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Registered number: 02924145

TOLL GLOBAL FORWARDING GROUP (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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TOLL GLOBAL FORWARDING GROUP (UK) LIMITED

COMPANY INFORMATION

Directors	S Whittingham D Barlow
Registered number	02924145
Registered office	672 Spur Road North Feltham Trading Estate Feltham England TW14 0SL
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor St Peter's Square 1 Oxford Street Manchester M1 4PB

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TOLL GLOBAL FORWARDING GROUP (UK) LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2023

The report has been prepared to inform members of the Company and to help them assess how the directors have performed their duty to promote the success of the Company.

Principals activities

The principal activity of the Company during the year was that of a freight forwarding company.

Business review

The results of the Company for the year are in the profit and loss account on page 11. There was a loss after taxation for the year of £139,000 *(2022: Profit £1,248,000)* which will be transferred to reserves.

Trading conditions improved for the year compared to the prior financial period. Revenue decreased by 30% which was largely attributable to continuing volatility and overall movements in sea market rates. Container freight rates hit their peak through the first half of the year before falling back to Pre-COVID19 levels in the second half. At the same time the Company's volumes, measured in number of jobs, remained flat with 2022.

The Company started to see the benefits of previous organisation restructures as it operated on a leaner asset base and operated at higher productivity rate than in previous years. This is supplemented by the sale of the companies facility in Nottingham which completed in October 2023 and brought a one time gain on disposal before selling expenses and exit costs of £2.7m.
This also allows for the company to focus more closely on growing its freight forwarding volumes.

The reduction in container rates paired with flat volumes and historic levels of inflation have resulted in the Company making a loss before tax of £274,000.

Key performance indicators (KPIs)

Management at branch and entity level review revenue and profit on an individual job level. Hence Company's KPIs are revenue and profit before tax. The revenue for the year to 31 March 2023 is £78,077,000 *(2022: £112,281,000)* and the loss for the same year before tax is £274,000 *(2022: Profit £1,113,000)*. Results are in line with management's expectations given the extraordinary market conditions.

Principal risks and uncertainties

Performance and trading risks
The Company is a global supplier of freight forwarding services and as such has a strong position to both influence and anticipate developments in the industry. We continue to be members of BIFA, the UK industry trade association and we are important customers to airlines and shipping lines.

Interest rate risk
The Company finances its operations through a mixture of retained profits and bank borrowings. The exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Liquidity risk
The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest any cash assets safely and profitably. The policy throughout the year has been to ensure continuity of funding by using final repayment debt from the bankers. Short term flexibility is achieved by overdraft facilities. Debt is structured so repayments can be made out of cash generated through operations.

Currency risk
The Company is exposed to transaction and translation foreign exchange risk. In relation to translation risk the proportion of assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency.

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Principal risks and uncertainties (continued)

Credit Risk
The Company's credit risk is driven by trade receivables. Receivables are monitored closely and provision taken for accounts where the recoverability of cash is considered at risk. The Company has no significant concentration of credit risk as the trade receivables are spread across a large number of customers. If a significant number of customers failed to repay outstanding trade receivables balances this would adversely impact the financial position of the Company.

S172 Companies Act 2006

The Company considers stakeholder engagement as a critical part of its operations. In order to guarantee that the interests of stakeholders are taken into account the Company engages with its employees, customers, suppliers and business partners on a continuous basis. This engagement enables the Company to retain its customers, maintain a motivated workforce and establish effective working relationships with our suppliers and service providers.

The Company engages with employees on a regular basis, through briefings, a bi-annual appraisal process, annual development reviews and employee surveys, and more informally through a variety of social events. With customers and suppliers the Company works closely and holds cross-functional meetings to review performance and share ideas, concerns and best practices.

Energy and Carbon Reporting

In compliance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 where changes were introduced to annual emissions reporting the Company reports the following:

Energy use
Annual Green House Emissions (GHE) from activities for which the Company is responsible included operation of facilities in the UK and the annual emissions from the purchase of electricity, heat, steam or cooling by the Company for its own use.

Using the electricity reports provided by suppliers of energy to the Company, annual estimate for the year ended 31 March 2023 was calculated at 430 MWh *(2022: 450 MWh)*.
The associated GHE were 83,334kg *(2022: 87,362kg)* CO2e for the year.

In the calculations above, kWh to kg of carbon released is based on conversion factors from the Department for Business, Energy and Industrial Strategy. The conversion factor is 0.19338 kg CO2 saved for each kWh produced from a carbon free source. The factor is based on the carbon emissions generated by the current UK power stations per kWh generated.

This report was approved by the board on 21/12/2023 and signed on its behalf.

D Barlow
Director

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2023

The directors present their directors' report and the financial statements for the year ended 31 March 2023.

Results and dividends

The loss for the year, after taxation, amounted to £139,000 *(2022: profit £1,248,000).*

The directors do not recommmend payment of a dividend *(2022: £Nil).*

Directors

The directors who served during the year and after the year end were:

S Reed (resigned 14 November 2022)
T Knudsen (resigned 30 June 2022)
S Whittingham (appointed 30 June 2022)
D Barlow (appointed 3 January 2023)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice and applicable law, including Financial Reporting Standard 101 'Reduced Disclosure Framework'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Political contributions

The Company made no political contributions during the year *(2022: £Nil).*

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Financial instruments

The Company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, currency risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Future development

The focus for the business for the next financial year is growth from existing and new customers, customer retention, improving utilisation of our operating base and product, and focus on cost efficiency. Competition in the industry is significant, and the business will focus in areas in which it has a strategic advantage, including customised solutions and value-added service.

Going concern

The financial statements have been prepared on a going concern basis acknowledging a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. The following paragraphs set out the basis on which the directors have reached their conclusion. No adjustments have been made in the accounts to reflect this uncertainty.

The financial position of the Company, its cash flows and liquidity position are described in the primary statements and notes to these financial statements. These financial statements show net current assets of £238k and a cash balance of £5,957k at 31 March 2023, which the directors believe to be appropriate for the following reasons. The Industry benefited from favourable a market following COVID19 which has now begun to revert back to pre-existing conditions. As a result of this decline, increased levels of inflation and reduction in demand for global shipping the Company reported a pre-tax loss for the year ending 31 March 2023 of £274k. As a result of these external influences on the business, the directors have undertaken a number of restructuring actions to reduce its cost base, and better place the Company to achieve growth targets in a much changed market. To this extend forecasts for the P&L have been made to December 2024 along with cash flow forecasts to the same period.

Based on these forecasts it is not foreseen that the Company will require additional financing from its immediate parent company. However, given the market in which the Company operates is currently subject to high levels of volatility this is not an impossibility. Additionally, the management note that the availability of cash to the company could be affected by the use of a cash pooling structure in the Group. This could mean cash reserves in the company are utilised by other members of the cash pool, this is furthered by the company acting as guarantor on debt within Europe which is repayable on demand.

Whilst the Directors have a reasonable expectation that the Company has adequate resources to continue operational existence for the foreseeable future, should the Company be required to provide cash to other group companies under the cash pool arrangement or as guarantor on the debt facilities, additional funding may be required which the Company does not have guaranteed access to for the forecast period. The Company also recognises that the wider group has banking facilities due for renewal in June 2024, whilst there is no indication these will not be renewed it does provide an unknown element in the forecasts prepared.

Given these conditions a material uncertainty exists that may cast significant doubt on the Company's ability to *continue as a going concern. Whilst the directors recognise that this circumstance does place a material* uncertainty on the business, given the strong indication of continued support from both bank and various stakeholders, they remain confident in the future success of the Company.

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Qualifying third party indemnity provisions

The Company has qualifying third party insurance provisions in place to provide indemnity cover for the directors and officers of the Company both during the financial year and up to the date of signing these financial statements.

Post balance sheet events

The Company disposed of an owned property post year end resulting in a gain before associated selling an exit costs of £2.7m.

Disclosure of information to auditors

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21/12/2023 and signed on its behalf.

D Barlow
Director

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GrantThornton

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TOLL GLOBAL FORWARDING GROUP (UK) LIMITED

Opinion

We have audited the financial statements of Toll Global Forwarding Group (UK) Limited (the 'Company') for the year ended 31 March 2023, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.4 in the financial statements, which indicates that the Company is part of a cash pooling structure and acts as a guarantor on debt within Europe for another related Group entity. Whilst the Directors have a reasonable expectation that the Company has adequate resources to continue operational existence for the foreseeable future, should the Company be required to provide cash to other group companies under the cash pool arrangement or as guarantor on the debt facilities, additional funding may be required which the Company does not have guaranteed access to for the forecast period. The Company also recognises that the wider group has banking facilities due for renewal in June 2024, whilst there is no indication these will not be renewed it does provide an unknown element in the forecasts prepared. As stated in note 2.4, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company, and the industry in which it operates, and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).
- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management and those charged with governance of the entity. We corroborated the results of *our enquiries to supporting documentation such as board minute reviews.*
- We enquired of management whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - evaluation of the processes and controls established to address the risks related to irregularities and fraud;
  - challenge of assumptions and judgments made by management in its significant accounting estimates;
  - identifying and testing related party transactions; and
  - reviewing and testing journals entries, in particular journal entries determined to be large or relating to unusual transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's knowledge of the industry in which the client operates in and understanding of, and practical experience through training and participation with audit engagements of a similar nature.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Company's operations, including the nature of its revenue sources, expected financial statement disclosures and business risks that may result in risk of material misstatement; and
  - the Company's control environment, including management's knowledge of the relevant laws and regulations and how the Company is complying with those laws and regulations, the adequacy of procedures for authorisation of transactions, and procedures to ensure that possible breaches of laws and regulations are appropriately resolved.

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A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Carl Williams FCCA Grant Thornton UK LLP
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Date: 21/12/2023

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PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £000	2022 £000
Turnover	4	**78,077**	*112,281*
Cost of sales		**(66,798)**	*(97,195)*
Gross profit		**11,279**	*15,086*
Administrative expenses		**(13,677)**	*(14,296)*
Exceptional items	14	**874**	-
Other operating income	5	**1,096**	*7*
Operating (loss)/profit	6	**(428)**	*797*
Interest payable and similar expenses	12	**81**	*(72)*
Interest receivable and similar income	11	**73**	-
Income from shares in group undertakings	10	**-**	*388*
(Loss)/profit on ordinary activities before taxation		**(274)**	*1,113*
Tax on (loss)/profit on ordinary activities	13	**135**	*135*
Retained (loss)/profit for the financial year		**(139)**	*1,248*

There was no other comprehensive income in either year.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 14 to 34 form part of these financial statements.

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TOLL GLOBAL FORWARDING GROUP (UK) LIMITED
REGISTERED NUMBER:02924145

BALANCE SHEET
AS AT 31 MARCH 2023

	Note		2023 £000		2022 £000
Fixed assets					
Intangible assets	15		**5**		*12*
Tangible assets	16		**4,652**		*4,449*
Investments	17		**100**		*100*
			4,757		*4,561*
Current assets					
Debtors	18	**7,473**		*21,671*	
Cash at bank and in hand	19	**5,957**		*5,232*	
		13,430		*26,903*	
Creditors: amounts falling due within one year	20	**(13,192)**		*(25,247)*	
Net current assets			**238**		*1,656*
Total assets less current liabilities			**4,995**		*6,217*
Creditors: amounts falling due after more than one year	21		**(1,459)**		*(1,925)*
Provisions for liabilities and charges	23		**(921)**		*(1,538)*
Net assets			**2,615**		*2,754*
Capital and reserves					
Called up share capital	24		**57,123**		*57,123*
Share premium account	25		**2,317**		*2,317*
Profit and loss account	25		**(56,825)**		*(56,686)*
Total shareholders' funds			**2,615**		*2,754*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

D Barlow
Director 21/12/2023

The notes on pages 14 to 34 form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2021	**57,123**	**2,317**	**(57,934)**	**1,506**
Profit for the year	-	-	1,248	1,248
Total comprehensive profit for the year	-	-	1,248	1,248
Issue of shares	-	-	-	-
At 31 March 2022	**57,123**	**2,317**	**(56,686)**	**2,754**
Loss for the year	-	-	(139)	(139)
Total comprehensive loss for the year	-	-	(139)	(139)
Issue of shares	-	-	-	-
At 31 March 2023	**57,123**	**2,317**	**(56,825)**	**2,615**

The notes on pages 14 to 34 form part of these financial statements.

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1. General information

Toll Global Forwarding Group (UK) Limited (the 'Company') is a private company limited by shares and incorporated in England and Wales. Its registered office is located at 672 Spur Road, North Feltham Trading Estate, Feltham, England, TW14 0SL.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£'000) except when otherwise stated.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The Company is exempt by virtue of s401 of the Companies Act 2066 from the requirement to prepare group financial statement. These financial statements present information about the Company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- *the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90,* 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

This information is included in the consolidated financial statements of Japan Post Holdings Co as at 31 March 2023 and these financial statements are available online.

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2. Accounting policies (continued)

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of a state other than the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

2.4 Going concern

The financial statements have been prepared on a going concern basis acknowledging a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. The following paragraphs set out the basis on which the directors have reached their conclusion. No adjustments have been made in the accounts to reflect this uncertainty.

The financial position of the Company, its cash flows and liquidity position are described in the primary statements and notes to these financial statements. These financial statements show net current assets of £238k and a cash balance of £5,957k at 31 March 2023, which the directors believe to be appropriate for the following reasons. The Industry benefited from favourable a market following COVID19 which has now begun to revert back to pre-existing conditions. As a result of this decline, increased levels of inflation and reduction in demand for global shipping the Company reported a pre-tax loss for the year ending 31 March 2023 of £274k. As a result of these external influences on the business, the directors have undertaken a number of restructuring actions to reduce its cost base, and better place the Company to achieve growth targets in a much changed market. To this extend forecasts for the P&L have been made to December 2024 along with cash flow forecasts to the same period

Based on these forecasts it is not foreseen that the Company will require additional financing from its immediate parent company. However, given the market in which the Company operates is currently subject to high levels of volatility this is not an impossibility. Additionally, the management note that the availability of cash to the company could be affected by the use of a cash pooling structure in the Group. This could mean cash reserves in the company are utilised by other members of the cash pool, this is furthered by the company acting as guarantor on debt within Europe which is repayable on demand.

Whilst the Directors have a reasonable expectation that the Company has adequate resources to continue operational existence for the foreseeable future, should the Company be required to provide cash to other group companies under the cash pool arrangement or as guarantor on the debt facilities, additional funding may be required which the Company does not have guaranteed access to for the forecast period. The Company also recognises that the wider group has banking facilities due for renewal in June 2024, whilst there is no indication these will not be renewed it does provide an unknown element in the forecasts prepared.

Given these conditions a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Whilst the directors recognise that this circumstance does place a material uncertainty on the business, given the strong indication of continued support from both bank and various stakeholders, they remain confident in the future success of the Company.

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2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.6 Revenue

The principal operation of the Company is the provision of a freight forwarding service, the turnover of which is all generated from the UK.

Revenue is recognised as follows:

- Date of departure for export shipments and consolidated jobs.
- Arrive date for import shipments and consolidated jobs, including domestic.
- Where international freight is part of an import shipment, this will be recognised at departure.

Revenue shall be recognised when or as performance obligations are satisfied by transferring control of a promised service to the customer. Control is deemed to transfer at a particular point in time dependent on the type of shipment/job.

2.7 Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

As a lessee
The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

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2. Accounting policies (continued)

2.7 Leases (continued)

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment" and lease liabilities in 'loans and borrowings' in the Balance Sheet.

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2. Accounting policies (continued)

2.8 Operating leases: the Company as lessor

Rental income from operating leases is credited to profit or loss on a straight-line basis over the lease term.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight-line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.12 Employee benefits

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.13 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

2.14 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

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2. Accounting policies (continued)

2.15 *Intangible assets*

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Software	-	3	years

2.16 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Buildings	- 10 - 50 years
Leasehold improvements	- 4 years
Motor vehicles	- 4 years
Plant and equipment	- 2 - 10 years
Computer equipment	- 3 - 4 years
Fixtures and fittings	- 2.5- 40 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed Company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

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2. Accounting policies (continued)

2.18 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.20 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Provisions

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.22 Non-derivative financial instruments

Non-derivative financial instruments comprise investment in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investment in debt and equity securities
Investments in subsidiaries are carried at cost less impairment.

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2. Accounting policies (continued)

2.22 Non-derivative financial instruments (continued)

Loans and borrowings
Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Investments
Investments in joint ventures, associates and subsidiaries are carried at cost less impairment.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Accounting estimates and judgements
The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Expected Credit Loss
IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. A provision for expected credit loss is formed based on historic client delinquencies which the management adjust for based on changes in the macro economic environment, operational reasons and client portfolio.

Provisions
A provision is recognised to protect against future un-accrued costs as a result of any potential claim risks in relation to warehousing activities. Additionally, the accrual close policy is aggressive and provisions are made to protect against out of period costs in the future.

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4. Turnover

An analysis of turnover by class of business is as follows:

	2023 £000	*2022 £000*
Provisions of services	**78,077**	*112,281*

Analysis of turnover by country of destination:

	2023 £000	*Restated 2022 £000*
United Kingdom	**71,348**	*102,248*
Europe	**2,432**	*4,269*
Rest of the world	**4,297**	*5,764*
	78,077	*112,281*

5. Other operating income

	2023 £000	*2022 £000*
Other operating income	**1,066**	*7*
Net rents receivable	**30**	*-*
	1,096	*7*

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2023 £000	*2022 £000*
Restructuring costs	**153**	*-*
Write off of tangible fixed assets	**-**	*757*
Depreciation (see note 16)	**700**	*597*
Amortisation	**7**	*6*
Exchange losses (net)	**(1,608)**	*(896)*

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7. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors:

	2023 **£000**	*2022* *£000*
Fees payable to the Company's auditors for the audit of the Company's financial statements	**99**	*118*
Non-audit services	**3**	*-*
	102	*118*

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2023 **£000**	*2022* *£000*
Wages and salaries	**6,326**	*5,751*
Social security costs	**769**	*584*
Other pension costs (note 27)	**207**	*178*
	7,302	*6,513*

The average monthly number of employees, including the directors, during the year was as follows:

	2023 **No.**	*2022* *No.*
Administration staff	**92**	*93*
Warehouse and logistics	**36**	*37*
	128	*130*

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9. Remuneration of directors

	2023 £000	*2022 £000*
Aggregate emoluments	**425**	*153*
Aggregate amounts paid to a defined contribution pensions scheme	**37**	*12*
	462	*165*

The number of directors who during the year had retirement benefits accruing under a money purchase scheme was 3 directors *(2022: 1)*.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £263,000 *(2022: £153,000)*, and Company pension contributions of £26,000 *(2022: £11,644)* were made to a money purchase scheme on their behalf.

The highest paid director received remuneration of £292k *(2022: £165k)*.

10. Income from investments

	2023 £000	*2022 £000*
Income from fixed asset investments	**-**	*388*

11. Interest receivable

	2023 £000	*2022 £000*
Other interest receivable	**73**	-

12. Interest payable and similar expenses

	2023 £000	*2022 £000*
Bank interest payable	**(81)**	*72*

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13. *Taxation*

	2023 £000	*2022 £000*
Payments made/(received) for group relief	**(135)**	*(135)*
Total current tax	**(135)**	*(135)*
Deferred tax		
Origination and reversal of timing differences	**-**	*-*
Total deferred tax	**-**	*-*
Taxation on (loss)/profit on ordinary activities	**(135)**	*(135)*

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2022: lower than)* the standard rate of corporation tax in the UK of 19% *(2022: 19%)*. The differences are explained below:

	2023 £000	*2022 £000*
(Loss)/profit on ordinary activities before tax	**(274)**	*1,113*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% *(2022: 19%)*	**(52)**	*211*
Effects of:		
Non-taxable income	**(2)**	*(84)*
Non-deductable expenses	**7**	*12*
Amounts not recognised	**(88)**	*(274)*
Total tax credit for the year	**(135)**	*(135)*

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13. Taxation (continued)

Factors that may affect future tax charges

The standard rate of tax applied to reported profit on ordinary activities is 19% *(2022: 19%)*. The March 2021 Budget announced an increase in corporation tax rate to 25% from 1 April 2023 which was substantively enacted on 24 May 2021. The Company's deferred tax balances are measured using the corporation tax rates that have been enacted or substantively enacted at the statement of financial position date (25%), based on the periods in which the temporary differences are forecast to reverse.

There is an unrecognised deferred tax asset of £9,749,066 *(2022: £10,082,939)* in respect of capital allowances £291,546 *(2022: £338,616)*, losses £9,449,024 *(2022: £9,508,759)* and short term timing differences £8,496 *(2022: £235,565)*. This has not been recognised as future taxable profits are not considered probable.

14. Exceptional items

	2023	*2022*
	£000	*£000*
Exceptional items	**(874)**	-

The company entered into a finance lease in the period relating to one of its buildings which resulted in a reversal of impairment.

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15. Intangible assets

	Software £000
Cost	
At 1 April 2022	**1,033**
At 31 March 2023	**1,033**
Amortisation	
At 1 April 2022	**1,021**
Charge for the year	**7**
At 31 March 2023	**1,028**
Net book value	
At 31 March 2023	**5**
At 31 March 2022	*12*

Amortisation on intangible assets is charged to administrative expenses.

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16. Tangible fixed assets

	Property £000	Leasehold improvements £000	Motor vehicles £000	Computer equipment £000	Furniture, fittings and office equipment £000	Total £000
Cost or valuation						
At 1 April 2022	5,932	2,462	763	1,623	2,199	12,979
Additions	787	79	-	35	1	902
Disposals	(1,208)	(1,882)	(741)	(1,329)	(2,196)	(7,356)
At 31 March 2023	5,511	659	22	329	4	6,525
Depreciation						
At 1 April 2022	2,067	2,016	760	1,491	2,196	8,530
Charge for the year	442	167	4	86	1	700
Disposals	(1,208)	(1,883)	(742)	(1,328)	(2,196)	(7,357)
At 31 March 2023	1,301	300	22	249	1	1,873
Net book value						
At 31 March 2023	4,210	359	-	80	3	4,652
At 31 March 2022	*3,865*	*446*	*3*	*132*	*3*	*4,449*

Right-of-use assets

At 31 March 2023, property, plant and equipment includes right-of-use assets as follows:

	Property £000	Leasehold improvements £000	Motor vehicles £000	Computer Equipment £000	Furniture and Fittings £000	Total £000
Right-of-use asset						
At 31 March 2023	1,460	-	-	-	-	1,460
Lease assets						
At 31 March 2023	615	-	-	-	-	615
	2,075	-	-	-	-	2,075

Security
The Company has £189,000 *(2022: £189,000)* held in deposits as security against current leases.

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17. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2022	**100**
At 31 March 2023	**100**
Net book value	
At 31 March 2023	**100**
At 31 March 2022	*100*

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Principal activity	Class of shares	Holding
TGF Unique Limited	Freight & Logistics	Ordinary	50.01%

Registered address for the company above is:
672 Spur Road, North Feltham Trading Estate, Feltham, England, TW14 0SL.

Toll Supply Chain Solutions (UK) Limited was liquidated on 15 July 2022.

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18. Debtors

	2023 £000	*2022 £000*
Trade debtors	**5,303**	*12,711*
Amounts falling due from group undertakings (see note 29)	**1,385**	*1,377*
Other debtors	**167**	*51*
Prepayments and accrued income	**618**	*7,532*
	7,473	*21,671*

Included within trade debtors is a provision for impairment losses of £343,000 *(2022: £10,000).*

Amounts owed by group undertakings are interest free and repayable on demand.

19. Cash and cash equivalents

	2023 £000	*2022 £000*
Cash at bank and in hand	**5,957**	*5,232*

20. Creditors: Amounts falling due within one year

	2023 £000	*2022 £000*
Bank loans and overdrafts	**2,500**	*2,500*
Lease liabilities - current	**616**	*564*
Trade creditors	**1,925**	*6,475*
Amounts owed to group undertakings (see note 29)	**2,519**	*3,923*
Loans from group undertakings (see note 29)	**2,061**	*2,061*
Accruals and deferred income	**3,571**	*9,724*
	13,192	*25,247*

Amounts owed to group undertakings are interest free and payable on demand.

Loans from group undertakings are unsecured with interest rate at 2.5% and 1% fixed plus LIBOR with a principle of £2,060,219 being interest bearing. The loans have no fixed date of repayment.

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21. Creditors: Amounts falling due after more than one year

	2023 £000	2022 £000
Lease liabilities	**1,459**	*1,925*

22. Leases

Company as a lessee

The Company enters into lease agreements for offices, warehouses, car and machinary in support of its operational activities.

Lease liabilities are due as follows:

	2023 £000	2022 £000
Not later than one year	**760**	*731*
Between one year and five years	**1,643**	*2,041*
Later than five years	**111**	*253*
	2,514	*3,025*

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2023 £000	2022 £000
Interest expense on lease liabilities	**108**	*127*
Expenses relating to short-term leases	**23**	*23*
	131	*150*

JAPAN POST GROUP

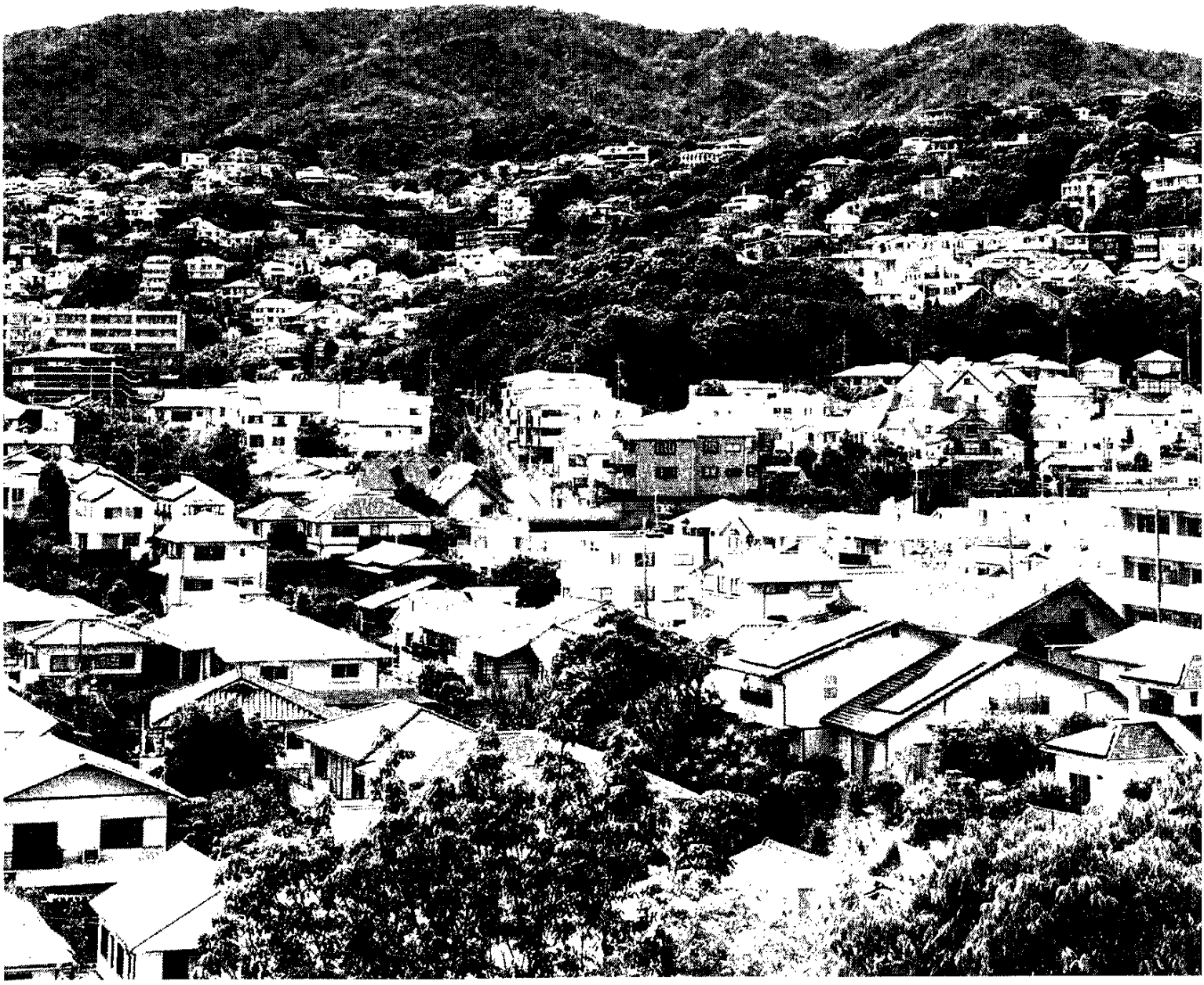
Annual Report

Year ended March 31, 2023

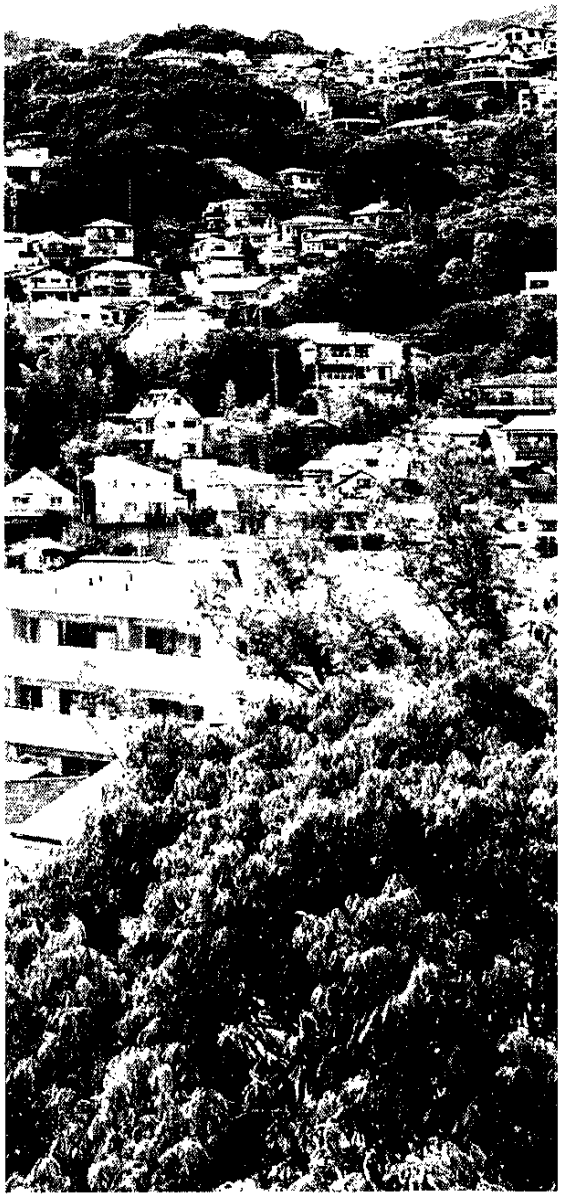
2023

JAPAN POST GROUP

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



Our History



1871 Modern postal service was established.
Issuance of postage stamps was commenced.

1872 The nationwide postal service network was completed.

1873 The nationwide uniform postage charge system was implemented.
Issuance of postcards was commenced.

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

1875 Postal money order service and postal savings service were established.

1885 The Ministry of Communications was established.

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

1892 The parcel post service was launched.

1901 Red post boxes were introduced.

1908 Current outstanding balance of postal savings: 100 million yen

1911 The express mail service was launched.

1916 Postal life insurance service was established.

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

1928 National Health Exercise Program (precursor of the Radio Exercise Program) was established.

1949 The Ministry of Posts and Telecommunications was established.

A scene of mail delivery/1971

1960 Current outstanding balance of postal savings: 1 trillion yen

1971 Educational endowment insurance and special whole life insurance services were established.

1984 The nationwide online network for postal savings was completed.

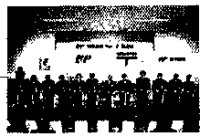
1985 Current outstanding balance of postal savings: 100 trillion yen

Paperwork at the postal savings counter/1983

2001 The Postal Services Agency was established.

2003 Japan Post was established.

2007 The Japan Post Group was established.



2012 Reorganized into the current four-company structure

JAPAN POST HOLDINGS JAPAN POST BANK
JAPAN POST JAPAN POST INSURANCE

2015 Listed on the First Section of the Tokyo Stock Exchange

2021 The 150th anniversary of the foundation of the Japan Post Group

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.

Japan Post Group Charter of Corporate Conduct

1. Earn the trust of customers

- We earn the trust of customers by adopting their perspective and meeting their expectations.
- We protect and manage information strictly so that customers can use our services with peace of mind.
- We fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner.

2. Observe ethical standards

- We continue to conduct business activities with sincerity by complying with laws, regulations, social standards and internal rules.
- We stand firmly against antisocial forces and organizations that threaten the order and safety of civil society.
- We maintain workplace discipline by clearly defining responsibilities and authority and fairly evaluating performance and results.

3. Place priority on coexistence

- We actively promote environmental conservation and make a significant contribution to society through business activities.
- We aim for sustainable coexistence by placing importance on maintaining dialogues with diverse stakeholders.
- We respect human rights and provide safe and pleasant workplaces.

4. Create value

- We will create new convenience for customers and provide them with high-quality services.
- We will create stable value by providing universal services in our three core businesses through the Japan Post Group network.
- We will utilize teamwork and create corporate value for the Japan Post Group by promoting mutual understanding and cooperation among employees and encouraging each and every employee to fulfill their roles and responsibilities.

5. Be a source of change

- We will apply technological innovation and continually make innovative changes internally to provide stable services to our customers.
- We exercise our creativity from a broad viewpoint and lofty perspective to promote the Group's development.
- We aggressively take on the challenge of conducting global business activities.

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Company Outline

Company name:
JAPAN POST HOLDINGS Co., Ltd.

Head office:
3-1, Otemachi 2-chome, Chiyoda-ku,
Tokyo 100-8791, Japan

Date of establishment.	January 23, 2006
Paid-in capital.	¥3,500 billion
Securities code	6178

Total number of shareholders
741,798
(As of March 31, 2023)

Date of Publication: September 2023

Editorial Policy

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

This Report has been combined with the Disclosure Report.

- Reference guideline: International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)

Subject of Reporting

Reporting period: April 2022–March 2023 (Part of this Report includes information after this period.)

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

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

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

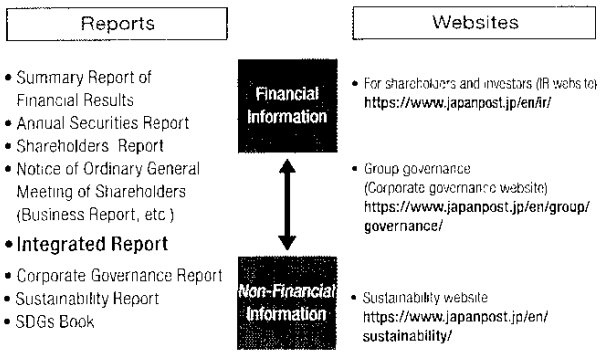
Disclaimer with Respect to Forward-Looking Statements

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

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

Figures and percentages shown in this Report have been rounded off, except for financial numbers in the accounting statements, etc., that have been truncated without rounding. As a consequence, sums of figures may not match the totals presented. Figures and percentages, with exceptions as specifically indicated, are as of March 31, 2023.

Publications and Their Positioning



Message from the President

MASUDA Hiroya

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

By realizing our "Co-creation Platform," we aim to be essential and the first choice for customers and local communities throughout Japan.

Introduction

We are rolling out various measures, including Group-wide digital transformation (DX) and collaborative partnerships with a wide variety of companies outside the Japan Post Group, to realize a "Co-creation Platform" that will support the realization of safe, peaceful, comfortable, and enriched lives.

It is now two years since the announcement of the Medium-Term Management Plan "JP Vision 2025," and this has been a period of "laying foundations." We will work to ensure that this year will be the one in which, as we proceed with the concrete measures that we developed over the past two years, all of our stakeholders—including customers, shareholders, and employees—are able to see meaningful results.

By aiming to realize a "Co-creation Platform" supporting customers and local communities, we will address social issues through our post office network in a highly visible way. Providing an even higher level of products and services and enhancing operational efficiency, in doing so, we will transform ourselves into a more robust enterprise that is better able to generate profits.

A "Post Office of the Future" that Combines Human Warmth and Pleasant Surprises

In aiming to create a "Co-creation Platform," one of the most important tasks is to realize an evolution of our post office network.

By combining the strengths of our physical post office network with digital technologies, we provide new value to customers across a wide range of ages and regions. As one form of this, we are currently working on the "post office of the future," which fuses the digital aspect, utilizing the capabilities of a variety of digital technologies to provide customers with new, pleasant surprises, and the physical aspect, which provides warm, personal service.

We have chosen the Otemachi Post Office (in Chiyoda Ward, Tokyo) as the pilot project post office for the "post office of the future," and are proceeding with various types of demonstration experiments.

On the digital side, we are working to provide enhanced convenience for customers by adopting a "digital ticket dispenser" that enables them to check how busy the counters at a particular post office are at a given time using their PC or smartphone, and a "self-service postal checkout" (for postal services) where customers can use a single device to post ordinary mail and to purchase Letter Pack envelopes, etc., without lining up at the counters. On the physical side, we will be enhancing experiential value for customers by designing post office interior spaces in a way that aligns with customer needs, through the installation of Life Counseling spaces where customers can have consultations about financial matters or lifestyle issues close at hand, and Lounge spaces where they can make their waiting time more comfortable and enjoy a pleasant purchasing experience. Starting from this fiscal year, we are also rolling out revamped post offices, based on existing post office buildings, that realize online financial consultation and other services in accordance with the characteristics of each region.

I believe that it is extremely important to realize the "post office of the future," looking ahead 5, 10, or 20 years, and taking the know-how and creativity of Japan Post Group employees as the foundation for ensuring that, in the future, post offices will continue to be appreciated by customers and local communities, and will continue making a positive contribution to society. With this in mind, we are asking our employees to submit ideas for the "post office of the future," with the aim of realizing the best ideas through the demonstration experiments that are now underway.

Moving ahead, our goal is to roll out the "post office of the future" throughout Japan. This will be implemented in a stage-by-stage process, taking into consideration the special characteristics of the area where each post office is located, as we strive to provide customers with enhanced value from a smarter, more enjoyable user experience.

We are also proceeding with digitalization in each of our businesses. In the postal and domestic logistics business, we have developed the Ichikawa Minami Post Office as a next-generation post office designed to support practical implementation of DX, making effective use of transportation telematics, new control and management systems, and automated guided vehicles (AGVs). In the post office business, we have introduced online consultations in relation to investment trusts, and digital application services for cancer insurance, simplified issue health insurance, and vehicle insurance. In our banking business, we have launched the Yucho Reco Personal Financial Management (PFM) App, which enables customers to use their smartphones to manage financial assets and monthly income and expenditure, while our life insurance business expanded the functionality of the "My Page" website for policyholders to include a direct claim submission function for hospitalization and operation-related insurance payments.

Moving ahead, we will be accelerating the process of digitalization, with plans to consolidate and overhaul existing apps and unify the customer ID verification system.

Collaboration with Companies Outside the Japan Post Group

While working to enhance the value of our post office network by integrating the physical and the digital, the Japan Post Group is also actively promoting the forging of collaborative partnerships between our postal and domestic logistics, banking, and life insurance businesses with a wide variety of companies from outside the Japan Post Group, to realize a "Co-creation Platform" supporting customers and local communities. In this section, I will introduce a few of these collaborative projects.

The COVID-19 pandemic accelerated changes in lifestyles, and as a result e-commerce has come to play an increasingly important role as key infrastructure in people's lives. At the same time, the needs of parcel senders and recipients have become even more diversified, and providing reliable logistics services in a sustainable manner has become a significant issue.

In response to these developments, in 2021 Japan Post joined forces with Rakuten Group, Inc. to establish JP Rakuten Logistics, Inc., and the Japan Post Group and Rakuten Group are working together to build shared logistics hubs and delivery systems.

In October 2022, a new logistics hub for Rakuten Super Logistics (RSL), a comprehensive logistics service that handles everything from receiving to product delivery for Rakuten Ichiba online stores, was established in Fukuoka, with the aim of further strengthening capabilities and reducing lead time for deliveries in the Kyushu region.

In addition, in April 2023 a new, large automated logistics center was established in Hachioji City, Tokyo to further strengthen product supply capability, while also reducing delivery lead times in the Eastern Japan region. This is because distribution through Rakuten 24, a direct sales service for daily necessities, grew and increased the utilization rate of the existing distribution center.

In the future, besides expanding the scope of our collaborative projects to include not only logistics but also retail, DX, and regional revitalization, we will also be constantly examining the possibilities for collaboration in new fields.

Problems that are shared by every company in the logistics sector include the "2024 issue," referring to the necessity for responding to tightened regulation regarding truck drivers working in excess of normal working hours, and the need to reduce CO_2 emissions associated with transport.

To address these issues, we have begun implementing joint transport on trunk routes with Sagawa Express Co., Ltd. We are also participating in the initiative that is being implemented by Tokyo Kyusyu Ferry Co., Ltd. and Sagawa Express to switch over to sea transport via the Yokosuka–Shinmoji ferry route for part of the long-distance transportation trunk route between the Kanto region and Kyushu region.

Regarding the need to maintain a stable delivery network in districts that are affected by a falling population, in order to identify key issues that must be addressed in order to make effective use of the limited human resources and limited facilities that are available in these areas, in March 2023 we began implementing a trial joint delivery project in the Togatta hot springs district of Miyagi Prefecture and several neighborhoods in the town of Nishikawa-machi in Nishimurayama-gun district, Yamagata Prefecture, whereby parcels collected by Sagawa Express from locations throughout Japan will be delivered in these areas by Japan Post.

On June 19, 2023, the Japan Post Group and the Yamato Group entered into a basic agreement to promote sustainable logistics services. Both booklet parcels (*mail-bin*) and small, lightweight parcels collected by Yamato Transport Co., Ltd. are going to be delivered through Japan Post's delivery network.

Going forward, we will continue to address issues affecting the logistics sector, and to develop a sustainable business while maintaining convenience for our customers in local areas.

Starting from 2022, Japan Post Bank and Daiwa Securities Co., Ltd. have begun providing "Yucho Fund Wrap," which provides optimal investment portfolios matched to customers' life plans and changes in household finances, through 233 directly managed Japan Post Bank branches. This makes it possible to meet customers' individual life planning and asset management requirements with great attention to detail. In the future, we will continue striving to provide customer-focused asset management services, by offering life planning and consulting support that are even more closely tailored to what customers need.

Japan Post Holdings, Japan Post, Japan Post Insurance, Aflac Incorporated, and Aflac Life Insurance Japan, Ltd. are continuing to strengthen their strategic partnership. By collaborating with one another, they are aiming to achieve further synergy, and they continue to explore the potential for new collaborative initiatives. In April 2023, a new Lump Sum Critical Illness Benefit Rider was launched to meet the needs of customers who wish to have generous coverage for serious illnesses in addition to cancer.

With the goal of realizing a "Co-creation Platform" supporting customers and local communities, we will continue to position the cancer insurance offered by Aflac Life Insurance as a product that has an important role to play in our sales strategy. By collaborating on thoroughgoing efforts to implement customer-oriented business operations, we will further develop our strategic partnerships.

Strengthening Both New Businesses and Core Businesses

One new business area that the Japan Post Group is working actively to develop as an important source of revenue is the real estate business.

Since the completion of the JP Tower (KITTE) in May 2012, which was the Japan Post Group's first real estate project, we have continued to develop high-profitability real estate projects, such as those located near railway stations, retail property, residential property, etc. We have proceeded with measures to further expand revenue from this business, for example, by establishing a dedicated real estate company—Japan Post Real Estate Co., Ltd.—in April 2018.

In addition to the completion of Kuramae JP Terrace in March 2023 and Azabudai Hills Mori JP Tower in June 2023 as development properties of the Group's real estate holdings, other large-scale projects such as JP Tower Osaka, and the Gotanda JP Building are scheduled to be completed in sequence.

As well, by investing in excellent non-Group real estate projects—such as our participation in the Nishiki 3-Chome 25th Block Project (located near Sakae Station in Nagoya), and in the Nakano Station North Exit Project in Tokyo—we are working to further expand the profits generated by the real estate business.

