carried forward ¹	¥ 8,973	¥ 8,436	¥ 453	¥ 5,436	¥ 4,842	¥ 228,584	¥ 256,727
Valuation allowance	(8,694)	(8,330)	(447)	(5,436)	(4,842)	(228,545)	(256,296)
Deferred tax assets	¥ 279	¥ 106	¥ 6	¥ —	¥ —	¥ 38	¥ 431

March 31	Millions of U.S. Dollars						
	2019						
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Tax losses carried forward ¹	\$ 81	\$ 76	\$ 4	\$ 49	\$ 44	\$ 2,060	\$ 2,313
Valuation allowance	(78)	(75)	(4)	(49)	(44)	(2,059)	(2,309)
Deferred tax assets	\$ 3	\$ 1	\$ 0	\$ —	\$ —	\$ 0	\$ 4

Note: 1. Tax losses carried forward is after multiplying the statutory tax rate.

(Changes in presentation)

(Changes associated with the adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018; hereinafter referred to as "Statement No. 28") from the fiscal year ended March 31, 2019. The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation allowance) and 9 of "Accounting Standard for Tax Effect Accounting", which are required in paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the fiscal year ended March 31, 2018 is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

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% and 30.9% for the fiscal years ended March 31, 2019 and 2018, 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, 2019 and 2018 was as follows:

Years ended March 31	2019	2018
Statutory tax rate	30.6%	30.9%
Income not taxable for income tax purposes (e.g. non-taxable dividend income)	(0.8)	(0.4)
Changes in valuation allowance	(5.0)	(3.1)
Other	0.0	0.5
Effective income tax rate	24.9%	27.8%

17. NET ASSETS

(1) Type and Number of Shares Authorized and Issued

Year ended March 31, 2019	Thousands of shares			
	April 1, 2018	Increase	Decrease	March 31, 2019
Shares authorized:				
Common stock	18,000,000	—	—	18,000,000
Shares issued:				
Common stock	4,500,000	—	—	4,500,000

Year ended March 31, 2018	Thousands of shares			
	April 1, 2017	Increase	Decrease	March 31, 2018
Shares authorized:				
Common stock	18,000,000	—	—	18,000,000
Shares issued:				
Common stock	4,500,000	—	—	4,500,000

(2) Type and Number of Treasury Stock

Year ended March 31, 2019	Thousands of shares			
	April 1, 2018 ¹	Increase ²	Decrease ²	March 31, 2019 ¹
Treasury stock:				
Common stock	456,837	—	41	456,796

Notes:

- The number of treasury stock at the beginning of the fiscal year includes the shares of the Company held by the management board benefit trust of 698 thousand shares. The number of treasury stock at the end of the fiscal year includes the shares of the Company held by the management board benefit trust of 656 thousand shares.
- A decrease of 41 thousand shares of treasury stock is due to the benefits paid of the shares of the Company by the management board benefit trust.

Year ended March 31, 2018	Thousands of shares			
	April 1, 2017 ¹	Increase ²	Decrease ²	March 31, 2018 ¹
Treasury stock:				
Common stock	384,037	72,833	33	456,837

Notes:

- The number of treasury stock at the beginning of the fiscal year includes the shares of the Company held by the management board benefit trust of 731 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 698 thousand shares.
- An increase of 72,833 thousand shares of treasury stock is due to the purchase of 72,833 thousand shares of the Company based on the resolution of the Board of Directors' meeting held on September 11, 2017 and the purchase of 0 thousand fractional shares. A decrease of 33 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, 2019

Resolution	Class of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 15, 2018 ¹	Common stock	¥ 129,403	\$ 1,166	¥ 32.00	\$ 0.29	March 31, 2018	June 21, 2018
Board of Directors' meeting held on November 14, 2018 ²	Common stock	¥ 101,096	\$ 911	¥ 25.00	\$ 0.23	September 30, 2018	December 6, 2018

Notes:

- The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2018 includes dividends of ¥22 million (\$0 million) for the Company's shares held by the management board benefit trust. Per share amount includes a special dividend of ¥7.00 (\$0.06).
- The total amount of dividends resolved by the Board of Directors' meeting held on November 14, 2018 includes dividends of ¥16 million (\$0 million) for the Company's shares held by the management board benefit trust.

Dividends paid for the fiscal year ended March 31, 2018

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, 2017	Common stock	¥ 102,917	¥ 25.00	March 31, 2017	June 23, 2017
Board of Directors' meeting held on November 14, 2017 ²	Common stock	¥ 101,096	¥ 25.00	September 30, 2017	December 6, 2017

Note:

- The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2017 includes dividends of ¥18 million for the Company's shares held by the management board benefit trust.
- The total amount of dividends resolved by the Board of Directors' meeting held on November 14, 2017 includes dividends of ¥18 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, 2019

Resolution	Class of shares	Total amount ¹ (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Source of dividends	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 15, 2019	Common stock	¥ 101,096	\$ 911	Retained earnings	¥ 25.00	\$ 0.23	March 31, 2019	June 20, 2019

Notes:

- The total amount of dividends includes dividends of ¥16 million (\$0 million) for the Company's shares held by the management board benefit trust.

18. INACTIVE DEPOSITS

"Banking business income" for the fiscal years ended March 31, 2019 and 2018 included income from derecognition of inactive deposits recorded by the banking subsidiary, and "Other expenses" for the fiscal years ended March 31, 2019 and 2018 included provision for reserve for reimbursement of deposits by the banking subsidiary. The respective amounts were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Income from derecognition of inactive deposits	¥ 20,270	¥ 144,679	\$ 183
Provision for reserve for reimbursement of deposits	10,771	84,473	97

19. OTHER INCOME

Other income for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Gains on sales of fixed assets ¹	¥ 7,230	¥ 88,182	\$ 65
Gains on negative goodwill	—	568	—
Reversal of reserve for price fluctuations	19,251	—	173
Compensation for transfer	2,345	190	21
Compensation income	—	176	—
Settlement received	—	1,001	—
Gains on transfer of business	—	2,005	—
Other	248,023	248,312	2,235
Total	¥ 276,850	¥ 340,438	\$ 2,494

Note: 1. For the fiscal year ended March 31, 2018, "Gains on sales of fixed assets" include gains on sales of fixed assets of ¥85,034 million (\$800 million) for the transfer of the former Tokyo service center owned by the insurance subsidiary.

20. OTHER EXPENSES

Other expenses for the fiscal years ended March 31, 2019 and 2018 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Losses on sales and disposal of fixed assets	¥ 8,310	¥ 4,762	\$ 75
Losses on impairment of fixed assets	12,927	17,964	116
Provision for reserve for price fluctuations ¹	—	128,031	—
Post office refurbishment expenses ²	18,315	25,213	165
Provision for reserve for policyholder dividends ³	111,806	117,792	1,007
Other	59,522	129,062	536
Total	¥ 210,882	¥ 422,825	\$ 1,900

Notes:

- "Provision for reserve for price fluctuations" for the fiscal year ended March 31, 2018 includes the amount corresponding to gains on sales of fixed assets of ¥86,053 million recorded by the insurance subsidiary.
- 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 Management Organization for Postal Savings and Postal Life Insurance (The name of the organization was changed to "Organization for Postal Savings, Postal Life Insurance and Post Office Network" on April 1, 2019) based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Management Organization, was ¥92,117 million (\$830 million) and ¥96,174 million for the fiscal years ended March 31, 2019 and 2018, respectively.

21. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss for the fiscal years ended March 31, 2019 and 2018 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ 184,216	¥ (346,783)	\$ 1,660
Reclassification adjustments	(360,184)	(334,051)	(3,245)
Before tax effect adjustments	(175,968)	(680,834)	(1,585)
Tax effect	55,055	212,303	496
Net unrealized gains (losses) on available-for-sale securities	(120,913)	(468,530)	(1,089)
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	(283,051)	(12,406)	(2,550)
Reclassification adjustments	191,893	186,236	1,729
Adjustments of assets' acquisition costs	(3,120)	(1,275)	(28)
Before tax effect adjustments	(94,277)	172,554	(849)
Tax effect	28,885	(52,836)	260
Net deferred gains (losses) on hedges	(65,392)	119,718	(589)
Foreign currency translation adjustments:			
Amount arising during the fiscal year	(3,888)	(5,412)	(35)
Reclassification adjustments	—	300	—
Before tax effect adjustments	(3,888)	(5,111)	(35)
Tax effect	—	—	—
Foreign currency translation adjustments	(3,888)	(5,111)	(35)
Adjustments for retirement benefits:			
Amount arising during the fiscal year	9,005	12,495	81
Reclassification adjustments	(50,283)	(52,852)	(453)
Before tax effect adjustments	(41,278)	(40,357)	(372)
Tax effect	822	813	7
Adjustments for retirement benefits	(40,455)	(39,544)	(364)
Share of other comprehensive income (loss) of affiliates:			
Amount arising during the fiscal year	(2)	5	(0)
Reclassification adjustments	(0)	—	(0)
Before tax effect adjustments	(2)	5	(0)
Tax effect	—	—	—
Share of other comprehensive income (loss) of affiliates	(2)	5	(0)
Total other comprehensive loss	¥ (230,651)	¥ (393,462)	\$ (2,078)

22. 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 ¥3,432,080 million (\$30,922 million) and ¥3,542,833 million as of March 31, 2019 and 2018, 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, 2019 and 2018 are as follows. Unlisted stocks and others for which fair values are extremely difficult to determine are not included in the table below.

Millions of Yen

March 31	2019		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	¥ 52,244,467	¥ 52,244,467	¥ —
2) Call loans	550,000	550,000	—
3) Receivables under resale agreements	8,368,139	8,368,139	—
4) Receivables under securities borrowing transactions	2,792,202	2,792,202	—
5) Monetary claims bought	650,638	650,638	—
6) Trading account securities			
Trading securities	2	2	—
7) Money held in trust	6,352,358	6,350,174	(2,184)
8) Securities			
Held-to-maturity bonds	63,633,877	71,143,567	7,509,690
Policy-reserve-matching bonds	10,570,049	11,724,384	1,154,334
Stocks of subsidiaries and affiliates	1,181	989	(191)
Available-for-sale securities	120,182,325	120,182,325	—
9) Loans	12,083,499		
Reserve for possible loan losses ¹	(153)		
	12,083,345	12,638,890	555,544
Total	¥ 277,428,589	¥ 286,645,783	¥ 9,217,194
1) Deposits	179,625,834	179,711,000	85,165
2) Payables under repurchase agreements	11,569,371	11,569,371	—
3) Payables under securities lending transactions	5,896,268	5,896,268	—
4) Commercial papers	28,029	28,029	—
5) Bonds	100,000	100,830	830
Total	¥ 197,219,504	¥ 197,305,500	¥ 85,995
Derivative transactions ²			
Hedge accounting not applied	¥ (1,012)	¥ (1,012)	¥ —
Hedge accounting applied	(206,906)	(206,906)	—
Total derivative transactions	¥ (207,919)	¥ (207,919)	¥ —

Millions of Yen

March 31	2018		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	¥ 50,782,381	¥ 50,782,381	¥ —
2) Call loans	745,000	745,000	—
3) Receivables under resale agreements	—	—	—
4) Receivables under securities borrowing transactions	11,520,376	11,520,376	—
5) Monetary claims bought	454,635	454,635	—
6) Trading account securities			
Trading securities	32	32	—
7) Money held in trust	6,897,503	6,897,503	—
8) Securities			
Held-to-maturity bonds	69,949,024	77,062,931	7,113,906
Policy-reserve-matching bonds	10,676,330	11,769,615	1,093,285
Stocks of subsidiaries and affiliates	—	—	—
Available-for-sale securities	118,242,806	118,242,806	—
9) Loans	13,772,684		
Reserve for possible loan losses ¹	(181)		
	13,772,503	14,396,369	623,866
Total	¥ 283,040,593	¥ 291,871,652	¥ 8,831,058
1) Deposits	178,489,035	178,631,158	142,123
2) Payables under repurchase agreements	1,985,285	1,985,285	—
3) Payables under securities lending transactions	17,475,671	17,475,671	—
4) Commercial papers	191,481	191,481	—
5) Bonds	—	—	—
Total	¥ 198,141,473	¥ 198,283,596	¥ 142,123
Derivative transactions ²			
Hedge accounting not applied	¥ 6,230	¥ 6,230	¥ —
Hedge accounting applied	(19,770)	(19,770)	—
Total derivative transactions	¥ (13,540)	¥ (13,540)	¥ —

Millions of U.S. Dollars

March 31	2019		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	\$ 470,713	\$ 470,713	\$ —
2) Call loans	4,955	4,955	—
3) Receivables under resale agreements	75,395	75,395	—
4) Receivables under securities borrowing transactions	25,157	25,157	—
5) Monetary claims bought	5,862	5,862	—
6) Trading account securities			
Trading securities	0	0	—
7) Money held in trust	57,234	57,214	(20)
8) Securities			
Held-to-maturity bonds	573,330	640,991	67,661
Policy-reserve-matching bonds	95,234	105,635	10,400
Stocks of subsidiaries and affiliates	11	9	(2)
Available-for-sale securities	1,082,821	1,082,821	—
9) Loans	108,870		
Reserve for possible loan losses ¹	(1)		
	108,869	113,874	5,005
Total	\$ 2,499,582	\$ 2,582,627	\$ 83,045
1) Deposits	1,618,397	1,619,164	767
2) Payables under repurchase agreements	104,238	104,238	—
3) Payables under securities lending transactions	53,124	53,124	—
4) Commercial papers	253	253	—
5) Bonds	901	908	7
Total	\$ 1,776,912	\$ 1,777,687	\$ 775
Derivative transactions ²			
Hedge accounting not applied	\$ (9)	\$ (9)	\$ —
Hedge accounting applied	(1,864)	(1,864)	—
Total derivative transactions	\$ (1,873)	\$ (1,873)	\$ —

Notes:

- General reserve for possible loan losses corresponding to loans has been deducted.
- Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums. Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses. Additionally, those subject to exceptional treatment for interest rate swaps and the allocation method for forward foreign exchange which requires recognized foreign currency assets or liabilities to be translated using the corresponding foreign exchange contract rates are jointly disclosed with hedged loans and securities. Therefore, their fair values are included in the relevant loans and securities.