With new businesses, it is unlikely that revenue will be generated immediately, and there is no guarantee that everything will go according to plan. I personally believe that it is important to cultivate a corporate ethos whereby, if there is something new that the Japan Post Group can attempt, we will make an active effort to do so, and that we should make a deliberate effort to encourage the taking on of challenges. In this way, we will be able to generate new ideas and cultivate new businesses, but as a first step, it is extremely important that we adopt a painstaking approach to laying the foundations for this process.

While developing new businesses, it is also extremely important for us to further strengthen the Japan Post Group's core businesses: postal and domestic logistics, banking, and life insurance.

In the postal and domestic logistics business, besides striving to enhance productivity and efficiency through initiatives such as the promotion of DX, we are also aiming to maintain postal service utilization, for example, by providing support for letter-writing workshop programs, providing a service that enables people to send traditional New Year's greeting cards using their smartphone, and implementing other measures to revive letter-writing and show people the joy of writing and receiving letters.

To effectively develop the growing e-commerce market and the online "flea market" website market, we are working to increase the number of e-commerce sites that make use of Japan Post's "ehasso" delivery service, grow the number of items handled by expanding the locations where contactless automated e-commerce lockers are available, and make the transport and delivery network more efficient.

In our banking business, while maintaining our physical bank branch network, we are also aiming to expand self-service channels and digital channels, for example, by enhancing the functionality of Madotab self-service terminals and of our ATMs, and expanding the range of functions provided by the Yucho Bankbook App and the Yucho Reco Personal Financial Management (PFM) App. In addition, while proceeding with selective investment tailored to the market environment, with appropriate risk management, and steadily increasing our risk asset balance, we will also be focusing on optimizing our overall portfolio, including the restructuring of yen interest rate risk assets to take interest rate movements both within and outside Japan into account.

Turning to the life insurance business, besides working to ensure customers feel truly glad they chose Japan Post Insurance by improving customer convenience and solicitation quality, from the

perspective of boosting the customer experience value (CX), we will also be proceeding with the development of insurance services that respond to the protection needs of customers of all generations in an age of 100-year life, and will be enhancing our insurance services accordingly.

Working toward the Realization of a Sustainable Society

The Japan Post Group Basic Sustainability Policy states that the Group will strive to realize sustainable growth and enhance corporate value over the medium to long term, by contributing toward the resolution of social issues related to sustainability through its business activities.

Besides clarifying the value creation process, based on examination of the impact on the Japan Post Group's corporate value and the importance to stakeholders (and their expectations), we have summarized important topics and related topics, in six areas: (1) Local communities and economies; (2) Responding to the aging society; (3) Access to services; (4) Environment; (5) Human resources and human capital; and (6) Management base, and used these to set the strategic direction for our initiatives.

With the aim of addressing these key issues, in JP Vision 2025 we have set the ultra-long-term goal of becoming carbon neutral by 2050, and have also set the medium-term goal of reducing greenhouse gas emissions by 46% by the fiscal year ending March 31, 2031 (compared to the fiscal year ended March 31, 2020) as a milestone on the way to achieving this goal.

The main initiatives that we will be implementing over the period up to the fiscal year ending March 31, 2026 include the promotion of energy-saving by adopting electric vehicles (EVs) for collection and delivery vehicles, installing LED lights in our facilities, and switching over to highly efficient air conditioning systems, as well as a stage-by-stage transition to using low-carbon electric power. In addition, as the realization of carbon neutrality is predicated on progress being made toward carbon neutrality in the wider society, such as the spread of renewable energy, we will also be providing support for carbon neutral initiatives in local communities.

We are currently collaborating with Tokyo Electric Power Company Holdings, Inc. and MITSUBISHI MOTORS CORPORATION on a demonstration experiment at the Numazu Post Office (in Numazu City, Shizuoka Prefecture) and the Oyama Post Office (in Oyama City, Tochigi Prefecture) in relation to the challenge of long-distance travel using EVs (which has been a problem affecting the transition to EVs), involving the installation of rapid chargers and analysis of EV travel data. We are also contributing toward the improvement of the EV charging infrastructure in local communities by making the rapid chargers available for use by the general public.

Japan Post has also forged a strategic tie-up with the Chubu Electric Power Group to promote the shift to carbon neutrality, and we are proceeding with preparations for making effective use of renewable energy by installing photovoltaic generating equipment and storage batteries at post offices. This will also contribute toward strengthening local communities' resilience in the event of a natural disaster, because the power will be available for use in the event of an outage.

In another initiative, as of the fiscal year ended March 31, 2023, Japan Post had opened a total of eight environmentally friendly "+Eco Post Offices." The special features of these "+Eco Post Offices" include being built using cross-laminated timber (CLT) panels, which are made using sustainable timber and provide outstanding strength and thermal insulation, as well as the use of renewable energy, including photovoltaic generating equipment.

The Toma Post Office, which opened in February 2023 in Toma-cho in the Kamikawa-gun district of Hokkaido, not only uses CLT made from locally sourced timber but is also the first post office to feature chip boiler heating equipment that uses wood biomass fuel, as well as solar panels installed on the walls (rather than on the roof) so that photovoltaic power can still be generated during periods of heavy snowfall, when the roof is likely to be covered with snow.

Through initiatives such as these, we will continue working to reduce greenhouse gas emissions and promote carbon neutrality in local communities.

From a corporate perspective, measures aimed at resolving social issues in local communities often pose challenges in terms of maintaining profitability. However, we believe that, by making the local post office a hub for coordination with other participants, initiatives of this kind can be made sustainable, which in turn will help to enhance the sustainability of local communities itself.

In April 2022, we launched a Local Co-creation Initiative, the aim of which is to generate new businesses in local communities by assigning head office employees of Japan Post Group companies, selected through a

call for applicants, to spend two years working with local venture-stage companies and local government agencies in rural areas. By spending time at start-ups and local government agencies that are working vigorously to develop services which can contribute toward revitalizing local economies, increasing the number of people who are involved with local communities (even if they may not actually live there), and maintaining and enhancing local government functions, the employees will accumulate useful experience. In this way, the project will help to cultivate human talent with an entrepreneurial mindset, and by partnering with local start-ups and local government agencies, the Japan Post Group is taking on the challenge of generating new businesses that can help resolve social issues.

In February 2023, in the Local Co-creation Initiative's first project, a demonstration experiment was performed for a new Community-based Shopping Service in parts of the eastern district of Nara City in Nara Prefecture (including the Tsukigase, Yagyu, and Higashisato areas), the aim of which is to strengthen local communities, making effective use of Japan Post's post offices and distribution network. Going forward, based on the results obtained in this demonstration experiment, we aim to work together with local government authorities and business enterprises throughout Japan to make everyday shopping more convenient and strengthen local communities, by utilizing Japan Post's network, which extends into every part of the country.

Making Effective Use of Our Human Capital, Which Represents an Important Management Resource

Human resources are extremely important in realizing our goal of building a "Co-creation Platform." Since we are aiming to stimulate the Japan Post Group's growth and enhance its corporate value, we believe it is vital to maximize the value of human capital.

To realize human capital management, we have formulated the Japan Post Group Human Resources Policy, and have been clarifying the direction needed for human resources initiatives aimed at making us the organization we want to be.

So that we become a company that all employees can take pride in and feel rewarding working for, we are working on the following three points. First, we will

realize true diversity that respects different viewpoints and values based on the recognition and acceptance of differences. Second, in order to enhance the abilities of our employees, we will support their career development by providing opportunities for them to challenge and improve their skills. Third, we are working to implement human resources cultivation and create an environment that supports employees' efforts to grow and to challenge themselves, with the main focus being on developing employees who are able to make full use of their own strengths and creativity for the benefit of our customers. As well, we are working to create an environment where talent is staffed in the right seats.

Currently, in response to the fall in the working-age population in Japan, many companies are focusing on how they can effectively make use of former employees. In the Japan Post Group, we have established an Alumni Network at our head office with the aim of getting "alumni" (Japan Post Group's former employees) who have acquired new experiences and capabilities outside the Group to come back and play a useful role within it, starting from the fiscal year ended March 31, 2023. By building a strong, medium- to long-term relationship with alumni through provision of the latest Japan Post Group information, business outsourcing, side business opportunities, and mid-career recruits, we aim to take full advantage of the superiority of our Group, which has more employees than any other business enterprise in Japan, and to enhance our corporate value by making good use of the diverse human resources that constitute our Group's single biggest advantage.

Initiatives to Improve Employee Conduct

The Japan Post Group has on numerous occasions been affected by incidents that went against the spirit of the Group's management philosophy and caused the public to lose trust in the Group as a whole. Each time, we have had to make an all-out effort to regain customers' trust.

To coincide with the launch of the new Japan Post Insurance sales system, we have formulated and begun implementing the JP Code of Conduct, a unified code of conduct for the entire Japan Post Group which concisely outlines how employees and company officers should act in order to live up to the expectations of customers, local communities, and society as a whole, so that the Japan Post Group can grow into an even more trusted enterprise in the future.

In March 2023, we drew up and began implementing a three-year Group Conduct Enhancement Plan to ensure that the JP Code of Conduct is fully embodied in our organizational culture and corporate culture, and to enhance the quality of the actions taken by each individual employee and company officer.

To ensure that the message of the JP Code of Conduct permeates throughout the Group, besides the top-down and bottom-up approaches represented by my own statements and by the creation of a JP Code of Conduct Suggestion Box to which employees can submit their insights, etc., what is particularly important is to disseminate the message effectively among employees holding middle-management positions, who supervise large numbers of employees, act as a model for their subordinates, and have a responsibility to strive to ensure that an emphasis on appropriate conduct permeates widely. By spreading awareness of the JP Code of Conduct through incorporating the key aspects of the Code into the training provided for middle managers, we are getting the Japan Post Group as a whole to work together to realize operational management that is genuinely customer-focused, which in turn will lead to sustainable, strong growth for the Group.

Playing a Vital Role behind the Scenes

What we are aiming for is to build a "Co-creation Platform" supporting our customers and local communities by providing integrated postal, savings, and insurance services through our network of post offices, which is the Japan Post Group's greatest strength, and by collaborating with a wide range of companies outside the Group, and to provide the support needed to ensure that customers living in local areas can realize comfortable, enriched lives and lifestyles characterized by safety and peace of mind.

To realize this goal, we believe that it is extremely important for us to collaborate not only with large enterprises but also with local government authorities and with local enterprises.

More specifically, by undertaking various tasks relating to Japan's Individual Number Card ("My Number Card") system and the issuing of official certificates on behalf of local government authorities; by providing new shopping services in areas where depopulation has made it difficult for people to do their regular shopping; by providing Mimamori (Watch Over) Service to keep an eye on senior citizens living alone, or to keep an eye on empty houses; by providing End-of-life Planning Services, which help relieve senior citizens' anxiety about end-of-life affairs; and by expanding the range of services to support people's lives that we provide at our post offices on behalf of regional banks, we aim to make the value provided by our post office network more obvious to people throughout the country.

I feel certain that, today more than ever, there is a need for us to focus on further strengthening the importance of the role that the post office plays, by introducing new services, aiming to increase our public nature as well as our profitability, and providing an even higher level of convenience for customers.

One of the tenets of Hisoka Maejima, who laid the foundations for the modern Japanese postal system in the late 19th century, was "Do not hesitate to work behind the scenes. Always aspire yourself to bring *others good." In line with this ethos, during the Meiji* era, in which Japan was modernizing rapidly, he and the post office continued, quietly but steadily, to introduce new ways of making life more convenient and more pleasant for people. In accordance with Maejima's teachings, going forward we will continue to support our customers and local communities from behind the scenes.

Top Messages from Each Company

JAPAN POST

SENDA Tetsuya

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

We will contribute to the realization of a society with an abundance of human contact for our customers and the local communities we serve by utilizing our *nationwide network of post offices.*

My name is SENDA Tetsuya, and I have recently accepted the position of President & CEO, Representative Executive Officer of Japan Post Co., Ltd. To realize the management philosophy of "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," I hope to conduct business by firmly meeting the demands of our customers and the local communities we serve as well as the opinions of our employees who work in close contact with our customers and members of the local communities.

The fiscal year ending March 31, 2024, will mark the halfway point of the Medium-Term Management Plan "JP Vision 2025." We will accelerate our initiatives

JAPAN POST BANK

IKEDA Norito

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

We will fire up our three business engines and promote ESG management.

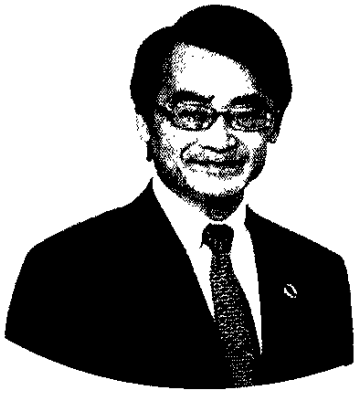
The business environment surrounding Japan Post Bank is undergoing significant changes, including a declining population, the advent of a super-aging society, shrinking regional economies, advances in digital innovation, and rapid monetary tightening by the U.S. and European central banks in response to higher inflation.

While responding flexibly to these changes, we will strive to enhance corporate value and help resolve social issues under our Purpose of "We aim for the happiness of customers and employees, and will contribute to the development of society and the region," our Management Philosophy of "We aim to become 'the most accessible and trustworthy bank in Japan,' guided by the needs and expectations of our customers," and the three missions set out in our current Medium-Term Management Plan.

In FY2024/3, which is the third year of our current management plan, in a highly uncertain market environment, we will strive to secure profits steadily in the market business, our largest source of revenue. We will also focus on further strengthening the retail business to build a strong and stable business foundation, and on building the foundation for the Σ (sigma) business, which we see as a new growth engine.

With regard to the first engine, the retail business, under our basic policy of complementarity between the physical and the digital, we will enhance self-service transaction channels and digital channels such as improving the features of Madotab

JAPAN POST INSURANCE



TANIGAKI Kunio

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

All employees are working as one to achieve the reconstruction and sustainable growth of Japan Post Insurance.

My name is TANIGAKI Kunio, and I have been appointed as the President of Japan Post Insurance. In an effort to achieve its social mission (purpose) of "We will remain trusted and selected by customers, thereby protecting their lives by providing life insurance product," and contribute to the resolution of social issues related to sustainability, Japan Post Insurance has formulated the Medium-Term Management Plan (FY2021–FY2025) as its milestone. Based thereon, we have been advancing initiatives to achieve reconstruction and sustainable growth as a company truly trusted by its customers.

Specifically, as an initiative toward reconstruction, a new Japan Post Insurance sales system was built starting in the fiscal year ended March 31, 2023, in which consultants (employees who mainly visit customers' homes to conduct activities) leverage their high level of expertise and flexibility as life insurance professionals and concentrate on the proposal and follow-up of life insurance products. We also

to realize a "Co-creation Platform" supporting customers and local communities by aggressively promoting DX to integrate our nationwide network of post offices, our greatest strength, with digital technologies, and by creating new value through collaboration and cooperation with companies outside of the Group and local government authorities.

In the postal and domestic logistics business, Japan Post is striving to raise the quality of customer services including enhancing the convenience of sending and receiving mail and parcels in order to expand the number of packages handled in the growing e-commerce market, while also strengthening its collaborations with other companies. In addition, we will also promote initiatives to further raise productivity, including the utilization of telematics and AI to increase the efficiency of delivery operations, and reducing manpower and streamlining of post office operations through the use of state-of-the-art technology. Furthermore, given the many companies cooperating with Japan Post in our mail and parcel delivery and pickup services, we will promote initiatives to build partnerships with these cooperating companies.

In the post office business, we will advance the digitalization of post office counter operations and raise operational efficiency, including the utilization of tablets and the establishment of online support systems, thereby allowing our employees more time to meet customers and members of the local communities in person. We will also roll out various services that match the needs of our customers and the members of the local communities we serve to raise the value of our network of post offices, by thoroughly implementing customer-first business operations, offering consulting services that align with customer needs, and collaborating with other companies and local government authorities.

In the international logistics business, we will push forward with selection and concentration to maximize profits, such as our focus on the Asian market. Furthermore, by contributing to the resolution of social problems surrounding sustainability through company-wide activities, Japan Post hopes to grow sustainably while bolstering enterprise value over the medium to long term. Through these efforts, the employees of Japan Post are working as a team to make the post office a needed presence and a chosen partner for customers and local communities. We ask for your continuing patronage and support of Japan Post more than ever.

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self-service terminals and ATMs, expanding the features of the Yucho Bankbook App and the Yucho Reco Personal Financial Management (PFM) App, while maintaining our branch network.

We will provide thorough guidance according to customer needs so that customers can conduct transactions more easily and conveniently. In addition, as a new retail business strategy, we will start phasing in a "Co-creation Platform" strategy. This will work with a variety of businesses, using the Yucho Bankbook App and the Yucho Reco PFM App to guide customers on the best products and services for their needs. In addition, with regard to the asset building support business, based on the expansion of the NISA system*1 from 2024, we will strengthen our ability to propose to customers, including Tsumitate NISA*2.

In the market business, our second engine, we will flexibly rebuild the yen interest rate portfolio in anticipation of the possibility that domestic interest rates, which have been low for a long time, will rise.

In addition, from the viewpoint of strengthening risk tolerance, we will continue to accumulate balance mainly in credit assets in the investment grade area. In the strategic investment area, we will strive to ensure stable returns by selectively investing in quality funds, mainly in debt (bond)-type products with relatively high resistance to market fluctuations.

With regard to the ∑ business, our third engine, we have positioned the two-year period from October 2022 to the end of September 2024 as the pilot period toward full-scale deployment from FY2027/3 onward. We will work to develop the implementation platform while striving to strengthen domestic general partner (GP)-related investment aimed at full-scale operation of the GP business and steadily expanding businesses that we support in marketing.

To ensure the success of these three businesses, we are promoting human resource strategies that align with the Medium-Term Management Plan. In specific terms, we will nurture employees who develop themselves through challenges and develop an environment in which their abilities can be maximized, thereby building a lively and exciting company that allows diverse human resources to thrive.

We will continue to firmly engage in dialogue with all of our stakeholders to achieve further growth by strengthening our sustainability initiatives through our business activities and establishing a business model that is sustainable over the medium to long term. I ask for your continued support and patronage.

*1 A tax exemption system for small investments
*2 A savings-type NISA for purchases of a fixed amount on a regular basis in Japanese mutual funds

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transitioned to a new system (account manager system) where employees with expertise provide high-quality, attentive after-sales follow-up services to individual customers.

Based on this new sales system, in the fiscal year ending March 31, 2024, we will go forward with the establishment of an integrated company-wide sales promotion system and the reinforcement of functions by preparing for the adoption of common standards and systems in the human resource development of consultants and integrating the front line (the sales division, etc., which handles customers' services) with the head office.

Moreover, to achieve sustainable growth, we are working on initiatives to improve customer experience value (CX). We hope to expand our customer base and enhance our competitive edge as a life insurance company by making customers feel glad to be with Japan Post Insurance at every contact point, from enrollment in the insurance policy to after-sales follow-ups and payment.

Specifically, to meet the needs of customers who want to make various claims and carry out procedures without being restricted by time or location, we are improving our web services, among other initiatives. During the fiscal year ended March 31, 2023, claims for hospitalization insurance due to COVID-19 became available on web services. We believe that it is our fundamental mission as an insurance company to stay close to our customers and simply and quickly pay insurance claims, especially in times of need.

Furthermore, the foundation that supports these "pillars" of reconstruction and sustainable growth are our employees. Having each employee firmly understand the vision and mission of Japan Post Insurance and act autonomously toward those goals is indispensable for the company's growth. Japan Post Insurance is promoting management in which employees who will become the foundations of the businesses are treated as assets to fully demonstrate their abilities (= human capital management).

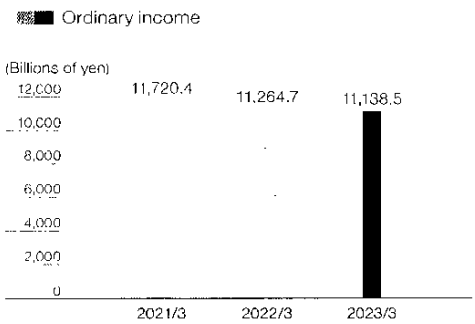
We will continue to listen carefully to the thoughts of all of our stakeholders, including customers, shareholders, employees, and local residents, and press ahead to meet their expectations with the resilience to respond to the changing times and unchanging passion. We sincerely hope that going forward you will continue to follow Japan Post Insurance with interest.

Financial and Non-Financial Highlights

Financial Information

Ordinary Income

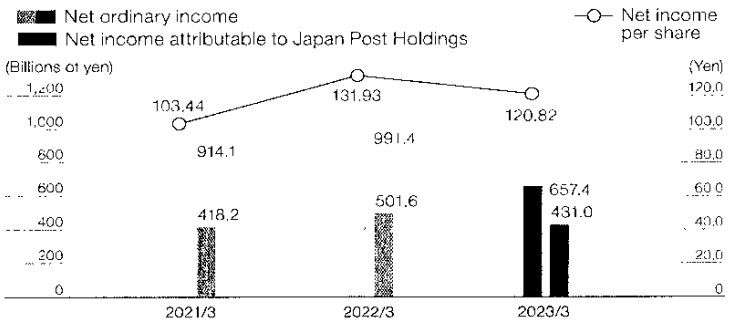
¥11,138.5 billion



Ordinary income in the fiscal year ended March 31, 2023, decreased 1.1% from the previous fiscal year, to ¥11,138.5 billion.

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

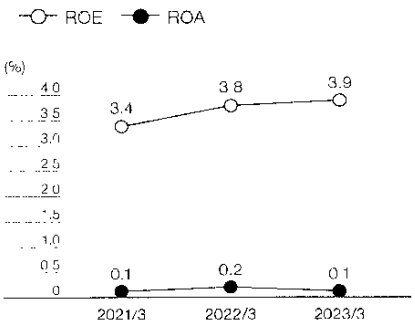
Net ordinary income	Net income attributable to Japan Post Holdings	Net income per share
¥657.4 billion	**¥431.0** billion	**¥120.82**



Net ordinary income in the fiscal year ended March 31, 2023, decreased 33.7% from the previous fiscal year, to ¥657.4 billion, net income attributable to Japan Post Holdings decreased 14.1% from the previous fiscal year, to ¥431.0 billion, and net income per share amounted to ¥120.82.

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

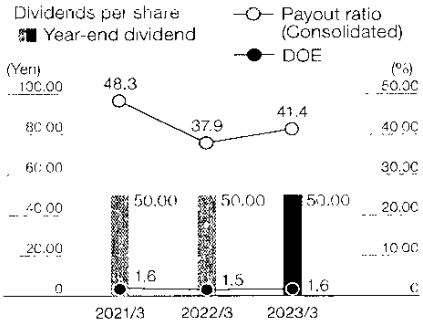
Return on equity (ROE)	**3.9**%
Return on assets (ROA)	**0.1**%



ROE in the fiscal year ended March 31, 2023, increased 0.1 percentage points from the previous fiscal year, to 3.9%. ROA came to 0.1%.

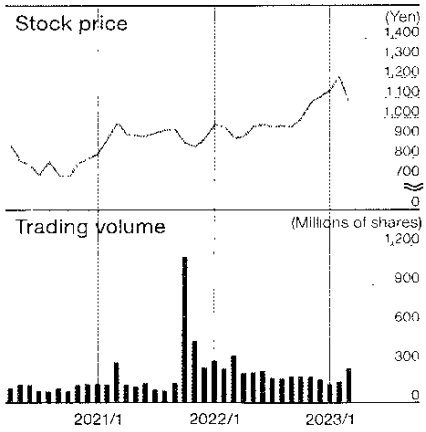
Dividends per Share / Payout Ratio (Consolidated) / Dividend on Equity (DOE)

Dividends per share	**¥50**
Payout ratio (Consolidated)	**41.4**%
Dividend on equity (DOE)	**1.6**%



Annual dividends per share in the fiscal year ended March 31, 2023, amounted to ¥50. The payout ratio (consolidated) came to 41.4%. DOE came to 1.6%.

Stock Chart



Overview of Stocks of Japan Post Holdings (As of March 31, 2023)
Securities code: 6178
Business year: April 1 to March 31
Stock exchange listing: Tokyo Stock Exchange
Settlement date: March 31
Annual General Meeting of Shareholders: June (voting rights record date: March 31)
Dividend record date: March 31 for year-end dividends, September 30 for interim dividends (when interim dividends are paid out)
Unit number of shares: 100 shares
Total number of issued shares: 3,657,797,700
Class of shares: Common stock
Total number of shareholders: 741,798

Non-Financial Information

Greenhouse Gas (GHG) Emissions

Total CO_2 emissions*1

2,572 kt-CO_2

Basic unit (Facility)*2

0.053 t-CO_2/m²

Basic unit (Vehicle)*2

0.000160 t-CO_2/km

*1 Total CO_2 emissions: Scope 1, 2, and 3 emissions of Japan Post Holdings, Japan Post, Japan Post Bank, Japan Post Insurance, Japan Post Transport, and Toll Holdings in the fiscal year ended March 31, 2022

*2 Basic unit (Facility) and Basic unit (Vehicle): Results of Japan Post Holdings, Japan Post, Japan Post Bank, Japan Post Insurance, and Japan Post Transport in the fiscal year ended March 31, 2022

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

Number of comprehensive partnership agreements (Prefectures) (Agreements)

44

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

1,733 / 99.5%

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

1,615 / 92.8%

Note: As of end of February 2023

Rating / External ESG Evaluations

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

AA+

(Stable)

Note: As of December 15, 2022

Selected as a constituent of the FTSE4Good Index Series*1 and FTSE Blossom Japan Index*2

FTSE4Good

FTSE Blossom Japan Index

*1 An index designed by FTSE Russell, the global index provider, to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices

*2 An index that selects Japanese companies demonstrating strong Environmental, Social and Governance (ESG) practices. The index has been adopted by the Government Pension Investment Fund (GPIF) as an ESG index.

Number of Women in Management Positions / Female Executive Officers

Number of women in management positions (Persons) / Ratio of women in management positions (%)

3,184

9.4%

Note: The number of women and the ratio of them to the number of employees in management positions of the Group as of April 1, 2023

Number of female executive officers (Persons)*

29

Note: As of July 1, 2023

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

Number of persons taking childcare leave (Persons)

3,425

Note: Number of employees taking childcare leave, etc., among employees or spouses of employees who have given birth in the fiscal year ended March 31, 2023

Average number of paid holidays taken (Days)

18.9

Note. Average number of annual paid holidays taken (including days of paid leave carried from the previous fiscal year and the fiscal year before the previous fiscal year) per employee in the fiscal year ended March 31, 2023

Letter-Writing Workshop Programs

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

21,276

Medium-Term Management Plan "JP Vision 2025"

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

Changes in social environment surrounding the Group

Continuing declining birthrates and aging population

Increasing need for responding to ultra-aging society

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

Concerns over the sustainability of social infrastructure

Further digitalization

Increasing use of services that can be fully used via smartphones

Penetration of cashless transactions

Emergence of digital divide issues

Identify challenges that we should tackle to grow

JAPAN POST

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

JAPAN POST BANK

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

JAPAN POST INSURANCE

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

JAPAN POST HOLDINGS

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

Group's Strengths

Strength 1 Nationwide network of post offices

Number of post offices nationwide
24,251

Number of employees in the four main Group companies (As of March 31, 2023)
Approx. **374,000**
Regular employees: Approx. **208,000**
Non-regular employees: Approx. **166,000**

Number of employees with Securities Sales Representative Certification
89,694

Insurance Agent Certification
92,169

Financial Planner Certification
70,434

Strength 2 Delivery network and finance network

Number of postboxes nationwide
175,145

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

Number of ATMs nationwide
31,454

* 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).

JP Vision 2025

Value Creation

Regaining customers' trust

Aiming for new growth

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

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

[Customers]
Providing high-quality customer-oriented services

Supporting local communities across Japan

[Local communities]
Contributing to regional development and revitalization

[Shareholders]
Enhancing shareholder returns

[Employees]
Creating friendly workplaces for employees

[Environment]
Creating a sustainable society

Strength 3 Vast customer base and extensive customer data

Number of ordinary deposit accounts	Number of Japan Post Insurance customers*	Number of delivery locations served daily
Approx. 120 million	Approx. 19.38 million	Approx. 31 million

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

Top 3 customers' perceived images of post offices

1st Rooted in local communities 26.7%

2nd Located everywhere 26.1%

3rd Being close and familiar 20.5%

(Q. Please mark all images that you have for post offices.)
(Multiple choice survey conducted from November 2 to November 4, 2022)
(Survey subjects: Men and women in their 20s to 60s living in Japan; number of respondents: 2,861)

Initiatives for "JP Vision 2025"

We will strive for new growth for the Group through realization of a "Co-creation Platform" and conversion of our business portfolio.

IIZUKA Atsushi
Director and Representative Executive Officer, Executive Vice President, Japan Post Holdings Co., Ltd.

Under our main policy of "aiming to realize a 'Co-creation Platform' supporting customers and local communities" of the Medium-Term Management Plan "JP Vision 2025," we are working to combine the real world with the digital one (our network of physical post offices and "digital post offices") through digital transformation (DX). Furthermore, we have been aiming for new growth for the Group by enhancing our core businesses (the postal and domestic logistics business, the banking business, and the life insurance business) including universal services, and also by transforming our business portfolio through expansion of the real estate business and the development of new businesses.

Our accomplishments in the fiscal year ended March 31, 2023

On a consolidated basis, the Japan Post Group recorded net income attributable to Japan Post Holdings of 431.0 billion yen in the fiscal year ended March 31, 2023, exceeding the previously announced full-year target by 31.0 billion yen, despite higher labor and procurement costs along with inflation, as well as continued global monetary tightening, the Bank of Japan's revision of handling of long-term and short-term interest rates (December 2022), and concerns about the financial system triggered by the collapse of Silicon Valley Bank (March 2023) in the United States.

Additionally, Japan Post Holdings ("the Company") carried out the secondary stock offering of its subsidiary, Japan Post Bank ("the Bank"). The Company has been upholding the policy of reducing its stake in the Bank to 50% or less as early as possible in the "JP Vision 2025" period, from the perspective of enhancing the flexibility of management of the Bank. Accordingly, in March 2023, a secondary stock offering of the Bank was carried out and the Company reduced its stake from approximately 89% to approximately 61%. As a result, this offering is expected to contribute to the progress of postal service privatization, and also to the continued listing of the Bank shares on the Prime Market of the Tokyo Stock Exchange, as now the Bank has come much closer to meeting the criteria for the tradable share ratio requirement among the continued listing requirements on the Prime Market.

Future initiatives

In the fiscal year ending March 31, 2024, we expect consolidated net income attributable to Japan Post Holdings of 240.0 billion yen, a decrease of 191.0 billion yen from the fiscal year ended March 31, 2023. The major factor in this decrease is the decline in the Company's stake in the Bank. The approximately 1.25 trillion yen gained as proceeds from the secondary stock offering of the Bank will be allocated to investments for increased capacity in our postal and domestic logistics business, DX, and the growth of our real estate business. As well, by utilizing the acquisition of treasury stock to reinforce shareholder returns and enhance capital efficiency, we will aim at increasing our corporate value.

As for dividends, we will sustain stable dividends of 50 yen per share during the "JP Vision 2025" period. Under this dividend policy, for the fiscal year ended March 31, 2023, we have decided to pay an annual dividend of 50 yen per share. For the fiscal year ending March 31, 2024, we will continue to strive to realize the annual dividend of 50 yen per share.

Additionally, through the flexible acquisition of treasury stock, we will improve capital efficiency. In the fiscal year ended March 31, 2022, we acquired 350 billion yen in treasury stock, and in the fiscal year ended March 31, 2023, 200 billion yen. As well, we have a plan to acquire a maximum of 300 billion yen in treasury stock in the fiscal year ending March 31, 2024.

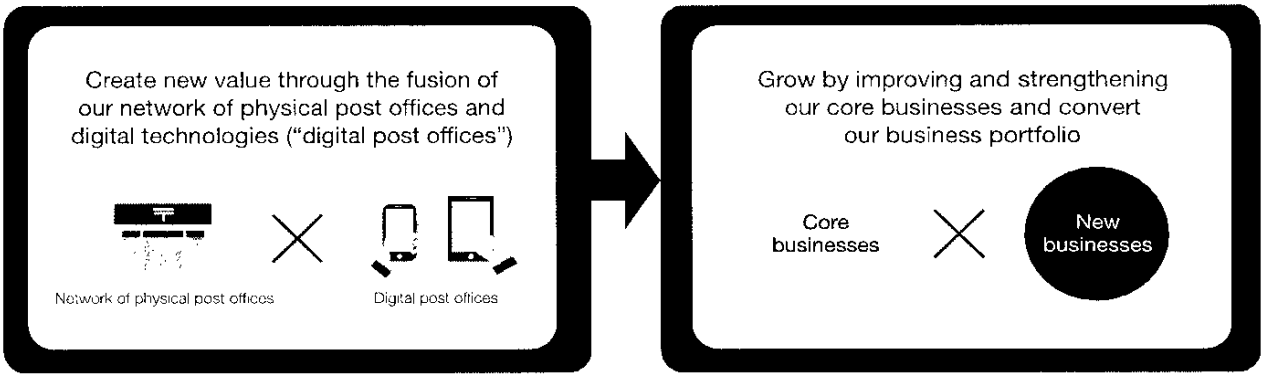
In addition to the flexible acquisition of treasury stock, we will use debt financing, such as the issue of ESG bonds for real estate investments in the fiscal year ended March 31, 2023, to increase the financial leverage of the Company (non-consolidated) with the aim of reducing capital costs and improving capital efficiency. We will make efforts to improve the price-to-book ratio by promoting these measures that improve capital efficiency, along with improving earnings.

We will leverage our network of post offices, the Group's greatest strength, to provide integrated services of the Group while seeking partnerships with a diverse range of companies and organizations outside the Group, which we have never had before. Such efforts will help customers realize safe, secure, comfortable, and prosperous lives.

Vision of the Japan Post Group

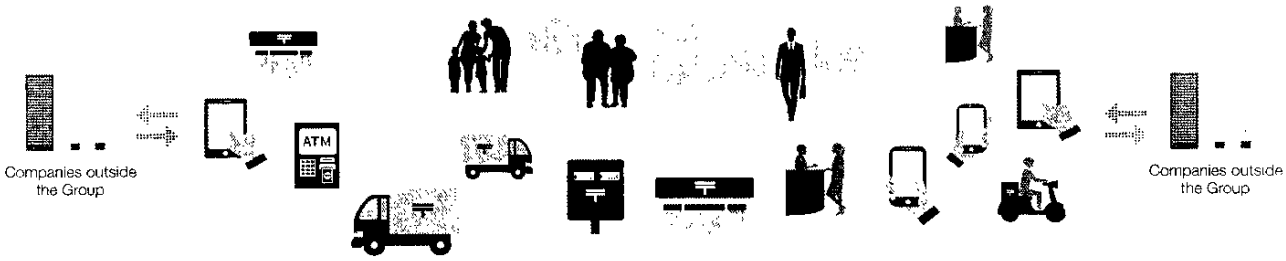
A "Co-creation Platform" supporting customers and local communities is a concept based on which the Japan Post Group strives to support the lives and lifestyles of customers across Japan by deeming the post office network, the greatest strength of the Group, as a platform; collaborating with various companies and organizations outside the Group; creating new products and services together with our partners; and thereby providing heightened convenience, security, comfort, and prosperity to those customers.

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



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

We will leverage our network of post offices, the Group's greatest strength, to provide integrated services of the Group while seeking partnership with a diverse range of companies and organizations outside the Group, which we have never had before. Such efforts will help local customers realize safe, secure, comfortable, and prosperous lives.



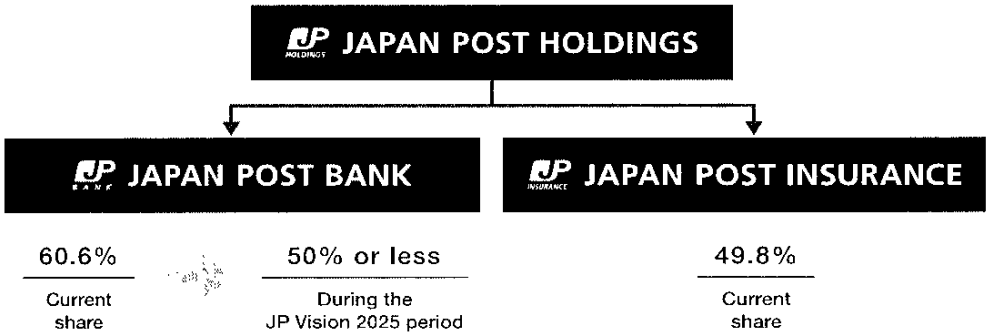
Early disposal of shares in the two financial subsidiaries

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

The Company aims under JP Vision 2025 to reduce its stakes in the two financial subsidiaries to 50% or less as early as possible in the JP Vision 2025 period in accordance with the purposes of the Postal Service Privatization Act and from the perspective of enhancing independence and flexibility of management of these companies. This will relax the additional statutory operational regulations on new operations imposed on these two companies and ensure steady progress in their privatization, including a shift to an advance notification system.

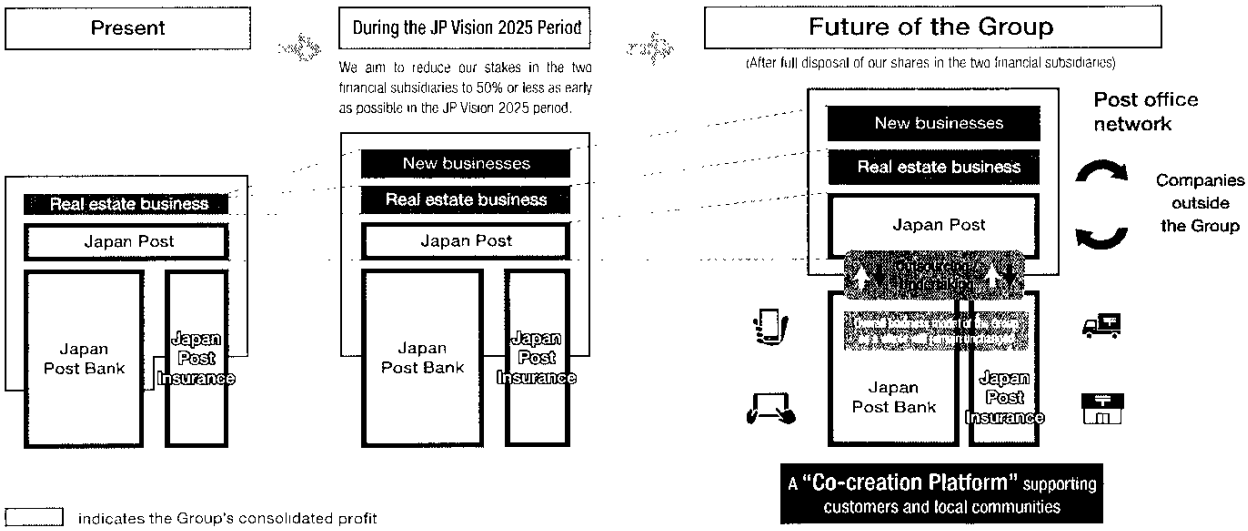
With respect to shares in Japan Post Insurance, through disposals of shares including, as announced in May 2021, a sale of shares in response to the acquisition of treasury stock by Japan Post Insurance and the Company's establishment of a stock disposal trust, the Company's voting right holding ratio in Japan Post Insurance became 49.8%.

Shareholdings in the two financial subsidiaries



Conversion of business portfolio

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



Investment for growth

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

In our strategic IT investment, we will promote DX on a Group-wide basis by combining both real and digital components. In our real estate investment, we will integrate and improve the efficiency of business facilities, which are assets of the Japan Post Group, and promote their use in the real estate business. In our investment in new businesses, etc., we will make investment in collaboration partners outside the Group for the realization of a "Co-creation Platform" supporting customers and local communities.

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

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

Amounts of investment in the five years to the fiscal year ending March 31, 2026

Strategic IT investment	Real estate investment	Investment in new businesses, etc.
▶ Postal and domestic logistics business (P-DX promotion, etc.) Approx. 180 billion yen	▶ Group real estate holdings Approx. 300 billion yen	▶ New businesses including M&As, etc. Approx. 500 billion yen–Approx. 1 trillion yen
▶ Our two financial subsidiaries (Digital service enhancement, etc.) Approx. 230 billion yen	▶ Real estate outside the Group Approx. 200 billion yen	▶ Investment in venture businesses, etc. Approx. 50 billion yen
▶ Digital post offices, etc. ("Co-creation Platform," digitalization of post office operations, etc.) Approx. 20 billion yen		
Approx. 430 billion yen	Approx. 500 billion yen	Approx. 550 billion yen–Approx. 1 trillion yen
* The strategic IT investment includes non-personnel expenses related to strategic IT as well as the investment component of financial accounting.	* The real estate investment is investment by Japan Post Co., Ltd. and Japan Post Real Estate Co., Ltd.	* The investment in venture businesses, etc., is investment by Japan Post Capital Co., Ltd.

Initiatives to improve efficiency and productivity

The entire Group will strive to boost operating efficiency and invest in priority areas to improve productivity. We expect to reduce the workforce by an amount equivalent to approximately 35,000 employees at our four main Group companies by the fiscal year ending March 31, 2026. This will be achieved through optimal staff placement and natural attrition, among other measures.

	Overview of initiatives to improve efficiency and productivity	Workforce forecasts	Cost reductions
Japan Post	■ Boosting efficiency by fully implementing measures including P-DX promotion, operational reforms, and digitalization of post office operations ■ A 30,000-personnel or 8% decrease in our workforce between April 2020 and April 2025 after reducing workloads through more efficient operations and optimal staff placement while maintaining the current level of network ■ Strengthening investment in priority areas to improve productivity and boost our future profitability	Decrease by an amount equivalent to 30,000 employees * Excluding the effects of the dispatch of consultants, etc. (approx. 13,000 employees), to Japan Post Insurance for the creation of a new sales system	Decrease by 160 billion yen * Including the effects of the dispatch of consultants, etc. (approx. 13,000 employees), to Japan Post Insurance for the creation of a new sales system
Japan Post Bank	■ In addition to increasing personnel in enhancement areas such as our digitization response, etc., through planned skill increases, we will drastically reduce workloads through work reforms and plan for a reduction in overall personnel of 3,000 individuals. ■ In addition to assertive investments into focal areas such as DX advancement, we will drastically reduce predetermined expenses and drastically reduce expenses overall by 55 billion yen.	Decrease by 3,000 employees	Decrease by 55 billion yen
Japan Post Insurance	■ Improving productivity of back-office operations, etc., by promoting DX to shift personnel to priority areas, including customer support ■ Ensuring the efficient use of existing costs necessary for operational management and boosting investments in priority areas	Decrease by 1,500 employees	Decrease by 28 billion yen

(Notes) 1. The workload forecasts are based on the current projected workload. Actual workload may vary due to increases / decreases in workload.
2. The workload forecasts compare the figures for April 2020 and April 2025 (forecast). The cost reductions compare the figures for the fiscal year ended March 31, 2021 and the fiscal year ending March 31, 2026 (forecast). For Japan Post Insurance, however, the figures compare those for the fiscal year ended March 31, 2022, which is after the transition to the new sales system, and the fiscal year ending March 31, 2026 (forecast) due to the suspension of operations in the fiscal year ended March 31, 2021.
3. Data includes that of employees on fixed-term contracts.
4. The cost reductions at each company are calculated by each company, and adjustments resulting from the Group consolidation have not been taken into account. The figure for Japan Post is for employment costs, while those for Japan Post Bank and Japan Post Insurance are for general and administrative expenses.

Major targets

Japan Post Group

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

ESG Targets	
To build a sustainable society, the Group will provide lifelong support in an era of the 100-year lifespan, and contribute to the development and revitalization of regional communities all over Japan.	
Greenhouse gas emissions	**46**% reduction by 2031/3 (compared to 2020/3) *1, *2 Aiming to achieve carbon neutral by 2050 *2
Women in management roles	Ratio of women in management positions at our head office **30**% by 2031/3 *3, *4

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

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

Japan Post

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

Japan Post Bank

Consolidated net income	At least 350 billion yen
ROE (based on shareholders' equity)	At least 3.6%
Capital adequacy ratio/CET1 ratio*1 (Level to be secured)	Approx. 10%
OHR*2 (based on inclusion of profit/loss, etc., from money trust management)	66% or less
General and administrative expenses (compared to 2021/3)	Down 55 billion yen

Targeting the level of approximately 50% to 60% payout ratio and aiming to increase DPS from the initial forecast in the fiscal year ending March 31, 2022 (Please refer to Japan Post Bank's Medium-Term Management Plan for details.)

*1 The capital adequacy ratio based on the domestic standard and the CET1 ratio based on the international standard. (Basel III totally implemented, ordinary base excluding net unrealized gains on available-for-sale securities)
*2 Costs ÷ (net interest income + income from fees and commissions, etc.) Net interest income refers to the amount of interest income less interest paid (including gain/loss on sale).

Japan Post Insurance

Consolidated net income	91 billion yen
EV growth ratio (RoEV*3)	Aim for 6% to 8% growth
Customer satisfaction*4	Aim for 90% or more
NPS®*5	Aim for one of the highest in the industry
Number of policies in force	20 million or more policies

Dividends per share (DPS)
In principle, aim not to decrease but to increase DPS for the period of the Medium-Term Management Plan.

*3 Calculated by excluding economic variance factors.
*4 The total percentage of customers who replied "Satisfied" and "Somewhat satisfied" on a 5-point customer satisfaction scale.
*5 NPS® is an abbreviation for "Net Promoter Score" and a registered trademark of Bain & Company, Inc., Fred Reichheld, and Satmetrix Systems, Inc.

Regaining customers' trust and reforming corporate culture

We will faithfully do our utmost to regain customers' trust which has been greatly damaged by the scandals since 2019. An effort to regain customers' trust and a step toward growth strategies are not two separate initiatives but are the ones required to be jointly tackled in order for us to be needed and selected by customers and local communities.

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

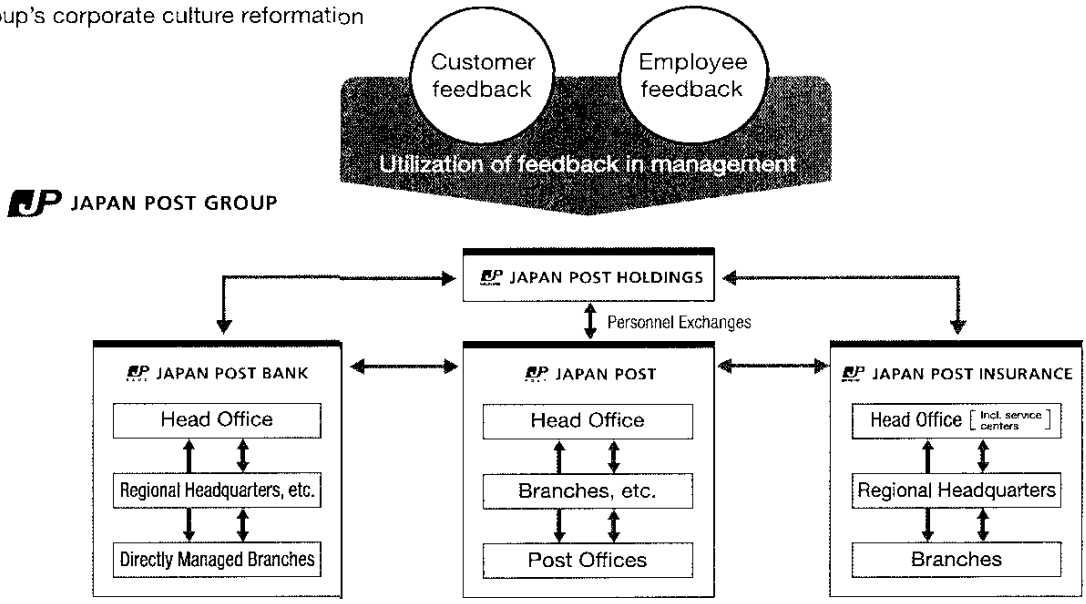
With respect to strengthening of governance, we will introduce a system of Group CxOs who implement cross-organizational adjustments and provide advice for the Group's main fields including finance, IT, risk management, human resources, etc. We will build a system that can detect and respond to "conduct risks" promptly and thoroughly manage risks of the Group as a whole. In addition, we will promote integrated management of Japan Post Holdings and Japan Post. At the same time, Japan Post will transfer part of its authority to branches and review the management structure to operate post offices in an integrated manner. As described above, we will work to strengthen Group governance so that both the speed of management decision-making and the frontline mobility and ability to respond are heightened concurrently.

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

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

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

Group's corporate culture reformation



Measures to Strengthen Governance

Strengthening Japan Post Holdings' functions as the "control tower"

- Group CxO system*
- Integrated management of Japan Post Holdings and Japan Post
- Transfer of authority to branches
- Reviewing governance to create an integrated management system of post offices

Human Resource (HR) Development and Strategy

- Encouraging both internal and external personnel exchanges to introduce fresh perspectives into the Group
- Training personnel with expertise in DX, etc., and recruiting external specialists proactively
- Functions to find talents and develop personnel within the Group to utilize our diverse human resources
- Review of sales targets and personnel evaluations in line with our customer-oriented approach

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

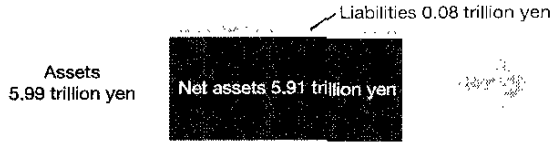
Capital Strategy

Improvement of capital efficiency

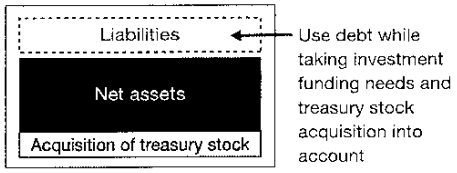
Japan Post Holdings' efforts to improve capital efficiency

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

Japan Post Holdings' non-consolidated BS (As of March 31, 2021)



Japan Post Holdings' non-consolidated BS (As of the end of JP Vision 2025)



Aiming to improve capital efficiency and enhance shareholder returns

	2021/3	2022/3	2023/3
ROE (based on net assets)*1	3.4%	3.8%	3.9%
ROE (based on shareholders' equity)*2	3.9%	4.7%	4.4%

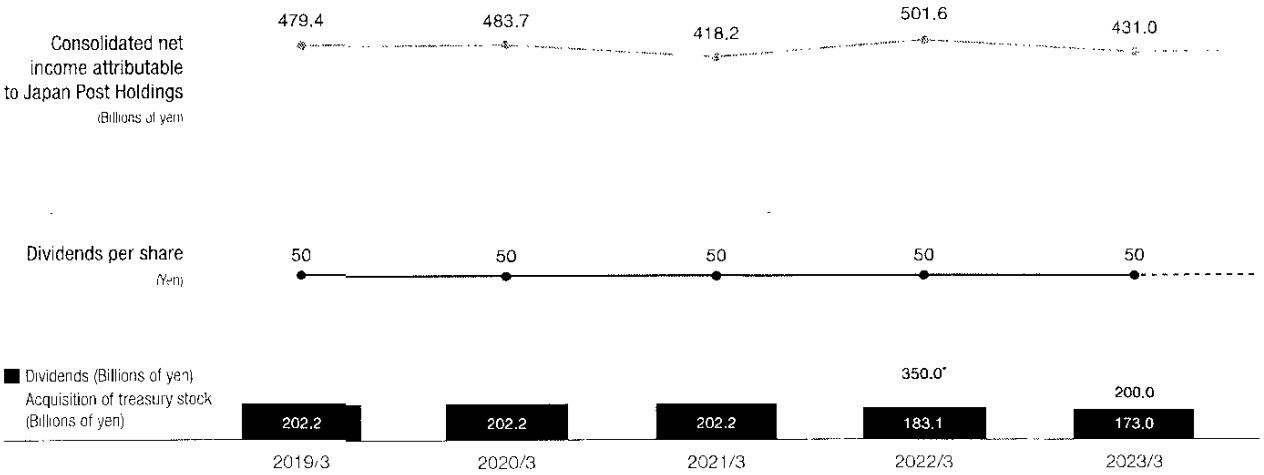
*1 Calculated based on equity capital in which non-controlling interests are deducted from net assets and rounded off to the first decimal point.
*2 Calculated based on shareholders' equity in which non-controlling interests and net unrealized gain on available-for-sale securities are deducted from net assets and rounded off to the first decimal point.

Shareholder returns

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

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

Additionally, the Company has decided to improve capital efficiency through the flexible acquisition of treasury stock during the JP Vision 2025 period and has acquired approximately 350 billion yen in treasury stock in the fiscal year ended March 31, 2022, and approximately 200 billion yen in the fiscal year ended March 31, 2023. Furthermore, it will acquire a maximum of 300 billion yen in treasury stock in the fiscal year ending March 31, 2024.



* Includes the approximately 4.5 billion yen acquired in April 2022

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

進化するぬくもり。

日本郵政グループ

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

The slogan expresses the Group's fundamental desire to be the "warmth" for all of Japan's communities.

This desire is an essential value of the post office, which we have continued to protect through the generations.

And as society changes, so too are we required to evolve, providing services and taking on new challenges that align with the times.

The Japan Post Group, propelled by this fundamental desire, will continue to evolve with renewed commitment, and raise the warmth of our hospitality throughout Japan to greater heights.

https://www.jpcast.japanpost.jp/nukumori.html (in Japanese only)

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

郵便局の魅力を発信するメディア

JP cast

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

Since its launch in January 2022, many customers have visited the website. We have also started offering our official app to make it more user-friendly and easier to visit our website.

Going forward, we will offer information through JP CAST portraying the real picture of post offices and how they have continued to closely support the community. Through our initiative, our customers will see with their own eyes what the current Japan Post Group is all about.

With some 24,000 post offices and 400,000 employees nationwide to call upon, our diverse array of information contains everything from the diligent efforts of our employees to their heartwarming anecdotes, inspiring tales, and initiatives toward the future, as well as juicy trivia that you will want to tell someone about. In other words, the breadth of our content is infinite.

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

https://www.jpcast.japanpost.jp/ (in Japanese only)

JP CAST Search

Promotion of Group DX

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

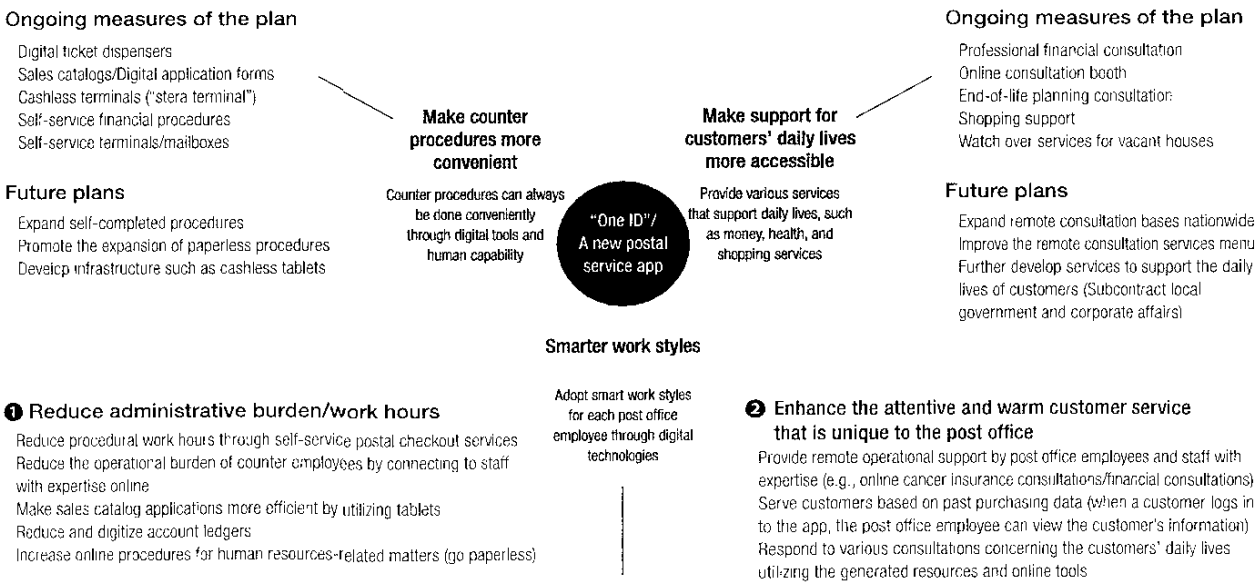
IIDA Yasuhisa
Managing Executive Officer, Japan Post Holdings Co., Ltd. Senior Executive Officer, Japan Post Co., Ltd.
CEO & Representative Executive Officer, JP DIGITAL Co., Ltd.

We believe that post offices are capable of providing fresh and even more incredible experiences to customers. Our hope is to greatly expand the possibility through maximum use of the power of digital technologies. The Japan Post Group has been promoting various DX measures by designating as "post offices of the future" those post offices that thoroughly raise customer experience value (CX) through "the fusion of its network of physical post offices and digital technologies," as indicated in the Medium-Term Management Plan "JP Vision 2025."

The "post offices of the future" will create new value in the following three domains for customers as well as post office employees. The first domain is to always "make counter procedures more convenient" through digital tools and human capability. The second domain is to "make support for customers' daily lives more accessible" by providing various services that support daily lives, such as money, health, and shopping services. And third, we adopt "smart work styles" for each of our employees through digital technologies.

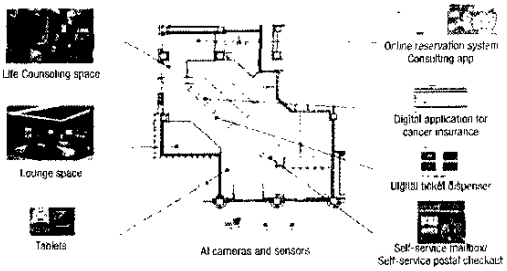
To date, post offices have continued creating services that are devised from the point of view of ordinary citizens and are helpful to them. We are familiar with the faces of our customers, the ties between us can be readily activated at any time, and customers feel comfortable coming to us for consultation. We are committed to creating the "post offices of the future," which are closer to the lives of our customers and are always there to help them through the seamless integration of digital technologies and services that allow one to feel the warmth of personalized service.

Concept of the "Post Office of the Future 1.0 Model"



Initiatives to promote DX throughout the Group

Current initiatives for the Otemachi Post Office



Looking back on the fiscal year ended March 31, 2023

Commenced proving tests for the "post offices of the future" at the Otemachi Post Office

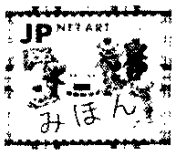
In July 2022, the Otemachi Post Office, located on the first floor of the head office building, opened as a demonstration experiment post office. We will try both digital and real-world measures, improve functions, and introduce new measures step by step in an effort to thoroughly raise CX.

For example, through the adoption of the self-service postal checkout service, customers can now weigh and send mail and parcels, as well as purchase various goods (Letter Pack envelopes and other products for sale), without waiting in line at the counter. In addition, with our Life Counseling space, we have established an environment where a remote consultation on financial services can be conducted comfortably. We have also set up an environment that allows us to provide information on services by sharing PC and tablet screens to make the consultations more accessible and customer friendly. Furthermore, since November 2022, we have installed the digital ticket dispenser, which was developed and revamped by JP DIGITAL Co., Ltd., and are undertaking other daily updates based on the comments of customers and employees in order to eventually roll out the "post offices of the future" to other post offices.

Cultivating new fans of the postal service and aiming to create contact points with customers

Utilization of non-fungible tokens (NFTs)

Through the Rakuten NFT marketplace, we commenced sales of NFT stamp artwork of regular stamps starting in October 2022, and from January 2023 we commenced sales of NFT stamp artwork of Posukuma. Through these measures, we hope to acquire new fans of the postal service.



Utilization of metaverse space

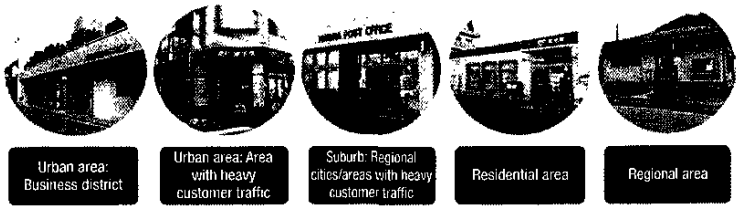
In our booth at Tokyo Marathon Virtual EXPO 2023, which was held from February 17 to March 17, 2023, we exhibited Posukuma in 3D and displayed various items including our NFT stamp artwork.

Future initiatives

Roll out various "post office of the future" models

We will provide services that match the needs of the areas and markets in which each post office is located.

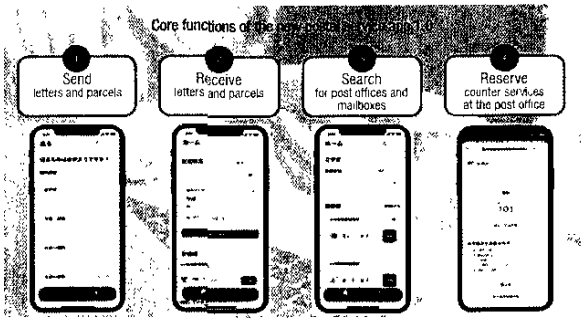
We plan to roll out initiatives that will become the model at various post offices.



Overhaul of the post office app

The revised post office app is expected to be released in autumn 2023*. With the overhaul of the app, we will aim to raise CX value and fuse real and digital contact points.

* First, we will release functions that mainly focus on the easy sending/receiving of postal mail and gradually add and improve more functions.

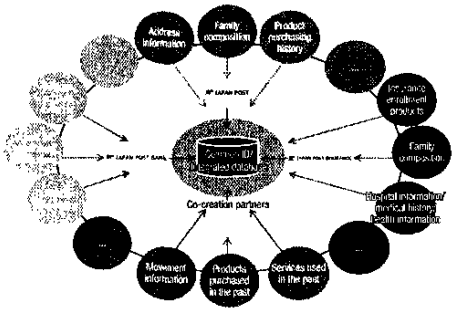


"One ID"

By unifying the various IDs used by the customer at the Japan Post Group into an integrated ID system, we will get to "know the customer better." In summer 2023, we plan to first release the migration of the postal service ID.

* To be implemented upon obtaining the consent of the customer and practicing thorough personal information protection

We will create new value by connecting the data of each Group company and real and digital data through a common ID.



DX Initiatives of the Group Companies

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

JAPAN POST

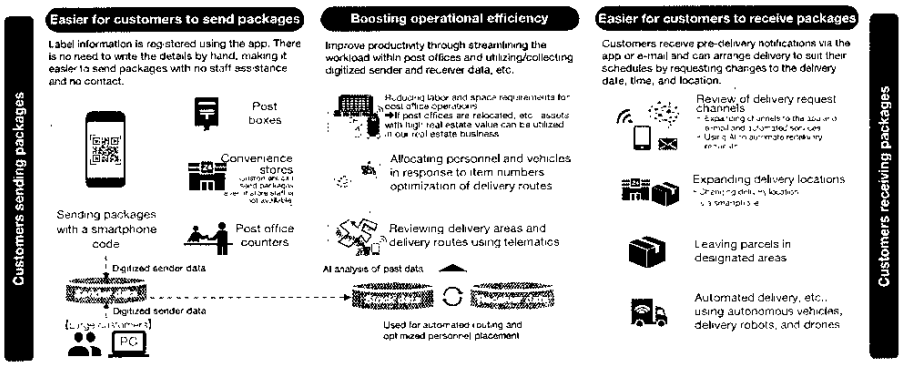
We will continue to boost operational efficiency by utilizing digitized sender data and recipient data unique to Japan Post, while pursuing ways to make it easier for customers to send and receive packages.

Specifically, we will work to improve productivity in such ways as automated routing and optimized personnel allocation by utilizing the digitized data mentioned above. In addition, registering shipping label information on a smartphone app will enable customers to mail packages without writing labels by hand, thereby meeting the desires of people who want to send items without any staff assistance or contact.

Furthermore, customers will be able to receive advance delivery notifications and arrange delivery to suit their schedules by requesting changes to the delivery date, time, and location.

In addition, from February 2023, we commenced operations of transport telematics, control systems, and automated guided vehicles (AGVs) at the Ichikawa Minami Post Office (Ichikawa City, Chiba Prefecture).

Data-driven postal and logistics business reform



* P-DX: Postal-Digital Transformation

Promoting digitalization of post office operations

JAPAN POST

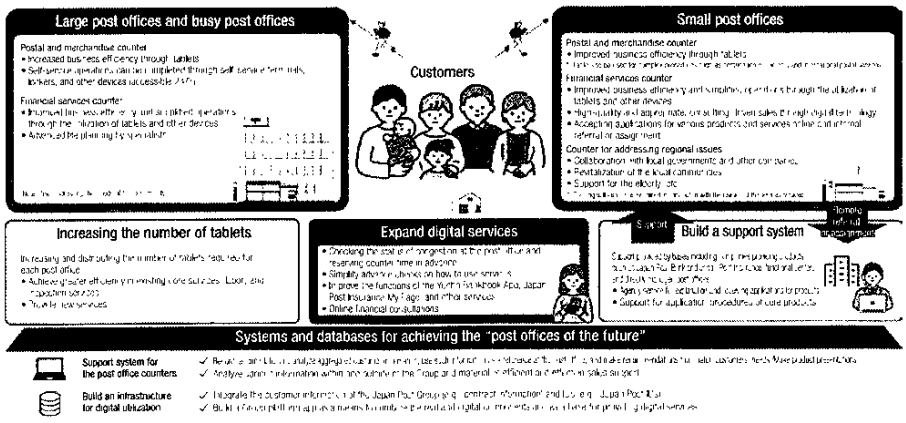
In the operations at post office counters, also, we will promote the digitalization of post office operations through the utilization of tablets, the establishment of an online support system, and the expansion of self-service operations and provide an environment conducive to effective and efficient sales activities, while utilizing the resources generated from such efforts to expand various services that meet the needs of the community and customers.

We have been meeting the growing needs for services without physical contact or face-to-face meetings by launching a digital application services for cancer insurance and simplified issue health insurance and an online consultation service for investment trusts, while also progressively introducing digital ticket dispensers and self-service postal checkout services. We have also commenced the operations of Financial Services Contact Centers where dedicated operators provide explanations and conduct application services for Tsumitate NISA and non-life insurance products through online.

Going forward, we will continue to strengthen these initiatives and advance the digitalization of post office operations to improve the convenience for our customers as well as utilize the consulting app and digitized sales activity records to provide consulting services that suit the needs of each customer.

In addition, as of April 1, 2023, cashless payment, including payment by credit cards, has been adopted at approximately 8,600 post office counters across the nation and we intend to extend this to all directly managed post offices countrywide for further service improvement.

Conceptual image of the post office counter of the future

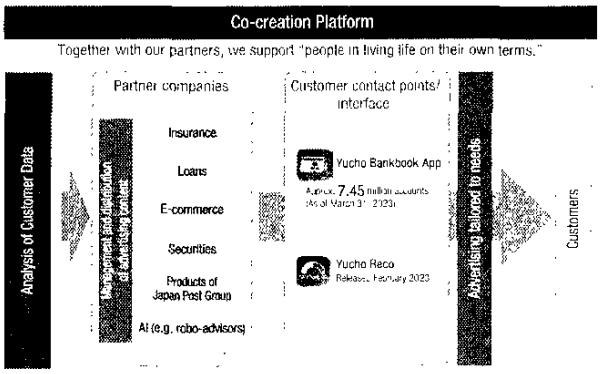


Innovating retail business into a new form by realizing complementarity between the physical and the digital

JAPAN POST BANK

Under the basic policy of "complementarity between the physical and the digital," the Japan Post Bank is engaged in initiatives to provide safe and secure, and reliable and attentive financial services to all residents of Japan, through such means as digital channels accessible to all our customers. Specifically, we have installed Madotab, self-service terminals at all directly managed branches, which allows customers to open accounts or perform other transactions smoothly by themselves. The number of accounts used by the Yucho Bankbook App, in which users can perform basic bank transactions, exceeded 7.45 million, and we also launched the PFM app Yucho Reco, which allows users to manage their financial assets and monthly income and expenditure, using a smartphone.

Going forward, we will improve the self-service and digital channels through enhancing the functions of Madotab, expanding the function of the bankbook app, while also advancing Co-creation Platform Strategy to propose optimal products and services that match customer needs gleaned from the bankbook app and PFM app.



Improving customer experience value (CX) through DX promotion

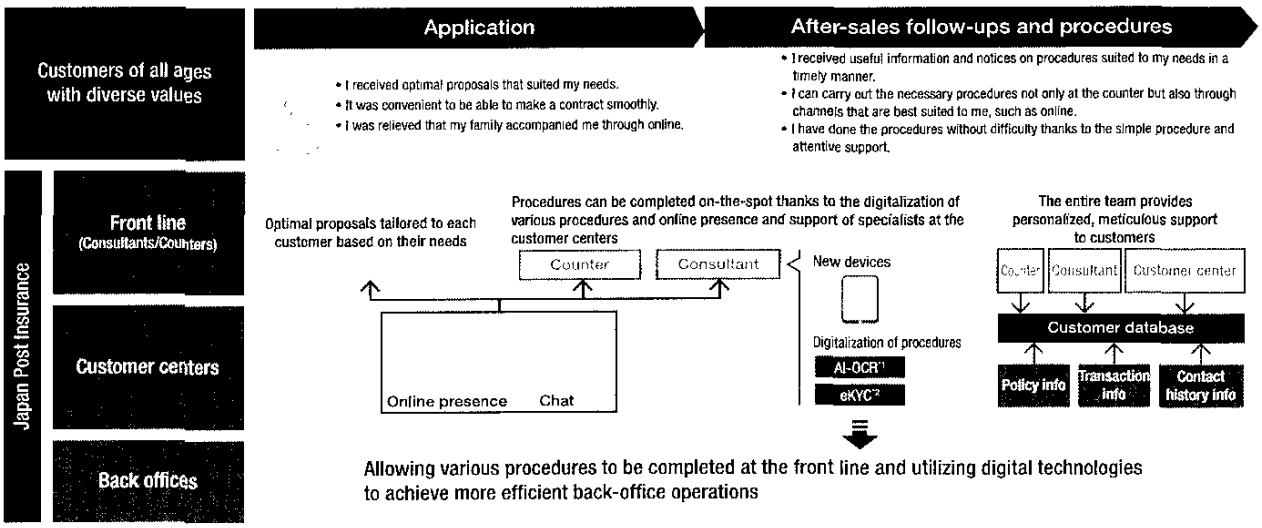
JAPAN POST INSURANCE

Japan Post Insurance upholds its basic policy to transform to a business model that places top priority on the "customer experience value (CX)" while also promoting DX. Accordingly, we have launched a series of initiatives to improve customer convenience. These include utilizing our real contact points with customers—our post office counters and consultants—to effectively combine real services that are warm and familiar with convenient digital services, as well as fundamentally revamping our range of services, such as proposals and procedures for insurance.

Specifically, we have begun a series of initiatives to provide quick and simplified procedures such as expanding the claims that can be processed on My Page and the functions of My Page, as well as having the specialists of customer centers be present online when the various procedures are initiated or participate in chats to support the customer to solve any problems that may occur on the spot.

We will continue to offer attentive services tailored to the needs of the customers by offering information that aligns with the needs of each customer by utilizing customer data and through timely follow-ups.

(Comprehensive image after realization)



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

Real Estate Business

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

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

In the fiscal year ended March 31, 2023, we promoted the development of the properties with development potential listed in the Medium-Term Management Plan, "JP Vision 2025."

As for Group-owned real estate, we carried out development projects including the five large-scale properties–Hiroshima JP Building, Kuramae JP Terrace, Azabudai Hills Mori JP Tower, JP Tower Osaka, and Gotanda JP Building. The Hiroshima JP Building was completed in August 2022, the Kuramae JP Terrace in March 2023, Azabudai Hills Mori JP Tower in June 2023, and the other properties will also be completed in the fiscal year ending March 31, 2024. We are also promoting initiatives for developing rental units and condominiums for smaller properties such as former company housing.

As for investments in non-Group real estate, we decided to steadily promote joint projects such as the Nishiki 3-Chome 25th Block Project (located near Sakae Station in Nagoya) and the Nakano Station North Exit Project in Tokyo, and make investments in prime real estate such as logistics facilities, facilities for senior citizens, and rental houses.

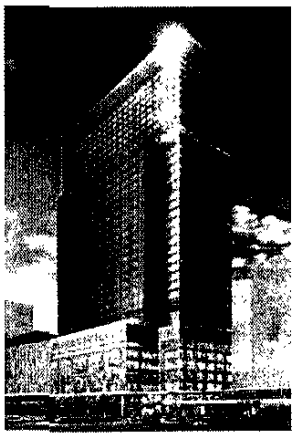
In the fiscal year ending March 31, 2024, we will continue with efforts to commence the development of the properties with development potential within the Group and cultivate new projects, while investing in excellent non-Group real estate. In addition, we will keep ourselves closely tied to local communities through the establishment of daycare centers and facilities for senior citizens, among others, in partnership with local governments and partner with post offices through the establishment of logistics facilities and other facilities; and in such a way, we will conduct development so that synergy with other businesses within the Group will be generated.

1. Properties to be completed in the fiscal year ending March 31, 2024

(1) JP Tower Osaka (Completion planned for March 2024)

This project comprises a large complex facility with various functions including KITTE OSAKA, a retail property, as well as a theater, offices, and a hotel. The legacy of the Japan Post Group will be handed down, as a portion of the former Osaka Central Post Office Building, a familiar landmark of the local community, will be preserved and relocated and used as the entrance and a part of the retail property.

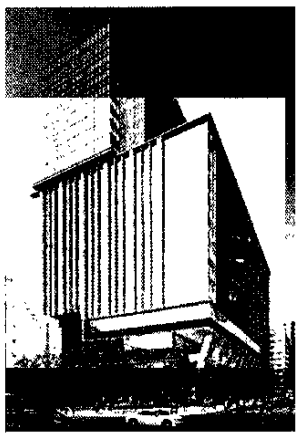
JR Osaka Station is the largest terminal station in western Japan, which expects an increase in visitors both from within Japan and from abroad, as a result of the Osaka Kansai Expo to be held in 2025. By taking advantage of the excellent location, (i.e., being directly connected to JR Osaka Station), we hope to build a facility that will be used by many people for a wide range of purposes.



(2) Gotanda JP Building (Completion planned for December 2023)

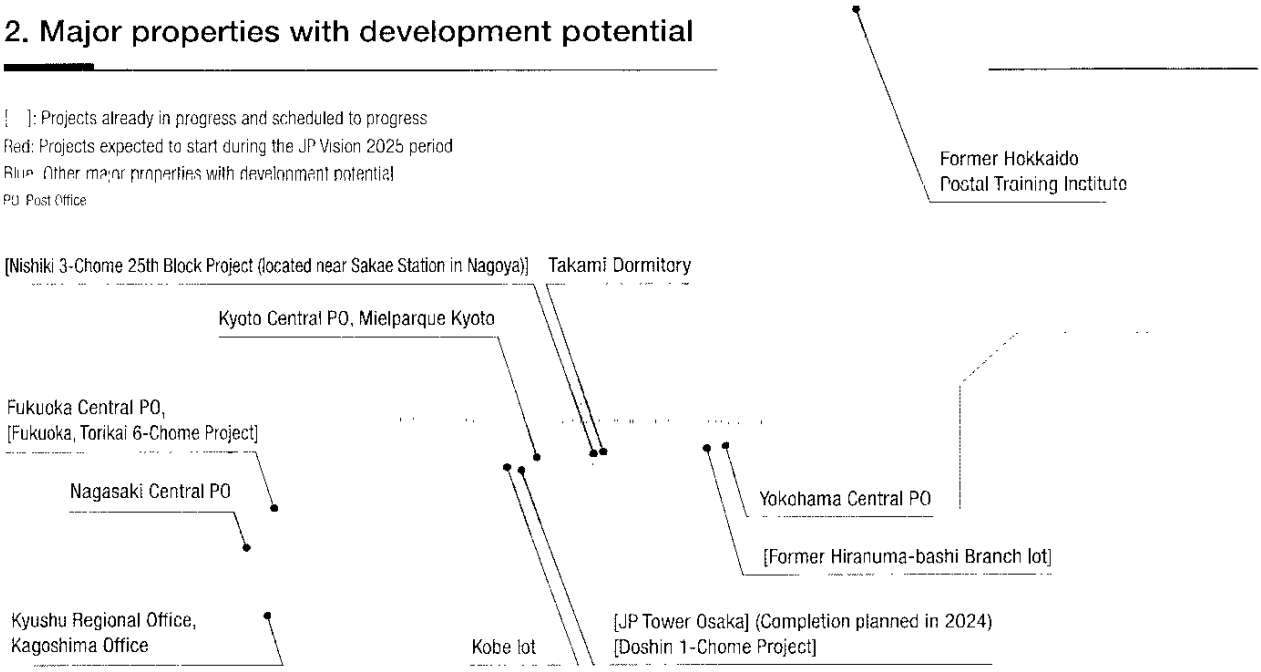
This project is made up of a multipurpose facility including office space, a hotel, an event hall, and conference rooms.

The offices will occupy a pillar-free space of approximately 1,000 tsubo (tsubo = 3.3m²) which may be divided into individual spaces of 35 tsubo minimum, which will meet various corporate needs from the consolidation of scattered offices to the use of space on a small scale. The building is also equipped with an event hall and conference rooms, which will lend itself to various business uses such as the holding of general shareholders' meetings, ceremonial events, and large-scale seminars. The building will also support the diverse work styles of the employees who will be able to hold casual meetings at the food hall over a snack or engage in intensive work at the shared offices.

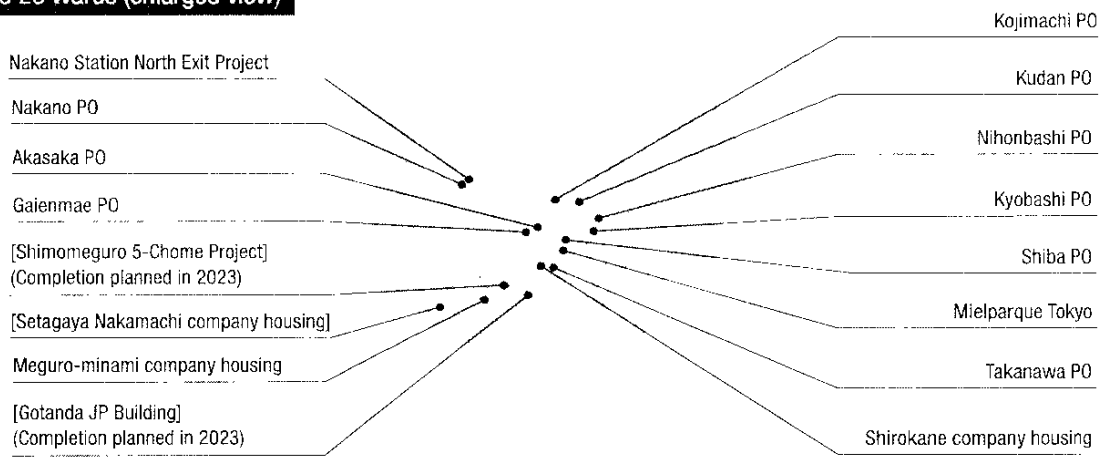


2. Major properties with development potential

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



Tokyo 23 Wards (enlarged view)



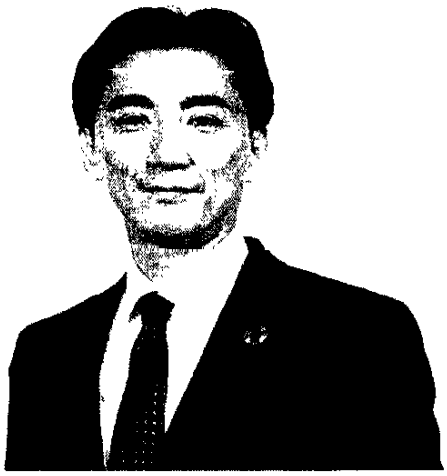
3. Real estate business that contributes to community development and the global environment

The Japan Post Group will conduct its real estate business in a manner that will contribute to the development of communities and regional development, including the development of facilities for senior citizens and logistics centers as well as large-scale complexes consisting of retail properties, office buildings, residences, etc., in urban areas, taking into account such factors as the characteristics, social backgrounds, and business potential of the community.

In addition, as part of our ESG management (Environment-, Society-, and Governance-oriented management), we are also striving to reduce greenhouse gas emissions from the Group's real estate business. In September 2022, Japan Post Holdings issued its first ESG bond (green bond) and will allocate the funds procured through this issue to the development of Kuramae JP Terrace and the Gotanda JP Building, which both meet the certification requirements of a green building (environmentally conscious building). Going forward, we will continue to engage in our real estate business in a way that will contribute to the global environment.

Furthermore, we will adopt innovative technology in our real estate business to not only spaces but also experience value to customers and strive to create new real estate value.

Initiatives to Realize a "Co-creation Platform"



Realize a "Co-creation Platform" through business co-creation

SUNAYAMA Naoki
Executive Officer, Japan Post Holdings Co., Ltd.
Executive Officer, Japan Post Co., Ltd.

As a "Co-creation Platform" supporting customers and local communities, the Japan Post Group will improve and strengthen its core businesses, involving the postal and domestic logistics business, the banking business, and the life insurance business. At the same time, the Group will convert its business portfolio in such ways as securing earnings opportunities by developing new businesses, in order to continue contributing to the resolution of social issues such as the SDGs and to the sustainable development of society.

In November 2022, Japan Post Holdings and Japan Post launched the Business Co-creation Department as an organization that supports new businesses. Business co-creation refers to the bringing together of people both within and outside of the two companies with differing expertise, ideas, and passions and generating earnings by utilizing the immense platform of the Japan Post Group. The departments of the two companies aim to become a salesforce that will make people want to "use the nationwide network of post offices and go to the post office for a consultation."

Additionally, the Japan Post Group is engaged in the Local Co-creation Initiative, in which employees are dispatched to start-ups and local governments, with the hope for "the local community and the post offices to join together to create a lively future." Through this initiative, we will go forward with the study of business models jointly with start-ups and other entities.

Capital and business alliance with Rakuten Group

JAPAN POST HOLDINGS

In March 2021, Japan Post Holdings Co., Ltd. entered a capital and business alliance with Rakuten Group, Inc. and invested approximately 150 billion yen in the company. The purpose of the alliance between the Japan Post Group with its 150-year history and a nationwide network of 24,000 post offices and Rakuten Group, one of the largest e-commerce and general IT companies with over 100 million members, was to combine online (digital) and offline (physical) elements to offer new value to customers. Typically, merchandise ordered on Rakuten (digital) is delivered by Japan Post (physical), but in addition we are working toward even greater synergy, including making contributions to local communities and boosting customer convenience through our own digitalization.

To this end, both companies have been collaborating and have achieved a wide range of results.

(1) In terms of logistics, JP Rakuten Logistics, Inc., which was established by the two companies in July 2021, has been creating shared logistics centers, delivery systems, and pick-up services to boost efficiency and user convenience, including the opening of a logistics center in November 2021, in Kanagawa Prefecture, reflecting state-of-the-art warehouse operations, as well as jointly offering the "Omatome" app, which allows users to designate the consolidated delivery dates and times of all merchandise bought from multiple stores on the Rakuten platform.

(2) In the retail field, a subsidiary of Japan Post Co., Ltd. that sells local produce from across Japan is offering products through an e-commerce store on "Rakuten Ichiba," while orders for products in the Rakuten Product Catalog were accepted at post offices for a limited time.

(3) In the mobile telephone field, we began to install counters for handling Rakuten Mobile applications from June 2021 to accept new contracts and handset replacements. Additionally, since January 2023, we have been placing flyers for Rakuten Mobile services at approximately 20,000 post offices around Japan.

(4) In financial collaborations, the Rakuten Card with the Japan Post Bank design was launched in December 2021, and collaborations are being discussed and considered in the insurance domain.

(5) Furthermore, as an initiative for local communities, the Hokkaido Digital Implementation Support Team, which is a support system for solving regional issues, was launched in March 2022, based on a comprehensive partnership agreement between the Hokkaido government, Rakuten Group, and Japan Post Holdings. The initiative implements the study of drone delivery in cold weather regions and makes steady efforts including holding Smartphone Seminars for Senior Citizens in Obihiro, Kushiro, and other areas, and Online Administrative Counseling for Foreign Residents in Nemuro.

(6) Additionally, in terms of the exchange of human resources, JP DIGITAL Co., Ltd. was established in July 2021 to promote the DX of the Japan Post Group while also carrying out demonstration experiments at the Otemachi Post Office from July 2022, to achieve the "post office of the future."

Going forward, we intend to continue to provide services that will be demanded by society in the future by launching a variety of alliance measures while taking advantage of the features and resources of the Japan Post Group, including the post office network.

Further development of the strategic alliance with Aflac

JAPAN POST HOLDINGS
JAPAN POST
JAPAN POST INSURANCE

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

Based on this agreement, we have been deepening our collaboration by establishing a new sales framework in April 2022 for the sales of cancer insurance, and on April 3, 2023, commencing sales of a new insurance product (Lump Sum Critical Illness Benefit Rider), jointly developed by Japan Post Holdings, Japan Post, Japan Post Insurance, and Aflac.

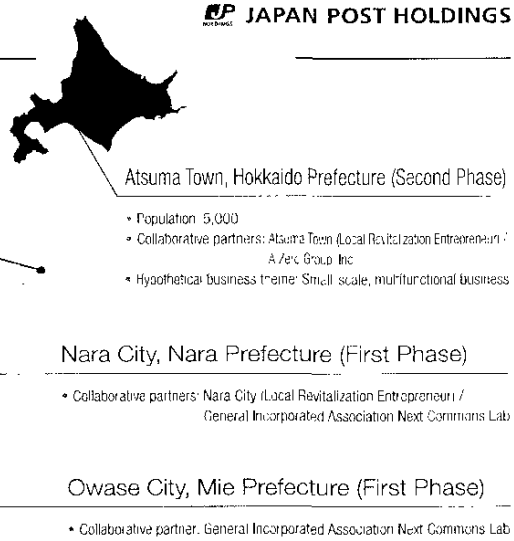
From the fiscal year ending March 31, 2025, conditional upon the satisfaction of certain conditions, Aflac Incorporated is scheduled to become an equity-method affiliate of Japan Post Holdings.

We will continue to further develop this strategic alliance by promoting the sales of cancer insurance through positioning Aflac's cancer insurance as a pivotal product of our sales strategy, and at the same time by cooperating with the thorough implementation of customer-first business operations.

Local Co-creation Initiative

JAPAN POST HOLDINGS

Japan Post Group employee dispatching areas and collaborative partners



From April 2022, head office employees were dispatched as part of the First Phase of the Local Co-creation Initiative, and from April 2023, two more employees were dispatched as part of the Second Phase.

The Local Co-creation Initiative is an initiative where head office employees selected by open competition from Group companies (Japan Post Holdings, Japan Post, Japan Post Bank, and Japan Post Insurance) are dispatched for two years, in principle, to local start-ups and local governments active in rural parts of Japan, aimed at creating new local businesses. We have collaborated with eight collaborative partners to date and have been steadily expanding our network.

As the first new business project under the Local Co-creation Initiative, demonstration experiments have begun on a new shopping service (Community-based Shopping Service) to strengthen the local community that utilizes the post offices of Japan Post and its delivery network. By tapping into the potential needs gleaned from communication with the customers acquired through these activities, we will steadily create new businesses that help resolve the social issues of the community.

Going forward, we will develop human resources with an entrepreneurial mindset by having them work on-site as employees of the Japan Post Group and gain valuable experience in regions that take the lead in dealing with social issues, together with the start-ups and local governments that are working hard to develop services that contribute to revitalizing the economy, increasing the local population, and maintaining and improving self-governance functions.

At the same time, by taking the initiative to develop such new efforts proactively, the Japan Post Group will advance activities aimed at achieving "universal basic services" that fill in the gaps of society by deepening its collaboration with local start-ups and local governments even further, to contribute to the creation of sustainable local communities and the improvement of local people's lives.