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

Assets

- Cash and due from banks
For funds due from banks with no maturity date, fair value approximates book value, which is therefore used as fair value. For funds due from banks with a maturity date where the contract period is short (within a year), fair value approximates book value, which is therefore used as fair value.
- Call loans, 3) Receivables under resale agreements and 4) Receivables under securities borrowing transactions Contract tenors are short term (within one year) and their fair values approximate book value, which is therefore used as fair value.
- Monetary claims bought
Pricing offered by the broker and other third parties serves as fair value.
- Trading account securities
The purchase price of the Bank of Japan serves as fair value.
- Money held in trust
For invested securities representing trust assets in money held in trust, the fair value of stocks is based on the price on the stock exchange, etc. and the fair value of bonds is based on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association. The fair value of derivative transactions is based on the prices provided by information vendors, etc. In addition, the fair value of the loans is based on a price obtained by discounting the total sum of the principal and interest by an interest rate that takes into account of the remaining period and credit risk of each loan.
Notes to money held in trust by categories based on holding purposes are provided in Note 4 (4) "Money Held in Trust".
- Securities
For fair value of stocks is based on the price on the stock exchange, etc. The fair value of bonds is based on the price quoted by the exchange, the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, the price calculated using the comparable price method or the price provided by a broker, etc. The fair value of investment trust is based primarily on the funds' unit price.
Notes to securities by categories based on holding purposes are provided in Note 4 (3) "Fair Value Information on Securities and Policy-Reserve-Matching Bonds".
- Loans
For loans with variable interest rates, which follow market interest rates only over the short-term, fair value approximates book value unless the obligor's credit standing significantly differs after the transaction. In such cases, book value serves as fair value. For loans with fixed interest rates, fair value is considering a net discounted present value of future cash flows, etc.
For loans that are limited to within a designated percentage of the amount of pledged assets, book values are used as fair values, because their fair values approximate book value based on the loan terms and conditions.

Liabilities

- 1) Deposits
For demand deposits, the payment amount (book value) if demanded on the consolidated balance sheet date is deemed to be the fair value of such demand deposits. For fixed-term deposits, fair value is based on the net discounted present value of estimated future cash flows, following a division into certain periods. The interest rate applicable to new savings is used as the discount rate.
- 2) Payables under repurchase agreements, 3) Payables under securities lending transactions and 4) Commercial papers
Contract tenors are short term (within one year) and their fair values approximate book value, which is therefore used as fair value.
- 5) Bonds
The fair value of bonds is based on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association.

Derivatives

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

The consolidated balance sheet amounts of financial instruments for which fair values are deemed extremely difficult to determine are as shown below; they are not included in "Assets 7) Money held in trust" and "Assets 8) Securities" under information concerning fair values of financial instruments.

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Money held in trust ¹	¥ 425,977	¥ 158,895	\$ 3,838
Securities			
Unlisted stocks ²	29,505	25,843	266
Investment trusts ³	1,199,338	457,183	10,806
Investments in partnerships ⁴	30,830	11,828	278
Total	¥ 1,685,651	¥ 653,751	\$ 15,187

Notes:

1. Money held in trust, for which underlying assets held by the trust such as investment in private REIT are extremely difficult to determine their fair values, is not included in the scope of fair value disclosures.
2. Unlisted stocks are not included in the scope of fair value disclosures because there are no available market prices and it is extremely difficult to determine their fair values.
3. Investment trusts, for which underlying assets held by the trust such as unlisted stocks are extremely difficult to determine their fair values, are not included in the scope of fair value disclosures.
4. Investments in partnerships are not included in the scope of fair value disclosures because they consist of partnership asset components such as unlisted stocks which are extremely difficult to determine their fair values.

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

Millions of Yen

March 31	2019					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 51,214,811	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	550,000	—	—	—	—	—
Receivables under resale agreements	8,368,139	—	—	—	—	—
Receivables under securities borrowing transactions	2,792,202	—	—	—	—	—
Monetary claims bought	330,240	35,092	34,295	44,796	41,228	160,774
Securities	17,063,421	31,780,453	33,141,498	9,025,771	20,583,230	39,548,253
Held-to-maturity bonds	5,635,397	12,086,936	13,681,561	2,087,326	6,550,505	23,095,039
Japanese government bonds	4,336,800	9,369,700	11,130,800	1,488,200	5,493,100	20,892,500
Japanese local government bonds	722,700	2,089,165	1,507,606	502,226	453,351	1,162,979
Japanese corporate bonds	543,464	530,071	1,043,155	96,900	604,053	1,039,560
Other	32,433	98,000	—	—	—	—
Policy-reserve-matching bonds	1,178,716	1,444,146	1,732,837	549,616	1,757,100	3,672,009
Japanese government bonds	1,119,900	1,355,800	1,507,200	451,400	1,756,800	3,007,100
Japanese local government bonds	54,410	64,313	189,515	77,599	300	165,609
Japanese corporate bonds	4,406	24,033	36,122	20,617	—	499,300
Available-for-sale securities with maturities	10,249,308	18,249,369	17,727,099	6,388,829	12,275,625	12,781,204
Japanese government bonds	3,854,078	7,088,243	9,404,058	1,336,151	5,625,388	4,945,500
Japanese local government bonds	1,182,127	2,028,532	1,419,324	885,625	1,152,130	131,545
Japanese short-term corporate bonds	221,000	—	—	—	—	—
Japanese corporate bonds	1,655,486	2,709,185	1,866,966	1,082,806	1,306,757	1,906,746
Other	3,336,615	6,423,407	5,036,751	3,084,245	4,191,348	5,797,411
Loans	5,222,694	1,956,026	1,604,632	1,141,738	1,031,976	1,122,244
Total	¥ 85,541,509	¥ 33,771,572	¥ 34,780,426	¥ 10,212,307	¥ 21,656,434	¥ 40,831,272

Millions of Yen

March 31	2018					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 49,855,011	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	745,000	—	—	—	—	—
Receivables under resale agreements	—	—	—	—	—	—
Receivables under securities borrowing transactions	11,520,376	—	—	—	—	—
Monetary claims bought	178,784	21,471	36,533	30,696	39,746	144,633
Securities	17,697,566	32,318,753	34,941,735	16,436,338	16,782,137	37,600,450
Held-to-maturity bonds	9,210,676	9,832,998	17,864,830	4,472,581	4,977,522	23,072,436
Japanese government bonds	6,833,245	7,139,400	15,435,000	2,769,500	4,587,400	21,118,900
Japanese local government bonds	1,045,003	1,830,429	1,639,609	1,096,602	59,400	1,170,076
Japanese corporate bonds	1,332,428	732,736	790,221	606,479	330,722	783,460
Other	—	130,433	—	—	—	—
Policy-reserve-matching bonds	584,069	1,595,580	1,832,354	1,363,681	668,200	4,386,900
Japanese government bonds	533,500	1,496,900	1,664,200	1,159,600	667,800	4,118,400
Japanese local government bonds	31,738	79,500	122,873	183,364	400	142,300
Japanese corporate bonds	18,831	19,180	45,281	20,717	—	126,200
Available-for-sale securities with maturities	7,902,820	20,890,174	15,244,550	10,600,075	11,136,415	10,141,113
Japanese government bonds	2,042,669	8,614,117	7,342,930	4,605,766	5,679,154	4,382,100
Japanese local government bonds	933,965	2,441,830	1,497,087	1,039,530	1,445,217	25,314
Japanese short-term corporate bonds	230,000	—	—	—	—	—
Japanese corporate bonds	1,524,495	3,150,466	2,072,094	1,036,044	1,312,145	1,897,330
Other	3,171,689	6,683,760	4,332,438	3,918,734	2,699,898	3,836,369
Loans	5,871,059	2,568,324	1,733,846	1,271,215	1,127,008	1,194,429
Total	¥ 85,867,797	¥ 34,908,549	¥ 36,712,115	¥ 17,738,250	¥ 17,948,892	¥ 38,939,514

Millions of U.S. Dollars

March 31	2019					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	\$ 461,436	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans	4,955	—	—	—	—	—
Receivables under resale agreements	75,395	—	—	—	—	—
Receivables under securities borrowing transactions	25,157	—	—	—	—	—
Monetary claims bought	2,975	316	309	404	371	1,449
Securities	153,738	286,336	298,599	81,321	185,451	356,323
Held-to-maturity bonds	50,774	108,901	123,268	18,806	59,019	208,082
Japanese government bonds	39,074	84,419	100,287	13,408	49,492	188,238
Japanese local government bonds	6,511	18,823	13,583	4,525	4,085	10,478
Japanese corporate bonds	4,897	4,776	9,399	873	5,442	9,366
Other	292	883	—	—	—	—
Policy-reserve-matching bonds	10,620	13,011	15,613	4,952	15,831	33,084
Japanese government bonds	10,090	12,216	13,580	4,067	15,828	27,093
Japanese local government bonds	490	579	1,707	699	3	1,492
Japanese corporate bonds	40	217	325	186	—	4,499
Available-for-sale securities with maturities	92,344	164,424	159,718	57,562	110,601	115,156
Japanese government bonds	34,725	63,864	84,729	12,038	50,684	44,558
Japanese local government bonds	10,651	18,277	12,788	7,979	10,380	1,185
Japanese short-term corporate bonds	1,991	—	—	—	—	—
Japanese corporate bonds	14,916	24,409	16,821	9,756	11,774	17,179
Other	30,062	57,874	45,380	27,788	37,763	52,234
Loans	47,056	17,623	14,457	10,287	9,298	10,111
Total	\$ 770,714	\$ 304,276	\$ 313,365	\$ 92,011	\$ 195,121	\$ 367,882

Redemption schedule of deposits, call money, payables under repurchase agreements, payables under securities lending transactions and commercial papers were as follows:

Millions of Yen

March 31	2019					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits ¹	¥ 91,037,792	¥ 23,711,100	¥ 12,211,908	¥ 13,067,231	¥ 39,597,802	¥ —
Payables under repurchase agreements	11,569,371	—	—	—	—	—
Payables under securities lending transactions	5,896,268	—	—	—	—	—
Commercial papers	28,050	—	—	—	—	—
Bonds	—	—	—	—	—	100,000
Total	¥ 108,531,483	¥ 23,711,100	¥ 12,211,908	¥ 13,067,231	¥ 39,597,802	¥ 100,000

Millions of Yen

March 31	2018					
	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	¥ 94,122,785	¥ 18,879,576	¥ 16,367,000	¥ 15,024,088	¥ 34,095,583	¥ —
Payables under repurchase agreements	1,985,285	—	—	—	—	—
Payables under securities lending transactions	17,475,671	—	—	—	—	—
Commercial papers	191,869	—	—	—	—	—
Bonds	—	—	—	—	—	—
Total	¥ 113,775,612	¥ 18,879,576	¥ 16,367,000	¥ 15,024,088	¥ 34,095,583	¥ —

Millions of U.S. Dollars

March 31	2019					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits ¹	\$ 820,234	\$ 213,633	\$ 110,027	\$ 117,733	\$ 356,769	\$ —
Payables under repurchase agreements	104,238	—	—	—	—	—
Payables under securities lending transactions	53,124	—	—	—	—	—
Commercial papers	253	—	—	—	—	—
Bonds	—	—	—	—	—	901
Total	\$ 977,849	\$ 213,633	\$ 110,027	\$ 117,733	\$ 356,769	\$ 901

Note:

1. Demand deposits are included in "Within 1 year."

23. DERIVATIVE TRANSACTIONS

(1) Derivative Transactions to Which the Hedge Accounting Method Is Not Applied

The following tables set forth the contract amount or the amount equivalent to the principal, fair value and valuation gains (losses) at the end of the fiscal year by transaction type, and calculation method of fair value with respect to derivative transactions to which the hedge accounting method is not applied. Contract amount does not indicate the market risk related to derivative transactions.

1) Interest rate-related derivatives

Millions of Yen

March 31	2019			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Interest rate swaps:				
Receivable fixed rate / Payable floating rate	¥ 191,346	¥ 191,346	¥ 9,223	¥ 9,223
Receivable floating rate / Payable fixed rate	184,465	184,465	(9,577)	(9,577)
Total			¥ (354)	¥ (354)

Millions of Yen

March 31	2018			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Interest rate swaps:				
Receivable fixed rate / Payable floating rate	¥ 21,248	¥ 21,248	¥ (2,115)	¥ (2,115)
Receivable floating rate / Payable fixed rate	8,711	8,711	1,752	1,752
Total			¥ (363)	¥ (363)

Millions of U.S. Dollars

March 31	2019			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Interest rate swaps:				
Receivable fixed rate / Payable floating rate	\$ 1,724	\$ 1,724	\$ 83	\$ 83
Receivable floating rate / Payable fixed rate	1,662	1,662	(86)	(86)
Total			\$ (3)	\$ (3)

Notes:

- The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of operations.
- Fair value is calculated using discounted present value.

2) Currency-related derivatives

Millions of Yen

March 31	2019			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Sold	¥ 449,384	¥ —	¥ (217)	¥ (217)
Bought	375,409	—	(524)	(524)
Total			¥ (741)	¥ (741)

Millions of Yen

March 31	2018			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Sold	¥ 438,114	¥ —	¥ 9,047	¥ 9,047
Bought	453,528	—	(2,943)	(2,943)
Total			¥ 6,103	¥ 6,103

Millions of U.S. Dollars

March 31	2019			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Sold	\$ 4,049	\$ —	\$ (2)	\$ (2)
Bought	3,382	—	(5)	(5)
Total			\$ (7)	\$ (7)

Notes:

- The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.
- Fair value is calculated using discounted present value and other methods.

3) Stock-related derivatives

Millions of Yen

March 31	2019			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Stock index futures:				
Sold	¥ 8,033	¥ —	¥ 73	¥ 73
Total			¥ 73	¥ 73

Millions of Yen

March 31	2018			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Stock index futures:				
Sold	¥ 26,495	¥ —	¥ (230)	¥ (230)
Total			¥ (230)	¥ (230)

Millions of U.S. Dollars

March 31	2019			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Stock index futures:				
Sold	\$ 72	\$ —	\$ 1	\$ 1
Total			\$ 1	\$ 1

Notes:

1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.
2. Fair value is based on the final price on Osaka Exchange.

4) Bond-related derivatives

Millions of Yen

March 31	2019			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Sold	¥ 106,399	¥ —	¥ (723)	¥ (723)
Total			¥ (723)	¥ (723)

Millions of Yen

March 31	2018			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Bought	¥ 15,936	¥ —	¥ 141	¥ 141
Total			¥ 141	¥ 141

Millions of U.S. Dollars

March 31	2019			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Sold	\$ 959	\$ —	\$ (7)	\$ (7)
Total			\$ (7)	\$ (7)

Notes:

1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.
2. Fair value is based on the final price on Chicago Board of Trade or Osaka Exchange, etc.

5) Credit-related derivatives

Millions of Yen

March 31	2019			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold	¥ 23,109	¥ 23,109	¥ 733	¥ 733
Total			¥ 733	¥ 733

Millions of Yen

March 31	2018			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold	¥ 16,062	¥ 16,062	¥ 579	¥ 579
Total			¥ 579	¥ 579

Millions of U.S. Dollars

March 31	2019			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold	\$ 208	\$ 208	\$ 7	\$ 7
Total			\$ 7	\$ 7

Notes:

- The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.
- Fair value is calculated using discounted present value.
- "Sold" represents transactions which the credit risk has been assumed.

(2) Derivative Transactions to Which the Hedge Accounting Method Is Applied

The following tables set forth the contract amount or the amount equivalent to the principal and fair value at the end of the fiscal year by transaction type and hedge accounting method, and calculation method of fair value with respect to derivative transactions to which the hedge accounting method is applied. Contract amount does not indicate the market risk related to derivative transactions.

1) Interest rate-related derivatives

Millions of Yen

March 31	Type of derivative	Major hedged item	2019		
			Contract amount	Contract amount due after 1 year	Fair value ²
Deferral hedge method	Interest rate swaps:	Securities Loans Deposits			
	Receivable fixed rate / Payable floating rate		¥ 3,406,150	¥ 3,406,150	¥ 55,380
	Receivable floating rate / Payable fixed rate		4,439,145	4,110,517	(212,645)
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		30,100	26,050	— ³
Total					¥ (157,265)

Millions of Yen

March 31	Type of derivative	Major hedged item	2018		
			Contract amount	Contract amount due after 1 year	Fair value ²
Deferral hedge method	Interest rate swaps:	Securities Loans Deposits			
	Receivable fixed rate / Payable floating rate		¥ 1,821,750	¥ 1,816,150	¥ 3,217
	Receivable floating rate / Payable fixed rate		4,535,521	4,368,620	(159,670)
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		39,750	30,100	— ³
Total					¥ (156,452)

Millions of U.S. Dollars

March 31	Type of derivative	Major hedged item	2019		
			Contract amount	Contract amount due after 1 year	Fair value ²
Deferral hedge method	Interest rate swaps:	Securities Loans Deposits			
	Receivable fixed rate / Payable floating rate		\$ 30,689	\$ 30,689	\$ 499
	Receivable floating rate / Payable fixed rate		39,996	37,035	(1,916)
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		271	235	— ³
Total					\$ (1,417)

Notes:

- In principle, these derivatives are accounted for using deferred hedge accounting.
- Fair value of over-the-counter transactions is calculated using discounted present value, option pricing models and other methods.
- Interest rate swaps subject to the exceptional treatment are accounted for in combination with the loans that are subject to the hedge. Therefore their fair value is included in the fair value of the relevant loans in Note 22 "FINANCIAL INSTRUMENTS."

2) Currency-related derivatives

Millions of Yen

March 31	Type of derivative	Major hedged item	2019		
			Contract amount	Contract amount due after 1 year	Fair value ²
Hedge accounting method	Currency swaps	Securities	¥ 6,532,674	¥ 6,080,467	¥ (33,160)
	Cross currency interest rate swaps	Foreign currency-denominated forecasted transactions	56,866	—	1,593
Allocation method	Currency swaps	Securities	32,433	—	— ³
	Forward foreign exchange	Other liabilities	0	—	(0)
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	7,063,663	—	(18,073)
Total					¥ (49,641)

Millions of Yen

March 31	Type of derivative	Major hedged item	2018		
			Contract amount	Contract amount due after 1 year	Fair value ²
Hedge accounting method	Currency swaps	Securities	¥ 4,934,320	¥ 4,426,624	¥ 63,086
	Forward foreign exchange	Foreign currency-denominated forecasted transactions	59,417	—	(6,509)
	Cross currency interest rate swaps	Foreign currency-denominated forecasted transactions	43,570	—	(216)
Allocation method	Currency swaps	Securities	32,433	32,433	— ³
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	5,367,910	—	80,320
Total					¥ 136,681

Millions of U.S. Dollars

March 31	Type of derivative	Major hedged item	2019		
			Contract amount	Contract amount due after 1 year	Fair value ²
Hedge accounting method	Currency swaps	Securities	\$ 58,858	\$ 54,784	\$ (299)
	Cross currency interest rate swaps	Foreign currency-denominated forecasted transactions	512	—	14
Allocation method	Currency swaps	Securities	292	—	— ³
	Forward foreign exchange	Other liabilities	0	—	(0)
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	63,642	—	(163)
Total					\$ (447)

Notes:

- In principle, these derivatives are accounted for using deferred hedge accounting.
- Fair value is calculated using discounted present value and other methods.
- Currency swaps subject to the allocation method is accounted for in combination with the securities that are subject to the hedge. Therefore their fair value is included in the fair value of the relevant securities in Note 22 "FINANCIAL INSTRUMENTS."

24. CONTRACTS

Future payments on service contracts for system-related services (such as usage of hardware, software, telecommunication services and maintenance) as of March 31, 2019 and 2018 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Due within 1 year	¥ 628	¥ 790	\$ 6
Due after 1 year	527	662	5

25. LEASE TRANSACTIONS

Operating Leases

(1) As lessee

Future lease payments under non-cancelable operating leases as of March 31, 2019 and 2018 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Due within 1 year	¥ 30,385	¥ 31,470	\$ 274
Due after 1 year	180,802	143,065	1,629
Total	¥ 211,188	¥ 174,536	\$ 1,903

(2) As lessor

Future lease receivables under non-cancelable operating leases as of March 31, 2019 and 2018 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Due within 1 year	¥ 17,472	¥ 16,781	\$ 157
Due after 1 year	55,005	63,219	496
Total	¥ 72,478	¥ 80,001	\$ 653

26. 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 ¥73,885 million (\$666 million) and ¥80,929 million as of March 31, 2019 and 2018, 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.

27. SEGMENT INFORMATION

(1) Outline of Reportable Segments

The Group's reportable segments are categorized based on certain criteria for which discrete financial information is available and reviewed regularly by the management in order to make decisions about resources to be allocated to the segment and assess its performance.

The Group assesses business performance primarily by assessing the performance of each individual consolidated subsidiary and as such recognizes each consolidated subsidiary as an identifiable business segment unit except for Japan Post Co., Ltd., which is classified into postal and domestic logistics business segment and post office business segment. The Group determines its reportable segments by aggregating business segment units with similar economic characteristics, market selling products and services, customer type and other factors.

The Group's reportable segments are (1) postal and domestic logistics business and (2) post office business operated mainly by Japan Post Co., Ltd., (3) international logistics business operated mainly by Toll, (4) banking business operated mainly by Japan Post Bank Co., Ltd., and (5) life insurance business operated mainly by Japan Post Insurance Co., Ltd.

(2) Method of Calculating Income, Profit and Loss, and Assets and Other Items by Reportable Segment

Accounting policies applied to the reportable segments are the same as those described in Note 2 "SIGNIFICANT ACCOUNTING POLICIES."

Intersegment income is determined based on market prices or total cost.

(3) Selected Financial Information on Reportable Segment

Millions of Yen

Year ended March 31	2019							
	Reportable segment						Other ²	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income ¹ :								
Income from third parties	¥ 2,069,865	¥ 190,539	¥ 701,256	¥ 1,843,742	¥ 7,916,596	¥ 12,722,000	¥ 51,348	¥ 12,773,349
Intersegment income	49,467	1,173,218	—	1,668	59	1,224,413	292,410	1,516,824
Total	¥ 2,119,332	¥ 1,363,757	¥ 701,256	¥ 1,845,411	¥ 7,916,655	¥ 13,946,414	¥ 343,759	¥ 14,290,173
Segment profit	¥ 124,457	¥ 59,840	¥ 5,094	¥ 373,976	¥ 264,870	¥ 828,239	¥ 214,368	¥ 1,042,607
Segment assets	2,051,470	2,665,917	467,359	208,974,103	73,905,017	288,063,868	8,162,382	296,226,251
Other items:								
Depreciation and amortization	88,337	44,987	27,486	33,693	58,076	252,581	17,014	269,596
Amortization of goodwill	—	—	—	—	—	—	287	287
Interest and dividend income	29	1	605	1,357,775	1,085,969	2,444,382	8	2,444,390
Interest expenses	593	4	5,871	347,157	1,064	354,691	2	354,694
Equity in earnings of affiliates	—	152	321	225	—	699	—	699
Gains on sales of fixed assets	173	12	7,039	—	—	7,225	6,769	13,994
Gains on negative goodwill	—	—	—	—	—	—	—	—
Reversal of reserve for price fluctuations	—	—	—	—	19,251	19,251	—	19,251
Losses on sales and disposal of fixed assets	988	2,166	98	3,556	620	7,430	886	8,317
Losses on impairment of fixed assets	214	7,354	1,327	550	1,088	10,535	2,392	12,928
Provision for reserve for price fluctuations	—	—	—	—	—	—	—	—
Post office refurbishment expenses	—	—	—	—	—	—	18,315	18,315
Provision for reserve for policyholder dividends	—	—	—	—	111,806	111,806	—	111,806
Income taxes	28,711	9,418	2,159	104,090	50,125	194,506	(21,507)	172,999
Investments in affiliates accounted for by the equity method	—	1,831	10,927	1,568	—	14,327	—	14,327
Increase in tangible fixed assets and intangible assets	33,940	69,500	61,004	49,351	56,787	270,583	31,851	302,434