Initiatives toward the Creation of Value by Group Companies

Collaboration with Sagawa Express

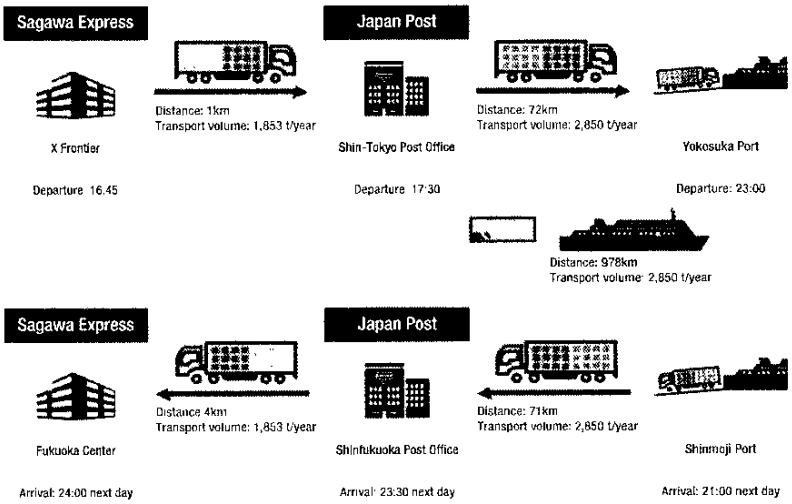
JAPAN POST

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

In August 2022, to reduce the emission of CO_2 in truck transport and address the issue of reducing the labor burden on truck drivers from driving for long hours as well as improving transporting efficiency through joint long-haul transportation, the three companies of Japan Post Co., Ltd., Sagawa Express Co., Ltd., and Tokyo Kyusyu Ferry Co., Ltd. achieved a modal shift in which, for a part of the long-haul transport between Tokyo and Kyushu, the express delivery packages of Sagawa Express and the postal items of Japan Post are jointly transported on a semi-trailer and the Yokosuka–Shinmoji leg was switched to marine transport.

The joint transport by Japan Post and Sagawa Express has improved loading efficiency. Additionally, we are aiming to reduce CO_2 emissions by 205.6 t-CO_2/year (approx. 59%) and the truck drivers' driving time by 6,204 hours/year (approx. 90.7%) in this business. Moreover, we are studying the possibility of joint transports in which the parcels collected by Sagawa Express nationwide are delivered by Japan Post in certain regions.

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

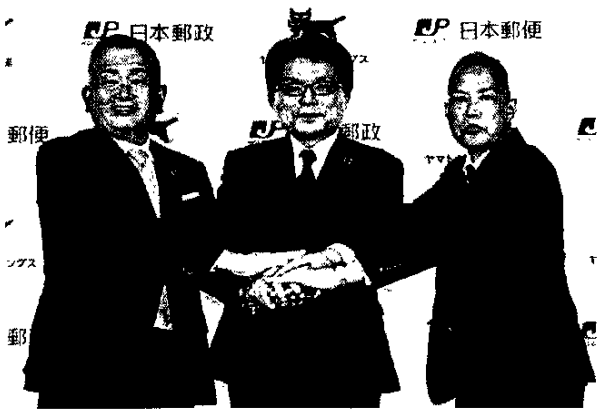


Promotion of sustainable logistics services with the Yamato Group

JAPAN POST HOLDINGS
JAPAN POST

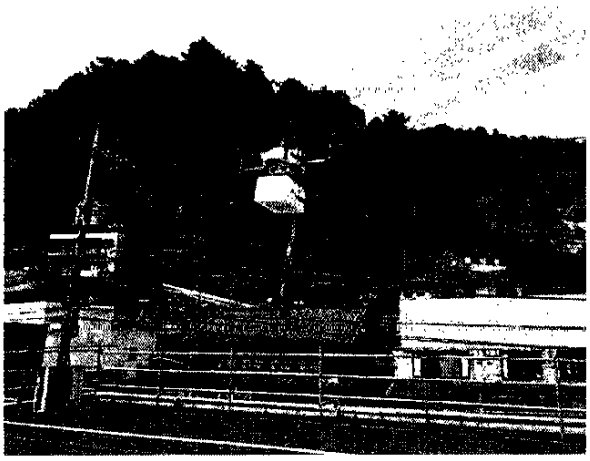
On June 19, 2023, the Japan Post Group and the Yamato Group signed a basic agreement on cooperation to promote sustainable logistics services. We will build transport services that will enhance customer convenience and work toward resolving social issues facing the logistics industry, such as the shortage of truck drivers and carbon neutrality.

Specifically, the Kuroneko DM-Bin service currently provided by Yamato Transport will be replaced by the Kuroneko Yu-Mail service, utilizing the Yu-Mail service provided by Japan Post. We will also commence the Kuroneko Yu-Packet service, utilizing the Yu-Packet service provided by Japan Post to replace the Nekopos service.



Initiatives to improve logistics efficiency by utilizing next-generation mobility

JAPAN POST



On March 24, 2023, Japan Post Co., Ltd. and ACSL Ltd. conducted Japan's first drone flight (Level 4), flying a drone on autopilot beyond the visible range over an inhabited area.

Our efforts involving drones outlined in the Medium-Term Management Plan represent strategic DX to realize a "Co-creation Platform" as well as an investment for operational reforms (IT and facilities/equipment).

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

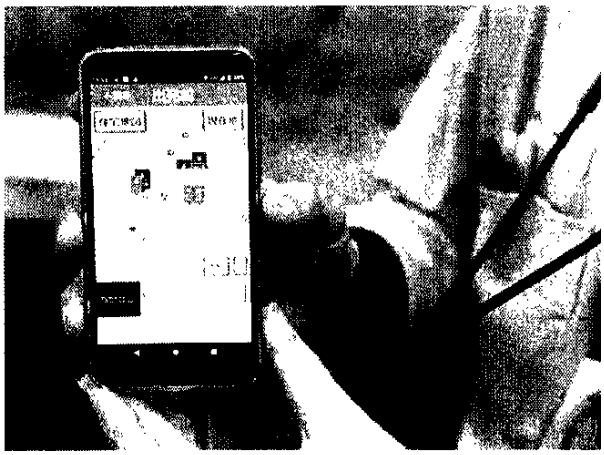
Through this alliance, we will pursue synergies that leverage the management resources and the strengths of both companies and take on the challenge of Japan's logistics innovation to offer greater usefulness, peace of mind, expediency, and abundance to our customers throughout Japan.

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

JAPAN POST

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

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



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

JAPAN POST

In order to contribute to developing communities where elderly people can live with peace of mind, Japan Post offers the Post Office Mimamori (Watch Over) Service at 20,000 post offices across Japan.

In addition, we have developed Mimamori (Watch Over) Service at Post Offices Using Smart Speakers through a demonstration project by the Ministry of Internal Affairs and Communications' Post Office Revitalization Promotion Project. We started providing the service for local governments in January 2022.

Starting in February 2023, we commenced a trial run of the Vacant House Mimamori (Watch Over) Service targeting owners of vacant houses that are difficult to maintain on an ongoing and regular basis due to living far away. The service provides regular monitoring of the vacant house's condition by employees of neighboring post offices.

At the same time, we have been providing End-of-life Planning Services, which introduce relevant operators to help relieve customers' anxiety about end-of-life affairs in the Tokyo metropolitan area and in Hokkaido.

Enhancing collaboration with local governments

JAPAN POST

Japan Post is actively engaged in efforts to provide administrative services to local residents through its post office counters by handling various local government affairs such as issuing public certificates, accepting applications related to national pensions, selling premium vouchers, and providing administrative services associated with My Number Cards (Individual Number Cards) (as of the end of March 31, 2023, 6,053 post offices handled subcontracted services for 431 organizations).

Also, as a new initiative, we are contributing to making life more convenient for local residents by combining digital technologies with local post offices, such as installing tablets at post offices in some regions, connecting local government employees with residents via videophone, and providing online government consultations, as well as providing support in downloading, and supporting operations of, the apps of local governments for local residents who have requested this service.

In addition, in conjunction with the revision of the law relating to the receipt of applications for the My Number Card in the fiscal year ending March 31, 2024, we are engaged in initiatives to accept applications at the post office counters.

As well, Japan Post has collaborated with local governments across Japan to conclude various agreements, including comprehensive partnership agreements, with the aim of continuously carrying out activities aimed at helping resolve regional challenges.

Reorganization of subsidiaries to strengthen the BtoB business in Japan

JAPAN POST

To press forward with the "expansion of BtoB in Japan" upheld in JP *Vision 2025*, *the logistics subsidiaries*, *JP TOLL LOGISTICS Co., Ltd.* and Toll Express Japan Co., Ltd. were reorganized, effective April 1, 2023, and renamed JP LOGISTICS GROUP Co., Ltd. and JP LOGISTICS Co., Ltd., respectively.

JP TOLL LOGISTICS has been offering high-quality services since its launch in 2018 by combining its contract logistics business and forwarding business, and the express business provided by its subsidiary, Toll Express Japan. However, in conjunction with this reorganization, we will build an efficient and speedy integrated logistics system by having a separate company plan and draft logistics strategies as well as engage in business operations, and provide high-quality services that meet the rapidly changing logistics needs of our customers.

Initiatives toward the new NISA

JAPAN POST BANK

The new NISA that will be introduced in January 2024, with its expanded yearly investment limit and tax-exempt holding limit, and unlimited tax-exempt holding period, is a highly beneficial system for customers who are considering investments and customers who are already utilizing NISA.

To help our customers build their assets, we will proactively communicate the benefits of the new NISA and review our product lineup and make even greater efforts to propose products that match the needs of our customers.

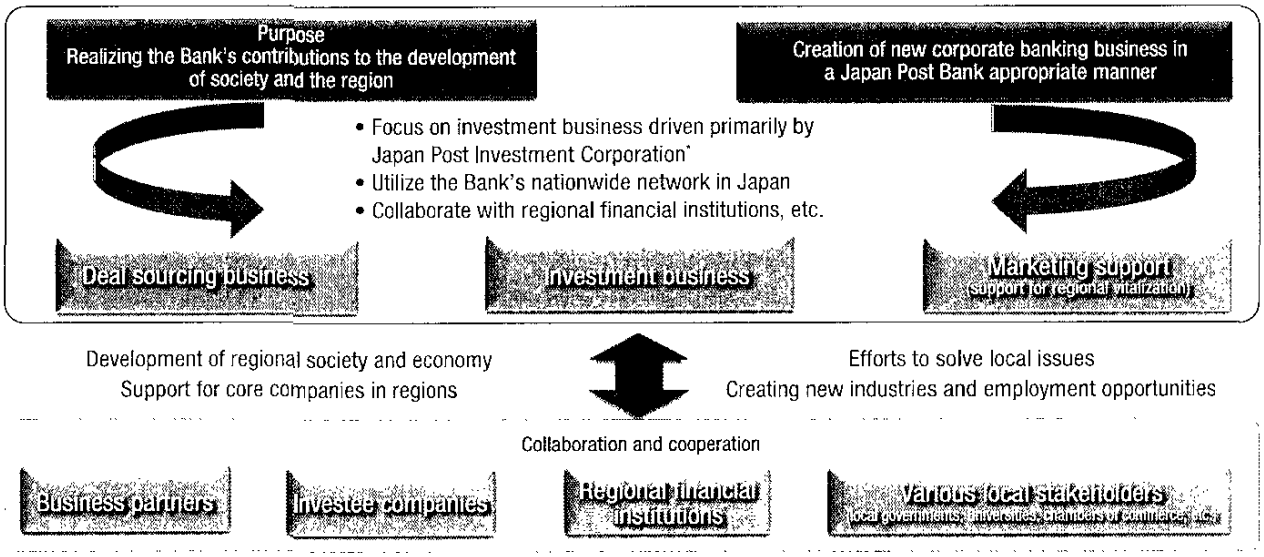
Creation of new businesses: Σ business

JAPAN POST BANK

In the Σ (sigma) business, Japan Post Bank, as a general partner (GP) investor, is contributing to regional vitalization by complementing the insufficient "funding capabilities" of regional companies by means of "funding," and by committing to the marketing and other management aspects of the recipients of the funds.

We will work to "Unify our passion and action toward new business" with a focus on efforts to foster a corporate culture and develop human resources that promote the new corporate banking business. Targeting full-scale business operations after the fiscal year ending March 31, 2027, we will set the initial two years (ending September 30, 2024) as a pilot period to establish the business promotion infrastructure.

In addition, we will collaborate with regional financial institutions and continuously engage in initiatives for ATM collaboration and the aggregation of operation processes such as the collection of taxes and public funds, as part of the "regional financial platform" and support regional vitalization multilaterally throughout Japan through various means.



* A private equity fund management company established by JAPAN POST BANK and JAPAN POST INSURANCE in February 2018.

New Japan Post Insurance sales system
Revision of *Hajime no Kampo* (Educational Endowment Insurance (H24))

JAPAN POST INSURANCE
JAPAN POST

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

Specifically, by visiting customers' homes, consultants who provide follow-ups and proposals of insurance products have been concentrating on proposals and follow-ups of life insurance. Japan Post Insurance is directly responsible for managing these consultants. At the same time, by introducing an account manager system, we are able to provide high-quality, attentive after-sales follow-ups to customers. Throughout our nationwide network of post offices, post office counter employees are continuing to offer a wide range of products and services including insurance products.

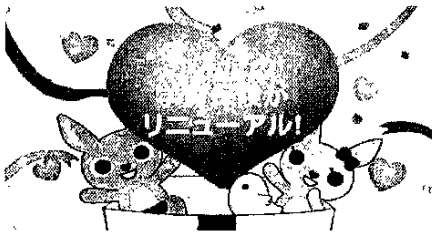
In accordance with the policy of "Providing insurance services that respond to the protection needs of customers of all generations in an age of 100-year life," in April 2023 we revised *Hajime no Kampo* (Educational Endowment Insurance (H24)). In response to the recent increase in educational expenses and customer demand, we changed the insurance premium rates and devised a plan with a return rate[*1] exceeding 100%, to make it easier for parents to prepare for their children's educational funds. Furthermore, in light of the current situation where many children go to prep schools as an after-school activity and the tendency[*2] for prep-school costs to start increasing after a child turns 10, policyholders can now choose plans in which they can finish their premium payments by the time the child turns this age.

We will develop insurance services that meet the protection needs of all generations and various situations and provide insurance services connecting generations and services tailored to the lives of customers.

*1 The ratio of educational funds that may be received to the total amount of insurance premiums paid
*2 Source: Ministry of Education, Culture, Sports, Science and Technology, "Survey on Educational Expenditures of Children 2021"

Japan Post Insurance and educational endowment insurance: No. 1 for number of educational endowment insurance policies in force[*3 *4]

In response to the rising enrollment rates in higher education and the increasing need for insurance that will help prepare for future educational funds due to rising educational costs, educational endowment insurance was launched in 1971, the first in the industry, as an insurance product from the post office. Since then, educational endowment insurance has been watching over the growth of countless children for nearly half a century. As of March 31, 2023, there are approximately 2.6 million policies[*4 *5] in effect. Going forward, we will continue to watch over the lives of our customers through our familiar post offices and consultants nationwide.



*3 Source: Japan Institute for Insurance Research "Statistics of Insurance Business in Japan, 2021"
*4 Includes certain types of educational endowment insurance that are not currently available
*5 Includes only educational endowment insurance sold after privatization

Popularizing and promoting "Radio-Taiso" exercise

JAPAN POST INSURANCE

The Radio-Taiso exercise was created by our predecessor, the Postal Life Insurance Bureau of the Ministry of Communications, and will mark its 100th anniversary in 2028. Japan Post Insurance is engaged in various initiatives to resolve social problems, such as extending healthy life expectancy and increasing well-being through the Radio-Taiso exercise.

Every year, we cooperate with approximately 50 local governments nationwide to hold the Radio-Taiso and *Minna no Taiso* ("Exercise for Everyone") Tour and the Festival of 10 Million People's Radio-Taiso and *Minna no Taiso* to invigorate the local communities and to support the health of the people in the communities.

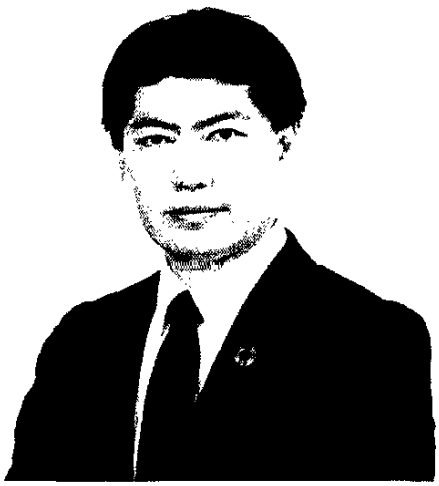
Furthermore, committed to the good health of all children throughout the country, we print and distribute approximately nine million Radio-Taiso Attendance Cards every year, mainly to primary school children, from post offices and Japan Post Insurance branches.

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

The unique Japanese culture in which children who make an effort to wake up early and exercise are rewarded with a stamp on their attendance cards by the parents and the elderly of the community is contributing to the exchanges between communities and generations.

Initiatives toward Enhancing the Sophistication of Crisis Management

Responding to crisis events more swiftly and enhancing the sophistication of crisis management through reinforced intergroup coordination



HAYAKAWA Masataka
Senior Managing Executive Officer, Japan Post Holdings Co., Ltd.
First Executive Officer, Japan Post Co., Ltd.

The Japan Post Group has been taking various measures in response to the materialization of conduct risk in the past. Given the drastic change in the operating environment surrounding management and the diversification and complexity of risk factors including reputational risk in recent years, the Group has decided to promote the following initiatives and aims to enhance the sophistication of crisis management.

Going forward, we will engage in initiatives to respond to crisis events more swiftly and the Group Crisis Management Committee will play a central role in integrated crisis management.

Furthermore, to enhance the sophistication of the Group's crisis management we will primarily promote the following three measures.

❶ We will enhance the sophistication of crisis management by strengthening our organizational framework (integration of functions) and expanding the scope of crisis events.

Through the establishment of the Crisis Management Department, we will realize grasping the signs of a broader range of crisis events and the unification of initial responses to minimize the effects after the risks materialize.

In the fiscal year ended March 31, 2023, we established the concept and criteria for identifying crisis events and also the procedures and manuals of initial response processes. In the fiscal year ending March 31, 2024, we will aim for further unification of crisis management responses by putting in place responses to be implemented after a crisis event materializes.

❷ We will enhance the sophistication of crisis management through reinforced intergroup coordination.

We will work to reinforce the intergroup coordination structure by holding regular Group Crisis Management Committee meetings and establishing intergroup coordination meetings, among others. By also establishing permanent secretariat functions for the Group Crisis Management Committee within the Crisis Management Department, we will strive to gather various kinds of information even in ordinary times. Through the development of this structure, we will plan and carry out different types of training and verify the crisis management structure.

❸ We will aim to enhance the sophistication of crisis management through the utilization of information systems including BI* tools.

We will utilize BI tools to visualize in real time the results of AI-driven analysis of customer and employee feedback and risk information held by each department, etc. At the same time, we will strive to detect and understand new potential risks through the cross-organizational analysis (cross-analysis) of such information. By doing so, we will enhance the sophistication of analysis.

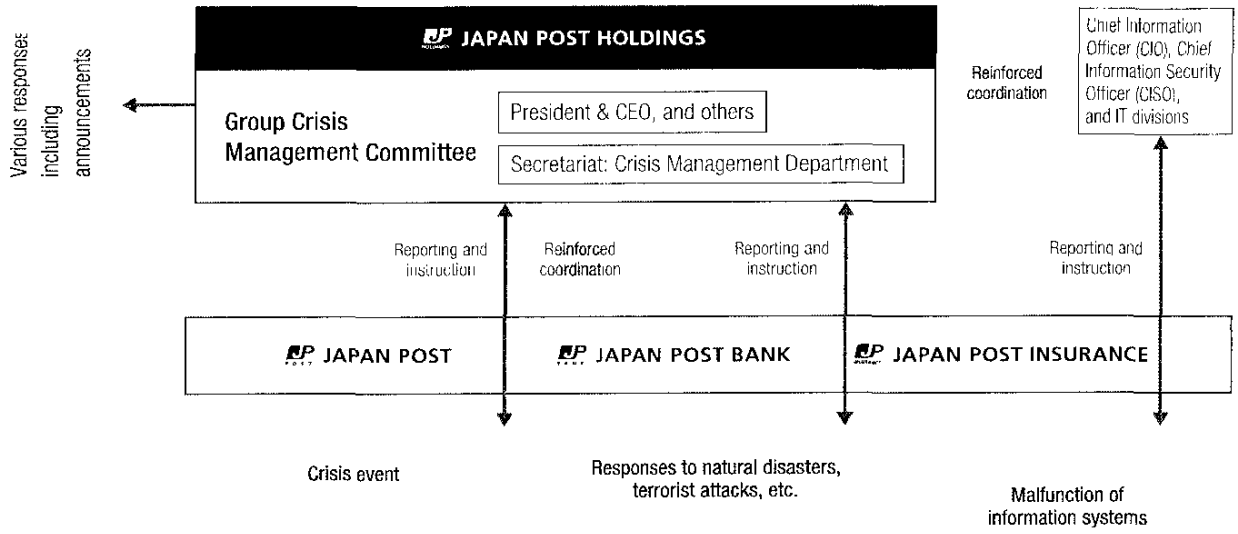
We are also working to improve user convenience by studying user interface based on their needs.

By strengthening Group governance through these initiatives, we will make efforts so that we can improve corporate value and that our customers and the local communities will place even greater trust in us and use the services provided by each Group company with peace of mind.

* BI (Business Intelligence): The concept of gathering, analyzing, and processing the information that the various departments of a company have accumulated to assist in management decision-making.

Framework for responding to crisis events

Enhancing the sophistication of crisis management through the strengthening of the organizational framework based on the integration of functions, expansion of the scope of crisis events, and reinforced intergroup coordination

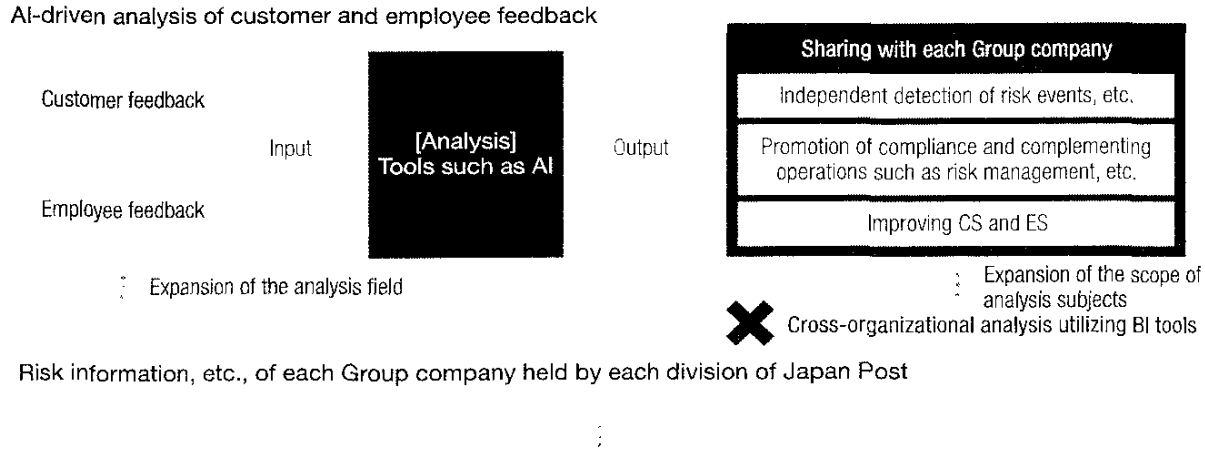


Enhancing the sophistication of crisis management by utilizing BI tools

We are aiming to independently detect cases in which misconduct events have materialized and potential risk events as well as promote compliance, complement operations such as risk management, and enhance customer satisfaction (CS) and employee satisfaction (ES), through AI-driven analysis of customer and employee feedback gathered by the Japan Post Group. Moreover, by reporting regularly to management and to the various liaison committees, the analysis results will be utilized to improve operations, etc., at the operating subsidiaries.

Going forward, we will analyze the positive feedback from our customers and share them as examples of good practices within the Group, and utilize them to improve the conduct of our employees. We will also expand the scope of analysis subjects by analyzing customer inquiries and utilizing them to enhance customer-oriented services. Moreover, we hope to expand our analysis field beyond customer and employee feedback to assist us in improving management.

Visualization in real time by utilizing BI tools



Sports & Communications

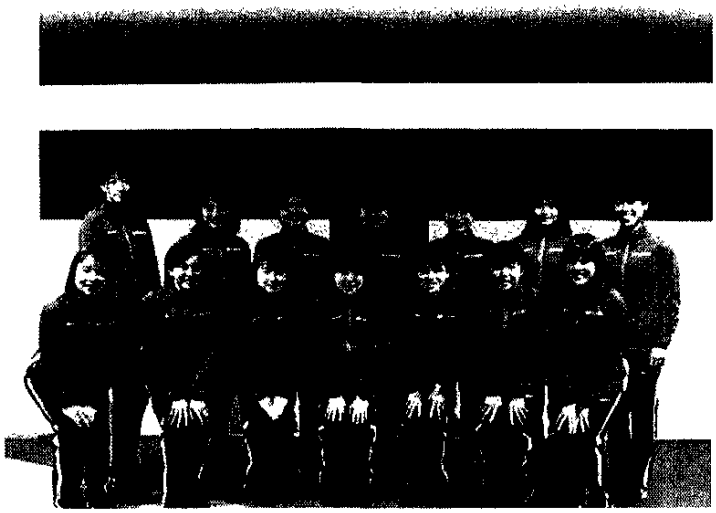
Establishment of the Sports & Communications Department

On April 1, 2023, Japan Post Holdings established the Sports & Communications Department to carry out and enhance measures that contribute to society through sports activities.

In addition to further reinforcing and expanding the operation of the Japan Post Group Women's Athletics Team, which was founded for the purpose of sustainably enhancing the corporate value of the Group through sports, we will proactively engage in not only sports activities going forward but also activities that will revitalize communications both within and outside the Group through sports as well as contribute to the regional communities and society.

In light of the shortage of instructors for club activities at schools around the nation, the Japan Post Group, as one of its major measures, will provide a framework to cooperate with the various policies of the Japan Sports Agency to secure opportunities for club activities by children.

In specific terms, we are considering the possibility of a system where talent from among the Japan Post Group employees who have had an outstanding track record in sports, cultural, or artistic activities play a leading role in each region, while we will also build a framework in which former athletes of the team are chosen to participate in various events sponsored by local governments, etc.



Members of the Japan Post Group Women's Athletics Team (As of April 2023)
Back row: GYU Kae, WADA Yuna, KOSAKAI Chika, DOI Hazuki, SUGATA Miyaka, TARUMOTO Chinatsu and HIRONAKA Ririka
Front row: OTA Kotona, MIHARA Azusa, YAMANAKA Natsumi, SUGIMORI Kokone, SUZUKI Ayuko, TASHIMA Ari, and OHNISHI Hikari

Activities of the Women's Athletics Team

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

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

In addition, we have also produced individual athletes who have represented Japan in international competitions such as the Olympics and the World Athletics Championships.

Major results in the fiscal year ended March 31, 2023

Activity/Competition	Rank/Place	Athlete	Result
42nd All Japan Industrial Teams Women's Ekiden (Queen's Ekiden in Miyagi)	3rd	1st Leg: WADA Yuna 2nd Leg: OTA Kotona[1] 3rd Leg: HIRONAKA Ririka 4th Leg: OHNISHI Hikari 5th Leg: SUZUKI Ayuko 6th Leg: KOSAKAI Chika	2:15:15
18th World Athletics Championships Oregon 2022 10000m	12th	HIRONAKA Ririka[2,3]	30:39.71
Berlin Marathon 2022	8th 19th	SUZUKI Ayuko[3,4] OHNISHI Hikari[3,4]	2:22:02 2:25:54
NAGOYA WOMEN'S MARATHON 2023	2nd	SUZUKI Ayuko[3,4]	2.21:52
106th Japan National Championship-Cross Country Senior 8km	1st	WADA Yuna	27:22

OHNISHI Hikari SUZUKI Ayuko KOSAKAI Chika

WADA Yuna OTA Kotona HIRONAKA Ririka

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*1 Stage prize *2 The all-time second-best time in Japan *3 Personal best *4 Qualified for 2023 MGC
*5 First place by a Japanese athlete

Social contributions through sports

As part of its activities to support people throughout their lives in the era of the 100-year lifespan, the Japan Post Group established the new Sports & Communications Department, as well as sponsors and supports sports and para-sports, including the support of OHTANI Momoko, a wheelchair tennis player who is an employee of Japan Post Insurance. Going forward, the Japan Post Group will continue to contribute to the revitalization of local communities and the realization of a diverse society by utilizing its network of 24,000 post offices and 400,000 Group employees nationwide to promote athletic competitions and community-based teams and athletes.

Major sponsorship activities for sports

Contracting entity	Entities to be sponsored (Outline)
Japan Post Holdings Co., Ltd.	Japan Goalball Association (Official partner)
	Tohoku Rakuten Golden Eagles (Official platinum sponsor)
Japan Post Co., Ltd.	JAPAN PROFESSIONAL BASKETBALL LEAGUE (B.LEAGUE partner)
	JAPAN POST Honda Dream
Japan Post Insurance Co., Ltd.	Japan Wheelchair Tennis Association (Top partner)
	Japan Boccia Association (Gold top partner)

Support for Goalball

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

Activities of JAPAN POST Honda Dream

To teach the importance of traffic safety to children, Japan Post has been hosting an event named a "Posukuma Parent-Child Motorcycle Class" at 4 to 6 locations every year since 2018. At the event, children can take a short lesson and ride a pocket bike specially decorated with Posukuma paintings. The children can also write letters using an original postcard printed with commemorative photos of their rides. The event is run by JAPAN POST Honda Dream, a professional motorcycle racing team.

Boccia Sponsorship Activities

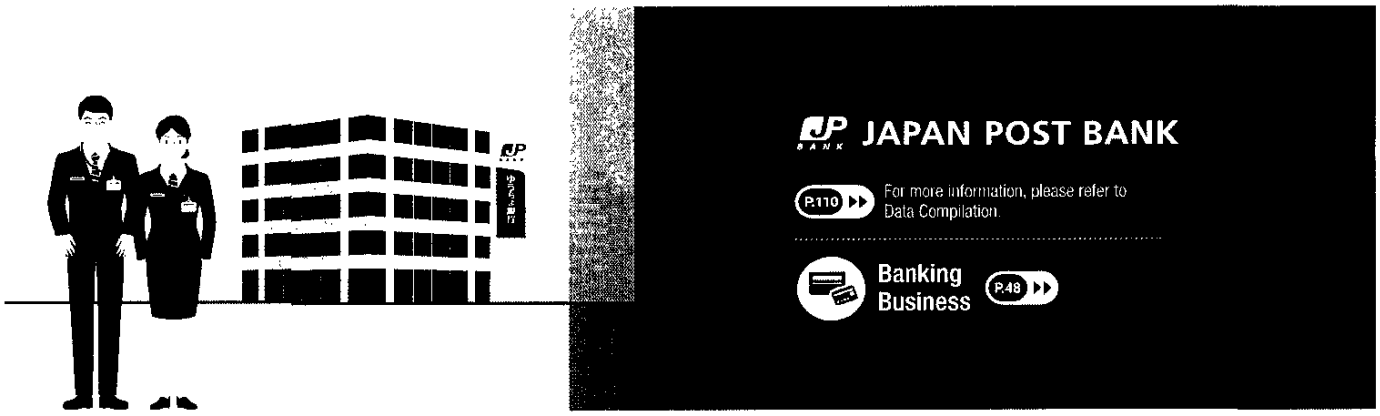
Japan Post Insurance sponsors Boccia competitions such as the 2022 Boccia Tokyo Cup Supported by Japan Post Insurance (April 2022), in which the Japanese national team also took part.

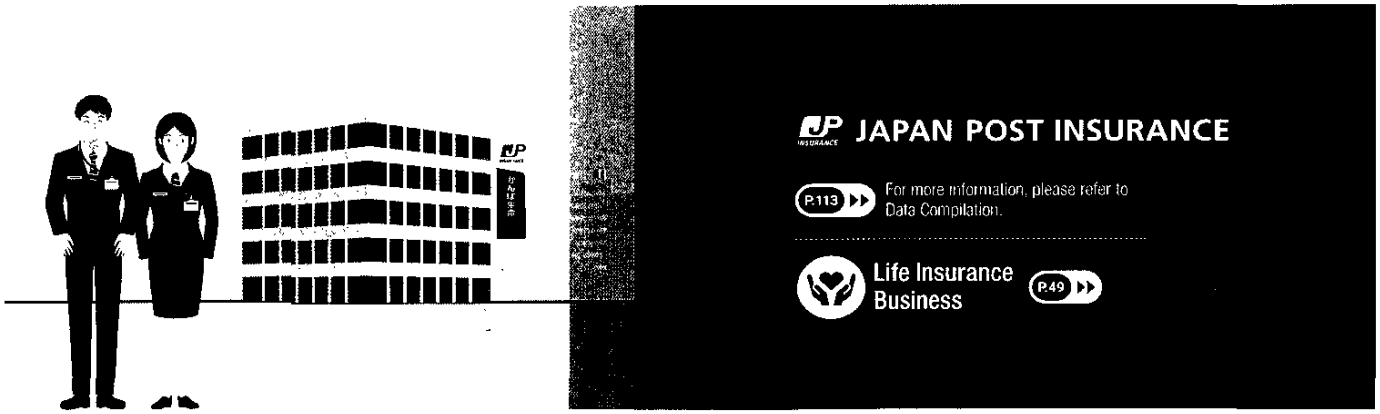
Stellar Performance in Wheelchair Tennis

OHTANI Momoko, an employee of Japan Post Insurance, has been playing at the highest level, by competing in the Tokyo 2020 Paralympics and winning the bronze medal in the wheelchair women's doubles. She also played in the four Grand Slam tournaments in the fiscal year ended March 31, 2023.

Structure of the Japan Post Group

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





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

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

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

Supporting our customers' daily lives through our banking services

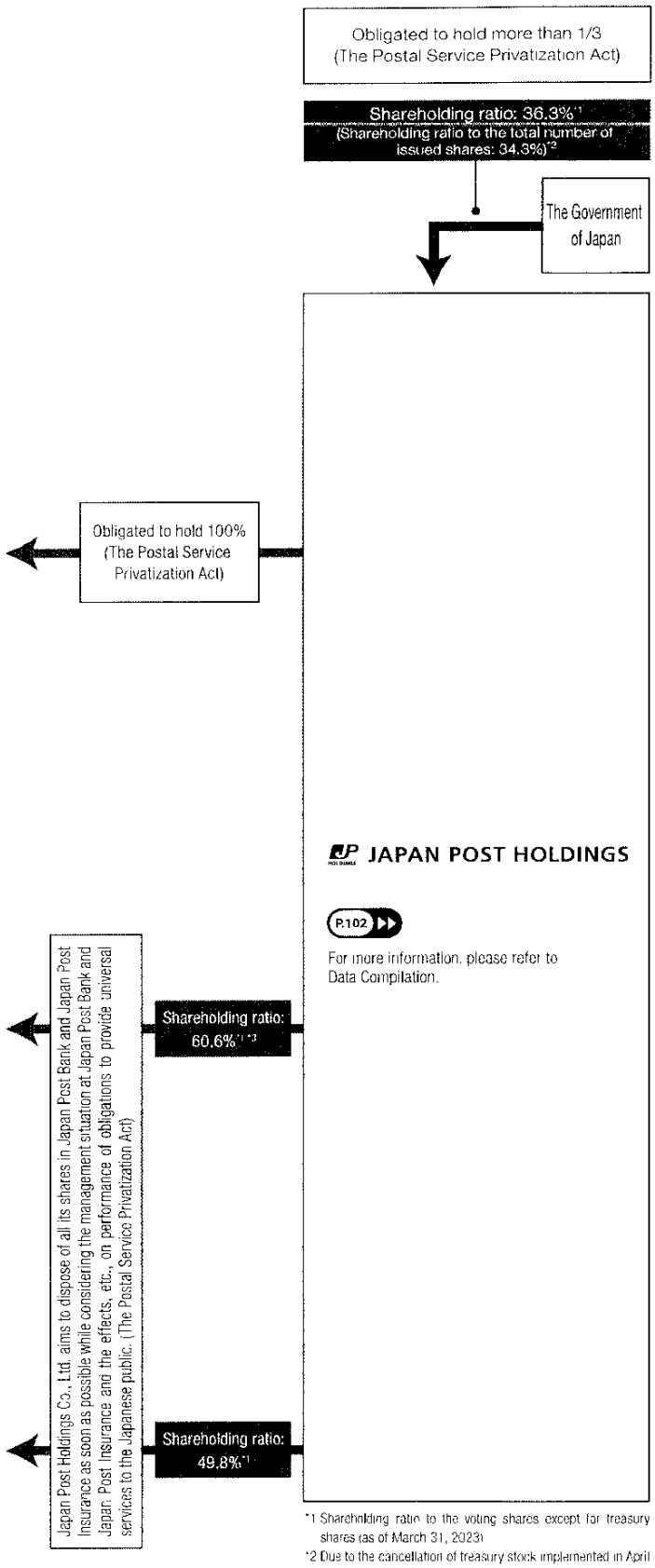
Using Japan Post's nationwide post office network, Japan Post Bank provides comprehensive financial services to a wide range of individual customers.

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

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

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

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



*1 Shareholding ratio to the voting shares except for treasury shares (as of March 31, 2023)

*2 Due to the cancellation of treasury stock implemented in April 2023, the shareholding ratio to the total number of issued shares was 36.3% as of April 30, 2023

*3 Due to the acquisition of treasury stock implemented until April 2023 and the cancellation of treasury stock implemented in May 2023 by Japan Post Bank, the shareholding ratio was 61.5% as of May 31, 2023.

Financial Results, Strengths, and Challenges of Each Group Company

JAPAN POST

Postal and Domestic Logistics Business Segment

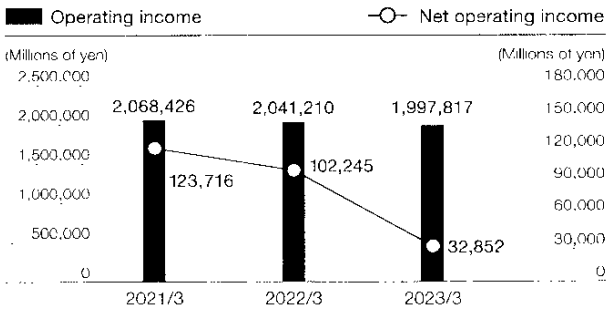
Business Overview

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

Financial Results for the Fiscal Year Ended March 31, 2023

In the postal and domestic logistics business, due to a decrease in the volume of Yu-Pack (including Yu-Packet) handled reflecting the severe competitive environment and the decrease in New Year's postcards, ordinary income amounted to ¥2,001,619 million (down ¥42,005 million year-on-year). Despite continuing cost control initiatives, ordinary expenses increased due to an increase in utilities expenses and expenses for new subsidiaries and net ordinary income amounted to ¥35,212 million (down ¥68,685 million year-on-year). In addition, operating income amounted to ¥1,997,817 million (down ¥43,393 million year-on-year) and net operating income amounted to ¥32,852 million (down ¥69,393 million year-on-year) in the postal and domestic logistics business of Japan Post (on a consolidated basis) for the fiscal year ended March 31, 2023.

Operating income / Net operating income



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

Strengths	• Nationwide transport network capable of delivering to 31 million locations daily • Efficient delivery of small parcels utilizing motorcycle mobility for the last one mile of logistics • Consistently providing high-quality delivery service to our customers
Challenges	• A continued decline in the volume of mail due to further digitalization, etc., and escalating competition in the parcel delivery sector • Response to rising labor unit costs and escalating prices • Realization of DX through utilization of data we possess
Future policy	• Data-driven reform of the postal and domestic logistics business • Boosting competitiveness through a strategic review of products, services, and operations • Providing convenient services by collaborating with other companies

Post Office Business Segment

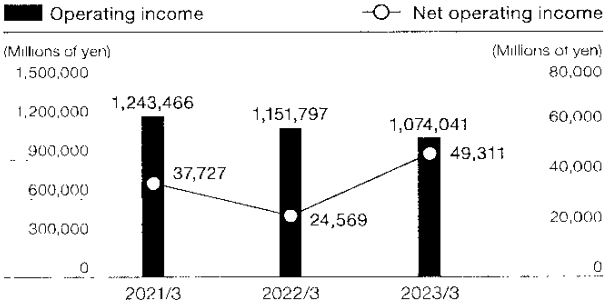
Business Overview

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

Financial Results for the Fiscal Year Ended March 31, 2023

In the post office business, with a continuing decrease in insurance commissions and banking commissions, ordinary income amounted to ¥1,075,762 million (down ¥80,953 million year-on-year), while net ordinary income amounted to ¥50,466 million (up ¥25,980 million year-on-year), primarily as a result of a significant decrease in personnel expenses associated with the transition to the new Japan Post Insurance's sales system from April 2022. In addition, operating income amounted to ¥1,074,041 million (down ¥77,756 million year-on-year) and net operating income amounted to ¥49,311 million (up ¥24,741 million year-on-year) in the post office business of Japan Post (on a consolidated basis) for the fiscal year ended March 31, 2023.

Operating income / Net operating income



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

Strengths	• A post office network of over 24,000 locations throughout Japan • Provision of diverse products and services inside and outside the Group • Customer base based on which our services are used by many customers in their daily lives
Challenges	• Regaining customers' trust • Response to a decrease in handling volume due to population decline and the switch to digital channels • Enhance the value of our post office network
Future policy	• Initiatives for customer-oriented business operations • Promoting digitalization of post office operations • Development of a diverse range of products and services satisfying regional needs

International Logistics Business Segment

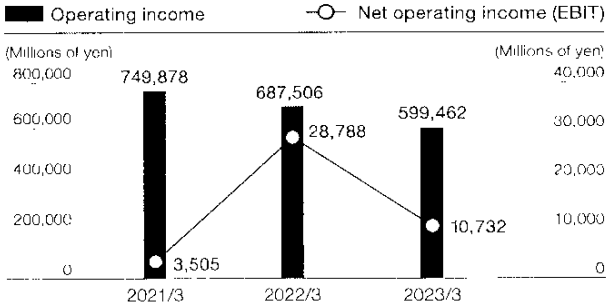
Business Overview

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

Financial Results for the Fiscal Year Ended March 31, 2023

In the international logistics business, ordinary income amounted to ¥600,179 million (down ¥87,638 million year-on-year) partly due to a fall in cargo rates in the Global Forwarding business, in addition to the impact of the absence of income associated with the transfer of the Global Express business in August 2021. While ordinary expenses decreased as a result of the absence of expenses related to the Global Express business, net ordinary loss of ¥723 million (net ordinary income of ¥21,226 million was recorded in the previous fiscal year). In addition, operating income amounted to ¥599,462 million (down ¥88,044 million year-on-year) and net operating income (EBIT) amounted to ¥10,732 million (down ¥18,055 million year-on-year) in the international logistics business of Japan Post (on a consolidated basis) for the fiscal year ended March 31, 2023.

Operating income / Net operating income (EBIT)



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

Strengths	• Number of countries included in the international logistics network. Approx. 150 • "Toll City" that features cutting-edge logistics technologies, such as precision temperature control and smart logistics control systems, and other equipment
Challenges	• Overcoming Australia-dependent management structure • Toll Holdings' business performance improvement • Exercise of the synergy between Japan Post and Toll Holdings
Future policy	• Transition to an Asia-focused business model • Thoroughly implement efforts to improve the business performance of Toll Holdings • Advancement of the synergy between Japan Post and Toll Holdings, and expansion of revenue

JAPAN POST BANK

Banking Business Segment

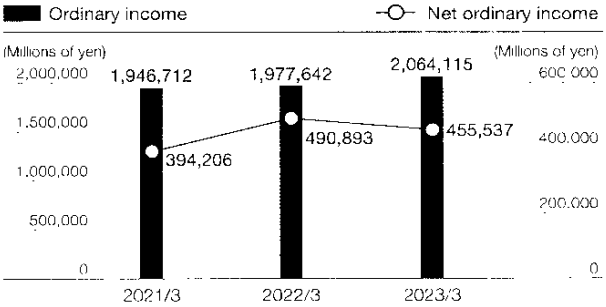
Business Overview

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

Financial Results for the Fiscal Year Ended March 31, 2023

In the banking business, ordinary income amounted to ¥2,064,115 million (up ¥86,472 million year-on-year) due to an increase in gains on sales of foreign bonds, etc., as a result of the sales of bonds. Ordinary expenses increased primarily due to the increase in foreign currency funding costs and net ordinary income amounted to ¥455,537 million (down ¥35,356 million year-on-year).