Year ended March 31	2018							
	Reportable segment						Other ²	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income ¹ :								
Income from third parties	¥ 1,973,809	¥ 190,356	¥ 704,890	¥ 2,042,980	¥ 7,952,894	¥ 12,864,930	¥ 53,606	¥ 12,918,537
Intersegment income	51,727	¥ 1,170,319	—	1,948	57	1,224,053	288,641	1,512,695
Total	¥ 2,025,536	1,360,676	¥ 704,890	¥ 2,044,929	¥ 7,952,951	¥ 14,088,984	¥ 342,248	¥ 14,431,232
Segment profit	¥ 43,736	¥ 40,983	¥ 6,544	¥ 499,642	¥ 309,233	¥ 900,141	¥ 220,154	¥ 1,120,295
Segment assets	1,971,534	2,692,432	441,941	210,629,793	76,831,261	292,566,963	8,200,394	300,767,358
Other items:								
Depreciation and amortization	90,544	45,831	26,502	37,447	61,321	261,646	17,701	279,348
Amortization of goodwill	—	—	—	—	—	—	167	167
Interest and dividend income	18	249	594	1,502,747	1,152,306	2,655,916	1	2,655,917
Interest expenses	614	7	4,336	331,781	1,450	338,191	0	338,191
Equity in earnings of affiliates	—	194	70	83	—	348	—	348
Gains on sales of fixed assets	0	2,842	1,482	—	86,053	90,378	61	90,440
Gains on negative goodwill	—	—	568	—	—	568	—	568
Reversal of reserve for price fluctuations	—	—	—	—	—	—	—	—
Losses on sales and disposal of fixed assets	1,147	1,687	363	713	337	4,250	62	4,312
Losses on impairment of fixed assets	1,317	7,970	408	17	2,003	11,716	6,256	17,973
Provision for reserve for price fluctuations	—	—	—	—	128,031	128,031	—	128,031
Post office refurbishment expenses	—	—	—	—	—	—	25,213	25,213
Provision for reserve for policyholder dividends	—	—	—	—	117,792	117,792	—	117,792
Income taxes	8,279	6,179	1,566	146,192	42,634	204,852	(7,745)	197,107
Investments in affiliates accounted for by the equity method	—	1,691	12,125	1,552	—	15,369	—	15,369
Increase in tangible fixed assets and intangible assets	84,615	24,618	50,902	58,835	34,637	253,609	21,622	275,231

Year ended March 31	2019							
	Reportable segment						Other ²	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income ¹ :								
Income from third parties	\$ 18,649	\$ 1,717	\$ 6,318	\$ 16,612	\$ 71,327	\$ 114,623	\$ 463	\$ 115,086
Intersegment income	446	10,570	—	15	1	11,032	2,635	13,666
Total	\$ 19,095	\$ 12,287	\$ 6,318	\$ 16,627	\$ 71,328	\$ 125,655	\$ 3,097	\$ 128,752
Segment profit	\$ 1,121	\$ 539	\$ 46	\$ 3,369	\$ 2,386	\$ 7,462	\$ 1,931	\$ 9,394
Segment assets	18,483	24,019	4,211	1,882,819	665,871	2,595,404	73,542	2,668,945
Other items:								
Depreciation and amortization	796	405	248	304	523	2,276	153	2,429
Amortization of goodwill	—	—	—	—	—	—	3	3
Interest and dividend income	0	0	5	12,233	9,784	22,023	0	22,024
Interest expenses	5	0	53	3,128	10	3,196	0	3,196
Equity in earnings of affiliates	—	1	3	2	—	6	—	6
Gains on sales of fixed assets	2	0	63	—	—	65	61	126
Gains on negative goodwill	—	—	—	—	—	—	—	—
Reversal of reserve for price fluctuations	—	—	—	—	173	173	—	173
Losses on sales and disposal of fixed assets	9	20	1	32	6	67	8	75
Losses on impairment of fixed assets	2	66	12	5	10	95	22	116
Provision for reserve for price fluctuations	—	—	—	—	—	—	—	—
Post office refurbishment expenses	—	—	—	—	—	—	165	165
Provision for reserve for policyholder dividends	—	—	—	—	1,007	1,007	—	1,007
Income taxes	259	85	19	938	452	1,752	(194)	1,559
Investments in affiliates accounted for by the equity method	—	16	98	14	—	129	—	129
Increase in tangible fixed assets and intangible assets	306	626	550	445	512	2,438	287	2,725

Notes:

- Income is presented instead of net sales which is typical for companies in other industries.
- Other business includes the hotel business and the hospital business. Segment profit in other business includes dividend income from subsidiaries and affiliates recorded by the Company in the amount of ¥203,163 million (\$1,830 million) and ¥198,891 million for the fiscal years ended March 31, 2019 and 2018, 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
	2019	2018	2019
Total income of reportable segments ¹	¥ 13,946,414	¥ 14,088,984	\$ 125,655
Income of other business ¹	343,759	342,248	3,097
Eliminations of intersegment transactions	(1,516,824)	(1,512,695)	(13,666)
Adjustments ²	1,649	1,838	15
Subtotal	¥ 12,774,999	¥ 12,920,375	\$ 115,100
Gains on sales of fixed assets	7,230	88,182	65
Gains on negative goodwill	—	568	—
Reversal of reserve for price fluctuations	19,251	—	173
Compensation for transfer	2,345	190	21
Compensation income	—	176	—
Settlement received	—	1,001	—
Gains on transfer of business	—	2,005	—
Other	583	15	5
Total income on the consolidated statements of income	¥ 12,804,409	¥ 13,012,517	\$ 115,365

Notes:

- Income is presented instead of net sales which is typical for companies in other industries.
- "Adjustments" are primarily due to differences in the calculation methods used for income for the international logistics business segment and the consolidated statements of income.

2) Reconciliation between total segment profit of reportable segments and income before income taxes on the consolidated statements of income

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Total segment profit (loss) of reportable segments	¥ 828,239	¥ 900,141	\$ 7,462
Segment profit in other business	214,368	220,154	1,931
Eliminations of intersegment transactions	(204,465)	(199,813)	(1,842)
Adjustments ¹	(7,445)	(4,337)	(67)
Subtotal	¥ 830,696	¥ 916,144	\$ 7,484
Gains on sales of fixed assets	7,230	88,182	65
Gains on negative goodwill	—	568	—
Reversal of reserve for price fluctuations	19,251	—	173
Compensation for transfer	2,345	190	21
Compensation income	—	176	—
Settlement received	—	1,001	—
Gains on transfer of business	—	2,005	—
Losses on sales and disposal of fixed assets	(8,310)	(4,762)	(75)
Losses on impairment of fixed assets	(12,927)	(17,964)	(116)
Provision for reserve for price fluctuations	—	(128,031)	—
Post office refurbishment expenses	(18,315)	(25,213)	(165)
Provision for reserve for policyholder dividends	(111,806)	(117,792)	(1,007)
Other, net	(12,675)	(5,371)	(114)
Income before income taxes on the consolidated statements of operations	¥ 695,487	¥ 709,134	\$ 6,266

Note: 1. "Adjustments" are primarily due to differences in the calculation methods used for segment profit 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
	2019	2018	2019
Total segment assets of reportable segments	¥ 288,063,868	¥ 292,566,963	\$ 2,595,404
Segment assets in other business	8,162,382	8,200,394	73,542
Eliminations of intersegment transactions	(10,055,542)	(10,127,203)	(90,599)
Total assets on the consolidated balance sheets	¥ 286,170,709	¥ 290,640,154	\$ 2,578,347

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			
	2019			Amount on consolidated financial statements
	Total of reportable segments	Other	Reconciliations	
Depreciation and amortization	¥ 252,581	¥ 17,014	¥ (214)	¥ 269,382
Amortization of goodwill	—	287	—	287
Interest and dividend income	2,444,382	8	—	2,444,390
Interest expenses	354,691	2	—	354,694
Equity in earnings of affiliates	699	—	—	699
Gains on sales of fixed assets	7,225	6,769	(6,764)	7,230
Gains on negative goodwill	—	—	—	—
Reversal of reserve for price fluctuations	19,251	—	—	19,251
Losses on sales and disposal of fixed assets	7,430	886	(6)	8,310
Losses on impairment of fixed assets	10,535	2,392	(0)	12,927
Provision for reserve for price fluctuations	—	—	—	—
Post office refurbishment expenses	—	18,315	—	18,315
Provision for reserve for policyholder dividends	111,806	—	—	111,806
Income taxes	194,506	(21,507)	—	172,999
Investments in affiliates accounted for by the equity method	14,327	—	—	14,327
Increase in tangible fixed assets and intangible assets	270,583	31,851	(6,682)	295,751

Millions of Yen

Year ended March 31	2018			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 261,646	¥ 17,701	¥ (182)	¥ 279,165
Amortization of goodwill	—	167	—	167
Interest and dividend income	2,655,916	1	—	2,655,917
Interest expenses	338,191	0	—	338,191
Equity in earnings of affiliates	348	—	—	348
Gains on sales of fixed assets	90,378	61	(2,258)	88,182
Gains on negative goodwill	568	—	—	568
Reversal of reserve for price fluctuations	—	—	—	—
Losses on sales and disposal of fixed assets	4,250	62	449	4,762
Losses on impairment of fixed assets	11,716	6,256	(9)	17,964
Provision for reserve for price fluctuations	128,031	—	—	128,031
Post office refurbishment expenses	—	25,213	—	25,213
Provision for reserve for policyholder dividends	117,792	—	—	117,792
Income taxes	204,852	(7,745)	—	197,107
Investments in affiliates accounted for by the equity method	15,369	—	—	15,369
Increase in tangible fixed assets and intangible assets	253,609	21,622	(5,062)	270,169

Millions of U.S. Dollars

Year ended March 31	2019			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	\$ 2,276	\$ 153	\$ (2)	\$ 2,427
Amortization of goodwill	—	3	—	3
Interest and dividend income	22,023	0	—	22,024
Interest expenses	3,196	0	—	3,196
Equity in earnings of affiliates	6	—	—	6
Gains on sales of fixed assets	65	61	(61)	65
Gains on negative goodwill	—	—	—	—
Reversal of reserve for price fluctuations	173	—	—	173
Losses on sales and disposal of fixed assets	67	8	(0)	75
Losses on impairment of fixed assets	95	22	(0)	116
Provision for reserve for price fluctuations	—	—	—	—
Post office refurbishment expenses	—	165	—	165
Provision for reserve for policyholder dividends	1,007	—	—	1,007
Income taxes	1,752	(194)	—	1,559
Investments in affiliates accounted for by the equity method	129	—	—	129
Increase in tangible fixed assets and intangible assets	2,438	287	(60)	2,665

(5) Information on Amortization and Unamortized Balance of Goodwill by Reportable Segment

Millions of Yen

Year ended March 31	2019							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 287	¥ 287
Unamortized balance of goodwill	—	—	—	—	—	—	2,718	2,718

Millions of Yen

Year ended March 31	2018							
	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	—	—	—	—	—	—	2,885	2,885

Millions of U.S. Dollars

Year ended March 31	2019							Other	Total
	Reportable segment								
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total			
Amortization of goodwill	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ 3	
Unamortized balance of goodwill	—	—	—	—	—	—	24	24	

(6) Information on Gains on Negative Goodwill by Reportable Segment

There were no gains on negative goodwill for the fiscal year ended March 31, 2019.

The international logistics business segment recorded gains on negative goodwill of ¥568 million due to the acquisition of the port and harbor transportation business by a consolidated subsidiary of Toll for the fiscal year ended March 31, 2018.

(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, 2019 and 2018.

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, 2019 and 2018.

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, 2019 and 2018.

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, 2019 and 2018.

28. PER SHARE DATA

March 31	Yen		U.S. Dollars
	2019	2018	2019
Net assets per share ²	¥ 3,287.86	¥ 3,278.11	\$ 29.62

Years ended March 31	Yen		U.S. Dollars
	2019	2018	2019
Net income per share ⁴	¥ 118.57	¥ 112.97	\$ 1.07

Notes:

1. Diluted net income per share is not presented for the fiscal years ended March 31, 2019 and 2018 as potential common stock did not exist.

2. Net assets per share is calculated based on the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Net assets	¥ 14,788,654	¥ 14,743,234	\$ 133,243
Amount deducted from net assets:			
Non-controlling interests	1,495,145	1,489,292	13,471
Net assets attributable to common stock at the fiscal year-end	¥ 13,293,508	¥ 13,253,942	\$ 119,772

Thousands of shares

March 31	2019	2018
Number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share ³	4,043,203	4,043,162

3. The number of treasury stock excluded from the number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share includes the number of shares of the Company held by the management board benefit trust. The number of shares of the Company held by the management board benefit trust excluded from the calculation of net assets per share was 656,800 shares and 698,100 shares as of March 31, 2019 and 2018, respectively.

4. Net income per share is calculated based on the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Net income attributable to Japan Post Holdings	¥ 479,419	¥ 460,623	\$ 4,319
Amount not attributable to common stockholders	—	—	—
Net income attributable to common stock	¥ 479,419	¥ 460,623	\$ 4,319

Thousands of shares

Years ended March 31	2019	2018
Average number of common stock outstanding during the fiscal year ⁵	4,043,196	4,077,276

5. The number of treasury stock excluded from the average number of common stock outstanding during the fiscal year used for the calculation of net income per share includes the number of shares of the Company held by the management board benefit trust. The average number of shares of the Company held by the management board benefit trust excluded from the calculation of net income per share was 664,352 shares and 705,770 shares for the fiscal years ended March 31, 2019 and 2018, respectively.