Ordinary income / Net ordinary income



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

Strengths, challenges, and future policy in the banking business

Strengths	• Japan's largest customer base • Post offices and ATM networks encompassing all of Japan • Japan's largest deposit base • Diverse and expert human resources
Challenges	• Providing customer-oriented services • Expanding products and services • Contributions to vitalization of communities • Creating new value • Addressing the digital divide problem • Addressing no-contact and non face-to-face needs • Security enhancements • ESG management • Deepening market operations and risk management • Enhancing the capital base
Future policy	• Innovating retail business into a new form by realizing complementarity between the physical and the digital • Business reforms and productivity improvement through the active utilization of digital technology • Enhancing funds flow to regional communities and the regional relationship functions through various frameworks • Deepening market operations and risk management with an awareness of stress tolerance • Strengthening the management base to become a more trusted bank

JAPAN POST INSURANCE

Life Insurance Business Segment

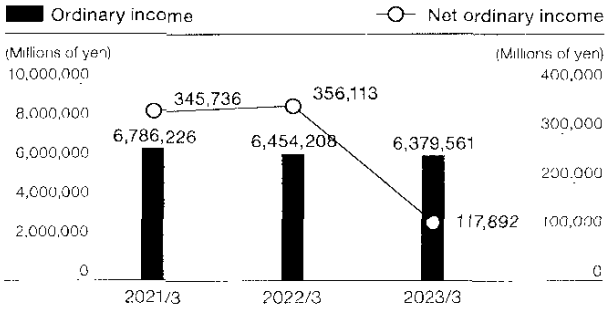
Business Overview

Licensed and approved under the Insurance Business Act, Japan Post Insurance Co., Ltd. engages in the underwriting of life insurance and asset management business, including securities investment and loans. In addition to our own products, directly managed Japan Post Insurance offices also handle other life insurance companies' products on commission. We have also entered into an operations consignment agreement with Japan Post Co., Ltd. to solicit our insurance products through its post offices.

Financial Results for the Fiscal Year Ended March 31, 2023

In the life insurance business, ordinary income amounted to ¥6,379,561 million (down ¥74,646 million year-on-year) due primarily to the decrease in insurance premiums and others as a result of a decrease in policies in force. In addition, net ordinary income amounted to ¥117,892 million (down ¥238,220 million year-on-year) primarily due to an increase in losses on sales of securities and an increase in operating expenses associated with building the new Japan Post Insurance sales system.

Ordinary income / Net ordinary income



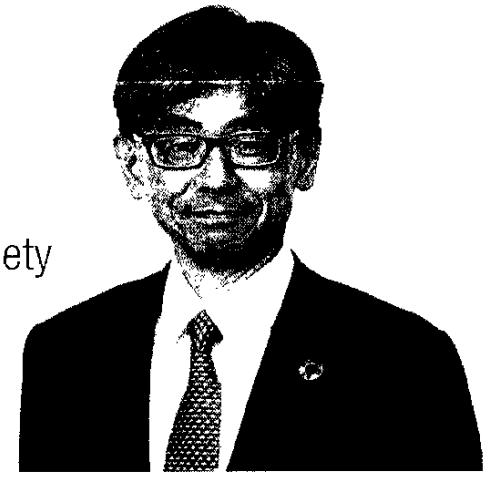
Note The graphs show ordinary income and net ordinary income of the life insurance business segment of the Japan Post Group.

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

Strengths	• Extremely large customer base • Procedures available at post offices nationwide • Products with easy procedures and smaller coverage amounts
Challenges	• Reconstruction into a company that is truly trusted by its customers • Shift to a business model that positions CX value as its top priority
Future policy	• Reforms of retail services through reforms in human resources development and management • Continue efforts to regain trust • Reinforcement of the business foundations • Improvement of customer experience value • Promotion of ESG management • Corporate culture and work-style reform • Reinforcement of governance, capital policy

Sustainability Management

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



ASAI Tomonori
Senior Managing Executive Officer, Japan Post Holdings Co., Ltd.
First Executive Officer, Japan Post Co., Ltd.

The Japan Post Group has 24,000 post offices, a nationwide delivery network, 400,000 employees, and a vast amount of financial assets entrusted to it by its customers. It is our social responsibility as a group to apply these resources and assets toward helping resolve social and environmental issues under proper governance. It is also the foundation of the Group's existence to have vibrant local communities and a society where a wide variety of customers can enjoy their lives.

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

Specifically, in the current Medium-Term Management Plan "JP Vision 2025," the environmental, social, and governance (ESG) goals are "To build a sustainable society, the Group will provide lifelong support in an era of the 100-year lifespan, and contribute to the development and revitalization of regional communities all over Japan." Furthermore, as one of the quantitative targets for ESG, the Japan Post Group as a whole is currently aiming to achieve carbon neutrality in greenhouse gas (GHG) emissions by 2050 and, as a milestone, to reduce GHG emissions by 46% compared to the fiscal year ended March 31, 2020 by the fiscal year ending March 31, 2031.

To achieve this goal, Japan needs to promote the spread of renewable energy and smoothly switch to electricity with a low carbon emission factor. As a group, we are also promoting efforts to reduce GHG emissions across society through the use of our available resources. As part of this, we have conducted demonstration experiments such as the operation of electric vehicles (EVs) with a long range in local areas and the opening of rapid chargers in local communities, in collaboration with other companies. These experiments are well underway, and we are preparing to switch 50% of our collection and delivery light vans (13,500 vehicles) and 40% of our motorcycles (28,000 motorcycles) to EVs by the fiscal year ending March 31, 2026.

We are also establishing "+Eco Post Offices" that reduce environmental impact, and as of March 31, 2023, a total of eight such post offices have opened. These post offices not only utilize eco-friendly building materials such as CLT but also give back surplus electricity from solar power generation to the local communities.

These various initiatives and disclosures have been recognized and the three companies of the Japan Post Group (Japan Post Holdings, Japan Post Bank, and Japan Post Insurance) have been selected as constituents of the FTSE Blossom Japan Index, made up of Japanese companies demonstrating strong environmental, social, and governance (ESG) practices.

Furthermore, in addition to promoting these initiatives, it is also important that we address sustainability issues as key management issues.

The Japan Post Group, from the standpoint of "the impact on the corporate value of the Japan Post Group" and "the importance for and expectations from the stakeholders," has summarized the important topics and related topics, in six areas, (1) Local communities and economies, (2) Responding to the aging society, (3) Access to services, (4) Environment, (5) Human resources and human capital, and (6) Management base.

Furthermore, we formed a visual model of a virtuous cycle in which the act of demonstrating the Japan Post Group's strengths to address these material issues leads to the creation of value (see page 55). This can be summarized as utilizing the strengths of the Japan Post Group, such as the nationwide network of post offices, while addressing material issues relating to sustainability through "improvement of value-creation capabilities by means of the 'Co-creation Platform'" and "strengthen the functions and improve the efficiency of the business foundation," and aiming to "achieve the sustainable improvement of corporate value."

Meanwhile, regions throughout Japan are not only facing the challenge of becoming carbon neutral but also various environmental and social issues. These issues are diverse and vary by region and there is no single universal solution. The familiar presence of the local post offices can serve as a regional hub to connect and liaise between the initiatives taken to help resolve these issues by each region, and we hope that in this way, these initiatives will become sustainable and raise the sustainability of the local communities themselves.

It is imperative that each and every employee adheres to these principles and takes action with a greater awareness of the sustainability of the Japan Post Group and the community. Furthermore, by encouraging them to take action on these issues as a company, we will support and expand the initiatives of each region through our nationwide network of post offices. In the future, we will continue to create these virtuous cycles together while passing the baton on to the next generation.

Concept of Sustainability Management

The Japan Post Group in the Japan Post Group Basic Sustainability Policy articulates that it will endeavor to achieve sustainable growth for the Group and increase the corporate value over the medium to long term, by resolving social issues relating to sustainability through the Group's business activities.

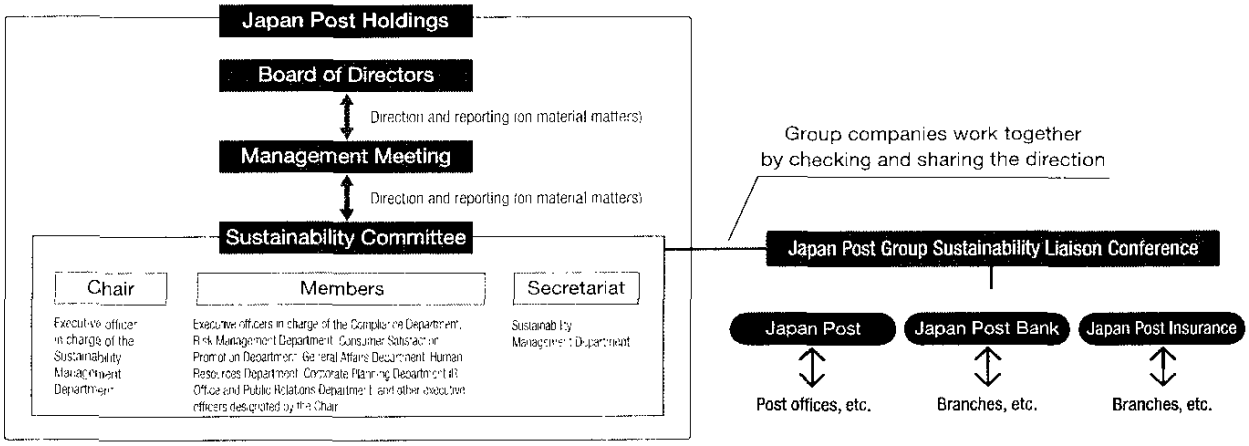
Under the current Medium-Term Management Plan JP Vision 2025, we will promote sustainability management while setting the ESG goals of "To build a sustainable society, the Group will provide lifelong support in an era of the 100-year lifespan, and contribute to the development and revitalization of regional communities all over Japan." The current Medium-Term Management Plan, JP Vision 2025 has been approved by the Management Meeting and the Board of Directors.

Sustainability Promotion System

The Sustainability Committee (chaired by the executive officer in charge of the Sustainability Management Department and meets about four times a year), which was established as an advisory body to the Management Meeting, deliberates the risks and opportunities relating to sustainability, policies for addressing sustainability, metrics and targets, and progress on the initiatives, and reports the results of the deliberations to the Management Meeting and the Board of Directors.

In addition, the Japan Post Group Sustainability Liaison Conference, whose members include executive officers in charge of sustainability at each Group company, is also held along with the Sustainability Committee to promote sustainability management as a unified Group.

In the fiscal year ended March 31, 2023, we determined material issues relating to sustainability, in addition to conducting deliberations on initiatives for attaining carbon neutrality, increasing the ratio of women in management roles and the promotion of ESG investments, which are promoted in JP Vision 2025. The deliberation status of the Sustainability Committee is reported to the Management Meeting and the Board of Directors.



Convening of the Sustainability Committee in the Fiscal Year Ended March 31, 2023

Items	Agenda
Sustainability strategies	• Determination of material issues relating to sustainability • Consideration of the direction to be taken by sustainability initiatives
Promotion of ESG management in JP Vision 2025	• Consideration of the plan to reduce GHG emissions • Promoting regional carbon neutrality • Increasing the ratio of women in management roles • Promotion of ESG investments
Responding to each stakeholder	• Dealing with disclosures for ESG assessors • Conducting TCFD quantitative analysis

ESG Targets Set in JP Vision 2025 and the Status of Progress

In the Medium-Term Management Plan, "JP Vision 2025," Group targets have been set for the following two items, which are believed to be especially essential as issues to be addressed by the Group as a whole in the assessment, management, and monitoring of risks and opportunities.

The progress on these two items is managed by the Sustainability Committee and the Japan Post Group Sustainability Liaison Conference and reported to the Management Meeting and the Board of Directors.

ESG Targets Set in JP Vision 2025

GHG Emissions	46% reduction by the fiscal year ending March 31, 2031 (compared to the fiscal year ended March 31, 2020)*1 Aiming to achieve carbon neutrality by 2050*2
Women in Management Roles	Ratio of women in management positions at our head offices: 30% by the fiscal year ending March 31, 2031*3, 4

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

Status of Progress

GHG Emissions

(Unit: 10,000 t-CO_2)

Item	2020/3 (base year)	2021/3 (results)	2022/3 (results)
Total emissions	164	151	114
Cumulative reduction volume (compared to 2020/3)	–	-13	-49
Cumulative reduction rate (compared to 2020/3)	–	-8.1%	-30.3%

Notes 1. Scope 1 and Scope 2 results of Japan Post Holdings, Japan Post, Japan Post Bank, Japan Post Insurance, Japan Post Transport, and Toll Holdings, which account for the greater part of the Group's total emissions.
2. Reduction results include the accommodation business and the express business of Toll Holdings, which has been sold.
3. The results for the fiscal year ended March 31, 2023 have been posted on the Company's website.
https://www.japanpost.jp/sustainability/library/data/#emissions (in Japanese only)

Women in Management Roles (Head offices of the four main Group companies)

Item	Four main Group companies
Ratio of women in management positions at our head offices (As of April 1, 2023)	15.2%

Material Issues Relating to Sustainability

Based on the deliberation of the impact on the corporate value of the Japan Post Group and the importance for and expectations from the stakeholders, the important topics and related topics were summarized in six areas, as material issues relating to sustainability, and the direction to be taken by the initiatives were considered.

The Determination Process of Material Issues Relating to Sustainability

The material issues were determined through the following process upon discussions by the Sustainability Committee, the Management Meeting, and the Board of Directors.

1 Extracting the topics

Topics were identified by referring to the Sustainable Development Goals (SDGs), ISO 26000, Global Reporting Initiative (GRI) standards, etc., grouped and extracted as the "Sustainability Topic List."

2 Assessment from internal/external perspectives

Questionnaires on the topics extracted in Step 1 were carried out on the executive officers, employees, customers, and business partners of the Company, while at the same time assessments were made from the two perspectives of "the impact on corporate value" and "the importance for and expectations from the stakeholders," referring to such factors as the opinions of institutional investors, etc., the relationship with key industry-specific topics based on the Sustainability Accounting Standards Board (SASB) standards, matters that are expected of the post offices by the nation's municipalities, the opinions of experts of the region, and the results of dialogue with sustainability experts, and the particularly important topics were determined.

3 Verification of appropriateness and integrated management

After grouping the particularly important topics and their closely related topics, their consistency with the Management Philosophy and Medium-Term Management Plan was verified and sorted into six areas, and the direction to be taken by each initiative was clarified.

Material Issues Relating to Sustainability of the Japan Post Group (Six Areas and the Direction Taken by the Initiatives)

Material issues	Direction of the initiatives	Corresponding SDGs issue
Local communities and economies	Provide solutions corresponding to regional issues through the utilization of the Japan Post Holdings network	9, 11
Responding to the aging society	Giving lifelong support in an era of the 100-year lifespan by providing services that support the aging society	3, 11
Access to services	Contribute to an enriched life by providing user-friendly services that align with the various needs of the people	10, 11
Environment	Lessen the environmental load of business operations and contribute to a low-environmental load society	12, 13, 14, 15
Human resources and human capital	A workplace where employees can work with "pride and fulfillment"	3, 5, 8, 10
Management base	Establish a management base that is trusted by our customers and contributes to resolving social issues	

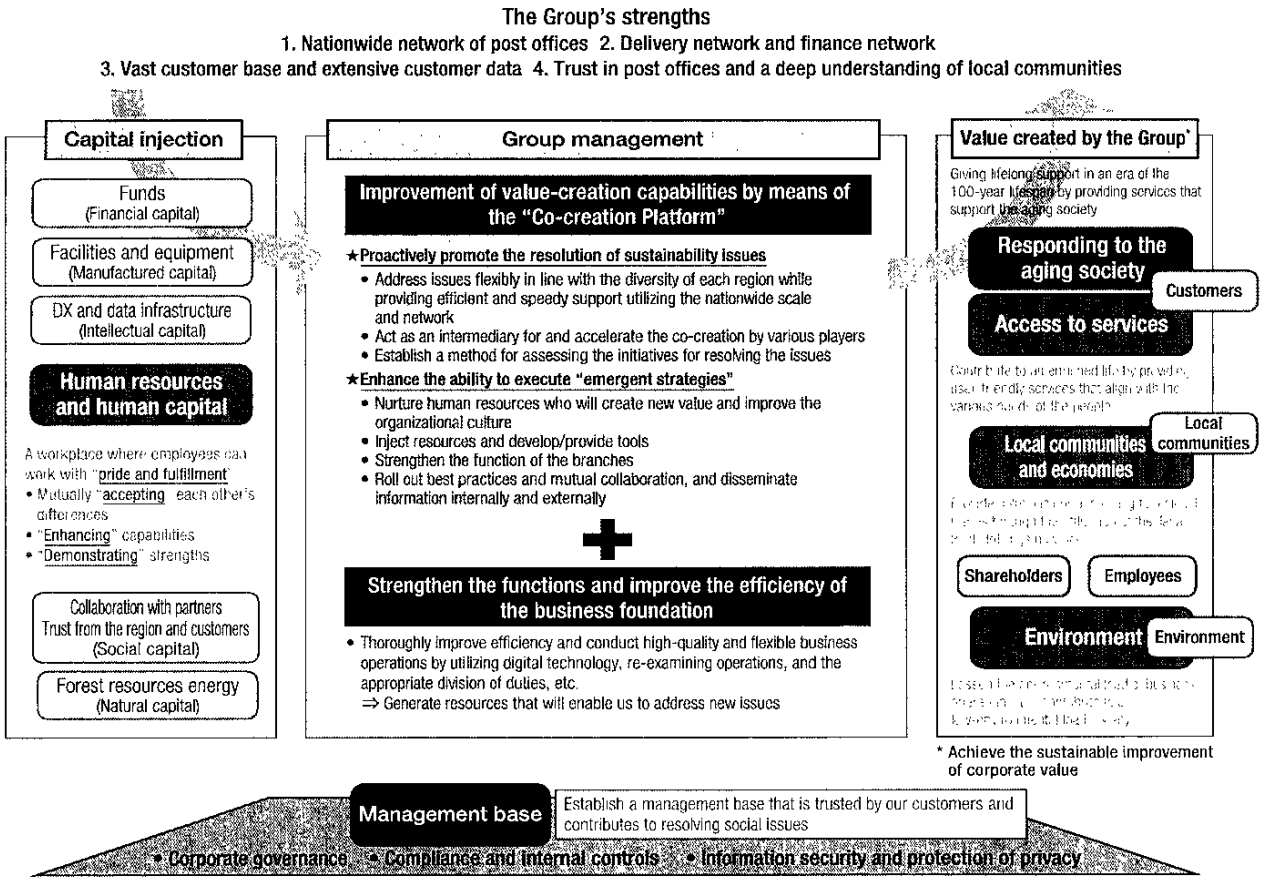
Specific Initiatives

The specific initiatives for dealing with the risks and opportunities associated with the material issues relating to sustainability are confirmed and their progress is managed by the Sustainability Committee and the Japan Post Group Sustainability Liaison Conference. The following initiatives are carried out for the material issues in each of the six areas.

Material issues	Specific initiatives	Indicators
Local communities and economies	• Promote collaboration and cooperation with companies and local governments, including railway companies and regional banks • Participate in regional vitalization funds	• Number of initiatives per measure, etc.
Responding to the aging society	• Improve Watch Over Service and End-of-life Planning Services • Support the customers' asset formation through proactive proposals including proposals for Tsumitate NISA	• Number of users of each service (the number of active accounts for Tsumitate NISA), etc.
Access to services	• Provide the various services of the Group at post offices across the nation • Provide basic protection and services to people of all generations • Improve digital services and provide services that combine the network of post offices and digital contact points • Support communications with foreign nationals and persons with disabilities at the counters	• For new initiatives, the actual accessibility of each service. etc.
Environment	• Reduce GHG emissions in business activities (expand the fleet of EVs, use LED lighting at post offices, and proactively switch to electricity sourced from renewable energy) • Go paperless and expand the use of FSC* certified paper, for example, in postcards • Deploy measures to promote regional carbon neutrality by utilizing the Group's resources • Expand theme-specific investments such as investments for the purpose of addressing climate change and promote the decarbonization of the investment/loan portfolio	• Volume of resources used, etc., relating to each environmental load • Status of initiatives implemented and investment amounts to contribute to the achievement of a low-environmental load society * FSC targets have been set in JP Vision 2025 for the reduction of GHG emissions.
Human resources and human capital	• See the Human Resource Strategy section on page 68	
Management base	• Improve the compliance framework • Expand the internal reporting system • Grasp events of misconduct • Ensure cybersecurity readiness • Address the risk of information leaks • Develop a system of data governance	• The status of usage, etc., for newly adopted systems

Positioning in the Flow of Value Creation

The positioning of these newly established material issues relating to sustainability in the Japan Post Group value creation process is as follows.



Column

Initiatives for Achieving the SDGs

Japan Post Holdings joined the United Nations Global Compact in May 2008 and has been actively engaged in achieving the SDGs.

In specific terms, the Company steadily promotes the initiatives set out in the material issues relating to sustainability, as well as supporting the education of the next generation, conducting responsible procurement, and promoting ESG investments to contribute to the building of a sustainable society.

Initiatives to Promote Sustainability

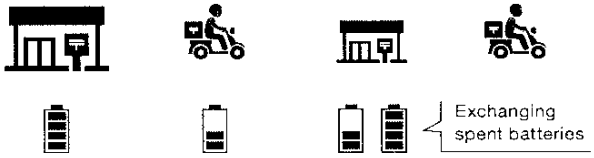
Reduction of GHG Emissions

Adoption of EVs

Japan Post has been adopting EVs in phases to reduce GHG emissions, and by the fiscal year ending March 31, 2026, plans to switch 13,500 light vans for collection and delivery and 28,000 motorcycles to EVs. As a result, in the fiscal year ending March 31, 2026, 50% of the light vans and 40% of the motorcycles will have switched to EVs. Furthermore, we are also promoting various initiatives to effectively utilize EVs.

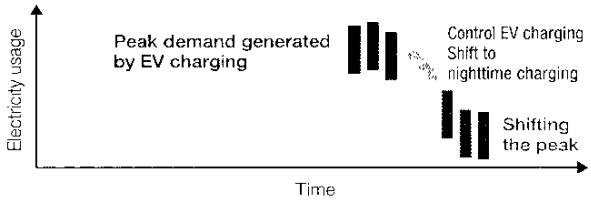
Motorcycle battery charging relay system

The range of EVs when traveling long distances and on hilly terrain has become a pressing issue. To address this issue, we are testing efficient operations which utilize the network of post offices for exchanging batteries at post offices on the delivery routes to enable continuous delivery without having to go back to charge the batteries.



Shifting the peak time for charging

Through a collaboration with Yanekara, a start-up at the University of Tokyo, we conducted a demonstration experiment to shift the time for charging EVs to avoid charging during time slots when electricity demand for the region is at its peak. We will consider deploying this system to other regions in order not only to cut back on the Company's costs but also to stabilize the supply and demand of energy in the region.



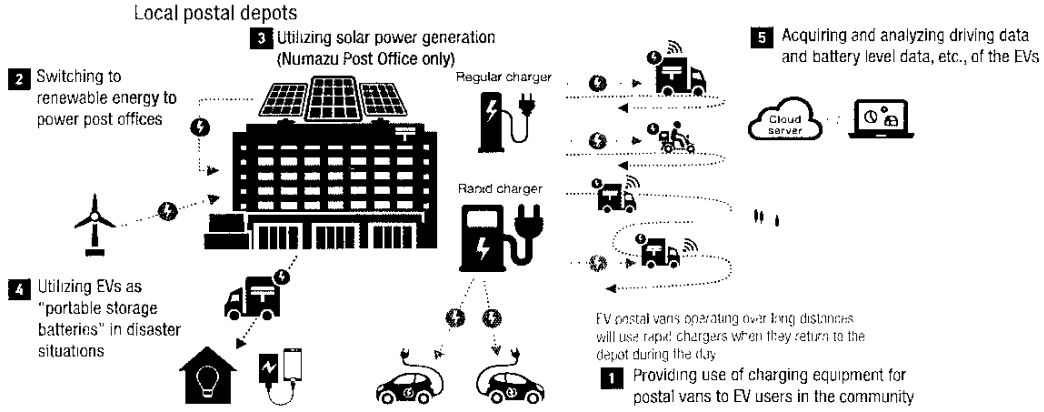
Promote Carbon Neutrality in Local Communities

(1) Strategic partnership with the TEPCO Group and MITSUBISHI MOTORS CORPORATION

Based on the strategic alliance with Tokyo Electric Power Company Holdings, Inc. (TEPCO) to promote carbon neutrality, we have been conducting demonstration experiments since November 2021 at the Oyama Post Office (Oyama City, Tochigi Prefecture) and the Numazu Post Office (Numazu City, Shizuoka Prefecture).

To meet the challenge of making regional post offices' EVs compatible with long-distance driving, both post offices installed rapid chargers to be used when EVs returned temporarily to the post office to extend the EVs' range. In addition, the post offices made these rapid chargers available to the community, contributing to the promotion of regional EVs, and are utilizing solar power generation and switching to renewable energy to reduce the use of electricity.

MITSUBISHI MOTORS CORPORATION is also involved in this demonstration experiment, promoting eco-drive by analyzing driving data and changes in the battery levels of the EVs, as well as reducing GHG emissions associated with delivery. Furthermore, by working to improve the overall driving performance of the commercial EV fleet, we will contribute to the spread of EVs across Japan.



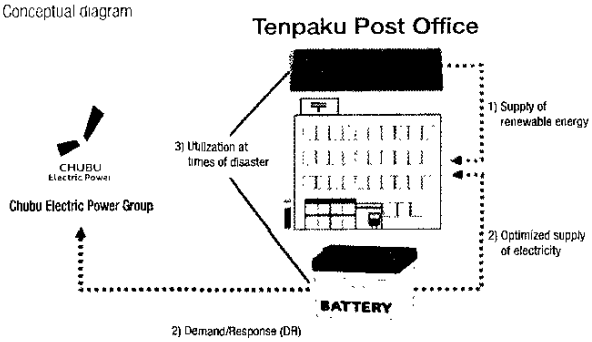
(2) Strategic alliance with Chubu Electric Power Co., Inc.

In January 2023, we signed an agreement of strategic cooperation with Chubu Electric Power Group to promote regional carbon neutrality and strengthen the resilience of local communities against disasters.

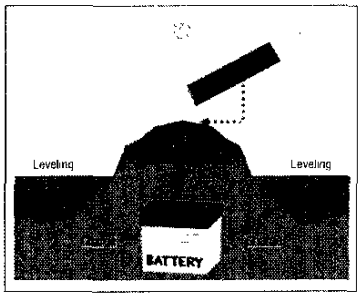
Based on this agreement we will install solar power generation equipment and storage batteries at the Tenpaku Post Office (Nagoya City, Aichi Prefecture) by the end of the fiscal year ending March 31, 2024, and conduct studies and make preparations to enable trials on using renewable energy and optimizing energy use, as well as using such energy during power outages, to contribute to making the communities more resilient toward disasters.

Going forward, we will continue to study and carry out cooperation with various partners to promote regional carbon neutrality.

Conceptual diagram



Conceptual diagram of shifting the peak of power usage



(3) +Eco Post Offices

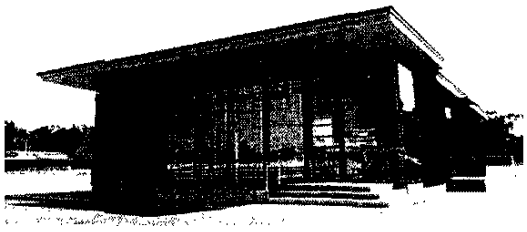
At Japan Post, we are promoting the establishment of eco-friendly "+Eco Post Offices" that use renewable energy such as solar panels and CLT* to reduce the Company's GHG emissions, as well as promote regional carbon neutrality.

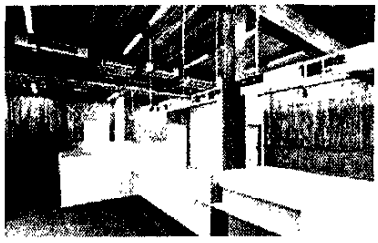
In March 2022, when the Maruyama Post Office (Minamiboso City, Chiba Prefecture) was relocated and opened as the first post office as +Eco Post Office, we opened a new post office building utilizing CLT. The Toma Post Office (Toma-cho, Kamikawa-gun, Hokkaido), which opened in February 2023, utilizes CLT and has also become the first post office to install thermal utilization equipment using biomass (wood chip boiler), which is used for heating and regular electricity consumption.

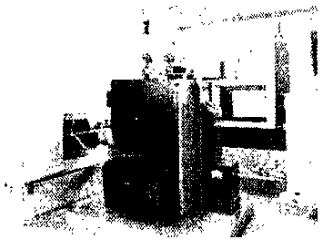
* CLT (Cross-laminated timber):
Thick wood panels made from gluing together layers of long planks of wood at perpendicular angles to each other to give them excellent strength and insulation, curbing the generation of CO_2 compared with concrete and iron

Status of +Eco Post Offices (As of March 31, 2023)

Name of post office	Maruyama	Munakata Togo	Itozaki	Iyo	Shiroyama	Isshinden	Toma	Sendai Oide
Location	Minamiboso City, Chiba Prefecture	Munakata City Fukuoka Prefecture	Mihara City, Hiroshima Prefecture	Iyo City, Ehime Prefecture	Sagamihara City, Kanagawa Prefecture	Tsu City, Mie Prefecture	Toma-cho, Kamikawa-gun, Hokkaido	Sendai City, Miyagi Prefecture
Date opened	March 2022	November 2022	December 2022	January 2023	January 2023	February 2023	February 2023	March 2023


Exterior of the Maruyama Post Office


Lobby counter of the Toma Post Office


Boiler for thermal use of wood chips

Initiatives to Promote Sustainability

Initiatives for Social Issues

The following are examples of our endeavors to promote environment-, people-, and society-friendly ethical consumption.

Trial Run of Ethical Deliveries

During July and August 2022, at the 96 post offices within the Toshima-ku and Nerima-ku areas in Tokyo, a limited number of Ethical "Furusato Kozutsumi" (Hometown Parcels) with mangoes and pineapples grown in Okinawa were sold on a trial basis.

These "Furusato Kozutsumi" parcels contained the following ethical elements.

(1) Provided the option of carbon offsetting

Customers were given the choice of the regular price or a price supporting carbon offsetting*, in which 100 yen was added to the regular price. The 100-yen carbon offset portion would be set aside toward supporting the forest protection project through the government-accredited "J-credit" system.

(2) Food loss prevention measures

We contributed to food loss prevention measures by using irregular products such as fruits that were not uniform in size or appearance but that tasted good just the same.

(3) Reforms of the work styles of the producers

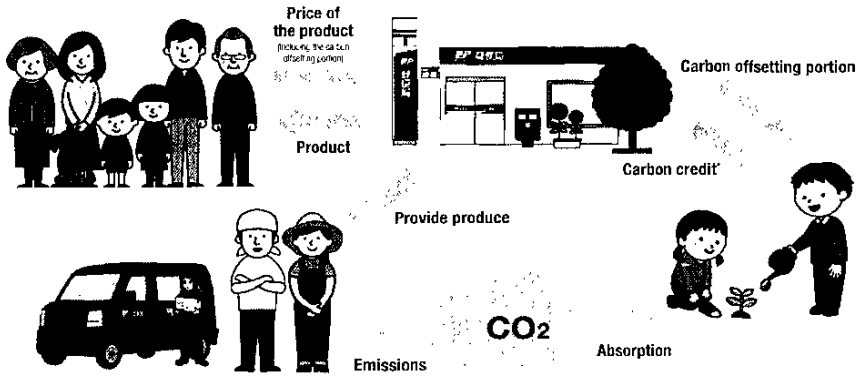
The producers were allowed to ship their products at will according to the stage of the produce's growth and maturity. Additionally, shipping the products after a certain number of orders were received also allowed the producers to concentrate their manpower and for the post office to carry out batch collection, thereby reducing the workload.

Furthermore, we made efforts to clearly explain these ethical elements to the customers through leaflets and other materials. As a result, nearly 80 percent of the customers chose the carbon offsetting products, far exceeding our expectations, and also demonstrating the unique strengths of the post offices with real contact points with the customers.

Keeping in mind the ethical needs and issues gleaned from this trial run, we will further pursue possibilities for disseminating the ethical concept and expanding the product lineup.

* Carbon offsetting refers to the concept of making efforts to reduce GHG emissions such as CO_2, with regard to unavoidable emissions in everyday life and economic activities as much as possible, and offsetting the unavoidable emissions by investing in activities to reduce GHGs commensurate with the emissions.

Leaflet explaining the ethical elements



* Carbon credit: Emission rights representing the CO_2 reduced as a result of forest protection and other activities

System of carbon offsetting

Columns

COLUMN 01

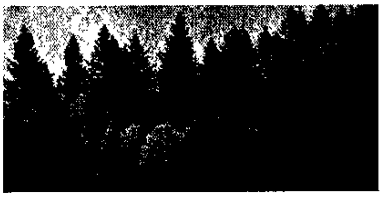
FSC® Certification Postcards

Japan Post uses Forest Stewardship Council® (FSC) certified paper, an international certification system that seeks to promote appropriate forest management, for New Year's postcards and regular postcards*. FSC® is an international forest certification system that identifies well-managed forests and the forest products that originate from those forests, reclaimed materials, and other products made from raw materials from controlled sources.

To be FSC® certified, the products must be properly managed from various perspectives in all processes from production to processing and distribution, including not only protecting the rich natural environment and mitigating adverse effects but also ensuring the rights and safety of workers and building a good relationship with local communities.

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

* All postcards produced for Japan Post in the fiscal year ending March 31, 2024 will be made from FSC® certified paper.



Japan Post Holdings acquired FSC Promotion Licence

COLUMN 02

Partnership with WWF Japan

In December 2022, Japan Post concluded a corporate partnership agreement with the World Wide Fund for Nature Japan (hereinafter referred to as "WWF Japan") to jointly aim for a sustainable future in which humans and nature can live harmoniously.

Under this partnership, we will donate 75 million yen over three years to support forest conservation activities carried out by WWF Japan.

Additionally, we will cooperate with WWF Japan to further promote the sustainability management of Japan Post and seek WWF's advice on ways to sustainably use natural resources, realize a decarbonized society, and contribute to the achievement of a "circular social and economic system (circular economy)," while at the same time aim for the formulation of procurement policies of forestry products through the exchange of opinions between the two parties, progress inspections, and assessments.

About WWF Japan

WWF is an environmental conservation organization operating in more than 100 countries around the world, established in Switzerland in 1961. To build a future in which humans live in harmony with nature, WWF is currently promoting the achievement of a sustainable society. It is particularly focused on projects to recover biodiversity, which is rapidly being lost, and to realize a decarbonized society to prevent global warming. (https://www.wwf.or.jp/eng/)

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Initiatives to Promote Sustainability

The following are initiatives to revitalize our relationships with local communities and residents.

Agriculture-Welfare Cooperation*

To contribute to further revitalizing local communities and achieving an inclusive society through the employment and work of persons with disabilities in the agriculture, forestry, and fisheries fields, in March 2023, Japan Post Holdings and Japan Post entered into a comprehensive cooperation agreement with the Agriculture-Welfare Cooperation Association to promote the cooperation between agriculture and welfare.

Currently, certain post offices operate unmanned sales at the post office counters run by local social welfare agencies and sell "Furusato Kozutsumi" (Hometown Parcels) of produce from the agriculture-welfare cooperation programs. Going forward, we will continue contributing to the promotion of agriculture-welfare cooperation by expanding the sales channels of agriculture-welfare cooperation produce and planning and discussing the holding of agriculture-welfare cooperation events.

Unmanned sales at a post office in Ikoma City, Nara Prefecture

Additionally, as part of the "Local Co-creation Initiative," Japan Post employees have been seconded to General Incorporated Association Ishinomaki Farm. Ishinomaki Farm was awarded the 2022 Challenge Award of the Noufuku Awards, which is given to outstanding cases of agriculture-welfare cooperation by the Ministry of Agriculture, Forestry and Fisheries, in recognition of its cultivation of hops and vegetables at its social farm as well as creating employment opportunities for the socially vulnerable through its beer brewery activities.

* Agriculture-welfare cooperation is an initiative for persons with disabilities to find self-affirmation and fulfilment and participate in society by taking an active role in the agriculture, forestry and fisheries fields.

Employees of the Ishinomaki Tachimachi Post Office with Isinomaki Farm produce (dried sweet potatoes)

Community-Based Shopping Service

Through the "Local Co-creation Initiative," an employee of Japan Post Holdings has been seconded to Nara City, Nara Prefecture, and is playing an active role in the former Tsukigase village area. On the suggestions of this employee, demonstration experiments were carried out for approximately one month from February to March 2023, to establish a Community-based Shopping Service in the eastern part of Nara City including Tsukigase.

With this service, foods such as perishable foods and frozen food sold by AEON Net Super (an online supermarket) in the applicable areas are delivered utilizing extra space in the delivery vehicles operated daily by Japan Post and existing delivery routes. We are aiming to become a sustainable service also in sparsely populated areas by delivering multiple orders in bulk to a single drop-off point and enhancing the convenience of the users in the community, while at the same time cutting back on transportation costs.

Additionally, by having the users manage the drop-off points as well as the products' receipt and delivery, we are encouraging daily communications within the applicable area and strengthening the community. Furthermore, to make the drop-off points an exchange hub for the community as well as a hub for shopping, we are focusing on building places and opportunities for people to gather by selling produce grown by the residents and ensuring that the environmental value of using these services can be grasped visually.

Scene of a delivery. We deliver using existing delivery routes.

Scene of a drop-off point. This service is especially popular among families raising children.

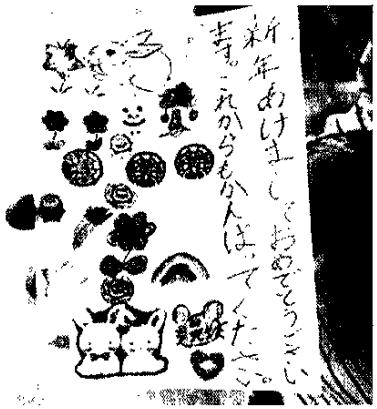
Supporting Letter-Writing Workshop Programs

Japan Post is working to pass down the culture of letter-writing. Under this program, Japan Post supports letter-writing workshops for elementary, junior high, and high school students in the hope that they will learn to enjoy writing letters and experience the joy of receiving letters through the exchange of actual letters in school classes. In addition, various events are being held in cooperation with schools and local residents.

In the fiscal year ended March 31, 2023, a total of approximately 4.893 million children took part in the letter-writing workshops at 14,130 primary schools (69.9% of the total), 4,844 junior high schools (43.2% of the total), and 2,302 high schools (33.7% of the total).

We also support organizations that strive to solve regional and social issues through the aid for social contribution projects using the funds donated through New Year's postcards. Among these projects, the certified NPO Japan Kodomo-Shokudo Support Center MUSUBIE utilizes the funds for operating a comprehensive meal support program for the purpose of building a sustainable community using the Kodomo-Shokudo ("children's restaurant") as a hub, while also planning and conducting Picture Letter-writing Workshops and Picture Letter-writing contests at children's places such as Kodomo-Shokudo. We believe that these events, as these children learn how to write New Year's postcards, provide an opportunity for them to personally experience postcards and letters and take in a cultural experience by learning about the Chinese zodiac, and for some children writing a New Year's postcard for the first time.

We will continue working to provide opportunities to learn about letter writing and the lessons and relationships that are born from letter writing.



Letter-writing workshop at MUSUBIE

Scene from a Letter-writing Workshop Program

Collaboration with Tokyo Metropolitan Chihaya High School

Since the fiscal year ended March 31, 2022, Japan Post Holdings, together with the local post offices, has been collaborating with Tokyo Metropolitan Chihaya High School, which has been putting efforts into SDGs initiatives. In the fiscal year ended March 31, 2023, we conducted classes for second-year students on passing down the letter-writing culture and the stories behind postage stamps.

As for the third-year students, we engaged in various collaborations including asking the students to cooperate in the demonstration experiments for Ethical "Furusato Kozutsumi" (Hometown Parcels) (page 58) and giving presentations on proposed initiatives by post offices toward resolving social issues at the Japan Post Holdings head office. Regarding the trial run of ethical deliveries, we asked them to deliberate methods of effectively communicating the concept of "ethical" to the customers.

These collaborative efforts not only provided opportunities for next-generation education but also made us aware of various ideas including communications with the local communities and new perspectives about the Group.

We will continue to cooperate with various partners and seek ways of providing value that are unique to the Group in order to realize a sustainable society.

Scene of communicating the concept of "ethical" to customers by the students

Class for second-year students

Endorsement of the TCFD Recommendations

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

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

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

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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

Item	Japan Post Group's response
Governance	• The Japan Post Group's response to climate change is appropriately supervised by the Board of Directors, which has the Group CEO (Representative Executive Officer, President and CEO of Japan Post) as the highest officer and the Group companies' CEOs as its members. <Supervision Process of the Board of Directors on Climate Change Response> · At the Sustainability Committee, established as an advisory body to the Management Meeting (the chairperson is the executive officer in charge of the Sustainability Management Department, and the Committee meets about four times a year), Committee members deliberate on the progress of the Group's climate change risk and opportunity identification, response policies, targets, and initiatives. · The deliberations of the Sustainability Committee are reported to the Management Meeting and the Board of Directors and approved by the Board of Directors.
Strategy	• The Japan Post Group has set the reduction of GHG emissions to achieve carbon neutrality as one of its main goals in JP Vision 2025 and is promoting climate change responses as part of its management strategy. • The Group has conducted a scenario analysis to identify climate change risks and opportunities related to the Group's main business and to understand their impact on the business portfolio. • Going forward, we will further deepen our consideration of specific countermeasures to identified climate change risks and opportunities, and analyze the quantitative impact on the business portfolio.
Risk management	• The key issues relating to the sustainability of the Japan Post Group ("key issues") are deliberated by the Sustainability Committee and the Japan Post Group Sustainability Liaison Conference and determined by the Management Meeting and the Board of Directors. • In the discussion of key issues, the Sustainability Management Department and the relevant departments will work together to address appropriately the various risks relating to sustainability, upon identification and assessment of the risks and opportunities and deliberations of the management methods. • In the deliberations of key issues in the fiscal year ended March 31, 2023, environmental issues including those involving climate change were selected as one of the most crucial issues, and the identification of priority risks associated with this issue was also deliberated by the Sustainability Committee and the Japan Post Group Sustainability Liaison Conference and reported to the Management Meeting and the Board of Directors.
Metrics and targets	• The Japan Post Group has set the ultra-long-term goal of "aiming to achieve carbon neutrality by 2050" in JP Vision 2025, and as a milestone to steadily promote this goal it has set a target of "46% reduction by the fiscal year ending March 31, 2031 (compared to the fiscal year ended March 31, 2020)" based on the 1.5°C scenario and promotes climate change responses as part of its business strategy. • Japan Post Group's Scope 1, Scope 2, and Scope 3 emissions https://www.japanpost.jp/en/sustainability/library/data/

Impact Analysis and Response Policies in the Postal and Domestic Logistics Business and the Post Office Business

Scenario Analysis

Scenarios	Physical risk: IPCC RCP1.9 (1.5°C scenario) / RCP2.6 (2°C scenario) / RCP8.5 (4°C scenario) Transition risk: IEA WEO NZE 2050 (1.5°C scenario) / WEO STEPS (2.5°C, 4°C scenario) * In the analysis of physical risk, if the required parameters are not in the 1.5°C scenario (RCP1.9), the parameters of the 2°C scenario (RCP2.6) are used.	Applicable period	2030 2050

Classification		Expected occurrence period*1	Financial impact*2	Critical risks and opportunities, possible impacts (Scenario analysis)
Physical Risks	Acute	Short Term	Small to Large	• Due to the increase of short-time heavy rain, river flooding and high tides may occur, and some or all of the post office buildings in river basins or coastal areas where flooding occurs may collapse, requiring time and money to repair. • In addition, there is a risk that businesses cannot continue due to damage to post office buildings and roads, etc., which may hinder the provision of universal services, and sales may drop. [1.5°C scenario] Due to the increase in heavy rainfall, it is expected that river flooding, high tides, and landslides will have a certain impact on post office buildings. [4°C scenario] Due to significant increases in heavy rainfall, there is a possibility that there will be impacts such as the collapse of post office buildings on a wider scale than in the case of the 1.5°C scenario. Impacted costs: Recovery and operating costs (torrential rains and floods), premiums for property insurance and personnel insurance
Physical Risks	Chronic	Short Term	Small to Medium	• Climate change will increase the risk of heatstroke for employees engaged in outdoor work by increasing the number of days on which the temperature exceeds 30°C (hot summer days) and days on which the temperature exceeds 35°C (extremely hot days). This will increase labor costs, etc. [1.5°C scenario] The risk of employee heatstroke is expected to increase due to an increase in average annual temperature and an increase in the number of hot summer days. [4°C scenario] The risk of employee heatstroke is expected to increase significantly as the average annual temperature rises significantly and the number of hot summer days also increases significantly. Impacted cost: Decline in productivity of outdoor work
Transition Risks	Policy Regulation	Medium to Long Term	Medium to Small	• If a carbon tax based on amount of fossil fuel used is imposed, costs may increase. • Due to fluctuations in fossil fuel and electricity prices with changes in the energy mix, there is a risk of an increase in the cost of energy used in vehicles and facilities. [1.5°C scenario] It is assumed that the government will impose a carbon tax as a measure to reduce GHG emissions. [4°C scenario] It is thought that a carbon tax is unlikely to be introduced. Impacted costs: Carbon tax (Scope 1 + 2), cost of fossil fuels, and electricity costs
Transition Risks	Reputation	Short to Medium Term	Small to Large	• If investors view the Group as being reluctant to take action on climate change, there may be a negative vote against the election of directors at the General Meeting of Shareholders and related proposals, or investors may stop investing in Japan Post Holdings. • In addition, as customers become increasingly aware of the environment and choose products and services with a lower environmental impact, products and services judged to have insufficient environmental credentials may be rejected by customers, leading to a drop in sales.
Opportunities				• By expanding the installation of rapid chargers for EVs, encouraging use by everyone in local communities, and developing and providing environmentally friendly delivery services and products, we may be able to increase sales by responding to customer needs (taking advantage of climate change as a business opportunity). • Also, by taking steps such as renovating facilities and equipment, and introducing and expanding EVs, we may be able to reduce the increase in cost if a carbon tax is imposed (enabling the avoidance of risk).

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

Analysis of Financial Impact

To understand the impact of climate change risk on the postal and domestic logistics business and post office business portfolio, we conducted scenario analyses mainly on the physical risks associated with increasing extreme weather and the transition risks associated with changes in policy regulations.

As for the financial impact of physical risk, we conducted calculations using weather data, hazard maps, and other materials disclosed by Intergovernmental Panel on Climate Change (IPCC) and other organizations, assuming that the business scale, bases, and number of employees will be mostly the same as they are now.

For the financial impact of transitional risk, also, we conducted calculations based on the forecasted carbon prices, carbon emissions coefficients, and electricity prices disclosed by International Energy Agency (IEA) and others, assuming that the business scale will be mostly the same as it is now. Carbon prices are expected to be 130 USD/t in 2030 and 250 USD/t in 2050, based on the forecasts by IEA.

Quantified Items

In the current calculation of the financial impact, among the risks associated with the postal and domestic logistics business and post office business, we selected the following as items for which correlation is relatively clear between the data disclosed by the IPCC, IEA, and other organizations and the said businesses and conducted calculations under certain assumptions.

Going forward we hope to expand the scope of quantified items and carefully examine the calculation results by carrying out further analyses.

Physical Risks

Operating and recovery costs	Amount of loss when operations are disrupted due to damage from torrential rains and floods as a result of extreme weather and the costs required for recovery
Insurance premiums	Premiums for property insurance and personnel insurance caused by a rise in the rate of disasters due to increasing extreme weather
Decline in productivity of outdoor work	Impact in case of declining labor productivity due to an increase in extremely hot days (35°C and higher)

Transition Risks

Cost of fossil fuels	Impact due to fluctuations in the cost of fossil fuels
Electricity costs	Impact due to fluctuations in electricity costs or rise in air-conditioner use as a result of rising temperatures
Carbon tax	Impact (Scope 1 + 2) due to the introduction of the carbon tax

Results of Calculations of the Financial Impact of Risks and Opportunities of Climate Change (2030/2050)

Figures: Increased cost / Decreased cost

Unit: Billions of yen

Category	Factors causing impact	4°C scenario		1.5°C scenario	
		2030	2050	2030	2050
Physical risks	Operating and recovery costs	16.01	28.79	7.53	10.86
	Insurance premiums	1.52	3.58	1.08	1.48
	Decline in productivity of outdoor work	3.75	9.27	1.82	2.18
Transition risks	Cost of fossil fuels	1.05	2.46	4.52	6.03
	Electricity costs	3.15	7.26	3.66	9.49
	Carbon tax	0.00	0.00	8.31	6.95

Notes: 1. The above calculations apply to the postal and domestic logistics business and post office business of Japan Post.
2. The above calculations represent a simulation of future risks using forecast data disclosed by IPCC, IEA, and other organizations and are not meant as a business plan.
3. The calculations may fluctuate in the event that the data used as assumptions are revised or changed, and we will continue to reinforce our understanding of risks by reassessing the impact of climate change on our business portfolio.

Future Response Policies

The response policies for controlling the impact of climate change on the postal and domestic logistics business and post office business portfolio and creating new earnings opportunities are indicated in the following table. Going forward we will continue to consider and implement specific countermeasures based on these response policies.

Category	Category	Response policy
Physical risks	Visualize the risks of torrential rains and floods and bolster resilience toward such risks	• Short-term initiatives: · Visualize risks for each facility · Formulate business continuity plan (BCP) measures for facilities with a high risk of disaster damage, shorten the recovery time after a disaster and establish alternative functions, and establish measures to secure the safety of employees, etc. • Medium- to long-term initiatives: · Rebuild the logistics network, consolidate or relocate logistics facilities, etc. · Relocate bases to avoid and mitigate the risk of damage from disasters and utilize hazard maps when building new bases, etc.
	Maintaining the productivity of outdoor work	• Short-term initiative: · Formulate plans for adopting mitigation measures assuming the existing operations • Medium- to long-term initiative: · Deliberate mitigation measures based on a re-examination of services and methods of offering services
Transition risks	Strengthen the decarbonization of facilities and vehicles	• Reduce GHG emissions through the adoption of energy-saving technology and renewable energy • Materialize the plans for turning buildings including post offices into net zero energy buildings (ZEBs) (Consider viability)
		• Switch vehicles used for post and parcel deliveries to EVs · Switch approximately 13,500 light vans and approximately 28,000 motorcycles to EVs in the five years until the fiscal year ending March 31, 2026 · Formulate an EV expansion plan for the fiscal year ending March 31, 2027, and beyond (including Scope 3) • Make essential transport carbon neutral · Promote carbon neutrality by combining transport modes that are even more low-carbon · Switch to vehicles and fuels that are even more low-carbon, keeping in mind factors such as technology and costs · Participate in examinations for the social implementation of fuel cell vehicles (FCVs)
Opportunities	Create earnings opportunities that look toward a decarbonized society	• Build a system for gathering customer needs relating to environmental quality through sales activities and sharing such needs within Japan Post • Develop and expand products and services that are high in environmental quality that capture customer needs • Build a system in which the sales staff understand and can explain to the owner of the goods the problems including climate change risk and the company's initiatives
Management	Decarbonized management	• Monitor GHG emissions of each product and service • Consider the adoption of Internal Carbon Pricing (ICP)

Impact Analysis and Response Policies of Other Businesses

Banking

Japan Post Bank's Response to the TCFD Recommendations

https://www.jp-bank.japanpost.jp/en/sustainability/environment/climate/tcfd/

Japan Post Bank Annual Report

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

Japan Post Bank TCFD Report

https://www.jp-bank.japanpost.jp/en/sustainability/environment/climate/tcfd/pdf/tcfd_report.pdf

Life Insurance Services

Japan Post Insurance's Response to the TCFD Recommendations

https://www.jp-life.japanpost.jp/english/aboutus/sustainability/environment/tcfd.html

Japan Post Insurance Annual Report

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

Real Estate Business

https://www.japanpost.jp/sustainability/environmental_management/real_estate_scenario.html

Initiatives of Each Company

JAPAN POST BANK

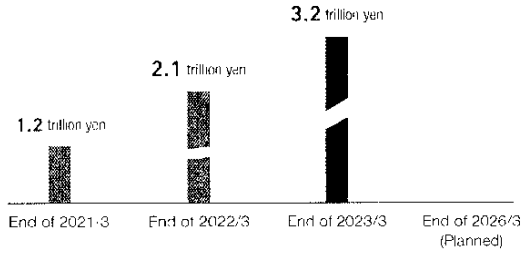
ESG Investment

Considering the growing demand from stakeholders, Japan Post Bank formulated a policy to make ESG investments that heed environmental issues and international agreements when advancing diversified international investments.

We are also investing in green bonds, etc., issued by companies in countries throughout the world. These funds are used for green projects that assist in resolving environmental problems, including global warming. In our current Medium-Term Management Plan (FY2021–FY2025), we have set the target to increase the balance of our ESG-themed investments*1 to 4 trillion yen*2 by the fiscal year ending March 31, 2026.

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

Balance of ESG-themed investments **4 trillion yen**



*1 ESG bonds (green bonds, social bonds, sustainability bonds, etc.), loans to the renewable energy sector, regional revitalization funds, etc.
*2 The balance target increased from 2 trillion yen to 4 trillion yen in March 2022.

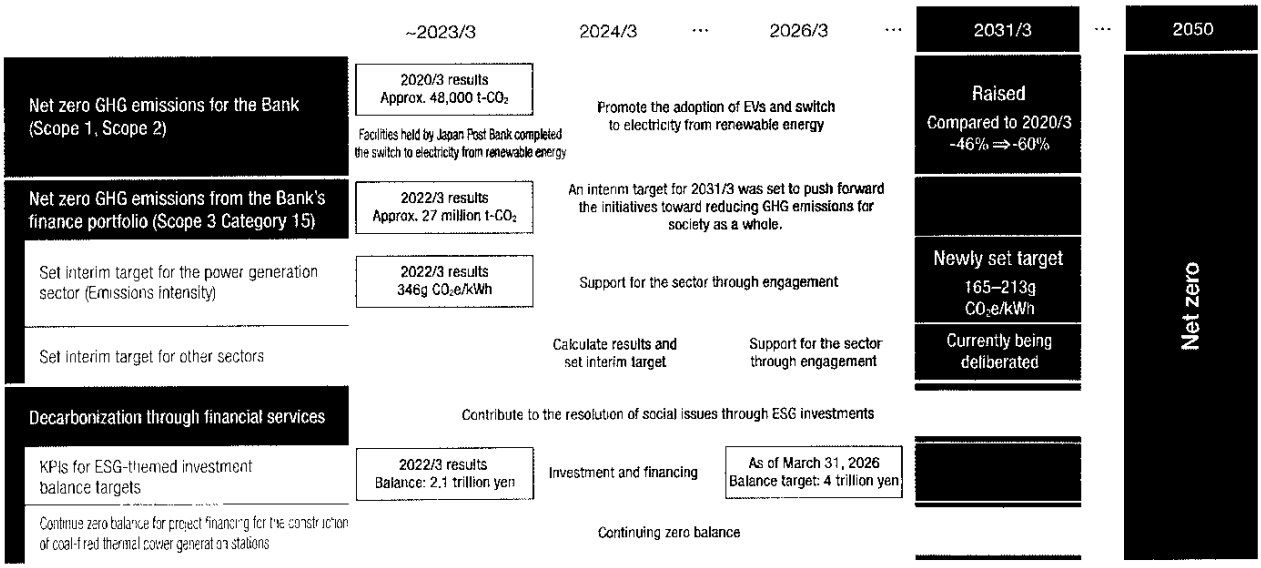
Initiatives by the Japan Post Bank toward Achieving Net Zero GHG Emissions

Japan Post Bank announced details of the Japan Post Bank Net Zero GHG Emissions Declaration in March 2022 and committed to achieving net zero emissions for the Bank as well as its finance portfolio by 2050.

In addition, in March 2023 Japan Post Bank raised its interim target for GHG emissions in the fiscal year ending March 31, 2031.

Category	Interim targets for 2031/3	Target for 2050
Emissions for the Bank	–60% (compared to 2020/3) * Raised from -46% (compared to 2020/3)	Net zero
Emissions from the Bank's finance portfolio	Power generation sector: 165–213g CO_2e/kWh	

Japan Post Bank will continue to strive to lessen the environmental load of the business while encouraging initiatives to reduce GHG emissions of society as a whole through engagement (constructive dialogue) with portfolio companies and contribute to the achievement of a decarbonized society.



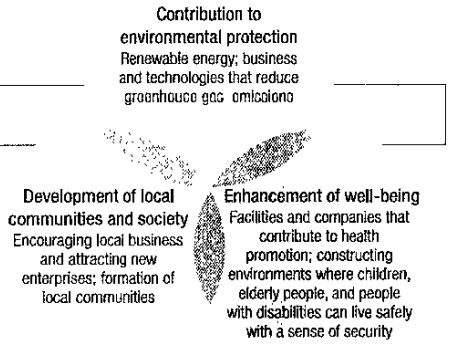
Note Results and targets are subject to change in the future due to the upgrade and expansion of data on emissions from companies and data vendors as well as increasingly sophisticated estimation.

JAPAN POST INSURANCE

ESG Investment

As a universal owner that manages a wide range of assets over the long term, Japan Post Insurance is actively promoting ESG investment. Based on our management philosophy of "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being," Japan Post Insurance aims to utilize the precious insurance premiums entrusted to us by our customers to realize a sustainable society and improve investment returns in the long term.

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



Japan Post Insurance's Priority Initiative Themes of ESG Investments

Framework for ESG Investments

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

- ESG integration
- ESG-themed investments and impact investments
- Engagement and exercising voting rights
- Negative screening

Academic–Industrial Collaboration

We signed a memorandum of understanding for collaboration and cooperation to proactively promote investments in innovative technology development and projects of the academic world. Currently, we are deliberating the funding of venture companies that utilize the research results of academia, mainly in the impact investment domain.

2022/3	Keio University
2023/3	Osaka University, Ritsumeikan University

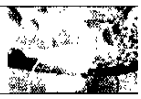
Impact "K" Project

Impact "K" Project

In the fiscal year ended March 31, 2023, Japan Post Insurance launched its own independently formulated investment framework, Impact "K" Project, to expand impact investments that contribute toward addressing social issues, while also maintaining economic returns.

In the Impact "K" Project, we emphasize linkage with the Priority Initiative Themes of ESG Investments, and we are promoting impact-oriented investments and loans that relate to our vision for the society of the future and to addressing the social issues connected to this.

Example of investment	A domestic listed equity fund that aims to achieve both economic and social returns by investing companies that are actively engaged in creating social impact



Initiatives in Response to Sustainability Issues as an Institutional Investor

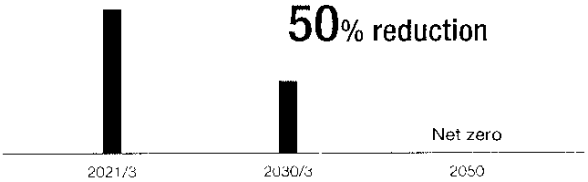
Climate Change

Japan Post Insurance, as an institutional investor, reflects the risks and opportunities associated with climate change in its investment strategies, thereby aiming to achieve a carbon-neutral society and improve investment performance in the medium to long term.

GHG emission reduction targets for investment portfolio*1

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

Goal for GHG emissions in our investment portfolio*2



*1 The targets noted above are based on current forecasts, and may need to be revised in line with future social trends or changes in the state of technological innovation.
*2 Total emissions of Scope 1 and Scope 2 from investee companies (domestic and foreign listed equities and credits including corporate loans) after calculating by the ratio of our holdings.

Targets*1 for total power output*2 of renewable energy facilities of investee companies

As a KPI for ESG investment, we have set the goal of achieving a total power output of 1.5 million kW for the renewable energy facilities of investee companies during the period of the Medium-Term Management Plan (FY2021–FY2025).

	2023/3 results*3	Period of this medium-term plan
Total power output	953,000 kW	Aim for 1.5 million kW

*1 The targets noted above are based on current forecasts, and may need to be revised in line with future social trends or changes in the state of technological innovation.
*2 Limited to the power output from renewable energy facilities that we lend money and invest in after converting the Company's equity interest.
*3 2023/3 results are preliminary figures and may be updated later.

Investments that contribute to the realization of a decarbonized society

Investments and loans to renewable energy projects such as solar power generation, wind power generation and biomass power generation
Investment in a private real estate fund that invests in ESG-friendly residential properties for leasing

Other Sustainability Issues

In the engagement with investee companies, we promote initiatives that take into account "natural capital," "human rights," and "human capital," as socially important sustainability issues, in addition to "climate change."

Human Resource Strategy

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

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

The Japan Post Group is working to realize a "Co-creation Platform" supporting customers and local communities based on the Medium-Term Management Plan "JP Vision 2025." To this end, it has become more important than ever to align the Group's human resource strategy with the Group's management strategies. Accordingly, we have formulated the Group Human Resources Policy to provide basic direction to the Group's human resources measures. To ensure that all employees of the Japan Post Group find "pride and fulfillment" in their work, we have established the three focal points of "Mutually accepting each other's differences," "Mutually enhancing each other's capabilities," and "Demonstrating strengths," and aligned our vision, human resources measures, indicators, and targets along these points. We will steadily promote human resources measures based on this policy, as well as develop new initiatives and aim to realize a workplace where all employees can work with "pride and fulfillment."

First, we will strive to build an environment that will become a foundation for diverse employees to respect each other and where they can work comfortably regardless of their circumstances. Specifically, we will proactively support employees facing certain circumstances including childcare, nursing care, illness, etc., promote diversity management (active roles for women, gender equality, eradication of harassment, employment of persons with disabilities, active roles for elderly persons, etc.), promote teleworking, improve the treatment of fixed-term employees, and plan and carry out training and seminars for various employees.

In particular, to establish a corporate culture where employees can balance work and childcare, i.e., a corporate culture where both male and female employees take childcare leave as a matter of fact, we are reinforcing our efforts to encourage male employees to acquire childcare leave and aiming for a "father's childcare leave rate of 100%." In specific terms, since May 2023, the acquisition of the paid leave portion (3 days) of childcare leave became mandatory and managers are now required to confirm employees' wishes regarding childcare leave (4 weeks or more) and encourage them to do so.

Maintaining and improving employees' health is also another crucial issue. The employees and the Company will work together to promote health management, while at the same time, the Company will make efforts to provide an environment where everyone can continue to work with peace of mind. Specifically, in addition to improving sick leave and the leave system and expanding the leave system for fertility treatment, in the fiscal year ending March 31, 2024, we will focus on the health conditions unique to each age group, such as menopause, and develop measures for supporting and deepening the understanding of such conditions.

Additionally, in light of the current climate where a company's stance toward respecting human rights and its social responsibility is coming under increasing scrutiny, the Group, based on a framework of human rights due diligence, is taking care so that everyone who is involved in the business operations of the Group can have their human rights respected, fully demonstrate their capabilities and personalities, and live a fulfilling life with peace of mind.

By building such a foundation, we will strive to provide opportunities and an environment where employees can enhance their capabilities and demonstrate their strengths and creativity from a customer-oriented perspective. We will encourage and support employees to challenge themselves by providing opportunities for taking on challenges with an emphasis on raising their motivation, including opportunities for internal and external personnel exchanges, and evaluating their efforts. We believe that supporting employees' proactive capability enhancement and demonstration of strengths will lead to nurturing a corporate culture where the enhancement of motivation and capabilities is prized and where employees show mutual respect.

For the postal business, which is highly dependent on the workforce, employees are our greatest capital for business operations. We believe that the employees on the front lines who are in contact with customers on a daily basis are the key to our business operations. By implementing various human resources measures based on the Group Human Resources Policy, we will strive to achieve a workplace where all employees, especially the employees on the front lines, find "pride and fulfillment" in their work, as well as sustainably improve corporate value, and contribute to the greater happiness of the customers and the development of local communities.

Initiatives Relating to Human Capital

At the Japan Post Group, to put human capital-oriented management into practice, we have formulated the Group Human Resources Policy to provide basic direction to our efforts in achieving management strategies and human resources strategies based on the Medium-Term Management Plan, "JP Vision 2025."

Through this policy, we will further contribute to our customers, the local communities, and society, and improve corporate value.

Group Human Resources Policy (Policy for Human Resources Development and Policy for the Improvement of the Internal Environment)

The Japan Post Group aims to become a company where all employees can work with "pride and fulfillment."
To achieve this, we will work toward human resources development and the improvement of the internal environment based on the focal points of "Mutually accepting each other's differences," "Enhancing capabilities," and "Demonstrating strengths," to support the development and challenges of employees.
By practicing this type of human capital management, we ensure the sustainable improvement of corporate value and contribute to the happiness of our customers and the development of the local communities.

Details

- The positive stance and actions of our employees toward their work will contribute to the customers, local communities, and society, and in this way, we will ensure the enhancement of corporate value in a broader sense. Thus, we will provide all employees, who are "working behind the scenes"* for the customers every day, a workplace where they can find pride and fulfillment and positively engage in their work.
  * The credo of MAEJIMA Hisoka, the founder of the postal business "Do not hesitate to work behind the scenes. Always aspire yourself to bring others good."
- To make it possible for employees to find pride and fulfillment in their work, the Company will provide a workplace where employees can respect each other's differences, i.e., a foundation (="Mutually accepting each other's differences") and an environment that supports proactive efforts to enhance capabilities and motivation (= "Enhancing capabilities" and "Demonstrating strengths").
  To achieve "Mutually accepting each other's differences," we will provide a workplace that encourages employees to maintain both a healthy mind and body, without harassment, to mutually respect and accept the diverse lifestyles and individual circumstances of each employee regardless of gender or age and fosters a sense of security.
  As for "Enhancing capabilities," we will provide opportunities for employees to acquire skills, knowledge, and technology so that they can adapt to the changes in services and ways of offering services brought on by the changing business environment, and so that they can proactively choose their work styles.
  As for "Demonstrating strengths," we will provide employees with opportunities to take on challenges while reinforcing the systems for evaluating such endeavors and establish an organization and culture that encourages employees to demonstrate their strengths and creativity and take on challenges for the customers.
  - Through these initiatives, we will nurture human resources capable of "mutually accepting each other's differences, enhancing capabilities, and demonstrating strengths."
- In recognition of the fact that the demonstration of the employees' capabilities and enhanced motivation will lead to the expansion of business, we are planning and implementing human resources measures and promoting the expansion of businesses together with our employees.

Overall Picture

Improvement of corporate value

Expanding our contribution to customers, local communities, and society through employees

Our vision

Improvement of employees' pride and fulfillment (Materialize employees' happiness)

Environment: Enhancing capabilities

Environment: Demonstrating strengths

Foundation: Mutually accepting each other's differences

Background of the Group Human Resources Policy

We sorted the narratives and concepts underlying the various human resources measures and included them in the Group Human Resources Policy. The policy determines the basic direction for the efforts required in achieving the management strategies and human resources strategies based on the Medium-Term Management Plan. Through this policy, we will expand our contribution to the customers, local communities, and society and ultimately to the improvement of corporate value. At the same time, we are addressing the social demands to disclose our initiatives relating to "human capital" that form our intangible assets.

The majority of our 400,000 employees who are on the front lines responding to customers make up the foundation of the Group's businesses. So, special emphasis was placed on those on the front lines. We place a premium on their mutual acceptance and the enhancement of their motivation and capabilities. We also recognize that the series of recent scandals have impacted the pride and fulfillment of those on the front lines and have lowered their motivation and engagement. We believe that restoring and improving them is essential for our business.

Medium-Term Management Plan "JP Vision 2025"
"Co-creation Platform" supporting customers and local communities

Management strategies ⇄ Alignment ⇄ Human resources strategies

As a partner of the employees, we support the growth and challenges of the employees and aims for the achievement of the Medium-Term Management Plan and the Management Philosophy.

Group Human Resources Policy

Measures, indicators, and targets

Improvement of "Pride and Fulfillment," the Core of the Human Resources Policy

Our Vision and Human Resources Measures

We will achieve employee happiness and improved productivity by enhancing employees' pride and fulfillment (engagement).

To enhance their pride and fulfillment, we believe that providing an environment of "mutually accepting each other's differences" as a foundation, "enhancing capabilities" of individual employees, and individual employees "demonstrating strengths" are indispensable, and to this end, we will set specific measures, indicators, and targets and strive to achieve them, as described below.

At the same time, we will periodically monitor to what extent the employees are finding pride and fulfillment, analyze and share the results with the employees, and identify any issues and formulate countermeasures.

Measures, Indicators, and Targets

Applicable companies	Measures, indicators, and targets	Results
The Company and its operating subsidiaries	• Quantitatively measure employees' "pride and fulfillment" on a regular basis *(From 2024/3: The Group Employee Satisfaction Survey will be revised)* • Share survey results with employees and carry out continuous improvement measures	—

Focal Point (1) of the Human Resources Policy: "Mutually accepting each other's differences"

Approach

- **Achieve "true diversity" in which diverse perspectives and values are respected**
  We will aim to become an organization where diverse perspectives and values reflecting individual differences in experience, skills, and attributes are mutually accepted and respected, allowing each employee to play an active role with peace of mind and bringing about innovation.
- **Promote flexible and diverse work styles**
  By developing flexible work and leave systems under appropriate labor management and nurturing a culture where such systems are easily used, we will promote diverse work styles where employees can work comfortably, maintain their health, and maintain a balance between work and life events.

Our Vision, Measures, Indicators, and Targets

We will encourage a sense of security and the creation of innovation and enhance employees' pride and fulfillment by aiming for an environment where employees mutually accept and respect each other's differences and skills and diverse work styles, upon ensuring their health.

Applicable companies	Measures, indicators, and targets	Results
The Company and its operating subsidiaries	• Achieve Health Management KPIs (2025/3) Rate of employees requiring medical attention 1 and 2*: 1% or less Rate of no longer requiring Specified Health Guidance: 23% or higher • Childcare leave acquisition rate for both men and women: 100% • Average days of childcare leave acquired by men: 1 month or more • Recognized cases of harassment: Less than the previous fiscal year • Employment rate for persons with disabilities: 2.5% (2025/3)	1.12% (2023/3) 23.3% (2023/3) • Women: 100% Men: 76.7% (2023/3) • Average 30.5 days (2023/3) • — • 2.42% (June 2022)
Head offices of the Company and its operating subsidiaries	• Ratio of women in management positions at our head office: 30% (2031/3)	• 15.2% (2023/3)

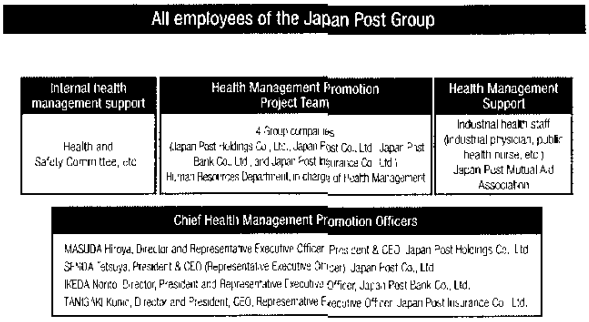
* Persons requiring emergency or urgent medical attention

Specific Human Resources Measures

Promoting Health Management

We believe that a healthy body and mind are vital for each individual employee to take full advantage of their skills and work energetically. Therefore, the Group companies are working together with employees to implement health maintenance and promotion measures. These measures include "reducing long work hours," "health guidance toward prevention of lifestyle diseases," and "mental healthcare" while establishing the Japan Post Group Health Management Promotion System. In May 2022, we established the Japan Post Group Declaration on Health to promote Group-wide health management.

Japan Post Group Health Management Promotion System



Japan Post Group Declaration on Health

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

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

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

Balancing Work with Childcare, Nursing Care, and Illness

Regarding childcare and nursing care, we have established a support system exceeding the legal obligation and is implementing various support measures so that both male and female employees can continue working during times they are needed at home, including from pregnancy to childbirth, for childcare, and for nursing family members.

In particular, by making it mandatory for male employees to take the paid leave portion (3 days) of childcare leave and for managers to encourage male employees to take leave and to confirm the employees' wishes regarding childcare leave (4 weeks or more) with the aim of achieving a "father's childcare leave rate of 100%," we are working to spread understanding in order to foster an organizational culture in which it is normal for both men and women to take childcare leave.

Additionally, with regard to employee healthcare treatment, we are taking steps to improve work environments and a work–life balance, including the enhancement of sick leave, the leave system, and the leave for infertility treatments so that employees can continue working with peace of mind.

In the fiscal year ending March 31, 2024, as further promotion measures, we will implement measures to improve the work environment by deploying initiatives to deepen the understanding of such conditions as menopause, by sharing basic information on menopause at the workplace, raising awareness of the poor physical health that may afflict this generation, and improving the health literacy of those employees who are themselves suffering from menopause.

Promoting the Active Participation of Women

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

Eradicating Harassment

At the Japan Post Group, efforts to eradicate harassment include messages from senior management pertaining to harassment, the enlightenment and edification of all employees, supervisory training using case studies, and the distribution of booklets and other materials.

Furthermore, with regard to consultations and reporting by employees, we developed rules to thoroughly protect whistleblowers, while establishing, in addition to internal and external consultation counters, a "one-stop consultation and internal platform" where employees have access at any time to harassment consultation staff and an internal reporting contact and can consult or report with peace of mind under robust security.

Addressing Sexual Diversity

The Japan Post Holdings' Basic Policy on Corporate Governance advocates the promotion of diversity management aimed at creating a work environment where sexual minority employees can work comfortably. Specifically, we provide a hotline for employees to report human rights violations or harassment incidents, we attempt to raise awareness and understanding regarding LGBT issues, including awareness seminars conducted by LGBT-related parties and training at each workplace, we enacted the Japan Post Holdings' Basic Policy on Human Rights, and we sponsor Tokyo Rainbow Pride.

In addition, starting in 2022, we extended allowances such as dependency allowances and family care leave, as well as the holiday system and company housing to same-sex partners.

Reducing Overtime Work, Promoting Telework

We are making efforts to reduce overtime through improved work efficiency (utilization of RPA and AI, revised job descriptions) and introduce a system of an interval between working.

We have been promoting telework with the aim of improving business productivity and realizing diverse work styles, and will further improve the environment for telework.

Specific Human Resources Measures

Promoting the Employment of Persons with Disabilities

Recognizing that it is our social responsibility as a corporation to provide appropriate employment opportunities to persons with disabilities, the Japan Post Group promotes (1) the proactive recruitment of persons with disabilities, (2) the establishment of work environments and training aimed at job retention, (3) the establishment and proactive utilization of a special subsidiary company, and (4) the acceptance for work training and employment of persons from special needs schools, with the immediate goal of raising the Group's employment rate for persons with disabilities to 2.5% (2.42% as of June 2022).

Promoting Senior Employment

As the labor force population shrinks due to declining birthrates and aging populations, the Group aims to further leverage the abilities and experience of senior employees. Recognizing the need to create an environment where employees can work while maintaining motivation, we raised the retirement age to 65 years old from the fiscal year ended March 31, 2022. As for securing employment opportunities up to the age of 70 years old, we will proceed with specific examinations by considering such factors as concrete work styles and measures for securing safety after reaching the age of 65 years old.

Initiatives Related to Respecting Human Rights

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

Through this policy, we demonstrate our respect for human rights and through building a framework for human rights due diligence and identifying negative impacts on human rights, we promote human rights awareness activities to foster a sense of human rights among all employees. We also support the UN Children's Rights and Business Principles and will promote the realization of children's rights. Human rights awareness activities will be reviewed periodically through deliberations by the Sustainability Committee and the Japan Post Group Sustainability Liaison Conference, taking into account changes in corporate activities and the business environment.

In the fiscal year ended March 31, 2023, an in-house seminar on business and human rights was held for all employees of Japan Post Holdings by inviting a lecturer from the Tokyo Legal Affairs Bureau. Each employee is learning the importance of being considerate of the human rights of all people, through involvement with various stakeholders including employees, consumers, business partners, shareholders and investors, and the local communities.

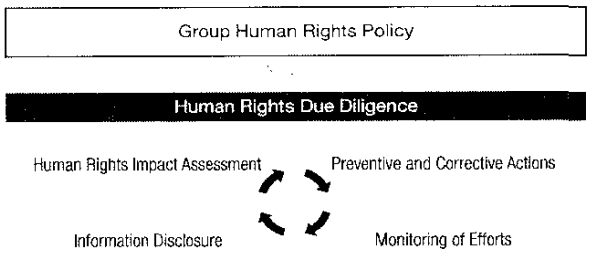
Identification of Priority Risks

Power harassment and sexual harassment
Excessive and unfair work hours
Insufficient wages, unpaid wages, living wage

Major Initiatives to Address Priority Risks

- Raising awareness of human rights and training on preventing harassment (for all employees)
- Training for harassment consultation staff
- Confirmation of excessive overtime of each department, management of working hours by utilizing IC cards, monitoring of working hours, etc.

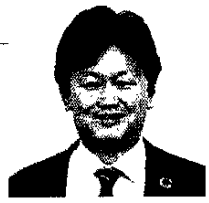
Human Rights Due Diligence Overview



For consultations on various types of harassment and human rights violations, we have established a system where employees can have consultations with peace of mind, by establishing internal and external consultation contact points such as the Group internal reporting system.

VOICE

JAPAN POST HOLDINGS



In order to realize a workplace in which diverse perspectives and values are respected and which provides a sense of security, as a group, we will raise awareness and engage in behavioral reforms to promote flexible and diverse work styles.

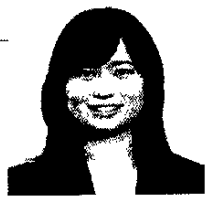
OHASHI Motohiro Department Manager, Human Resources Department, Japan Post Holdings Co., Ltd.

JAPAN POST

We will work toward the sustainable growth of businesses by deepening the understanding and practicing "diversity management." We will promote initiatives to ensure that all employees understand and accept diversity and that such diverse human resources can demonstrate their capabilities to the maximum extent.

KIRIHATA Masanori Senior Specialist, Diversity Promotion Office, Personnel Affairs Division, Japan Post Co., Ltd.

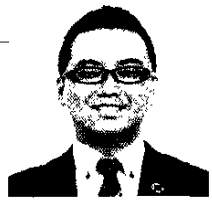
JAPAN POST BANK



By providing an environment that nurtures employees who aspire for growth through challenges and demonstrate their capabilities to the maximum extent, we will build a lively and exciting company that allows diverse human resources to thrive, and improve corporate value.

HAYAKAWA Miyu Diversity and Inclusion Department, Japan Post Bank Co., Ltd.

JAPAN POST INSURANCE



We will meet the diversifying needs of society and enhance employee and customer satisfaction by respecting, recognizing, and enhancing each other's "individuality," fulfilling our given roles and producing results.

FUKUDA Hiroyuki Section Manager, Diversity Promotion Office, Human Resources Strategy Department, Japan Post Insurance Co., Ltd.

Focal Point (2) of the Human Resources Policy: "Enhancing capabilities"

Approach

- **Support career formation by providing opportunities for challenges and raising capabilities**
  We will support career formation that emphasizes the motivation of employees by building a system in which employees can feel "employees who try hard are rewarded," while also providing learning opportunities including employees' own vision of their future selves, as well as opportunities for challenges and growth.
- **Promote DX, acquire skills, and enhance expertise**
  We will raise the efficiency of business operations through the promotion of DX and other means, while re-examining the business model and workflows and supporting the acquisition of skills in new operations and the enhancement of expertise in each operation.

Our Vision, Measures, Indicators, and Targets

We will emphasize the willingness to take on challenges and grow and raise the pride and fulfillment of employees by providing a tangible sense that efforts get rewarded through the acquisition of skills necessary for proactive career formation and the promotion of DX.

Applicable companies	Measures, indicators, and targets	Results
The Company and its business subsidiaries	• Implement measures for career formation and support (Carrying out re-skilling measures for senior employees, etc.)	—
Head offices of the Company and its business subsidiaries	• Head offices (all employees), branches (applicable employees) Attendance rate of DX training: 100% (2026/3)	• Head offices* Attendance rate: 95.3% (2023/3)

* Excluding associated organizations, etc.

Specific Human Resources Measures

Realizing a Human Resource System Adaptive to Environmental Changes

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

Training to enhance expertise

We collaborate with the Japan Post Bank and Japan Post Insurance and carry out training, particularly for employees who handle financial instruments, including training for banking agency services, investment trusts and various insurance products, for understanding and acquiring knowledge and skills in operations and compliance, as well as training to provide skills required for consulting services to thoroughly enforce customer-oriented sales activities.

Internship among the Group

To raise the motivation of the employees by creating opportunities that utilize their sense of challenge and deepen their understanding of other operations, which interest them, as well as encourage future career formation, we offer internships among the head offices of the four main Group companies.

The internship program is also being expanded to the branches of Japan Post and by making further efforts to revitalize the organizations within the Group, we are aiming to nurture an even more transparent corporate culture.

Improving operational efficiency through the promotion of DX and supporting the acquisition of new skills for new services

We are working to upgrade our training program and build an environment where the newly acquired skills can be put to use, in order to create new businesses through DX and push forward with improvements in services and operations. We are also further upgrading our work environment so that employees can obtain training that matches their work using tablets and other means while remaining at the post office.

Supporting proactive career formation that encourages challenges and the enhancement of capabilities

We are providing opportunities for employees to proactively think about their career formation and their work styles. As part of support for the career formation of female employees, we are holding career support seminars for junior to mid-level employees sponsored by Aflac and the four companies. Learning about work styles in other companies provides an opportunity for participants to think about ideal leadership and future career vision.

Scene from the "Discourse on Model Cases of Diverse Leaders," a joint seminar by the Japan Post Group and Aflac held in September 2022 (A total of approximately 180 employees participated from each Group company)

Sustainability

Focal Point (3) of the Human Resources Policy: "Demonstrating strengths"

Approach

- **Human resources development and assigning the right person to the right job to ensure customer-oriented services**
  We will provide customer oriented services under the optimal assignment of personnel based on our management strategies, by nurturing employees who can demonstrate their strengths and creativity for customers and building an environment where the right person is assigned to the right job.
- **Demonstrating strengths and creativity through corporate culture reforms**
  We will carry out reforms to achieve a transparent corporate culture by such means as promoting internal and external personnel exchanges and proactively recruiting outside talent and to provide an environment where employees can demonstrate their strengths and creativity to the maximum extent.

Our Vision, Measures, Indicators, and Targets

We will encourage employees to demonstrate their strengths and creativity by ensuring employees work with a sense of the right person being assigned to the right job and through reforms to ensure a transparent organization, raise the employees' pride and fulfillment.

Applicable companies	Measures, indicators, and targets	Results
The Company and its business subsidiaries	• Establish indicators for placing the right person in the right job (Identify specified items from the survey on pride and fulfillment) • Average days taken for leave of 18 days or more • Maintain 2022/3 levels* for the number of persons participating in inter-Group personnel exchanges	• — • Average of 18.9 days (2023/3) • Achieved in 2023/3
Head offices of the Company and its business subsidiaries	• Number of persons engaged in strategic side businesses: Greater than the previous fiscal year • Promotion of mid-career recruits	• 28 persons (2023/3) • 67 persons (2023/3)

* Number of employees involved in personnel exchanges between the four main Group companies. Approx. 1,500

Specific Human Resources Measures

Development of Internal Human Resources

Each Group company sets roles expected for each course according to employee work styles and conducts training according to position and skill improvement training according to function. To create new value through the promotion of DX, we will implement DX training for planning staff within each Group company to improve their skills, as part of the development of internal human resources.

Adoption of Systems that Values Employees Who Take on New Challenges and Corporate Culture Reforms

To provide an environment conducive to employees taking on challenges, *we are studying the possibility of a new personnel evaluation system* where employees rate their own challenges. In addition, we will also work to raise the awareness of the managers and reflect such awareness in the evaluations so that the managers will support the challenges of their subordinates.

Recruitment and Appointment of Mid-Career and Foreign Nationals

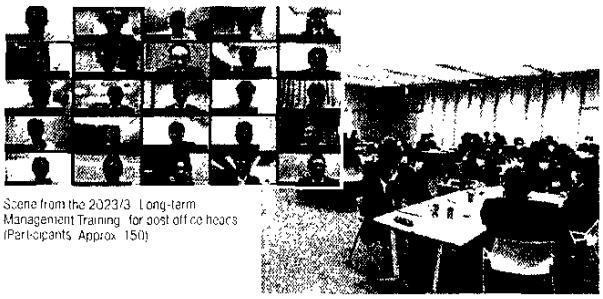
Regarding mid-career recruits, we have been working on recruiting and hiring managers mainly in specialized fields in line with business characteristics (including real estate, legal affairs, IT fields, investment and market management, risk management, and actuaries) and will continue to implement more proactive recruitment and hiring in the future.

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

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

Initiatives to "Enhance the Management Capabilities" of Post Office Heads and Other Managers

To build a workplace where employees can demonstrate their strengths and creativity for the customers, we are focusing on coaching-based management training for post office heads and other managers to raise the employees' motivation and encourage actions. We will enhance the management capabilities of managers and thoroughly practice customer-oriented services and sales and compliance awareness.



Scene from the 2023/3 Long-term Management Training for post office heads (Participants: Approx. 150)

Alumni Network

We have established an alumni network so that alumni (former Group employees), who know the Group well and who have accumulated new experiences and capabilities outside of the Group, will once again play an active role in the Group. Going forward, by providing the latest internal information, conducting outsourcing and side businesses, and through mid-career recruits, we hope to build a long term and beneficial relationship with the alumni and by leveraging the Group's superiority of having one of the biggest workforces in the country, we will aim to enhance corporate value through the active participation of the Group's single biggest advantage, "our diverse human resources."

Omokata (Omoi-wo-katachi-ni, Giving Shape to Wishes) Challenge (a system for proposing new businesses within the Group)

We started a trial run of a cross-sectional system for proposing new businesses within the Group, the Omokata (Omoi-wo-katachi-ni, Giving Shape to Wishes) Challenge, in which employees can propose new businesses that will benefit the Group in the future. In the fiscal year ended March 31, 2023, the system was implemented in a limited area but in the fiscal year ending March 31, 2024, we are planning to expand the system nationwide.

We are encouraging the proactive actions by the employees taken from the customers' perspective and supporting the employees as they take on challenges to demonstrate their strengths and creativity.

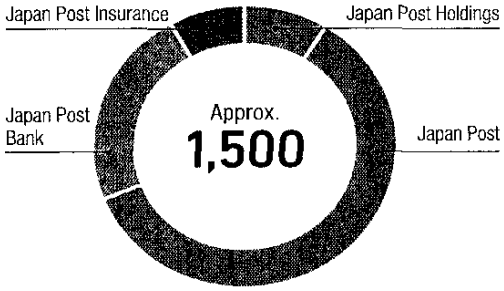
Strategic Side Businesses

In strategic side businesses, head offices of the four main Group companies have simultaneously commenced trial runs of three types of side businesses, i.e. (1) outside side businesses by employees, (2) accepting personnel from outside the Group who are engaged in side businesses, and (3) side businesses among the Group. Through these trial runs, we will ensure that the career of each employee is being fully utilized in these operations and that these side businesses will lead to career formation going forward. Especially with regard to (1) outside side businesses by employees, we are supporting the employee's challenges by making it possible for employees to cut back their work by a maximum of one day a week, in addition to after-hours work, to engage in these side businesses.