29. SUBSEQUENT EVENTS

Sale of a portion of equity interests in a subsidiary

The Company sold a portion of its equity interests in Japan Post Insurance Co., Ltd., which is a consolidated subsidiary, as described below.

1. Reasons for the sale

In accordance with the Postal Service Privatization Act, the Company is required to dispose of its entire equity interests in Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd. (hereinafter referred to as "two financial companies") as early as possible, upon consideration of the condition of business of the two financial companies, impact on fulfilling its obligation to secure universal services and other factors. In compliance with the above effects, the Company plans to sell its equity interests in the two financial companies in stages to the extent that its holding ratio is lowered to around 50%.

Following such policy, the Company sold a portion of equity interests in Japan Post Insurance Co., Ltd. by an offering (hereinafter referred to as "The Offering") by considering the stock price of Japan Post Insurance Co., Ltd., the funding needs of the Company, the possible effects on consolidated financial results of the Company and other matters.

In addition, ahead of the above, the Company sold a portion of equity interests in Japan Post Insurance Co., Ltd. through the share repurchase undertaken by Japan Post Insurance Co., Ltd. (hereinafter referred to as "Sale through the share repurchase undertaken by Japan Post Insurance Co., Ltd.")

2. Timing of the sale

1) The Offering

April 23, 2019

2) Sale through the share repurchase undertaken by Japan Post Insurance Co., Ltd.

April 8, 2019

3. Name of the subsidiary, business description of the subsidiary and its transactions with the Company

Name of the subsidiary: Japan Post Insurance Co., Ltd.

Business description of the subsidiary: Life insurance business

Its transactions with the Company: Payment of brand royalty fees to the Company and others

4. Number of stocks sold and selling price

1) The Offering

Number of stocks sold: 136,670,900 shares

Selling price: ¥322,347 million (\$2,904 million)

2) Sale through the share repurchase undertaken by Japan Post Insurance Co., Ltd.

Number of stocks sold: 34,596,700 shares

Selling price: ¥92,476 million (\$833 million)

5. Impact of the sale and holding ratio after the sale

Impact of the sale: An increase in capital surplus of ¥3,726 million (\$34 million) will be recorded for the fiscal year ending March 31, 2020 due to the sale.

Holding ratio after the sale: 64.50%



Independent Auditor's Report

To the Board of Directors of JAPAN POST HOLDINGS Co., Ltd.:

We have audited the accompanying consolidated financial statements of JAPAN POST HOLDINGS Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JAPAN POST HOLDINGS Co., Ltd. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 29 "SUBSEQUENT EVENTS" to the consolidated financial statements. JAPAN POST HOLDINGS Co., Ltd. sold a portion of its equity interests in Japan Post Insurance Co., Ltd., which is a consolidated subsidiary, on April 8 and 23, 2019. Our opinion is not modified in respect of this matter.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 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.

KPMG AZSA LLC

June 19, 2019
Tokyo, Japan

Capital Adequacy

Matters for Disclosure Concerning Composition of Capital

Capital structure

Consolidated capital adequacy ratio (domestic standard)

(Millions of yen)

Items	2019	Amounts excluded under transitional arrangements	2018	Amounts excluded under transitional arrangements
	(As of March 31, 2019)		(As of March 31, 2018)	
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	¥ 9,902,849		¥ 9,689,139	
of which: capital and capital surplus	7,653,103		7,653,156	
of which: retained earnings	3,193,040		3,007,643	
of which: treasury stock (deduction)	831,887		831,945	
of which: cash dividends to be paid (deduction)	111,407		139,714	
of which: other than those above	—		—	
Accumulated other comprehensive income included in Core Capital	161,715		146,846	
of which: foreign currency translation adjustments	(89,350)		(85,870)	
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)	242,596		217,324	
Reserves included in Core Capital: instruments and reserves	314		338	
of which: general reserve for possible loan losses	314		338	
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	741,821		752,093	
Core Capital: instruments and reserves (A)	11,049,297		10,805,741	
Core Capital: regulatory adjustments				
Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	118,078		93,859	22,743
of which: goodwill (net of related tax liability, including those equivalent)	2,718		2,885	—
of which: other intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	115,360		90,974	22,743
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	38		260	65
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	34,836		24,250	6,062
Investments in own shares (excluding those reported in the Net Assets section)	9		54	13
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		2019	Amounts	2018	Amounts
		(As of March 31, 2019)	excluded under transitional arrangements	(As of March 31, 2018)	excluded under transitional arrangements
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)	152,963		118,424	
Total capital					
Total capital ((A) - (B))	(C)	10,896,334		10,687,317	
Risk-weighted assets					
Credit risk-weighted assets		58,099,111		52,361,109	
of which: total of items included in risk-weighted assets subject to transitional arrangements		—		17,503	
of which: other Financial Institutions Exposures		—		(11,380)	
of which: other than those above		—		13	
Market risk equivalent / 8%		—		—	
Operational risk equivalent / 8%		3,354,318		3,552,526	
Credit risk-weighted assets adjustments		—		—	
Operational risk equivalent adjustments		—		—	
Total amount of risk-weighted assets	(D)	61,453,429		55,913,636	
Capital adequacy ratio					
Capital adequacy ratio (consolidated) ((C)/(D))		17.73%		19.11%	

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 2 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 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 87 through 88 for the names of principal subsidiaries. In accordance with Article 15, the Group is comprised of the following 263 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 264 companies, comprising 263 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 36 through 37 and 95 through 97.

(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 263 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 of business activities of the principal consolidated subsidiaries, refer to pages 28 through 35 and 89 through 94 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 99 of this report for details on the total amount of assets and total amount of net assets for Japan Post Insurance Co., Ltd. and to pages 36 - 37 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, 2019 calculated in accordance with the Holding Company Capital Adequacy Ratio Notice was 17.73%. 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 Holding Company Capital Adequacy Ratio Notice. Consequently, the following section covers primarily risk management at Japan Post Bank.

As a bank holding company, Japan Post Holdings monitors the overall risk management framework at Japan Post Bank. In addition, the holding company supervises risk management for the entire Group in accordance with the Basic Policy for Group Risk Management. Please refer to "Japan Post Group Risk" on pages 72 through 73 for more information about risk management for 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 the internal credit rating system, self-assessments of assets and other credit risk activities. The Credit Department is responsible for monitoring individual credit accounts, including the assignment of internal credit ratings, monitoring of status of borrowers and overseeing of large borrowers and screening of loans.

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).

For the calculation of the Group consolidated capital adequacy ratio, Japan Post Holdings also uses the ratings of Fitch Ratings Limited.

2) Qualified rating agencies, etc. used to determine risk weight for each category of exposure

Japan Post Bank uses the following qualified rating agencies for each of the following credit risk exposure categories.

In the case where multiple credit rating agencies provide ratings, the Bank selects the credit rating that yields the second smallest risk weight in accordance with Ministerial Notification of Capital Adequacy Ratio of the FSA’s Notice No. 19, March 27, 2006, criteria on whether or not the adequacy of equity capital of a Bank is appropriate in light of the circumstances such as the assets owned by that Bank as stipulated by Article 14-2 of the Banking Act (hereinafter referred to as “Capital Adequacy Ratio Notice”).

Exposure		Rating agencies
Central governments and central banks	Resident	R&I, JCR, Moody’s, S&P
	Non-resident	Moody’s, S&P, OECD
Non-central government public sector entities		R&I, JCR, Moody’s, S&P
Foreign non-central government public sector entities		Moody’s, S&P, OECD
Multilateral Development Banks		Moody’s, S&P
Japan Finance Organization for Municipalities		R&I, JCR, Moody’s, S&P
Japanese government agencies		R&I, JCR, Moody’s, S&P
Three regional public corporations under Japanese local governments		R&I, JCR, Moody’s, S&P
Financial institutions and Type I Financial Instruments Business Operators	Resident	R&I, JCR, Moody’s, S&P
	Non-resident	Moody’s, S&P, OECD
Corporates	Resident	R&I, JCR, Moody’s, S&P
	Non-resident	Moody’s, S&P
Securitization transactions		R&I, JCR, Moody’s, S&P

5. Summary of risk management policy and procedures for credit risk mitigation methods

In calculating the capital adequacy ratio, Japan Post Bank applies “credit risk mitigation methods” prescribed in the Capital Adequacy Ratio Notice. These methods are used to incorporate the risk mitigation effects of collateral, guarantees and other items in the capital adequacy ratio. These methods include qualified financial collateral, the netting of loans and self deposits, and guaranties and credit derivatives.

■ Types of qualified financial collateral

Japan Post Bank accepts cash, self deposits and securities as qualified financial collateral.

■ Summary of policy and procedures for valuation and management of collateral

Japan Post Bank uses “the Simple Method” prescribed in the Capital Adequacy Ratio Notice for application of the qualified financial collateral.

The Bank has established internal bank procedures to permit the timely disposal or acquisition of qualified financial collateral based on contracts concerning collateral as prescribed in loan agreements, etc.

■ Summary of policy and procedures for offsetting loans and self deposits and types and scope of applicable transactions

For the use of the netting of loans and self deposits, as prescribed in the special terms for netting in the bank transaction agreement, etc., Japan Post Bank uses the remaining amount after netting loans and self deposits as the amount of exposure for calculating the capital adequacy ratio.

As of the end of March 2019, Japan Post Bank was not using the off-setting of loans and self deposits.

■ Categories and credit standing of guarantors and major credit derivative counterparties

Principal guarantors at Japan Post Bank are the central governments, etc. to which lower risk weightings than the guaranteed obligations are applied.

Additionally, credit derivative counterparties are the financial institutions to which lower risk weightings than the guaranteed obligations are applied.

■ Summary of policy and procedures when using legally binding mutual netting contracts for derivative transactions and transactions with repurchase agreements and categories and scope of applicable transactions

Japan Post Bank considers the results of derivatives transactions, including interest swaps and currency swaps, for which it has concluded effective netting contracts in accordance with the legal systems of each country in which it carries out transactions

■ Information concerning concentrations of credit risk and market risk associated with the use of credit risk mitigation methods

The principal credit risk mitigation methods of Japan Post Bank are qualified financial collateral that use cash and self deposits and there is no concentration of credit risk and market risk.

6. Summary of risk management policy and procedures for counterparty risk concerning derivative transactions and transactions with long term settlements

(1) Policy on collateral security and reserve calculation, impact in the event of need for provision of additional collateral due to downturn in credit standing of Japan Post Bank

As required, Japan Post Bank enters into contracts for the mitigation of credit risk in which collateral is periodically submitted or received with the derivative transaction counterparty in order to cover rebuilding and other costs. Under the provision of these contracts, a decline in the financial condition of Japan Post Bank may require the provision of additional collateral to the counterparty. However, the Bank believes that the impact would be negligible.

The policy for calculating the allowance for derivative transaction losses is the same as for ordinary balance sheet assets.

(2) Policy for credit limits and allocation of capital for risk exposure

When conducting derivative transactions, Japan Post Bank assigns obligor ratings to all counterparties and provides credit limits in accordance with the rating of each counterparty. These limits are monitored on a daily basis. In addition, to manage credit risk, the balance of credit extended is calculated using the current exposure method, which takes into account the market value of derivatives and future price volatility risk.

The allocation of capital for taking on risk for derivative transactions is almost the same as other transactions.

7. Securitization exposure

(1) Summary of risk management policy and risk characteristics

As an investor, Japan Post Bank is exposed to risks associated with securitization. Just as with investments in other securities, for purchasing, the Bank provides credit limits based on obligor ratings assigned in accordance with the Bank’s own thorough examination of underlying assets, the senior/subordinate rights structure, the nature of securitization scheme and other factors. Following a purchase, the Bank

monitors any decline in the quality of and changes in the composition of the underlying assets as well as other factors. Also, credit risk with securitization exposure is included in the calculation of credit risk and interest rate risk is included in the calculation of market risk. In addition, the Bank is also aware of market liquidity risk and reports on the state of these risks to the Executive Committee and other bodies.

The procedure concerning re-securitization exposure is the same as for securitization exposure.

- (2) Outline of the establishment and state of operation of a system prescribed by Article 227, Paragraph 4-3 to 4-6 of Holding Company Capital Adequacy Ratio Notice (includes cases of application pursuant to Article 232, Paragraph 2 and Article 280-4, Paragraph 1) of 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 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.