Promotion of Personnel Exchanges within the Group

The Japan Post Group is characterized by the integrated provision of postal, logistics, banking, and insurance services through its nationwide network of post offices. Therefore, it is extremely important to support the lives of customers in local communities while strengthening the unity and coordination of the Group. In addition, in order to improve the efficiency of operations and optimize personnel allocation that goes beyond the boundaries between companies, the Group actively promotes personnel exchanges throughout the Group. From the fiscal year ended March 31, 2023, we conducted cross-sectional, open recruitment between the head offices of the four main Group companies and conducted personnel exchanges where the selected employees can join the Group company or division of their choice.

Number of persons in exchanges between the four Group companies (including employees serving concurrently)

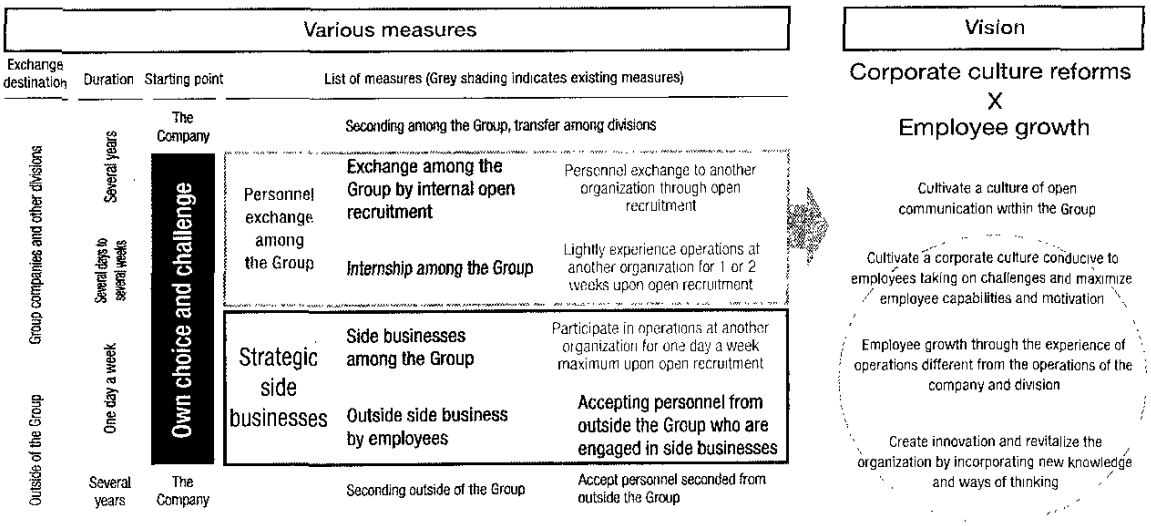


Number of seconded employees among the four main Group companies (Japan Post Holdings, Japan Post, Japan Post Bank, and Japan Post Insurance)

Notes: 1. 2022/3 results (As of April 1, 2022)
2. Excluding seconded employees associated with the establishment of the new sales system of Japan Post Insurance (approx. 13,000 employees)

Overview of Proposed Measures to Promote Personnel Exchanges

Measures to promote internal and external Group personnel exchanges that aim for corporate culture reforms x employee growth



Sustainability

Message from an Outside Director

AKIYAMA Sakie
Outside Director

The Japan Post Group Is Required to Have a High Level of Governance.

Japan Post Holdings Co., Ltd. aims to achieve Group governance as the holding company of the Japan Post Group, which includes Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd.

The Basic Views of the Japan Post Group's corporate governance include first and foremost "to continue to create new convenience for customers and pursue the provision of high-quality services, while generating consistent value by providing universal services of the Japan Post Group's three core businesses through the Japan Post Group's post office network."

While it is a company listed on the Tokyo Stock Exchange Prime Market, Japan Post Holdings is also a special company under the Act on Japan Post Holdings Co., Ltd., which stipulates that it is responsible for making its postal, banking, and life insurance businesses available to customers at post offices in an integrated format and in a manner that is easy to use by customers. Japan Post Holdings is also obligated by law to maintain the post office network to ensure fair use across all of Japan. These are the so-called universal services provided at post offices.

The fact that this is stipulated by law traces the Company's long history of serving in the public service sector throughout Japan since its founding in 1871. Due to its historical background, the Japanese government is a major shareholder. In addition, the need for a supervisory process by the necessary government agency is essential to ensure the integrity of the decision-making process in management. As a result, diligent dialogue with a broader number of stakeholders is also essential to achieve Group governance. This desire for higher levels of governance is a distinguishing feature of the Group.

Role of the Board of Directors in Enhancing Corporate Value

As a company adopting "a company with nomination committee, etc." structure, Japan Post Holdings' Board of Directors operates primarily in a monitoring capacity to fulfill its supervisory function. To contribute to sustainable growth and long-term enhancement of corporate value, the Board of Directors has had a series of discussions on the formulation of the Medium-Term Management Plan "JP Vision 2025" and the concept of the "Co-creation Platform" supporting customers and local communities.

Furthermore, as a response to major events involving Group governance, such as issues associated with the improper solicitation actions of Japan Post Insurance, the Board of Directors continuously confirms and exchanges opinions on the progress and penetration of various measures. These include the establishment of a system to enhance the effectiveness of controls across the Group and initiatives to transform the organizational culture; for example, more opportunities for employees to engage in direct dialogue with the senior management team.

At the same time, the business environment in which the Group operates is changing rapidly and materially. There is a heightened sense of crisis in local communities due to the declining birthrate and aging population in Japan. This is compounded by the impact of the three-year-long COVID-19 pandemic, energy-related problems triggered by military conflict in Europe, a sharp increase in prices, turbulence in international financial markets, and accelerating technological innovation, among other disruptions.

The impact on our Group's management is also significant, and we will need to have more in-depth management discussions than ever before to realize sustainable growth and long-term improvement in corporate value.

To realize better governance, we will further deepen discussions at Board of Directors' meetings, adding diverse perspectives on how to both meet the expectations of shareholders and provide universal services as well as the ideal state for the Group's business and growth strategy as a "Co-creation Platform."

Expectations of the Japan Post Group

As represented by its 400,000 Group employees, the Japan Post Group is a huge organization in terms of assets, sales, profits, and its 24,000 post offices, all of which are on a scale that is rare in the world. What enables the sound governance of such a massive organization is nothing other than each employee putting into practice in their own role the ideal state of the Group's services, which is embodied in the concept of the "Co-creation Platform."

Change is accelerating in the business environment, and the Group has entered an era in which it is no longer sufficient to implement predetermined plans in an orderly fashion, but rather must to respond flexibly to such changing times to "continue to create new convenience for customers and pursue the provision of high-quality services." Just as human capital management has become a central management issue, the Group will work to create an environment in which each employee can express their abilities to the fullest. This will be approached as a management priority that will lead to the long-term enhancement of corporate value.

TOPICS Initiatives toward Enhancing Corporate Governance

Initiatives of the Group Conduct Management Office

JP Code of Conduct

For our customers, for society, for our employees

We will act for smiles.
We will act with pride.
We will act on a new stage.

The Group Conduct Management Office worked on the formulation of the JP Code of Conduct and measures to promote and disseminate it as one of the initiatives for the Group to act in a manner that meets the expectations of its stakeholders.

Specifically, on July 4, 2022, the JP Code of Conduct, a Group-wide unified corporate code of conduct, was formulated to ensure that our actions live up to the expectations of our customers and society.

Since then, we have been undertaking initiatives to promote and embed the JP Code of Conduct throughout the Group, mainly by sending out messages from senior management, distributing a corporate philosophy handbook that includes the JP Code of Conduct, and establishing and operating a team consisting of mid-tier employees from each Group company.

Also, on March 6, 2023, we formulated a three-year "Group Conduct Improvement Plan" to entrench our efforts based on the JP Code of Conduct into an organizational culture, or corporate culture, so that each employee and officer can offer new value to customers and society by sincerely incorporating customers' and society's "smiles," "pride," and "new stage" in their workplaces.

Going forward, we will continue to act to meet the expectations of our stakeholders in accordance with the Group Conduct Improvement Plan.

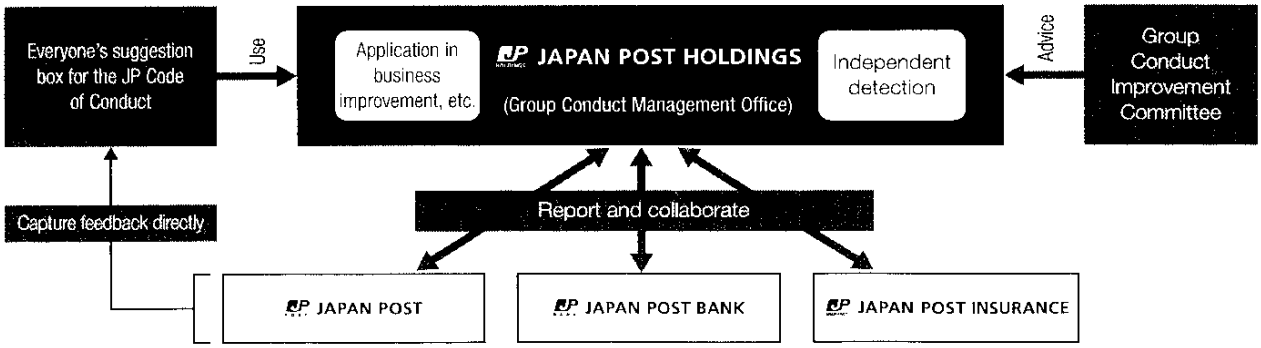
Such initiatives have been submitted to the Group Conduct Improvement Committee (established on April 1, 2022), consisting of outside experts, for their advice.

Furthermore, the Group Conduct Management Office has worked on the early detection of conduct risk, i.e., events that are inconsistent with customer-oriented business operations, by strengthening linkages among each Group company and receiving various risk information from operating subsidiaries as the first line of defense. These other initiatives are designed to enhance our response to incidents that are contrary to stakeholders' expectations.

To independently detect conduct risk, the Group has also been analyzing various types of feedback (customer and employee feedback, etc.) using AI and other tools to detect business operations that are not customer-oriented and risk scenarios that have not yet materialized.

In the future, we will consider improving the accuracy of analysis and expanding the scope of analysis to detect risk events, etc., to build a framework that will lead to improved operations and service quality.

Framework for detecting conduct risk and other risks of operating subsidiaries



Japan Post Group Corporate Governance

Basic Views

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

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

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

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

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

Group Operation and Management Structure

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

In addition, Japan Post is required to give prior approval or report on matters which must be done in order to conduct Group operations in a smooth and appropriate manner, as well as matters which require management based on laws and regulations. The two financial subsidiaries (Japan Post Bank and Japan Post Insurance) are required to give prior consultation or reports for the purpose of securing the independence of the two finance corporations, and the Group is promoting consolidated management as a Group and working to ensure appropriate governance.

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

Characteristics of the Board of Directors

(As of July 1, 2023)

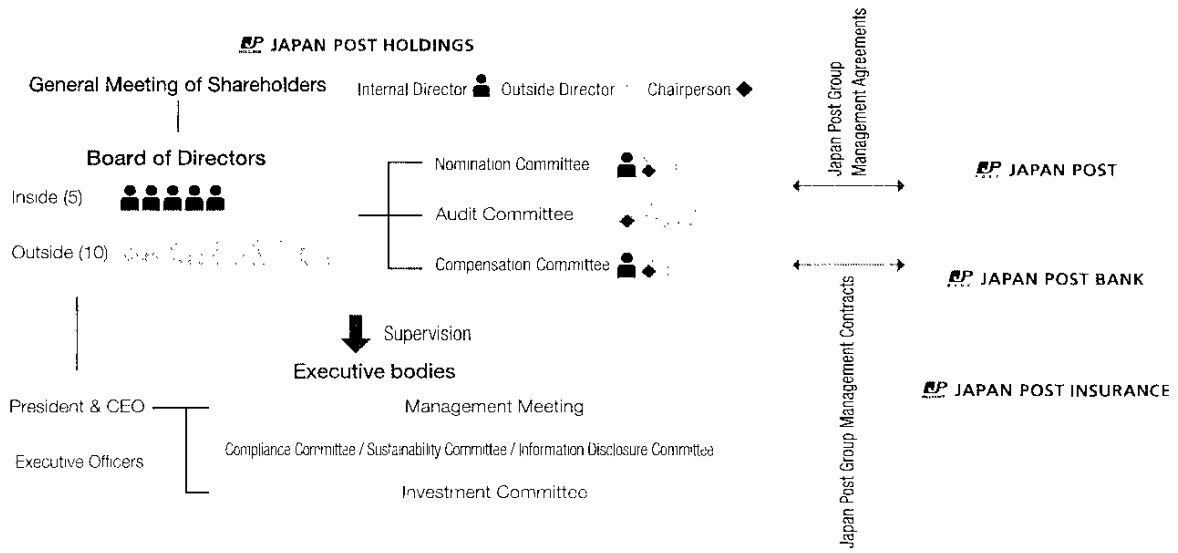
Characteristic (1)	Characteristic (2)	Characteristic (3)	Characteristic (4)
Company with nomination committee, etc.	The majority of the Board are outside directors	Putting diversity into practice	Implementation of Board of Directors' effectiveness evaluation
Japan Post Holdings has adopted the system of a company with nomination committee, etc., and separates the Board of Directors engaged in vital decision-making and supervision from the business execution based on such decisions, thereby increasing the flexibility in management and establishing the management supervision structure of the Group governed by the Board of Directors. The nomination, compensation, and audit committees have at least three members each, the majority of which are independent officers.	The Board of Directors consists of 15 directors (up to 20 as defined in the Articles of Incorporation), of which the majority (10 directors) are independent outside directors Outside Directors 10 (15 members in total)	The Board of Directors consists of diverse directors, who have a wealth of knowledge, experience, and insight. Female Directors 5 (15 members in total)	Every year, the Board of Directors confirms the opinions of each director regarding the Board of Directors' meetings, then analyzes and evaluates the effectiveness of the Board of Directors overall, and discloses an overview of the results, using them to improve operation of the Board of Directors.

Overview of Committees

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

	Role and structure (As of July 1, 2023)	Operation status (Fiscal year ended March 31, 2023)	Meetings in the fiscal year ended March 31, 2023 (average attendance rate)
Board of Directors	The Board of Directors, comprised of 15 Directors (including 10 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, 2023, the Board of Directors discussed Group management strategies including management issues of each Group company and received reports concerning Group performance, risk management, and the state of compliance and internal audits.	12 times (96%)
Nomination Committee	The Nomination Committee, comprised of three Directors (including two Outside Directors), submits proposals to the General Meeting of Shareholders concerning the election and dismissal of Directors. In accordance with the provisions of the Act on Japan Post Holdings Co., Ltd., resolutions for the election and dismissal of Directors of Japan Post Holdings shall not become effective without the approval of the Minister for Internal Affairs and Communications.	In the fiscal year ended March 31, 2023, the Board of Directors deliberated and decided on the candidates for the Board of Directors and the skill matrix of candidates for the Board of Directors.	2 times (100%)
Compensation Committee	The Compensation Committee, comprised of three Directors (including two Outside Directors) establishes the policy for determining the amount of compensation for each Director and Executive Officer, and determines the amount for individual officers on the basis of this policy.	In the fiscal year ended March 31, 2023, the Compensation Committee decided on individual compensation for Directors and Executive Officers and performance-based compensation for Executive Officers. In addition, we discussed the review of the compensation system for Directors and Executive Officers	4 times (100%)
Audit Committee	The Audit Committee consists of four Directors (including four Outside Directors), who audit the execution of duties by Directors and Executive Officers, audit establishment and operation status of the internal control system, audit the validity of methods and results of auditing of financial statements by accounting auditors, and make audit reports. They also decide on the content of proposals submitted at the General Meeting of Shareholders regarding the election, dismissal, and non-reappointment of accounting auditors.	In the fiscal year ended March 31, 2023 audits focused mainly on the following points based on the audit policy and audit plan established by the Audit Committee 1 Establishment and operation of internal control system (1) Compliance framework, (2) risk management framework, (3) information security initiatives and appropriate disclosure and investor relations activities, (4) internal control to ensure proper consolidated accounting and financial reporting, and (5) management and internal control status of Group subsidiaries other than operating subsidiaries 2 Progress of the Medium Term Management Plan The Audit Committee regularly reported these audit activities to the Board of Directors, shared information with Directors who are not members of the Audit Committee, and expressed its opinions at meetings of the Board of Directors or to departments related to business execution as necessary.	20 times (87%)

Japan Post Holdings corporate governance system



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

Skill Matrix of Directors

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

The Board of Directors shall be diversely comprised of Directors with a wealth of knowledge and experience as well as deep insight to fulfill the appropriate supervisory function toward the realization of sustainable growth of the Group and generation of corporate value over the medium to long term.

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

Position	Name	Key skills and experience						
		Corporate management	Legal/ Compliance	Financial affairs/ Accounting	*Human* resources/ Labor management	IT/DX/ Technology	Business knowledge (finance, insurance, etc.)	Community contribution/ Public policy
Director	MASUDA Hiroya	●					●	●
	IIZUKA Atsushi	●		●			●	
	IKEDA Norito	●					●	●
	SENDA Tetsuya	●					●	●
	TANIGAKI Kunio		●	●			●	
Outside Director	OKAMOTO Tsuyoshi	●			●			●
	KOEZUKA Miharu	●	●		●			
	AKIYAMA Sakie	●				●		
	KAIAMI Makoto		●		●			
	SATAKE Akira	●	●	●			●	
	SUWA Takako	●				●		●
	ITO Yayoi					●	●	●
	OEDA Hiroshi	●		●	●			
	KIMURA Miyoko	●					●	
	SHINDO Kosei	●			●			●

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

Evaluation of Effectiveness of the Board of Directors

Method of Evaluation, etc.

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

Evaluation Results, etc.

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

The Company's priority management issues, including the progress of the Group's Medium-Term Management Plan "JP Vision 2025" formulated in May 2021, were discussed at multiple meetings of the Board of Directors and reflected in various initiatives. In addition, we believe the supervision function of the Board of Directors functioned adequately, since any scandals, including in-house crimes that come to light, are reported promptly to the Board of Directors, as is important information that contributes to management decisions by the Directors.

With regard to the agenda of the Board of Directors' meetings, from the previous fiscal year under review, deliberation time at the Board of Directors' meetings was increased from that of the past. In addition, there were ongoing innovations regarding the agenda, such as the Chairman of the Board of Directors reporting all the regular matters to the Board of Directors after providing explanations in advance. We believe that both have been helpful in stimulating discussion.

Future issues to be addressed include concentrated discussion on important agendas, further enhancement of deliberations on matters that have a material impact on Group management, securing opportunities for Directors' to deepen their knowledge, and the creation of opportunities for the open exchange of opinions by Board members.

We are committed to making improvements to address these issues by more carefully examining the matters to be discussed at the Board of Directors' meetings and by ensuring that the necessary information is stated concisely in the materials. In addition, we will follow up (PDCA cycle) on matters that have a significant impact on Group management and hold workshops for Directors, among other initiatives.

Independence Criteria of Outside Directors

All 10 Outside Directors have been designated as independent executives having been deemed as meeting the "Standards for Designating Independent Directors of Japan Post Holdings Co., Ltd." defined by Japan Post Holdings and being Outside Directors who have no risk of conflicts of interest with general shareholders, as defined by the Tokyo Stock Exchange.

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

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

1. Anyone who has been an executive of the Japan Post Group in the past
2. Anyone for whom the Japan Post Group is a major business partner, or an executive thereof
3. Anyone who is a major business partner of the Japan Post Group, or an executive thereof
4. Member, partner, or employee of the independent auditor of the Japan Post Group
5. Consultants, accounting experts, or legal experts who receive or have received large payments of money or property from the Japan Post Group, other than executive compensation (if the party who obtains the property is a corporation, a union, or other such organization, this includes anyone who belongs to that organization now or who has belonged to that organization in the past)
6. Major shareholders of Japan Post Holdings (if that party is a legal entity (excluding the Japanese Government), then anyone who is an executive of that legal entity)
7. Executive (or other) of companies in which Japan Post Holdings is a major shareholder
8. Major creditor of the Japan Post Group or an Executive (or other) thereof
9. The spouse or relatives within second degree of kinship of the following parties (excluding unimportant ones.) (1) Anyone listed in parts 1 to 8 above (2) Executives of subsidiaries of Japan Post Holdings
10. Executives of other companies in which an executive of the Japan Post Group is appointed as an outside director
11. Anyone who has received a large amount of donations from the Japan Post Group (if the party who receives the donation is a corporation, a union, or other such organization, this includes anyone who is an executive of that organization)

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

Training of Directors & Support System for Outside Directors

Training of Directors

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

Support System for Outside Directors

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

Policy on Appointment of Directors

Scale and Composition of Candidates for Directors

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

Internal Directors

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

(1) Has expertise in the business of Japan Post Holdings
(2) Has superior ability in management judgment and management execution
(3) Has superior ability in leadership, determination, foresight, and planning
(4) Has an appropriate personality and insight as a Director
(5) Has no health problems when performing duties as an Internal Director

Outside Directors

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

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

The reasons for nominating Outside Directors are as follows.

Name	Reasons for election
OKAMOTO Tsuyoshi	OKAMOTO Tsuyoshi has many years' experience on the management teams of business corporations, having served in positions that include Representative Director, President and Director, Chairman of Tokyo Gas Co., Ltd., an integrated energy company. He has also developed greater insight into the Group's businesses, having assumed the position of Outside Director of Japan Post Bank Co., Ltd., a major subsidiary of the Company, in June 2016. He furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors, Nomination Committee, and Compensation Committee, based on his extensive experience and knowledge in corporate management developed throughout his career. The Company elected him as an Outside Director given expectations that he will supervise and check the management of the Company.
KOEZUKA Miharu	KOEZUKA Miharu has many years' experience on the management teams of business corporations, having served as Senior Managing Director (Representative Director) of Takashimaya Company, Limited, after having held other key positions including those in sales divisions at Takashimaya Company, Limited, which engages in the department store business in Japan and overseas. She has also been involved in auditing the execution of duties of executive officers and directors as a member of the Audit Committee of the Company from June 2018 to June 2022. She furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors, based on her extensive experience and knowledge in corporate management developed throughout her career. The Company elected her as an Outside Director given expectations that she will supervise and check the management of the Company.
AKIYAMA Sakie	AKIYAMA Sakie has many years' experience on the management team of a business corporation, having founded Saki Corporation, a company that manufactures industrial inspection robots, and served as its Representative Director and President. She furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors, based on her insight related to fields such as the technology domain developed throughout her career, and also based on her extensive experience and knowledge in corporate management. The Company elected her as an Outside Director given expectations that she will supervise and check the management of the Company.
KAIAMI Makoto	KAIAMI Makoto furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors and Audit Committee, based on his many years' experience in the legal profession, including serving as President of Tokyo District Court, and also based on his experience and knowledge as a legal expert, developed throughout his career. The Company elected him as an Outside Director given expectations that he will supervise and check the management of the Company. He has not been involved in corporate management other than as an Outside Director and Outside Audit and Supervisory Board Member, but we consider him to be able to perform the duties of Outside Director of the Company for the reasons stated above.
SATAKE Akira	SATAKE Akira has many years' experience on the management team of business corporations, having served as Director and Executive Vice President of Sumitomo Precision Products Co., Ltd., after having held other key positions including those in business divisions and finance divisions at SUMITOMO CORPORATION. He has also developed greater insight into the Group's businesses, having assumed the positions of Outside Director and member of the Audit Committee of Japan Post Insurance Co., Ltd., a major subsidiary of the Company, in June 2019. He furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors and Audit Committee, based on his insight related to fields such as finance and accounting, developed throughout his career, and also based on his extensive experience and knowledge in corporate management. The Company elected him as an Outside Director given expectations that he will supervise and check the management of the Company.
SUWA Takako	SUWA Takako has many years' experience on the management teams of business corporations as Representative Director of Daiya Seiki Co., LTD., which engages in precision metal machining and manufacturing. She has also developed greater insight into the Group's businesses, having assumed the position of Outside Director of Japan Post Co., Ltd., a major subsidiary of the Company, in June 2018. She furnishes opinions and recommendations that are beneficial to management of the Company, particularly at meetings of the Board of Directors and Audit Committee, based on her insight related to fields such as the technology domain, developed throughout her career, and also based on her extensive experience and knowledge in corporate management. The Company elected her as an Outside Director given expectations that she will supervise and check the management of the Company.
ITO Yayoi	ITO Yayoi has been engaged in management planning and IT strategy business at Japan's major telecommunication company and logistics company, etc. over many years. The Company elected her as an Outside Director given expectations that she will supervise and check the management of the Company, based on her extensive experience and knowledge in the logistics industry and IT field, etc. developed throughout her career. She has not been involved in corporate management other than as an Outside Director, but we consider her to be able to perform the duties of Outside Director of the Company for the reasons stated above.
OEDA Hiroshi	OEDA Hiroshi has many years' experience on the management teams of business corporations, having served in positions that include Representative Director and President, etc. of Nisshin Seifun Group Inc. and Nisshin Flour Milling Inc., which are Japan's largest flour milling companies. The Company elected him as an Outside Director given expectations that he will supervise and check the management of the Company, based on his extensive experience and knowledge in corporate management developed throughout his career.
KIMURA Miyoko	KIMURA Miyoko started the business of ASKUL Corporation as one of the founding members. She has many years' experience on the management teams of business corporations, having served in positions that include Representative Director and President of ASUMARU Corporation, a subsidiary of ASKUL Corporation, and Director of ASKUL Corporation and KING JIM CO., Ltd. The Company elected her as an Outside Director given expectations that she will supervise and check the management of the Company, based on her insight related to fields such as the marketing domain, developed throughout her career, and also based on her extensive experience and knowledge in corporate management.
SHINDO Kosei	SHINDO Kosei has many years' experience on the management teams of business corporations, having served in positions that include Representative Director and President and Representative Director and Chairman, etc. of NIPPON STEEL CORPORATION, which is Japan's leading steel company. The Company elected him as an Outside Director given expectations that he will supervise and check the management of the Company, based on his extensive experience and knowledge in corporate management developed throughout his career.

Compensation System for Directors and Executive Officers

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

Compensation System

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

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

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

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

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

With regard to indicators related to company performance, in order to enable comprehensive judgment of the degree of achievement of management, the Compensation Committee has set indicators from multiple different categories, using "consolidated net income attributable to Japan Post Holdings" and "consolidated ordinary income ratio" as financial indicators, as well as "progress and implementation of the Medium-Term Management Plan 'JP Vision 2025' and the 'Pledge to Regain Customers' Trust'" and "occurrence of serious clerical accidents and misconduct in the Group and operation of compliance systems" as non-financial indicators, that are suitable for the business format and content of the Company.

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

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

Indicators related to company performance	Goal	Performance in the fiscal year ended March 31, 2023
Consolidated net income attributable to Japan Post Holdings	At least ¥400,000 million	¥431,066 million
Consolidated ordinary income ratio	At least 6.560%	5.903%
Progress of the Medium-term Management Plan "JP Vision 2025"		Steady implementation of each measure such as Co-creation Platform, DX, governance enhancement, and ESG management
Occurrence of serious clerical accidents and misconduct in the Group and operation of compliance systems		Enhancement of the compliance system by establishing a system for identifying and coordinating the handling of misconduct incidents and the like in the Group, and promoting the use of the whistleblower system

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

Classification	Total amount of compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of persons
		Fixed compensation	Performance-based stock compensation, etc.	Non-monetary compensation, etc.	
Directors (excluding Outside Directors)	–	–	–	–	–
Executive Officers	571	529	42	–	26
Outside Directors	104	104	–	–	10

Notes 1. No compensation as a Director is paid to those who concurrently serve as a Director and Executive Officer.
2. Three Directors serve concurrently as Directors and Executive Officers of major consolidated subsidiaries, but they have not been paid compensation as Directors of Japan Post Holdings for the period that they belonged to a major consolidated subsidiary and only executed business of a major consolidated subsidiary. The total amount of compensation received by those three Directors from major consolidated subsidiaries is ¥117 million.
3. Twenty-six Executive Officers serve concurrently as Directors or Executive Officers of major consolidated subsidiaries, five of whom have not been paid as Executive Officers of Japan Post Holdings for the period in which they belonged to a major consolidated subsidiary and executed business of a major consolidated subsidiary. The total amount of compensation received by those five Directors from major consolidated subsidiaries is ¥154 million.
4. Performance-based stock compensation shows the amount recorded as expenses in the current fiscal year. In principle, at the end of each fiscal year the Company books the amount expected to be incurred in the relevant fiscal year as an expense as a reserve, and reverses the relevant reserve at the time of retirement (when benefits are paid), etc.
5. The Company grants stock based compensation to Executive Officers as non-monetary compensation, etc. under this system. The stock-based compensation is included in the performance based stock compensation, etc.
6. There are no retirement benefits or bonuses for Directors.

Policy Equity

Holding Policy for Policy Equity

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

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

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

As a result of the Board of Directors conducting a review as described above in April 2023, it was confirmed to be appropriate to continue holding two brands of policy equity held by Japan Post Holdings.

Primary Legal Regulations

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

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

Under the Postal Act, our business is subject to regulations specific to a business unlike that of other companies, such as postal agreements, an authorization system for business consignment, and a uniform nationwide fee system.

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

The two financial businesses of the Japan Post Group are subject to financial business regulations based on the Banking Act and the Insurance Business Act, including capital adequacy ratio and solvency margin regulations. As a bank holding company and insurance holding company, Japan Post Holdings is also subject to consolidated capital adequacy ratio regulations and various other financial services business regulations.

Based on the Banking Act, as a banking agency and affiliated bank of Japan Post Bank, Japan Post is not permitted to conduct business other than as set forth by law without approval from the Prime Minister. In addition, it 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. Based on the Insurance Business Act, as an insurance solicitor and affiliated insurance company of Japan Post Insurance, Japan Post is subject to such regulations as the obligation to provide explanations for customers and the prohibition of certain activities such as providing false explanations.

Licensing required by law

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

(3) Regulations specifically applicable to the Japan Post Group

Japan Post Holdings and Japan Post are required to receive authorization from the Minister for Internal Affairs and Communications to engage in new businesses, solicit shares, elect or dismiss Directors (Japan Post Holdings only), and formulate business plans, based on the Act on Japan Post Holdings Co., Ltd. and Act on Japan Post Co., Ltd., respectively (however, only notification of new businesses to the Minister for Internal Affairs and Communications is required for Japan Post).

The two financial institutions 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, conduct mergers, split companies, or transfer and receive businesses. Japan Post Bank may not in itself have banks as subsidiaries and neither may Japan Post Insurance have insurance companies as subsidiaries. In addition, the two financial institutions are subject to regulations different from other companies in the same industry, such as deposit limit regulations in the banking business and subscription limit regulations in the life insurance business.

Since the Company notified the Minister of Internal Affairs and Communications that it had disposed of more than one-half of the shares of Japan Post Insurance, Japan Post Insurance will no longer be required to obtain authorization, but if it intends to engage in any of the abovementioned businesses, it will be required to notify the Prime Minister and the Minister for Internal Affairs and Communications. At the same time, Japan Post Insurance is required to take special care not to impede proper competition with other life insurance companies and the appropriate provision of services to users when conducting its business.

(Reference) Maximum deposit amounts in Japan Post Bank

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

A. Regular savings... ¥13 million
B. Fixed savings (Fixed amount savings and fixed term savings. Includes postal savings deposited before postal service privatization (taken over by the Organization for Postal Savings, Postal Life Insurance and Post Office Network) but excludes C.) ... ¥13 million
C. Property fixed amount savings, property pension fixed amount savings, and property housing fixed amount savings... ¥5.5 million in total

(Reference) Enrollment limit at Japan Post Insurance

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

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

A. Enrollment limit of the basic policy insurance amount
   i. When the insured person is 15 years old or younger: ¥7 million
   ii. When the insured person is 16 years old or older: ¥10 million (the insurance amount of special endowment insurance for insured persons who are 55 years old or older, in combination with regular fixed term insurance, is ¥8 million)
   However, if the insured person is age 20 to 54, this limit can be up to ¥20 million under certain conditions (such as when there is an insurance policy that has passed four or more years since enrolling). The limit for specific endowment insurance is ¥5 million regardless of age.
B. Enrollment limit amount for pension (excluding nursing care pension)
   ¥900,000 annually (amount of basic pension in the first year) (Excluding the amount for the insured person who is the spouse in marital pension insurance, as well as marital insurance with marital pension insurance.)

C. Enrollment limit of rider coverage

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

ii. Security for treatment of the issues listed above... ¥10 million

Note: In addition to the enrollment limits stipulated by laws and regulations above, there are set restrictions on the amount of rider coverage that can be added depending on the type of insurance of the basic policy.

D. Enrollment limit of total paid-in premiums

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

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

Japan Post Holdings, Japan Post, and the two financial institutions are successors to a state-owned enterprise. As such, they are required to comply with the rules on government procurement set forth in the WTO's Agreement on Government Procurement and in other international agreements when procuring goods or services covered by those agreements.

Directors

MASUDA Hiroya

Director and Representative Executive Officer, President & CEO
Member of the Nomination Committee
Member of the Compensation Committee

Number of shares held: — shares
Number of years as director: 3 years
Attendance at Board of Directors' meetings: 12/12 times (100%)
Attendance at Nomination Committee meetings: 2/2 times (100%)
Attendance at Compensation Committee meetings: 4/4 times (100%)

Significant Concurrent Positions
Director of Japan Post Co., Ltd.; Director of Japan Post Bank Co., Ltd.; Director of Japan Post Insurance Co., Ltd.

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

IIZUKA Atsushi

Director and Representative Executive Officer, Executive Vice President

Number of shares held: — shares

Significant Concurrent Position
Outside Director of TOENEC CORPORATION

Career Summary
April 1983 Joined Ministry of Finance; July 2011 Deputy Director-General of the Financial Bureau, Ministry of Finance; December 2012 Deputy Director-General of the Headquarters for Japan's Economic Revitalization, Cabinet Secretariat; July 2014 Deputy Director-General of the Financial Bureau, Ministry of Finance; July 2015 Director-General of the Tokai Local Finance Bureau; June 2016 Deputy Director-General of National Tax Agency; July 2017 Director-General of the Customs and Tariff Bureau, Ministry of Finance; November 2018 Adviser of Sompo Holdings, Inc.; January 2019 Chairman of Sompo Japan Nipponkoa Research Institute Inc. (currently Sompo Institute Plus Inc.); June 2020 Senior Managing Executive Officer of the Company (to June 2021); April 2021 Senior Managing Executive Officer of Japan Post Co., Ltd.; June 2021 Representative Executive Officer, Executive Vice President of the Company; June 2023 Director and Representative Executive Officer, Executive Vice President of the Company (present)

IKEDA Norito

Director

Number of shares held: 3,600 shares
Number of years as director: 7 years
Attendance at Board of Directors' meetings: 12/12 times (100%)

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

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

SENDA Tetsuya

Director

Number of shares held: 5,200 shares
Number of years as director: 3 years
Attendance at Board of Directors' meetings: 12/12 times (100%)

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

Career Summary
April 1984 Joined the Ministry of Posts & Telecommunications; July 2011 Executive Officer and Senior General Manager of Corporate Planning Department of Japan Post Insurance Co., Ltd.; June 2013 Managing Executive Officer of the Company (to June 2016); July 2013 Managing Executive Officer of Japan Post Insurance Co., Ltd.; June 2016 Senior Managing Executive Officer of Japan Post Insurance Co., Ltd.; November 2017 Senior Managing Executive Officer of the Company; April 2019 Representative Executive Officer and Executive Vice President of Japan Post Insurance Co., Ltd. (to January 2020); August 2019 Managing Executive Officer of the Company (to June 2020); January 2020 President, CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd.; June 2020 Director and President, CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd.; Director of the Company (present); June 2023 President & CEO (Representative Executive Officer) of Japan Post Co., Ltd. (present)

TANIGAKI Kunio

Director

Number of shares held: 17,900 shares

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

Career Summary
April 1984 Joined the Ministry of Posts & Telecommunications; January 2006 Senior General Manager of the Company (in charge of Implementation Plan); October 2007 Senior General Manager of the General Affairs and Human Resources Department of the Company; June 2008 Executive Officer, Senior General Manager of the Corporate Planning Department of the Company; June 2009 Managing Executive Officer, Senior General Manager of the Corporate Planning Department of the Company; January 2013 Senior Managing Executive Officer of the Company; June 2016 Executive Officer and Executive Vice President of Japan Post Insurance Co., Ltd.; January 2017 Executive Officer and Executive Vice President of Japan Post Co., Ltd.; April 2019 Senior Managing Executive Officer of the Company; November 2021 Executive Officer and Executive Vice President of Japan Post Bank Co., Ltd.; June 2023 President, CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd. (present); Director of the Company (present)

OKAMOTO Tsuyoshi

Outside Director
Chairperson of the Nomination Committee

Number of shares held: 5,600 shares
Number of years as director: 5 years
Attendance at Board of Directors' meetings: 12/12 times (100%)
Attendance at Nomination Committee meetings: 2/2 times (100%)
Attendance at Compensation Committee meetings: 4/4 times (100%)

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

Career Summary
June 2002 Executive Officer of Tokyo Gas Co., Ltd.; April 2004 Senior Executive Officer of Tokyo Gas Co., Ltd.; June 2004 Director, Senior Executive Officer of Tokyo Gas Co., Ltd.; April 2007 Representative Director, Executive Vice President of Tokyo Gas Co., Ltd.; April 2010 Representative Director, President of Tokyo Gas Co., Ltd.; April 2014 Director, Chairman of Tokyo Gas Co., Ltd.; June 2016 Outside Director of Japan Post Bank Co., Ltd.; April 2018 Director, Senior Corporate Advisor of Tokyo Gas Co., Ltd.; June 2018 Director of the Company (present); July 2018 Senior Corporate Advisor of Tokyo Gas Co., Ltd.; July 2023 Honorary Advisor of Tokyo Gas Co., Ltd. (present)

KOEZUKA Miharu

Outside Director
Chairperson of the Compensation Committee

Number of shares held: 5,600 shares
Number of years as director: 5 years
Attendance at Board of Directors' meetings: 12/12 times (100%)
Attendance at Audit Committee meetings: 5/5 times (100%)

Significant Concurrent Positions
Outside Director of Nankai Electric Railway Co., Ltd.; Outside Director of SEKISUI CHEMICAL CO., LTD.

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

AKIYAMA Sakie

Outside Director

Number of shares held: 1,600 shares
Number of years as director: 4 years
Attendance at Board of Directors' meetings: 10/12 times (91.7%)

Significant Concurrent Positions
Founder (Advisor) of Saki Corporation; Outside Director of Sony Group Corporation; Outside Director of ORIX Corporation; Outside Director of Mitsubishi Corporation

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

KAIAMI Makoto

Outside Director
Member of the Audit Committee

Number of shares held: [illegible]
Number of years as director: 4 years
Attendance at Board of Directors' meetings
12/12 times (100%)
Attendance at Audit Committee meetings
20/20 times (100%)

Significant Concurrent Positions
Attorney, Outside Audit & Supervisory Board Member of SFIRN, Co., Ltd., Outside Director of Tokyu Fudosan Holdings Corporation

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

SATAKE Akira

Outside Director
Chairperson of the Audit Committee

Number of shares held: — shares
Number of years as director: 3 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 1979 Joined SUMITOMO CORPORATION, April 2011 Executive Officer and General Manager of Planning & Administration Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit of SUMITOMO CORPORATION; April 2013 Managing Executive Officer, General Manager of Finance Dept. of SUMITOMO CORPORATION, April 2016 Senior Managing Executive Officer of SUMITOMO CORPORATION, June 2017 Director and Senior Managing Executive Officer of Sumitomo Precision Products Co., Ltd.; June 2018 Director and Executive Vice President of Sumitomo Precision Products Co., Ltd.; April 2019 Advisor of SUMITOMO CORPORATION, June 2019 Outside Director of Japan Post Insurance Co., Ltd., June 2020 Director of the Company (present)

SUWA Takako

Outside Director
Member of the Audit Committee

Number of shares held: — shares
Number of years as director: 1 year
Attendance at Board of Directors' meetings
10/10 times (100%)
Attendance at Audit Committee meetings
2/2 times (100%)

Significant Concurrent Position
Representative Director of Daiya Seiki Co., LTD.

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

ITO Yayoi

Outside Director
Member of the Audit Committee

Number of shares held: — shares

Significant Concurrent Positions
Outside Director of KANADEN CORPORATION, Outside Director of SUMIKEN MITSUI ROAD CO., LTD., Outside Director and Audit and Supervisory Committee Member of NISHIMATSU CONSTRUCTION Co., Ltd.

Career Summary
April 1986 Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION; July 1988 Joined NTT DATA Communications Systems Corporation (currently NTT DATA Corporation); April 2008 Chief of Business Planning and Promotion Office, Public System Sector of NTT DATA Corporation, April 2016 Senior Business Development Manager of Enterprise Partner Sales Division of Microsoft Japan Co., Ltd., February 2017 Senior Promotion Manager of Yamato Digital Innovation Center of YAMATO HOLDINGS CO., LTD., June 2018 Senior Strategy Manager in charge of IT Strategy of YAMATO HOLDINGS CO., LTD.; May 2019 Managing Executive Officer of UNIZO Holdings Company, Limited, November 2020 Joined SG SYSTEMS CO., LTD., April 2021 Executive Officer of SG SYSTEMS CO., LTD., June 2023 Director of the Company (present)

OEDA Hiroshi

Outside Director
Member of the Compensation Committee

Number of shares held: — shares

Significant Concurrent Positions
Special Advisor of Nisshin Seifun Group Inc., Outside Director of UBARA CORPORATION, Outside Director of SEKISUI CHEMICAL CO., LTD., Chairman of Hitotsubashi Dagaku Koenkai

Career Summary
April 1980 Joined Nisshin Flour Milling Inc. (currently Nisshin Seifun Group Inc.), June 2008 Executive Officer of Nisshin Seifun Group Inc., Managing Director and Division Executive (Operations & Planning Division) of Nisshin Flour Milling Inc.; June 2009 Director of Nisshin Seifun Group Inc.; June 2010 Senior Managing Director and Division Executive (Operations & Planning Division) of Nisshin Flour Milling Inc., April 2011 President of Nisshin Seifun Group Inc.; April 2012 Additionally appointed to Director and President of Nisshin Flour Milling Inc., April 2015 Additionally appointed to Director and Chairman of Nisshin Flour Milling Inc., April 2017 Director and Advisor of Nisshin Seifun Group Inc., June 2017 Special Advisor of Nisshin Seifun Group Inc. (present), Director and President of Seifun-Kaikan; June 2023 Director of the Company (present)

KIMURA Miyoko

Outside Director

Number of shares held: — shares

Significant Concurrent Positions
Director and Managing Executive Officer, General Manager of R&D Division of KING JIM CO., LTD., Outside Director and Audit and Supervisory Committee Member of Asahi Holdings, Inc.

Career Summary
April 1988 Joined PLUS Corporation, May 1999 Joined ASKUL Corporation, February 2010 Representative Director and President of ASUMARU Corporation, August 2017 Director, Chief Marketing Officer (CMO), Executive Officer, Executive Officer of Life Creation Center Unit, B-to-C Company of ASKUL Corporation, March 2020 Director, Supervisor of Merchandising Unit, Chief Marketing Officer (CMO), Executive Officer of ASKUL Corporation, May 2021 Director in charge of branding, design, and supplier relations of ASKUL Corporation, September 2022 Director and Managing Executive Officer, General Manager of R&D Division of KING JIM CO., LTD. (present); June 2023 Director of the Company (present)

SHINDO Kosei

Outside Director
Member of the Nomination Committee

Number of shares held: 10,000 shares

Significant Concurrent Positions
Representative Director and Chairman of NIPPON STEEL CORPORATION, Outside Director of Toho Marine Holdings, Inc.; Outside Director of Development Bank Inc.