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

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 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 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 Co. measures interest rate sensitivity (10BPV) daily and measures Δ EVE (measured as the amount of decline in economic value of equity from an interest rate shock and calculated based on interest rate shocks as prescribed by Capital Adequacy Ratio Notification) monthly to evaluate the 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) in the banking book of Japan Post Bank Co. 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 3.5 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 model that considers the early dissolution rate.
- For aggregating multiple currencies, the Δ EVE calculated for each currency consisting of the Japanese yen, US 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	2019 (As of March 31, 2019)
1 Cash	¥ —
2 Japanese government and the Bank of Japan	—
3 Foreign central governments and central banks	7,399
4 Bank for International Settlements, etc.	—
5 Non-central government public sector entities	—
6 Foreign non-central government public sector entities	5,368
7 Multilateral Development Banks	—
8 Japan Finance Organization for Municipalities	3,027
9 Japanese government agencies	12,328
10 Three regional public corporations under Japanese local governments	493
11 Financial Institutions and Type I Financial Instruments Business Operators	75,599
12 Corporates	213,334
13 Small and medium-sized enterprises and individuals	4
14 Mortgage loans	—
15 Project finance (acquisition of real estate)	80
16 Past-due loans (three months or more)	823
17 Outstanding drafts	—
18 Loans guaranteed by Credit Guarantee Corporation, etc.	—
19 Loans guaranteed by the Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—
20 Investments in capital and others	5,965
of which, exposure to investments	5,965
of which, exposure to significant investments	—
21 Other than above	260,714
of which, exposure to capital instruments other than those corresponding to subject common shares among capital instruments of Other Financial Institutions as well as other external TLAC-related instruments	30,950
of which, exposure related to portions not included in adjustment items among specified items	105,802
of which, exposure related to other external TLAC instruments associated with other financial institutions holding more than 10% of the voting rights for all shareholders	—
of which, exposure related to the portion exceeding the 5% criteria amount associated with other external TLAC-related instruments among other external TLAC instruments associated with other financial institutions not holding more than 10% of the voting rights for all shareholders	—
of which, other exposure	123,962
22 Securitization transactions	12,572
of which, STC requirements are applied	—
of which, non-STC requirements are applied	12,572
23 Re-securitization transactions	49
24 Exposure to which deemed calculation of risk weight is applied	1,683,716
25 Amount of items included in risk weighted assets through transitional arrangements	—
26 Amount of items not included in risk weighted assets through transitional arrangements pertaining to exposure concerning capital instruments of Other Financial Institutions	—
Total	¥ 2,281,478

Note: Required capital is calculated using the following formula:
Credit risk-weighted assets × 4%

(2) Amount of required capital for credit risk (Off-balance-sheet items)

(Millions of yen)

Item	2019 (As of March 31, 2019)
1 Commitment lines that can be cancelled automatically or unconditionally at any time	¥ —
2 Commitment lines with original contracts of one year or less	—
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	182
7 Contingent liabilities arising from directly substituted credit	16,848
(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)	13,508
8 Assets sold with repurchase agreements or assets sold with right of claim (after deductions)	—
Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	—
Deduction	—
9 Futures bought, forward delivery deposits, partially subscribed equity shares, partially subscribed bonds	—
10 Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement	20,347
11 Derivative transactions and long-term settlements transactions	2,028
Current exposure method	2,028
Derivative transactions	2,028
Foreign exchange related transactions	3,828
Interest rate related transactions	866
Gold related transactions	—
Equity security related transactions	4
Precious metal related transactions (excluding gold)	—
Other commodity related transactions	—
Credit derivative transactions (counterparty risk)	18
Netting effect on credit equivalent amount under close-out netting agreement (deduction)	2,690
Long-term settlements transactions	0
12 Outstanding transaction	—
13 The unexecuted portion of a credit facility for qualified servicer cash advance pertaining to securitization exposure	—
14 Off-balance-sheet securitization exposure other than the above	—
Total	¥ 39,408

Note: Required capital is calculated using the following formula:
Credit risk-weighted assets × 4%

(3) Total amount of consolidated required capital

(Millions of yen)

Item	2019 (As of March 31, 2019)
Total amount of consolidated required capital	¥ 2,458,137
Amount of required capital for credit risk	640,247
Portfolios where the standardized approach is applied	624,547
Securitization exposure	12,622
CVA risk equivalent amount	3,042
Central Counterparty risk exposure	35
Amount of required capital for credit risk pertaining to exposure for which deemed calculation of risk weight is applied	1,683,716
Amount of required capital for market risk equivalent amount	—
Amount of required capital for operational risk equivalent amount	134,172
Basic indicator approach	134,172

Note 1: The total amount of consolidated required capital is the denominator of the consolidated capital adequacy ratio x 4%.

Note 2: The amount of required capital for credit risk is the amount of credit risk assets x 4%.

Note 3: The amount of required capital for operational risk equivalent amount is operational risk equivalent amount divided by 8% x 4%.

3. Credit risk

(1) Credit risk exposure by region, industry and customer

(Millions of yen)

Counterparts		2019 (As of March 31, 2019)				
		Loans and deposits	Securities	Derivatives	Others	Total
Domestic	Sovereigns	¥ 56,122,074	¥ 71,252,620	¥ —	¥ 89,934	¥ 127,464,628
	Financial institutions	24,778,804	12,058,964	361,970	23,080	37,222,820
	Corporates	419,855	5,827,850	—	378,906	6,626,612
	Small and medium-sized enterprises and individuals	—	—	—	200	200
	Others	3,326,437	5,514,239	2,664	3,122,725	11,966,067
	Domestic total	84,647,171	94,653,674	364,635	3,614,848	183,280,329
Overseas total		55,928	11,031	—	273,829	340,788
Investment trust, etc.		3,292,691	41,132,393	—	—	44,425,085
Total		¥ 87,995,791	¥ 135,797,099	¥ 364,635	¥ 3,888,677	¥ 228,046,203

(Millions of yen)

Counterparts		2018 (As of March 31, 2018)				
		Loans and deposits	Securities	Derivatives	Others	Total
Domestic	Sovereigns	¥ 54,510,659	¥ 75,611,042	¥ —	¥ 71,151	¥ 130,192,853
	Financial institutions	27,550,278	10,845,606	557,518	918,083	39,871,486
	Corporates	435,652	6,369,777	—	331,447	7,136,877
	Small and medium-sized enterprises and individuals	—	—	—	249	249
	Others	7,437,524	5,263,995	4,457	3,060,981	15,766,957
	Domestic total	89,934,114	98,090,421	561,975	4,381,913	192,968,424
Overseas total		62,345	—	—	346,230	408,575
Investment trust, etc.		447,511	43,891,082	—	—	44,338,594
Total		¥ 90,443,971	¥ 141,981,503	¥ 561,975	¥ 4,728,143	¥ 237,715,594

Note 1: All subsidiaries other than Japan Post Bank do not engage in loan operations, in principle, and therefore do not categorize credit by industry sector. Accordingly, a breakdown by customer is presented in the above table.

Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (head office).

Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.

Note 4: "Securities" include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 5: "Derivatives" include forward interest rate swaps and currency swaps, etc.

Note 6: "Sovereigns" include central governments, central banks, local governments, etc.

Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type I financial instruments business operators.

Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations, etc.

Note 9: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 10: Investment trusts and other funds are recorded in investment trust, etc.

(2) Credit risk exposure by maturity

(Millions of yen)

Remaining period	2019 (As of March 31, 2019)				
	Loans and deposits	Securities	Derivatives	Others	Total
1 year or less	¥ 29,736,545	¥ 14,284,657	¥ 11,713	¥ 441,786	¥ 44,474,702
Over 1 year to 3 years	721,304	26,478,058	30,161	—	27,229,524
Over 3 years to 5 years	872,048	28,302,943	200,406	40	29,375,438
Over 5 years to 7 years	683,267	5,399,932	122,354	—	6,205,553
Over 7 years to 10 years	321,770	10,170,551	—	—	10,492,322
Over 10 years	532,170	8,989,077	—	—	9,521,248
No due date or perpetual	51,835,993	1,039,484	—	3,446,850	56,322,328
Investment trust, etc.	3,292,691	41,132,393	—	—	44,425,085
Total	¥ 87,995,791	¥ 135,797,099	¥ 364,635	¥ 3,888,677	¥ 228,046,203

(Millions of yen)

Remaining period	2018 (As of March 31, 2018)				
	Loans and deposits	Securities	Derivatives	Others	Total
1 year or less	¥ 31,456,215	¥ 13,425,874	¥ 34,974	¥ 457,656	¥ 45,374,719
Over 1 year to 3 years	799,311	27,045,947	92,433	2	27,937,694
Over 3 years to 5 years	751,327	29,533,048	224,306	32	30,508,715
Over 5 years to 7 years	695,632	11,934,382	198,534	—	12,828,549
Over 7 years to 10 years	649,365	9,904,376	11,728	—	10,565,470
Over 10 years	437,180	6,216,419	—	—	6,653,600
No due date or perpetual	55,207,425	30,371	—	4,270,452	59,508,250
Investment trust, etc.	447,511	43,891,082	—	—	44,338,594
Total	¥ 90,443,971	¥ 141,981,503	¥ 561,975	¥ 4,728,143	¥ 237,715,594

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		2019 (As of March 31, 2019)					2018 (As of March 31, 2018)				
		Loans and deposits	Securities	Derivatives	Others	Total	Loans and deposits	Securities	Derivatives	Others	Total
Domestic	Sovereigns	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Financial institutions	—	—	—	—	—	—	—	—	—	—
	Corporates	—	—	—	6	6	—	—	—	6	6
	Small and medium-sized enterprises and individuals	—	—	—	58	58	—	—	—	76	76
	Others	—	—	—	2,254	2,254	—	—	—	2,177	2,177
	Domestic total	—	—	—	2,319	2,319	—	—	—	2,259	2,259
Overseas total		—	—	—	—	—	—	—	—	—	—
Investment trust, etc.		—	—	—	—	—	—	—	—	—	—
Total		¥ —	¥ —	¥ —	¥ 2,319	¥ 2,319	¥ —	¥ —	¥ —	¥ 2,259	¥ 2,259

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" includes 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)

	2019 (As of March 31, 2019)	2018 (As of March 31, 2018)
General reserve for possible loan losses	¥ 124	¥ 138
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Change during the period

(Millions of yen)

	2019 (From April 1, 2018 to March 31, 2019)	2018 (From April 1, 2017 to March 31, 2018)
General reserve for possible loan losses	¥ (14)	¥ 11
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	2019 (As of March 31, 2019)		2018 (As of March 31, 2018)	
	Rated	Not rated	Rated	Not rated
0%	¥ 120,269,723	¥ 31,114,561	¥ 134,626,622	¥ 27,193,345
2%	—	43,817	—	11,728
4%	—	—	—	—
10%	575,247	3,838,976	169,340	4,176,537
20%	14,960,624	61,629	13,376,215	54,990
35%	—	—	—	—
50%	5,284,896	2,088	5,747,423	2,076
75%	—	142	—	173
100%	1,875,326	4,216,463	1,466,745	5,165,449
150%	10,670	230	1	180
250%	54,545	1,312,175	144,026	1,242,146
1,250%	—	—	—	—
Others	—	—	—	—
Investment trust, etc.	—	44,425,085	—	44,338,594
Total	¥ 143,031,033	¥ 85,015,169	¥ 155,530,374	¥ 82,185,220

Note 1: Ratings are used for those rated by qualified rating agencies in principle.

Note 2: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 3: Regarding assets to which the Company applies credit risk mitigation techniques for a portion of its exposure, the Group records exposure amounts in weighted categories after the application of credit risk mitigation techniques.

Note 4: Regarding assets to which the Company applied transitional arrangements, the Company records these assets in risk-weighted categories in case of that transitional arrangements are not applied.

Note 5: Investment trusts and other funds are recorded in investment trust, etc. The weighted average of risk weights was 94.75% as of March 31, 2019 (compares with 80.48% as of March 31, 2018)

4. Credit risk mitigation methods

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	2019 (As of March 31, 2019)		2018 (As of March 31, 2018)	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Eligible financial collateral	¥ 22,224,031	89.54%	¥ 27,488,378	89.53%
Guarantees and credit derivatives	2,595,329	10.46%	3,213,299	10.47%
Total	¥ 24,819,360	100.00%	¥ 30,701,677	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	2019 (As of March 31, 2019)	2018 (As of March 31, 2018)
Aggregate sum of amounts of gross reconstruction costs	¥ 296,366	¥ 437,947
Aggregate sum of gross add-on amounts	497,217	373,943
Gross credit equivalents	793,584	811,891
Foreign exchange related transactions	535,991	589,679
Interest rate related transactions	254,631	216,608
Stock related transactions	554	1,596
Credit derivative transactions (Counterparty risk)	2,359	3,958
Long-term settlements transactions	46	48
Reduction in credit equivalents through netting (deduction)	428,902	249,867
Net credit equivalents	364,681	562,024
Collateral amount	150,084	397,026
Marketable securities	127,588	169,340
Cash	22,496	227,686
Net credit equivalents (after consideration of effectiveness of risks mitigated by collateral)	¥ 364,681	¥ 562,024

Note 1: Credit equivalents are calculated by the "current exposure method."

Note 2: Regarding derivative transactions and transactions with long-term settlements, only those transactions requiring the calculation of credit equivalents are included.

Note 3: Derivative transactions and transactions with long-term settlements included in Investment trusts and other funds are not included herein.

Note 4: Limited to transactions on which gross reconstruction costs are not less than zero.

Note 5: Credit risk mitigation through collateral is considered through risk weighting, and credit equivalent amounts are not considered.

Note 6: The amount of netting effect on credit equivalents through netting is equal to an amount that subtracts credit equivalents prior to considerations of credit risk mitigation using collateral from the aggregate sum of amounts of gross reconstruction costs and aggregate sum of gross add-on amounts.

• Notional principal amounts of credit derivatives

(Millions of yen)

Item	2019 (As of March 31, 2019)	2018 (As of March 31, 2018)
Total return swaps	¥ 116,293	¥ 108,007
Purchase of protection	116,293	108,007
Among these, those that are used for considering the effects of credit risk mitigation methods	73,284	28,844
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	2019 (As of March 31, 2019)
Mortgage loans	¥ 242,895
Auto loans	135,952
Leases	2,023
Accounts receivable	27,533
Corporate loans	1,188,309
Others	—
Total	¥ 1,596,713

Note 1: There are no off-balance sheet transactions.

Note 2: Excludes securitization exposure included in investment trust, etc.

(2) Re-securitization exposure and breakdown by type of main underlying assets

(Millions of yen)

Type of underlying assets	2019 (As of March 31, 2019)
Mortgage loans	¥ 1,247
Auto loans	—
Leases	—
Accounts receivable	—
Corporate loans	—
Others	—
Total	¥ 1,247

Note 1: There are no off-balance sheet transactions.

Note 2: Excludes re-securitization exposure included in investment trust, etc.

(3) Balance by risk weight of securitization exposure and amount of required capital (excluding re-securitization exposure)

(Millions of yen)

Risk weight	2019 (As of March 31, 2019)	
	Balance	Required capital
15% or more and 20% or less	¥ 1,596,713	¥ 12,572
Over 20% and 45% or less	—	—
Over 45% and 70% or less	—	—
Over 70% and 140% or less	—	—
Over 140% and 225% or less	—	—
Over 225% and 420% or less	—	—
Over 420% and less than 1,250%	—	—
1,250%	—	—
Total	¥ 1,596,713	¥ 12,572

Note 1: There are no off-balance sheet transactions.

Note 2: Excludes securitization exposure included in investment trust, etc.

Note 3: Required capital is the amount of credit risk assets × 4%.

(4) Balance by risk weight of re-securitization exposure and amount of required capital

(Millions of yen)

Risk weight	2019 (As of March 31, 2019)	
	Balance	Required capital
100%	¥ 1,247	¥ 49
Over 100% and less than 1,250%	—	—
1,250%	—	—
Total	¥ 1,247	¥ 49

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%.

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)

	2019 (As of March 31, 2019)		2018 (As of March 31, 2018)	
	Amount carried on the consolidated balance sheet	Fair value	Amount carried on the consolidated balance sheet	Fair value
Listed equities exposure ^(Note 1)	¥ 96,904	¥ 96,904	¥ 28,785	¥ 28,785
Investment or equities exposure not corresponding to listed equities exposure ^(Note 2)	4,888		1,384	
Total	¥ 101,792		¥ 30,169	

Note 1: Shares with market quotations are listed.

Note 2: Stocks for which fair value is deemed to be extremely difficult to determine are listed.

Note 3: Shares held by the Bank's subsidiaries and their subsidiaries are listed. The exposure included in Investment trusts and other funds are not included herein. The same applies to the following.

(2) Gains and Losses on sale or write-off of investment or equity exposures

(Millions of yen)

	2019 (From April 1, 2018 to March 31, 2019)	2018 (From April 1, 2017 to March 31, 2018)
Gains/Losses	¥ (8,084)	¥ 195
Gains	177	195
Losses	1,527	—
Write-off	6,734	—

Note: Gains and losses on the sale of stock are listed in the Consolidated Statements of Income.

(3) Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income

(Millions of yen)

	2019 (As of March 31, 2019)	2018 (As of March 31, 2018)
Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	¥ 5,124	¥ 396

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)

	2019 (As of March 31, 2019)	2018 (As of March 31, 2018)
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	2019 (As of March 31, 2019)	
		Balance	Required capital
Look-through approach (LTA)	—	¥ 44,026,008	¥ 1,524,470
Mandate-based approach (MBA)	—	—	—
Probability approach	250%	94,185	9,418
	400%	7,704	1,232
Fall-back approach (FBA)	1,250%	297,190	148,595
Total		¥ 44,425,088	¥ 1,683,716

Note 1: The amount of required capital is the amount of credit risk-weighted assets x 4%.

Note 2: Risk weight is as prescribed in the Capital Adequacy Ratio Notification.

Note 3: Look-through approach (LTA) is as stipulated in 54-5-2 of the Capital Adequacy Ratio Notification.

Note 4: Mandate-based approach (MBA) is as stipulated in 54-5-6 of the Capital Adequacy Ratio Notification.

Note 5: The probability approach is as stipulated in 54-5-9 of the Capital Adequacy Ratio Notification.

Note 6: Fall-back approach (FBA) is as stipulated in 54-5-10 of the Capital Adequacy Ratio Notification.

10. Interest rate risk

(Millions of yen)

Interest rate risk		(A)	(B)	(C)	(D)
Item number		ΔEVE		ΔNII	
		2019 (As of March 31, 2019)	2018 (As of March 31, 2018)	2019 (As of March 31, 2019)	2018 (As of March 31, 2018)
1	Upward parallel shift	538,125			
2	Downward parallel shift	2,446,896			
3	Steepening				
4	Flattening				
5	Rise in short-term interest rates				
6	Decrease in short-term interest rates				
7	Maximum value	2,446,896			
		(E)		(F)	
		2019 (As of March 31, 2019)		2018 (As of March 31, 2018)	
8	Amount of equity	10,896,334			

Note 1: In accordance with the disclosed definition by the Financial Service Agency, the directions of declines in economic value and interest income are denoted as a plus.

Note 2: The sufficient securing of a capital surplus against interest rate risk measured with ΔEVE is confirmed.

Note 3: Regarding the application of materiality tests, the "Comprehensive Guidelines for Supervision of Major Banks," which is prescribed by the Financial Service Agency, states that "Japan Post Bank is legally obligated to hold safe assets that include government bonds for a portion of its assets. Accordingly, relevant special circumstances shall be appropriately considered in making responses in supervision (in the case of a materiality test)."

Reference Information

1. Capital adequacy

(1) Amount of required capital for credit risk (On-balance-sheet items)

		(Millions of yen)	
Item		2018 (As of March 31, 2018)	
1	Cash	¥	—
2	Japanese government and the Bank of Japan		—
3	Foreign central governments and central banks		13,702
4	Bank for International Settlements, etc.		—
5	Non-central government public sector entities		—
6	Foreign non-central government public sector entities		7,257
7	Multilateral Development Banks		0
8	Japan Finance Organization for Municipalities		3,194
9	Japanese government agencies		12,201
10	Three regional public corporations under Japanese local governments		439
11	Financial Institutions and Type I Financial Instruments Business Operators		199,813
12	Corporates		931,310
13	Small and medium-sized enterprises and individuals		5
14	Mortgage loans		—
15	Project finance (acquisition of real estate)		54,661
16	Past-due loans (three months or more)		137,680
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		66,451
	of which, exposure to investments		66,451
	of which, exposure to significant investments		—
21	Other than above		351,826
	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		117,519
	of which, exposure related to portions not included in adjustment items among specified items		106,189
	of which, other exposure		128,117
22	Securitization transactions (as originator)		—
	Re-securitization transactions		—
23	Securitization transactions (as investor and other)		18,486
	Re-securitization transactions		24
24	Assets (assets comprised of pooled assets such as funds, etc.) difficult to identify specifically		135,061
25	Amount of items included in risk weighted assets through transitional arrangements		1,155
26	Amount of items not included in risk weighted assets through transitional arrangements pertaining to exposure concerning capital instruments of Other Financial Institutions		(455)
Total		¥	1,932,792

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		2018 (As of March 31, 2018)	
1	Commitment lines that can be cancelled automatically or unconditionally at any time	¥	—
2	Commitment lines with original contracts of one year or less		—
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		64,942
7	Contingent liabilities arising from directly substituted credit		29,740
	(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)		26,140
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		20,116
10	Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement		14,058
11	Derivative transactions and long-term settlements transactions		12,963
	Current exposure method		12,963
	Derivative transactions		12,960
	Foreign exchange related transactions		11,334
	Interest rate related transactions		2,100
	Gold related transactions		0
	Equity security related transactions		980
	Precious metal related transactions (excluding gold)		0
	Other commodity related transactions		259
	Credit derivative transactions (counterparty risk)		128
	Netting effect on credit equivalent amount under close-out netting agreement (deduction)		1,845
	Long-term settlements transactions		2
12	Outstanding transaction		0
13	Providing adequate liquidity related to securitization exposure and adequate servicer cash advance		—
14	Off-balance-sheet securitization exposure other than the above		—
Total		¥	141,822

Note: Required capital is calculated using the following formula:
Credit risk-weighted assets × 4%

(3) Total amount of consolidated required capital

Item	(Millions of yen)
	2018 (As of March 31, 2018)
Total amount of consolidated required capital	¥ 2,236,545
Amount of required capital for credit risk	2,094,444
Assets (on-balance-sheet items)	1,932,792
Off-balance-sheet transactions, etc.	141,822
CVA risk equivalent amount	19,441
Central Counterparty risk exposure	388
Amount of required capital for market risk equivalent amount	—
Amount of required capital for operational risk equivalent amount	142,101
Basic indicator approach	142,101

Note 1: The total amount of consolidated required capital is the denominator of the consolidated capital adequacy ratio x 4%.

Note 2: The amount of required capital for credit risk is the amount of credit risk assets x 4%.

Note 3: The amount of required capital for operational risk equivalent amount is operational risk equivalent amount divided by 8% x 4%.

2. 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	2018 (As of March 31, 2018)	
	Balance	Required capital
Mortgage loans	¥ 303,996	
Auto loans	121,735	
Leases	3,655	
Accounts receivable	6,420	
Corporate loans	571,627 (23,266)	
Others	—	
Total	¥ 1,007,435 (23,266)	

Note 1: Amounts within parentheses are off balance sheet transaction amounts.

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	2018 (As of March 31, 2018)	
	Balance	Required capital
Less than 20%	¥ 49,477	¥ 197
20%	934,691	7,477
50%	—	—
100%	—	—
350%	—	—
1,250%	23,266 (23,266)	11,633 (11,633)
Total	¥ 1,007,435 (¥ 23,266)	¥ 19,308 (¥ 11,633)

Note 1: Amounts within parentheses are off balance sheet transaction amounts.

Note 2: Excludes securitization exposure included in investment trust, etc.

Note 3: Required capital is the amount of credit risk assets × 4%.

Note 4: Corporate loans are the underlying type of assets in securitization exposure to which the 1,250% risk weight is applied.

(2) Re-securitization exposure and breakdown by type of main underlying assets

(Millions of yen)

Type of underlying assets	2018 (As of March 31, 2018)	
	Balance	Required capital
Mortgage loans	¥ 1,533	
Auto loans	—	
Leases	—	
Accounts receivable	—	
Corporate loans	—	(—)
Others	—	—
Total	¥ 1,533 (—)	

Note 1: Amounts within parentheses are off balance sheet transaction amounts.

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	2018 (As of March 31, 2018)	
	Balance	Required capital
Less than 40%	¥ —	¥ —
40%	1,533	24
100%	—	—
225%	—	—
650%	—	—
1,250%	—	—
	(—)	(—)
Total	¥ 1,533 (—)	¥ 24 (—)

Note 1: Amounts within parentheses are off balance sheet transaction amounts.

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%.

Compensation, etc., Subject to Disclosure

1. Matters concerning the establishment of an organizational system for subject executives and employees of the Company (Group)

(1) Scope of subject executives and employees

The following describes the scope of "subject executives" and "subject employees" (collectively referred to as "subject executives and employees") who are subject to disclosure as persons having a significant impact on the operation of the banking business and state of assets as prescribed by the notification (Japan Financial Services Agency Notification No. 21 of March 29, 2012) for deciding matters determined separately by the Commissioner of the Financial Services Agency as an item concerning compensation based on provisions of the Ordinance for Enforcement of the Banking Act, Article 19-2, Paragraph 1-6.

1) Scope of "subject executives"

Subject executives are the Company's directors and executive officers. Outside directors are excluded.

2) Scope of "subject employees"

Among Company executives (other than subject executives) and employees as well as executives and employees of subsidiaries, those "persons receiving high amounts of compensation" and who have a significant impact on the management of business operations and the state of assets of the Company or its principal subsidiaries are deemed "subject employees" who are subject to disclosure.

(a) Scope of "principal consolidated subsidiaries"

Principal consolidated subsidiaries are consolidated subsidiaries that have a significant impact on Group management. Specifically, the three business subsidiaries are in this category.

(b) Scope of "persons receiving high amounts of compensation"

"Persons receiving high amounts of compensation" are those persons receiving compensation exceeding standard amounts from the Company and its principal consolidated subsidiaries. The Company has set the Group standard amount at ¥28 million. The relevant standard amount is set based on the average basic compensation (excludes persons who assume positions or retire from positions during the term in each fiscal year) for the past three years for executives of the Company and Japan Post Bank and this serves as a common standard amount for the Group. However, because there are no large differences in compensation systems and levels for the Company's principal consolidated subsidiaries, these are also applied in common at principal consolidated subsidiaries.

(c) Scope of "persons having a significant impact on the management of the Group's business or the state of its assets"

"Persons having a significant impact on the management of the Group's business or the state of its assets" refers to persons who engage in regular business transactions and manage matters that have a considerably significant impact on the management of the Company, Japan Post Group and its principal consolidated subsidiaries, or persons who would exert a significant impact on the state of assets by incurring losses from business transactions or other matters. Specifically, this refers to executives of principal consolidated subsidiaries or executive officers with authority to execute the business of business departments in accordance with resolutions by the Board of Directors as well as to professional positions at Japan Post Bank. (Referred to hereafter as management employees for whom a performance-linked compensation system is applicable based on professional position salary regulations and who perform duties for the execution of business using especially sophisticated and expert knowledge in the Investment Division of Japan Post Bank).

(2) Determination of compensation for subject executives and employees

1) Determination of compensation for subject executives

The Company has established the Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for the Company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a

majority of outside directors. The Committee is independent of the business promotion department and has the authority to decide policies for determining compensation as well as determine individual compensation.

2) Determination of compensation for subject employees

The determination of compensation for executives of principal consolidated subsidiaries who are deemed subject employees is as follows.

(a) Japan Post

Executive compensation is determined under a structure whereby the total amount of executive compensation is determined at the Shareholders' meeting.

Individual allocation of directors' compensation is determined on a resolution by the Board of Directors, according to the total amount decided at the Shareholders' meeting.

Individual allocation of compensation for auditors is determined based on consultation by the auditors.

Compensation for executive officers is determined based on a resolution by the Board of Directors.

(b) Japan Post Bank and Japan Post Insurance

Japan Post Bank and Japan Post Insurance have respectively established a Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for each company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to determine policies for determining compensation as well as determine individual compensation.

The Human Resources Division, which is independent from the Corporate Administration Division, has established a performance-linked compensation system based on professional position salary regulations for professional positions at Japan Post Bank. Compensation based on this system is determined after deliberation at the Evaluation Committee that is composed of executive officers such as the President and Representative Executive Officer of Japan Post Bank.

(3) Determination of compensation for staff of the Risk Management Department and Compliance Department

Compensation for staff of the Risk Management Department and Compliance Department is determined based on salary rules and regulations. Specific amounts paid are decided by determining compensation separate from the sales promotion department by setting amounts based on employee performance evaluations, with the general manager of the relevant departments as the person making final decisions.

Assessment categories of employee performance evaluations encompass assessments of the execution of duties and attainment levels for targets for each job responsibility in the Risk Management Department and Compliance Department. These assessments reflect the level of contribution to the risk management structure and compliance readiness.

(4) Total amount of compensation paid to members of the Compensation Committee and number of times the Compensation Committee and other meetings convened

Company name	Name of meeting	Number of times convened (From April 2018 to March 2019)
Japan Post Holdings	Compensation Committee	3 times
Japan Post	Shareholders' meeting	1 time
	Board of Directors	2 times
	Board of Corporate Auditors	1 time
Japan Post Bank	Compensation Committee	3 times
	Evaluation Committee	7 times
Japan Post Insurance	Compensation Committee	4 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, 2018 to March 31, 2019)

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)	36	1,148	946	946	202	0	202	0	0
Subject employees, etc.	60	2,365	1,504	1,504	860	456	486	0	6

Note 1: Compensation for subject executives is listed including compensation as executives of principal consolidated subsidiaries.

Note 2: Stock-compensation type stock options are not applicable.

Note 3: The retirement benefits system for directors, auditors, executive officers and executives was discontinued in June 2013 and therefore retirement benefits are not applicable.

5. Other special pertinent matters for reference or other applicable matters other than those specified up to the previous item concerning the systems for compensation for subject executives and employees of the Company (Group)

There are no applicable matters besides those specifically listed in the previous items.

Consolidated Solvency Margin Ratio (Japan Post Group)

(Millions of yen)

Item		2019 (As of March 31, 2019)	2018 (As of March 31, 2018)	
Total amount of solvency margin	(A)	¥ 19,013,897	¥ 19,026,975	
Capital stock, etc.		11,979,784	11,696,279	
Reserve for price fluctuations		897,492	916,743	
Contingency reserve		1,962,755	2,114,348	
Catastrophe loss reserve		—	—	
General reserve for possible loan losses		360	399	
Net unrealized gains (losses) on available-for-sale securities (before taxes), net deferred gains (losses) on hedges (before taxes) × 90% (if negative, × 100%)		3,164,450	3,414,011	
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		162,606	80,067	
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)		257,681	298,658	
Capital raised through debt financing, Excess of continued Zillmerized reserve		589,649	506,467	
Excess of continued Zillmerized reserve		489,649	506,467	
Capital raised through debt financing		100,000	—	
Amounts within "excess of continued Zillmerized reserve" and "capital raised through debt financing" not calculated into the margin		—	—	
Solvency margin concerning small-amount, short-term insurers		—	—	
Deductions		(882)	—	
Other		—	—	
Total amount of risk	$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	(B)	¥ 5,669,162	¥ 5,265,094
Insurance risk	R ₁	142,209	147,403	
General insurance risk	R ₅	—	—	
Catastrophe risk	R ₆	—	—	
Underwriting risk of third-sector insurance	R ₈	59,172	63,087	
Small amount and short-term insurance risk	R ₉	—	—	
Anticipated yield risk	R ₂	141,866	150,450	
Minimum guarantee risk	R ₇	—	—	
Investment risk	R ₃	5,233,052	4,802,912	
Business management risk	R ₄	290,473	307,261	
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	670.7%	722.7%	

Note: The solvency margin ratio is calculated in accordance with Article 210 paragraph 11, section 3 and section 4 of the Enforcement Regulation of the Insurance Business Act and with Ordinance No. 23 issued by the Financial Services Agency in 2011.

Non-consolidated Solvency Margin Ratio (Japan Post Insurance Co.)

(Millions of yen)

Item	2019 (As of March 31, 2019)	2018 (As of March 31, 2018)
Total amount of solvency margin (A)	¥ 5,649,027	¥ 5,591,395
Capital stock, etc.	1,632,636	1,554,861
Reserve for price fluctuations	897,492	916,743
Contingency reserve	1,962,755	2,114,348
General reserve for possible loan losses	45	60
(Net unrealized gains (losses) on available-for-sale securities (before taxes)/Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	568,785	501,809
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(2,336)	(2,896)
Excess of continued Zillmerized reserve	489,649	506,467
Capital raised through debt financing	100,000	—
Amounts within "excess of continued Zillmerized reserve" and "capital raised through debt financing" not calculated into the margin	—	—
Deductions	—	—
Other	—	—
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	¥ 950,952	¥ 989,104
Insurance risk R ₁	142,209	147,403
Underwriting risk of third-sector insurance R ₈	59,172	63,087
Anticipated yield risk R ₂	141,866	150,450
Minimum guarantee risk R ₇	—	—
Investment risk R ₃	764,830	792,377
Business management risk R ₄	22,161	23,066
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,188.0%	1,130.5%

Note: The solvency margin ratio is calculated in accordance with Article 86 and Article 87 of Ordinance for Enforcement of the Insurance Business Act and with Ministry of Finance Official Notification No. 50 issued in 1996.

① Japan Post Group Privacy Policy

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 began with the October 2007 privatization of Japan's postal system. 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, 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 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, Japan Post Insurance Co., Ltd.

(3) Purpose of use

- 1) Distribution of information about services and research and development involving services
- 2) Decisions involving the provision of services
- 3) For the proper management of Group business operations primarily for the purpose of monitoring and managing risks

(4) Name of party with responsibility for managing personal data

Japan Post Holdings Co., Ltd.

8. Japan Post Group's Approach to Procurement Activity

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 offer 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 anti-social forces that pose a threat to the order and safety of civil society.

3. Environmental considerations

- The Group carries out procurement activity in consideration of global and local environmental preservation and the effective use of resources.

4. Building trusting relationships

- Through good communication with suppliers, the Group builds strong trust and strives for mutual prosperity.
- The Group appropriately manages information about suppliers that it obtains through its procurement activity.

5. Request to suppliers (Compliance with the UN Global Compact)

- The Group supports the Ten Principles of the UN Global Compact regarding the four areas of human rights, labor, the environment and anti-corruption and promotes CSR procurement activity. The Group expects its suppliers to understand the above and asks for their proactive cooperation.

The Ten Principles of the UN Global Compact

<https://www.unglobalcompact.org/what-is-gc/mission/principles>

9. Japan Post Group Conflicts of Interest Management Policy

Data Compilation

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 Japan Post Group (“Group companies”) fall within the scope of the Conflicts of Interest Management Policy.
 - Japan Post Bank Co., Ltd.
 - Japan Post Insurance Co., Ltd.
 - Japan Post Co., Ltd.
2. The Group will manage conflicts of interest for the transactions stipulated below.
 - (1) Transactions that may unduly impair the interests of customers among the following transactions:
 - Transaction with a customer that has an interest in one of the Group companies based on an agreement
 - Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
 - Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement
 - (2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest

3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:
 - (1) Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
 - (2) Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
 - (3) Discontinue the target transaction or the secondary transaction with the customer
 - (4) Properly disclose to the customer that the target transaction may unduly impair his or her interests
4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.
5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.

10. Japan Post Group Information Security Declaration

Data Compilation

Services provided by Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. as 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.

11. 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, 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, Japan Post Group, as an organization in its entirety, will ensure that any relationships with antisocial forces are eliminated.

2. Complete elimination of relationships, including transactions

Japan Post Group will have no relationships whatsoever with antisocial forces, including transactions.

3. Legal measures and prohibition of secret negotiations

Japan Post Group will strongly refuse any unjustified demands by antisocial forces and will take legal measures, either via a civil court

or a criminal court, or both. Japan Post Group will never negotiate in secrecy with antisocial forces, even if their unjustified demands are to conceal matters related to any misconduct of the Group's own activities or that of its staff.

4. Cooperation with outside experts

Japan Post Group will establish close relationships with outside experts in preparation for any unjustified demands by antisocial forces in order to ensure the safety of its staff against such demands.

5. Prohibiting financing for antisocial forces

Japan Post Group will never engage in financing for antisocial forces.

12. Disclosure Policy

Fundamental policy

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.

Recent Events of Japan Post Group

2018.2.23

Announced price revision beginning from 2019 new year's post cards (same 62 yen as for regular postcards).

2018.4.2

Establishment of Japan Post Real Estate Co.

2018.5.15

Formulation of Japan Post Group Medium-term Management Plan 2020.

2018.8.30

Japan Post Bank Co. invested in "Tokyo SME Support 2 LP" and "Healthcare New Frontier Investment LP."

2018.9.10

Japan Post Co. started demonstration testing of "Information Bank," a new structure for use of personal data.

2018.9.25

Japan Post Co. started Yu-Pack Smartphone Discount.



2018.10.1

Launch of JP TOLL LOGISTICS Co.

2018.10.10

Japan Post Co. started conducting a trial for the provision of "end of life" services.

2018.10.31

Japan Post Bank Co. invested in "Succession Investment LP, I."

2018.11.7

Japan Post Co. started deliveries between post offices using small unmanned drones.



2018.12.19

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

2018.12.25

Japan Post Bank Co. invested in "TOKYO Relationship No.1 Investment, L.P."

2019.1.15

Japan Post Insurance Co. began providing "Sukoyakanpo" health support app.



2019.1.15

Japan Post Co. started demonstration test to realize application of delivery robots to the logistics field.

2019.2.5

Japan Post Co. held "POST LOGITECH INNOVATION PROGRAM 2018" Demo Day.

2019.2.6

Japan Post Co. constructed a complex combining a nursery school and a facility for the elderly called "Granda Mejiro Nibankan."



2019.3.5

Japan Post Bank Co. invested in "Kyoto-University-Venture NVCC No.2 Investment LP."

2019.3.18

Japan Post Co. started delivery plan notifications using LINE's "Notification Message" and upgraded and expanded designated location delivery service.

2019.3.18

Japan Post Co. started demonstration test for self-driving delivery cars.

2019.3.28

Japan Post Bank Co. invested in "Aomori Bank Regional Vitalization LP."

2019.4.1

Japan Post Bank Co. launched a face-to-face consultation service for iDeCo (individual-type defined contribution pension plan) at post offices handling investment trusts.

2019.4.1

Japan Post Insurance Co. launched new products; *Kampo ni Omakase*, products with relaxed underwriting criteria; and an advanced medical rider.



Product with relaxed underwriting criteria

先進医療特約

Non-participation advanced medical rider