Career Summary
April 1973 Joined NIPPON STEEL CORPORATION, June 2005 Director, General Manager of Corporate Planning Department of NIPPON STEEL CORPORATION, June 2006 Executive Officer, General Manager of Corporate Planning Department of NIPPON STEEL CORPORATION; April 2007 Executive Officer, General Manager of General Affairs Department of NIPPON STEEL CORPORATION, April 2009 Executive Vice President of NIPPON STEEL CORPORATION, June 2009 Representative Director and Executive Vice President of NIPPON STEEL CORPORATION; October 2012 Representative Director and Executive Vice President of NIPPON STEEL & SUMITOMO METAL CORPORATION (currently NIPPON STEEL CORPORATION), April 2014 Representative Director and President of NIPPON STEEL & SUMITOMO METAL CORPORATION, April 2019 Representative Director and Chairman of NIPPON STEEL CORPORATION (present), June 2023 Director of the Company (present)

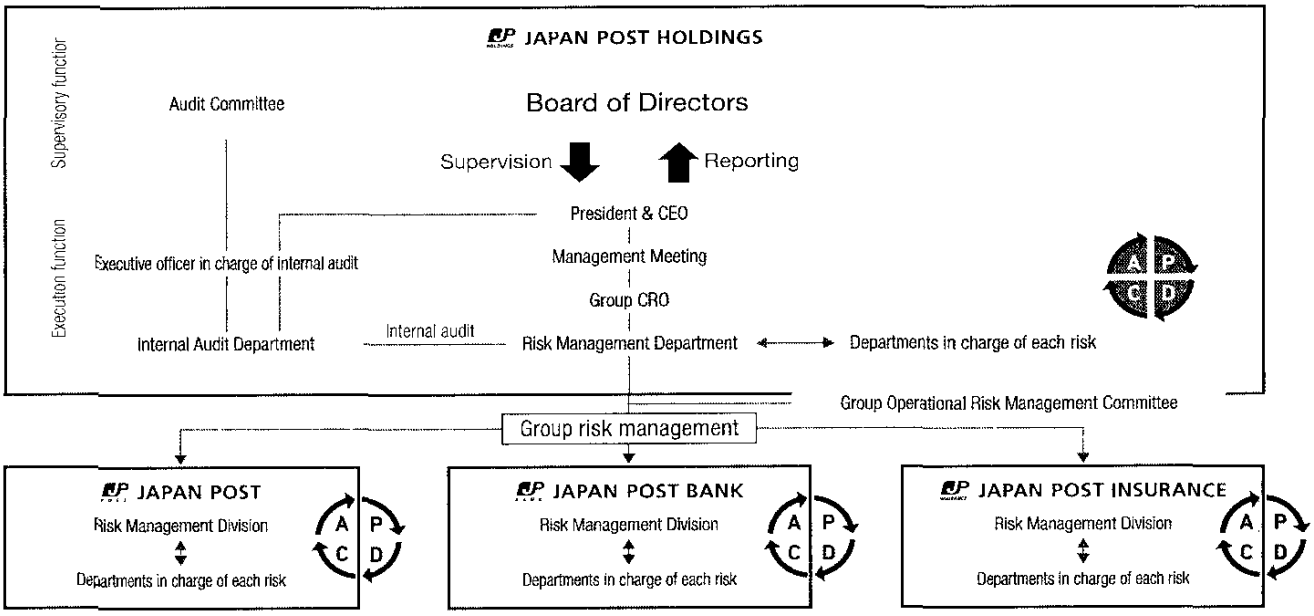
Japan Post Group Risk Management

The Japan Post Group stipulates basic matters to be observed in risk management, such as risks that are to be managed by each Group company and matters to be reported to Japan Post Holdings, in the Japan Post Group Management Agreements and other documents, while Japan Post Holdings manages risks for the entire Group by monitoring the Group's risk management and its improvement.

To strengthen Group governance, Japan Post Holdings appoints the Group Chief Risk Officer (CRO) from among its executive officers who reports to and is supervised by directors and others regarding the Group's risk management and its initiatives. In addition, the Group Operational Risk Management Committee, which consists of executive officers in charge of risk management at each Group company, shares information and discuss risk management to improve risk management of each Group company.

Furthermore, each Group company has designated a department to oversee its own risk management, and each department proactively identifies,assesses, controls, and monitors their risks in accordance with its own business characteristics, and has established a risk management framework where it reports necessary matters to Japan Post Holdings.

Group risk management framework of the Japan Post Group

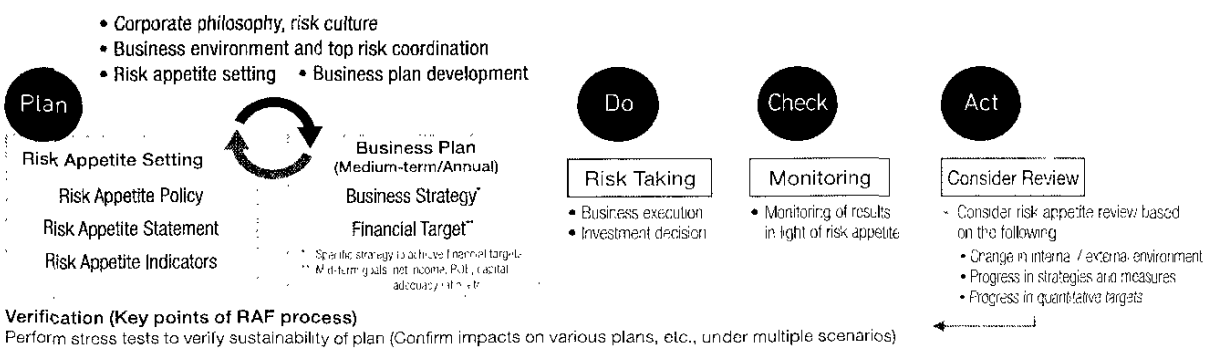


Risk Appetite Framework (RAF)

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

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

RAF operation process



Basic Concept for Risk Appetite by Business

Financial Businesses
(Japan Post Bank and Japan Post Insurance)

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

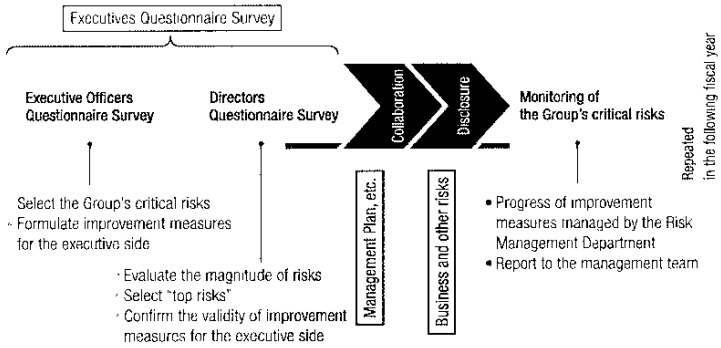
Non-Financial Businesses
(Japan Post Holdings and Japan Post)

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

Management of Critical Risks Facing the Group

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

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



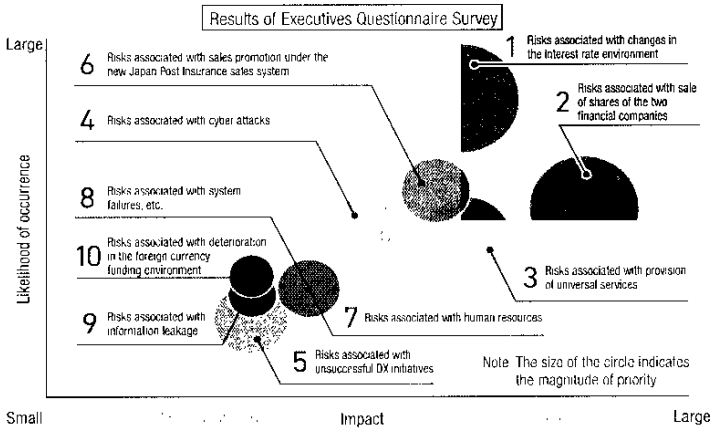
Top Risks

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

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

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

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



Top risks and main assumed scenarios for the fiscal year ending March 31, 2024
(Business and other risks of the Group that are of particular importance to the management of the Company)

	Top risks	Main assumed scenarios
1	Risks associated with changes in the interest rate environment	The inability of the ALM strategies of the two financial companies to respond to changes in interest rates, outflows and transfer of savings and other deposits, and declines in the prices of bonds held by the Group cause a significant decrease in the Group's earnings.
2	Risks associated with sale of shares of the two financial companies	Factors such as losses from the sale of shares of the two financial companies, an inability to secure alternative revenue sources replacing the two financial companies, and/or the difficulty of conducting integrated Group-wide business operations as a result of a declining equity stake in the subsidiaries lead to customer attrition and a weakening of brand power and thereby cause a significant decrease in the Group's earnings.
3	Risks associated with provision of universal services	A failure to keep a balance between universal services and cost reduction and an inability to reassess unprofitable business results in a decline in competitiveness and efficiency, causing a significant decrease in the Group's earnings.
4	Risks associated with cyber attacks	The Group's businesses are suspended or restricted for an extended period of time due to cyber attacks or unauthorized use of various services or to delays in service restoration, which significantly impact the Group's business continuity.
5	Risks associated with unsuccessful DX initiatives	If the Group's integrated DX promotion is not successful or if the Group is unable to respond appropriately to changes in the business environment, its competitiveness and efficiency will decline and thereby cause a significant decrease in the Group's earnings
6	Risks associated with sales promotion under the new Japan Post Insurance sales system	The measures taken to promote sales under the new Japan Post Insurance sales system are not successful and there is continued weakness in new policy acquisition and inefficiencies in the sales system, causing a significant decrease in the Group's earnings.
7	Risks associated with human resources	An inability to retain talented human resources in various business roles as well as talent specializing in IT and other roles and an inability to provide a rewarding work environment due to the occurrence of personnel and labor issues lead to a loss or shortage of human resources and higher personnel costs. This in turn leads to a loss of competitiveness and thereby causes a significant decrease in the Group's earnings.
8	Risks associated with system failures, etc.	System failures caused by inadequate system upgrades, system defects, or aging of systems results in business suspensions and disruptions. In addition, delays in service restoration after a system failure significantly impact the Group's business continuity.
9	Risks associated with information leakage	Stagnation of data governance efforts, such as appropriate management measures for post office data, and intentional information leaks by employees cause reputational risks to be realized and damage the Company's corporate value.
10	Risks associated with deterioration in the foreign currency funding environment	In the overseas investments of the two financial companies, when market liquidity deteriorates due to financial market turmoil, foreign currency funding costs rise sharply and thereby cause a significant decrease in the Group's earnings

Japan Post Group Compliance Framework

The Japan Post Group recognizes the promotion of compliance as one of its foremost management priorities. We promote management based on compliance to earn the trust of our customers and other stakeholders, local communities, and society; to solidify our management base, which is the foundation for the realization of the Japan Post Group Management Philosophy and sustainable growth; and to enhance our corporate value.

All Group companies are working to build an effective compliance framework, giving due consideration to the public nature of their businesses. We strive to ensure that customers can use our services with peace of mind by thoroughly implementing customer-first operational management, including the enhancement of compliance risk management from a risk-based approach.

In addition, we will strengthen the Group's compliance function by convening regular meetings of the Group Compliance Committee, and ensure transparency by appropriately disclosing the status of promotion of the Group's management based on compliance and related matters.

Japan Post Group Compliance Framework

The compliance department of each Group company has established a framework that oversees the promotion of compliance, and a compliance management department, which plans, proposes, and manages compliance promotion, has been established under the supervision of the director.

In addition, each Group company has established a Compliance Committee that provides advice to its Management Meeting to deliberate the policy for compliance promotion and response measures. The director in charge of compliance then reports important matters discussed by the Compliance Committee to the Management Meeting and the Board of Directors.

Furthermore, the Group Compliance Committee meets regularly to promote Group compliance through sharing and discussion of compliance-related issues and initiatives and to enhance the Group's compliance risk management through a risk-based approach.

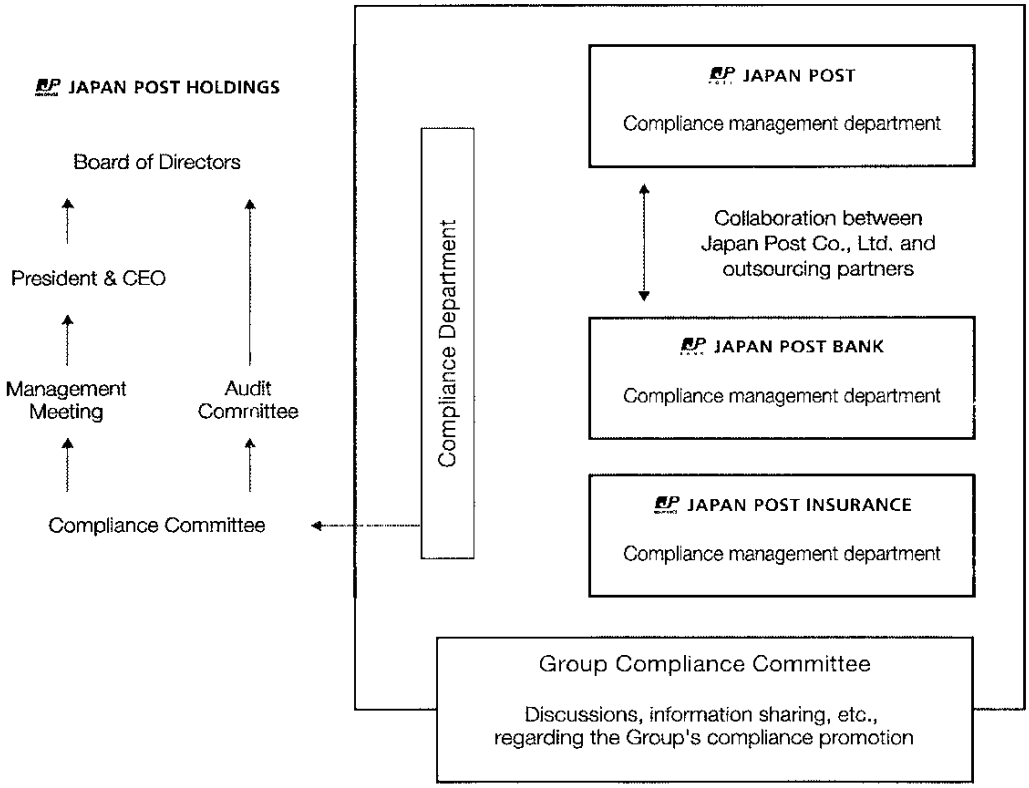
Group Company Compliance Framework

Japan Post Group companies have built a compliance framework as outlined below and promote compliance.

Line of Reporting for Compliance Activities

Each Group company develops a line of reporting for compliance activities by establishing a compliance management department that is independent of departments related to business execution and by assigning a compliance officer responsible for promoting compliance, as well as compliance managers responsible for promoting compliance at all head office departments, regional offices, post offices, and branch offices.

Japan Post Group compliance framework



Response to Compliance Violations

Investigations are conducted promptly mainly by the compliance department when information that raises suspicion of compliance violations is identified at any Group company. During such investigations, the existence of compliance violation facts, causes of occurrence, etc., are clarified, and measures to prevent their recurrence are taken as needed according to these details. Furthermore, we will ensure customer-first business operations by implementing compliance risk mitigation measures and the like and reviewing our compliance framework, as necessary.

Improvement and Appropriate Operation of the Internal Reporting System

To quickly identify and deal with compliance violations and the like, each Group company has established internal reporting hotlines within its compliance management department and at a designated external law firm. We have also set up an internal reporting hotline outside the Company exclusively for financial product sales.

From the fiscal year ended March 31, 2021 onward, we are working to make fundamental improvements to the internal reporting system at each Group company so employees can actively offer feedback with confidence and peace of mind. This initiative is based on the recognition that "employees' voices are an asset, and employees who raise their voices are also valuable assets."

Senior management repeatedly sent out messages to spread the Group's basic understanding while improving measures to protect whistleblowers, such as restricting the scope for sharing the reported information. In addition, a "one-stop consultation and internal reporting platform" was established as a portal site to accept various types of reports and consultations in an integrated manner, allowing employees to securely communicate with the person in charge at the contact point. We have also introduced and are operating a system where an external team of lawyers and other experts conduct the entire process of internal reporting, from receiving the report to investigating and reporting the results of the investigation.

While protecting the confidentiality of whistleblowers, employee feedback received through the system will not only be used to correct individual cases but will also be used to detect potential risks at an early stage and to improve operations, procedures, and the workplace environment. We expect this to achieve a self-cleansing effect throughout the organization.

In the future, we will introduce an administrative appeal review system conducted by fair and objective third parties to ensure proper operation of the whistleblowing system and make further improvements.

Establishment of Compliance Program and Its Initiatives

Each Group company formulates a compliance program each fiscal year, specifies priority compliance items to be promoted, and designates a responsible department for each of these items.

The compliance management department oversees the compliance promotion activities undertaken by the responsible department and conducts integrated management of promotion status.

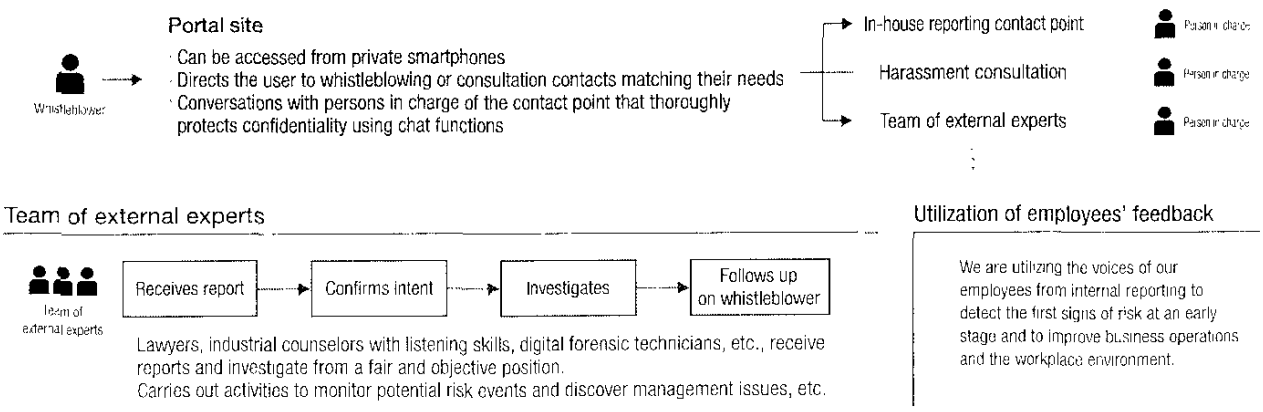
Preparation and Distribution of Compliance Manual and Implementation of Compliance-Related Training

Each Group company prepares and distributes compliance manuals and compliance handbooks for use in training executives and employees and conducts a variety of training activities for compliance items, in order to promote a better understanding of legal matters and other areas, and to raise awareness of compliance.

Measures against Money Laundering, Financing of Terrorism, and Proliferation Financing

In light of the mounting international calls to help prevent money laundering, terrorism financing, and proliferation financing, the Group has updated and is implementing the "Group Policy on Measures against Money Laundering, Financing of Terrorism, and Proliferation Financing" and otherwise designated such countermeasures as a priority issue. With senior management's leadership, the Group is thus strengthening its promotion framework. Each Group company is working to combat money laundering, the financing of terrorism, and proliferation financing through a risk-based approach in accordance with its own unique business attributes.

One-stop consultation and internal reporting platform



Japan Post Group IT Governance

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

Group IT Governance System

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

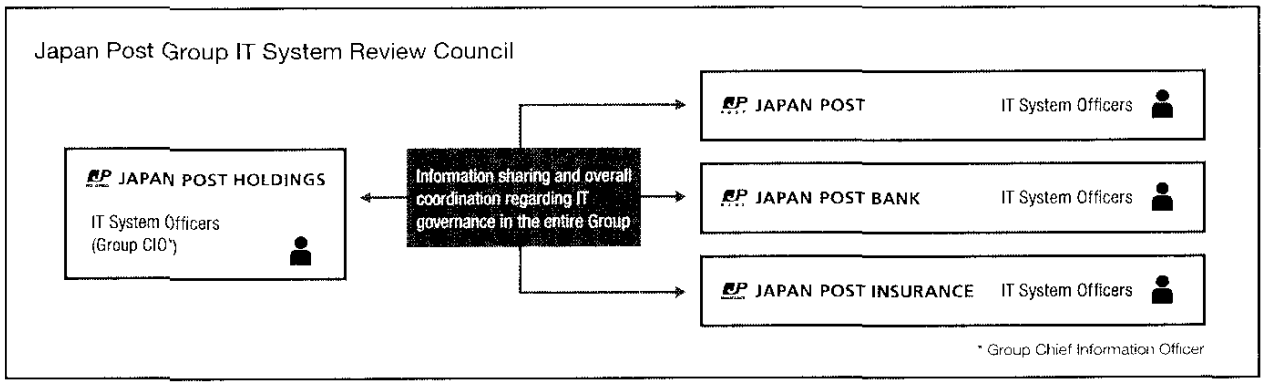
Based on these agreements, through the development and execution of an IT strategy, Group companies improve productivity, streamline management, minimize the risk arising from using IT, and ensure the soundness of Group management. In doing so, they realize the IT governance necessary to maximize corporate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

Implementing Effective IT Governance

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

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

Organizational chart of IT governance in the Japan Post Group



IT Strategy to Support Group Management

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

Promoting DX to create new value

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

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

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

Promoting IT to restore trust in the Japan Post Group

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

Japan Post Group Cyber Security Measures

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

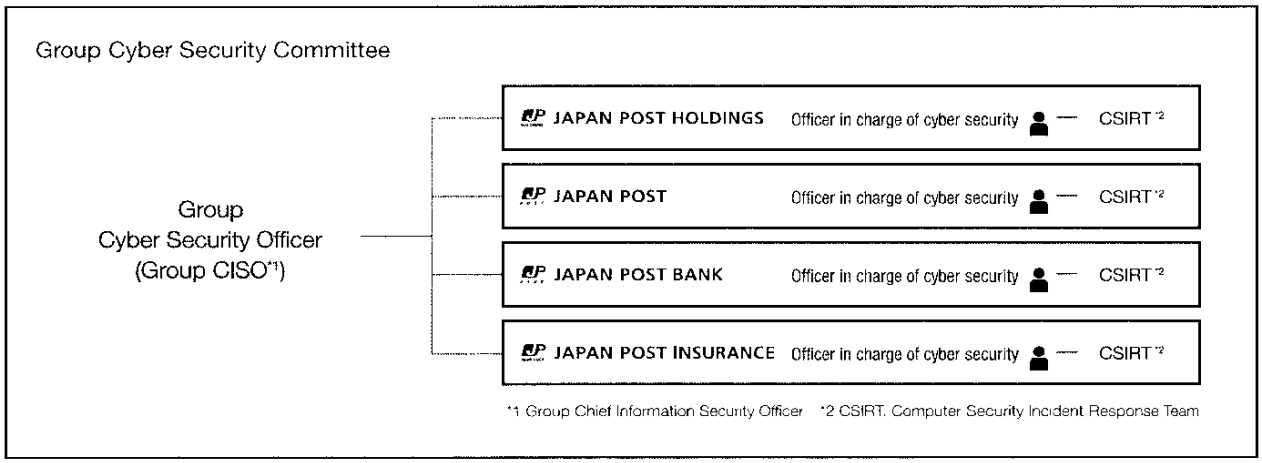
We are working to safeguard and manage important information from damage such as information leaks and loss caused by cyber attacks.

Group Cyber Security System

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

We have established the Group Cyber Security Committee consisting of executives in charge of cyber security from the four main Group companies of the Japan Post Group. The Committee develops Group cyber security strategy, and works to track and evaluate the status of cyber security measures in Group companies.

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



Efforts for Cyber Security Measures by Japan Post Holdings

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

Japan Post Group Internal Audit System

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

Japan Post Group Internal Audit System Framework

In September 2022, the Group formulated the Japan Post Group Basic Policy on Internal Auditing, which outlines the basic views to internal audits conducted by each Group company.

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

Furthermore, based on the Japan Post Group Management Agreements, the Internal Audit Department of Japan Post Holdings Co., Ltd. evaluates and examines the audit regulations, audit plans, and internal audit systems of and provides guidance and advice to Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. from the perspective of enhancing the internal audit system framework of the entire Group. In addition, this Internal Audit Department makes recommendations for improvements and directly undertakes audits when required.

Internal Audit System at Group Companies

Overview

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

Reporting on Results of Internal Audits and Making Improvements

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

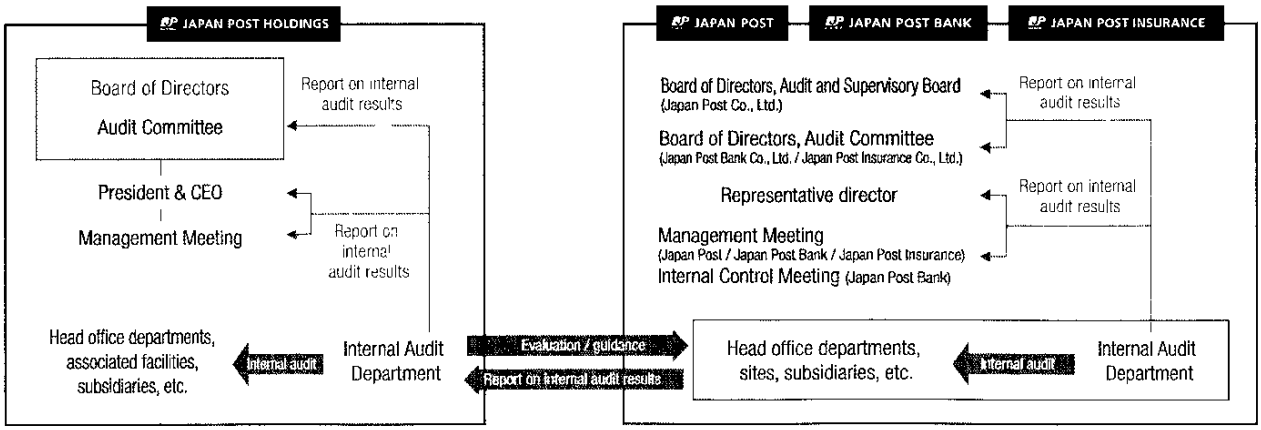
Moreover, each Internal Audit Department works to improve operations at their respective companies. To this end, progress reports of improvement requests indicated in audit reports are periodically made to the representative director.

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.

As a measure to improve the quality of internal audits, we utilize surveys of internal auditors and assessments of the development and operation of the internal audit function by the Audit Committee and the Audit and Supervisory Board.



Initiatives for Transportation Safety

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

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

Initiatives for Transportation Safety

Safety Education for Employees Who Drive Vehicles

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

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

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

Daily training

Safe Driving Instructors

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

We hold the "Safe Driving Contest" in which instructors compete in advanced driving skills, knowledge, and leadership for two-wheeled and four-wheeled vehicles.

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

Transportation safety record

Goal	Number of serious accidents: 0
Actual	For the fiscal year ended March 31, 2021: 2 (1 case of falling, 1 case of overturning)
	For the fiscal year ended March 31, 2022: 2 (1 case of death, 1 case of fire)
	For the fiscal year ended March 31, 2023: 3 (1 case of death, 1 case of fire, 1 health-caused accident)

Dialogue with Stakeholders

Japan Post Group's Customer Satisfaction Survey

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

In addition, as an indicator to measure and analyze the details of improving customer satisfaction, the Japan Post Group uses NPS®*.

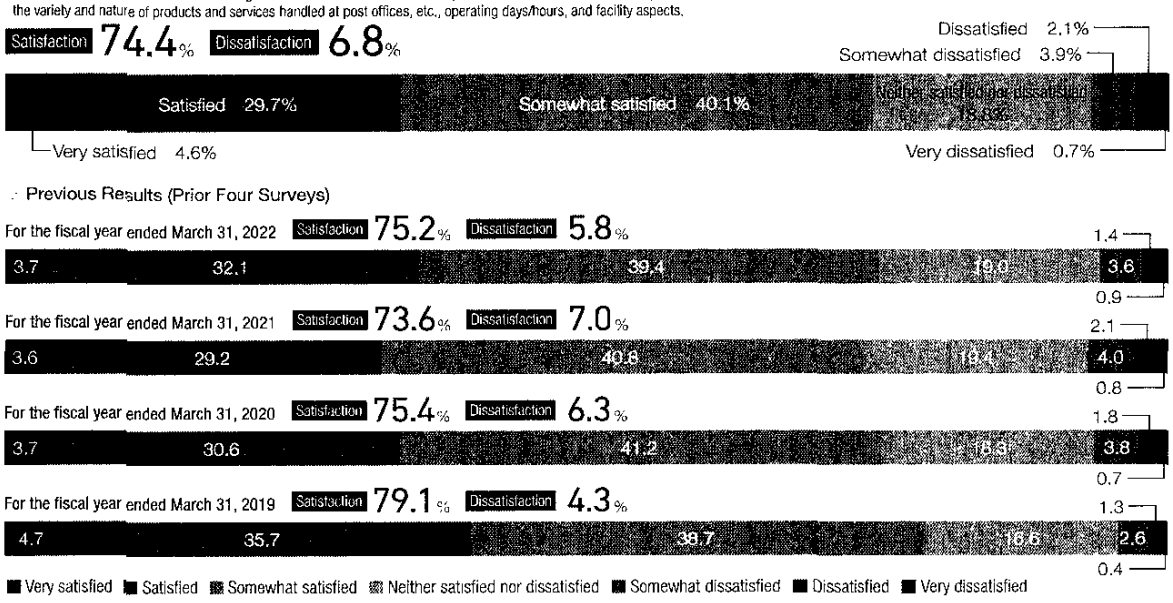
For the purpose of further improving customer satisfaction, the Japan Post Group will continue to perform fixed-point observation into the future and utilize the findings from the Group's customer satisfaction survey in management.

* NPS Net Promoter Score is a registered trademark of Bain & Company, Inc., Fred Reichheld, and NICE Systems, Inc.

Overall satisfaction level of the Group

How satisfied are you with post offices, etc., overall*?

* "Overall" is an all-inclusive term referring to the treatment of customers at post office counters and over the phone, the variety and nature of products and services handled at post offices, etc., operating days/hours, and facility aspects.



Note "Satisfaction" encompasses "Very satisfied," "Satisfied," and "Somewhat satisfied," while "Dissatisfaction" encompasses "Somewhat dissatisfied," "Dissatisfied," and "Very dissatisfied." It should be noted that each of the proportions has been rounded to the first decimal place, and thus the totals for "Satisfaction" and "Dissatisfaction" may not coincide.

Utilizing Customer Feedback in Management

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

Customer feedback	Improvements
[Japan Post] Please make the Yu-Pack Smartphone Discount Service app easier to use.	We added the following functions to the Yu-Pack Smartphone Discount Service app to make it more convenient. • Addition of biometric login • Addition of a payment option in which credit card information may be entered for each purchase without registering the card
[Japan Post Bank] I applied for and received my Japan Post Bank Debit card in the mail but I don't know what to do with the cash card that I had been using before.	On the cover letters to which the Japan Post Bank Debit cards are attached, we have provided instructions to our customers to discard their old cash cards.
[Japan Post Insurance] I want to make a claim for hospitalization benefits but it is troublesome to prepare the documents as evidence.	Japan Post Insurance does not require the submission of certificate of hospitalization or surgery (medical certificate) under certain conditions if receipts, details of medical treatment, and other such documents issued by a medical institution are submitted. Since April 2023, the scope of such simplified treatment of documents to be submitted has been expanded significantly, which now includes claims for radiation therapy that had not been previously included and surgery benefits* of riders sold prior to October 1, 2017. In addition, from May 15, 2023, the submission of medical statements is no longer necessary for claims for hospitalization benefits, and only receipts issued by a medical institution are required, thereby simplifying some of the submission documents. * Surgeries for malignant neoplasms are not included with the exception of radiation treatment and chemotherapy.

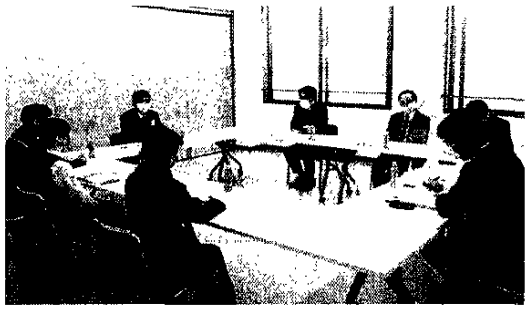
Exchanging Opinions with Employees

At the Japan Post Group, as part of our efforts to realize an open corporate culture, we regularly organize forums where Group employees are able to exchange opinions with the Japan Post Holdings President.

At these meetings, a lively exchange of opinions takes place in accordance with different themes chosen for each meeting, such as the future vision of the Japan Post Group and operational improvements discovered through customer feedback. In addition to disseminating management policy to employees throughout the Group, feedback from employees is utilized in management.

Previous exchanges of opinions may be viewed by clicking here.

https://www.japanpost.jp/jp-group/ *(In Japanese only)*



Meeting for mutual exchange of opinions

Investor Relations Activities Report

To contribute to sustainable growth and enhancement of corporate value over the medium to long term, the Japan Post Group aims to disclose information accurately and equally to all shareholders and investors. In an effort to engage in constructive dialogues, feedback and requests received through dialogues are shared throughout the Company, such as being discussed formally as part of the agenda of Board of Directors' meetings twice a year, and utilized to improve management.

Activities in the fiscal year ended March 31, 2023

Activity	Detail
18th Annual General Meeting of Shareholders	Date. June 21, 2023
Financial Results Briefings & Small Meetings for Fiscal Year Ended March 31, 2023 (for Institutional Investors & Analysts)	Meetings held: 6
Dialogue with Institutional Investors & Analysts	Meetings held. 92 (Including approximately 41 individual interviews with overseas investors)
Participation in IR Conferences in Japan and Abroad	Number of times participated: 2 times Participated in conferences hosted by securities companies and held meetings
Individual Investor Video Messages	Japan Post Group Director and Representative Executive Officer, President & CEO, MASUDA Hiroya, posts video messages on the Japan Post Holdings website explaining business details and future strategies.

IR annual schedule

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

Column

Trial Run of App for Post Office Stamp Rally in Noto

As one of the measures to get more customers to get to better know post offices, Japan Post Holdings, from the fiscal year ended March 31, 2023, started the trial run of a stamp rally using the post office stamp rally app at 83 post offices in the Ishikawa Prefecture / Noto Region. (The post offices (excluding contracted post offices and Yu-Yu counters) are located in the cities of Nanao, Wajima, Suzu, and Hakui, and the towns of *Shika, Houdatsushimizu, Nakanoto, Anamizu, and Noto.*)

Customers can collect stamps by downloading the app onto their smartphones and other devices and then use the app to scan two-dimensional bar codes displayed on mailboxes installed in front of these post offices. Since the bar codes are displayed on the mailboxes out front, stamps can be collected even when counters are closed on Saturdays, Sundays, holidays, and non-business days, as well as during non-business hours. Going forward, to make post offices more accessible to more customers and to increase the opportunities for using the post office, we will consider and carry out a wide range of measures.
(The trial run of this app is scheduled to end on March 31, 2024.) (As of June 30, 2023)

Post office stamp rally in Noto

◀ You can download the app onto your smartphone and other devices with this QR code.

Dialogue with Outside Experts

On August 23, 2022, outside experts were invited to engage in a dialogue. Three experts provided us with evaluations of the Japan Post Group's main initiatives on sustainability and various opinions and recommendations on our future challenges and their expectations and requests for the Group, etc.

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

Facilitator
AKABANE Makiko
Director of CSR Asia Japan

Comments from Experts

ARAI Masaru

Chair of Japan Sustainable Investment Forum (JSIF)

The Japan Post Group seems to have considered a wide range of initiatives and is implementing them. On the other hand, the Group has not reached the stage of making disclosures of initiatives unique to the Group. To catch up with global ESG trends, the Group needs to accelerate its efforts more than ever.

Furthermore, in light of current developments in Europe, where double materiality has become the norm, I hope the Japan Post Group also takes this opportunity to review its materiality. The Group will need to take a more concrete and deep-dive view of the two ESG targets promoted in the Medium-Term Management Plan. As for carbon neutrality, the Group has set the quantitative target of a "46% reduction of GHG emissions (compared to the 2020/3 level) by 2030" and from now on it will need to disclose specific plans on how to achieve the target, the status of progress, challenges and the factors contributing to such challenges. Investors are interested in ESG bonds and the issue by the Group was met with great enthusiasm. The framework explains the future use of the funds but we would also like an explanation as it relates to medium- to long-term targets. In terms of viewing the Group's initiatives from the investor's perspective and becoming aware of disclosures that are insufficient, I think the Group made giant strides this year by making disclosures compliant with assessment organizations such as CDP and Sustainalytics, in addition to FTSE. CDP is a global standard, which is referred to by investors when they want to assess a company's environmental initiatives. At the same time, the SASB, which was consolidated under IFRS, will become even more important as ISSB disclosure standards. Inclusion as a constituent in the FTSE index is indispensable in order to become globally recognized for sustainability practices and given that the assessment for this index relies on disclosures, the Group should aim for well-crafted disclosures. I am expecting much more progress to come.

SEKI Masao

Visiting Professor,
The Open University of Japan

In terms of the environment, I think it is very commendable that the Group is switching to EVs for its delivery vehicles and working to decarbonize its post offices. I hope that the Japan Post Group leverages its social influence to lead society and the government. Also, regarding the Group's responses to climate change, I think it should not only "mitigate" but also "adapt" from the standpoint of protecting its businesses and heightening the resilience of the communities. As for the social perspective, I believe that the "Local Co-creation Initiative," which the Group launched this year is a wonderful endeavor. I hope that you continue to promote efforts such as these that are deeply rooted in the community, fostering human development while contributing to regional revitalization.

Meanwhile, in terms of human rights due diligence, despite it being a matter of utmost urgency, the Group has not indicated a concrete roadmap on how it plans to deal with it and by when. The Group should make this a priority issue. Furthermore, "Nature" and "People" will become crucial perspectives from now on, in addition to "Climate." As far as "Nature" is concerned, the G7 Summit agreed to put biodiversity on its recovery path by the fiscal year ending March 31, 2031 and how companies are involved with this endeavor will become an essential discussion point. Regarding the perspective of "People," the Group will need to not only address business and human rights but also the widening social gap. Following the lead of TCFD (Task Force on Climate-related Financial Disclosures) and TNFD (Task Force on Nature-related Financial Disclosures), the TSFD (Task Force on Social-related Financial Disclosures) is also advancing its discussions and will eventually require disclosures as well as target-setting and relevant reports. The Group should listen to the opinions of employees and external stakeholders, refer to the Report "Vision 2050 – Time to Transform" by the WBCSD (World Business Council for Sustainable Development), and think about what it should do by working back from the vision of itself in 2050.

FURUYA Yukiko

Representative,
Consumer Conference for Sustainability

Progress has not been made in the improvement of the ratio of female employees in management positions, one of the ESG targets. I think one of the main factors contributing to this situation is the customary employment practice of having separate hiring quotas for career-track employees and general employees. "Career-track employee" brings to mind a highly competitive work style suited to men, and there are some women, although they are fully capable, who will apply for general employee positions because they are put off by this image. Also, the Human Resources Development Basic Policies do not contain elements relating to sustainability. The Basic Policy for Customer-first Business Operations of Japan Post Insurance states, "Japan Post Insurance is aware of its social responsibility and will nurture customer-first human resources" and touches on the concept of sustainability, but I felt that it was lacking because it did not provide specific details or how it would lead to sustainability initiatives. It is unfortunate that more details are not given regarding human rights due diligence. I hope that the Group becomes aware that initiatives that have already been taken including the hiring of women, foreign nationals, and persons with disabilities are also significant issues of human rights due diligence and that they are promptly put into practice, including reviews of the existing initiatives. Utilizing tools such as Keidanren's "Handbook for Management that Respects Human Rights" will also be useful. The Group's disclosure of human rights and responsible procurement is only limited to facts. The Group should indicate the concepts that make up the foundations of disclosure, the current status of disclosure, its challenges, and the factors contributing to such challenges.

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

❶ Company Outline

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

❷ Information on Shares

(As of March 31, 2023)

1. Number of Shares

Total number of authorized shares	18,000,000,000
Total number of issued shares	3,657,797,700
Total number of shareholders	741,798

2. Major Shareholders

	Capital contribution to the Company	
	Number of shares held	Shareholding ratio (%)
Minister of Finance	1,255,956,800	36.28
The Master Trust Bank of Japan, Ltd. (Trust Account)	369,425,300	10.67
Custody Bank of Japan, Ltd. (Trust Account)	121,173,800	3.50
Japan Post Holdings Employee Shareholding Association	93,029,100	2.68
STATE STREET BANK WEST CLIENT - TREATY 505234	45,568,629	1.31
JPMorgan Securities Japan Co., Ltd.	31,821,492	0.91
STATE STREET BANK AND TRUST COMPANY 505103	28,313,266	0.81
JP MORGAN CHASE BANK 385781	28,027,456	0.80
SSBTC CLIENT OMNIBUS ACCOUNT	25,849,488	0.74
STATE STREET BANK AND TRUST COMPANY 505225	20,057,110	0.57

Note 1: Japan Post Holdings, which holds 196,848,273 shares of treasury stock, is not included in the above list of major shareholders.
Note 2: The shareholding ratio is calculated by deducting treasury stock from the total number of issued shares.

3. Matters Concerning Stock Acquisition Rights

None.

❸ Number of Employees

1,485 (as of March 31, 2023)

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

❹ List of Directors, Executive Officers, and Management Committees

(As of July 4, 2023)

1. Directors

Director and Representative Executive Officer, President & CEO	MASUDA Hiroya (Concurrently holds the positions of Director of Japan Post Co., Ltd., Director of Japan Post Bank Co., Ltd., and Director of Japan Post Insurance Co., Ltd.)
Director and Representative Executive Officer, Executive Vice President	IIZUKA Atsushi
Director	IKEDA Norito (Concurrently holds the position of Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd.)
Director	SENDA Tetsuya (Concurrently holds the position of President & CEO (Representative Executive Officer) of Japan Post Co., Ltd.)
Director	TANIGAKI Kunio (Concurrently holds the position of Director and President, CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd.)
Director (Outside)	OKAMOTO Tsuyoshi (Concurrently holds the position of Honorary Advisor of Tokyo Gas Co., Ltd.)
Director (Outside)	KOEZUKA Miharu
Director (Outside)	AKIYAMA Sakie (Concurrently holds the position of Founder (Advisor) of Saki Corporation)
Director (Outside)	KAIAMI Makoto (Attorney)
Director (Outside)	SATAKE Akira
Director (Outside)	SUWA Takako (Concurrently holds the position of Representative Director of Daiya Seiki Co., Ltd.)
Director (Outside)	ITO Yayoi
Director (Outside)	OEDA Hiroshi (Concurrently holds the position of Special Advisor of Nisshin Seifun Group Inc.)
Director (Outside)	KIMURA Miyoko (Concurrently holds the position of Director and Managing Executive Officer, General Manager of R&D Division of KING JIM CO., LTD.)
Director (Outside)	SHINDO Kosei (Concurrently holds the position of Representative Director and Chairman of Nippon Steel Corporation)

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

Representative Executive Officer, Senior Managing Executive Officer	KATO Nobuyasu
Senior Managing Executive Officer	YAMASHIRO Yasuhiko
Senior Managing Executive Officer	ASAI Tomonori
Senior Managing Executive Officer	HAYAKAWA Masataka
Managing Executive Officer	FUKUMOTO Kenji
Managing Executive Officer	FURUSATO Hiroyuki
Managing Executive Officer	SHOMURA Tsutomu
Managing Executive Officer	ICHIKI Miho
Managing Executive Officer	NAKAMATA Chikara
Managing Executive Officer	IIDA Yasuhisa
Managing Executive Officer	ICHIKURA Noboru
Managing Executive Officer	TANAKA Susumu
Managing Executive Officer	ONISHI Toru
Managing Executive Officer	NISHIGUCHI Akihito
Executive Officer	SAKURAI Makoto
Executive Officer	KAZAMATSURI Makoto
Executive Officer	MITANI Masanobu
Executive Officer	ITAGAKI Tadayuki
Executive Officer	TAKEMOTO Tsutomu
Executive Officer	SUNAYAMA Naoki
Executive Officer	MAKI Hirohisa
Executive Officer	KAKINOKI Akira
Executive Officer	NAKAHATA Ikuko
Executive Officer	NISHIDA Akihisa
Executive Officer	WAKABAYASHI Isamu

3. Nomination Committee

OKAMOTO Tsuyoshi (Chair)
SHINDO Kosei
MASUDA Hiroya

4. Audit Committee

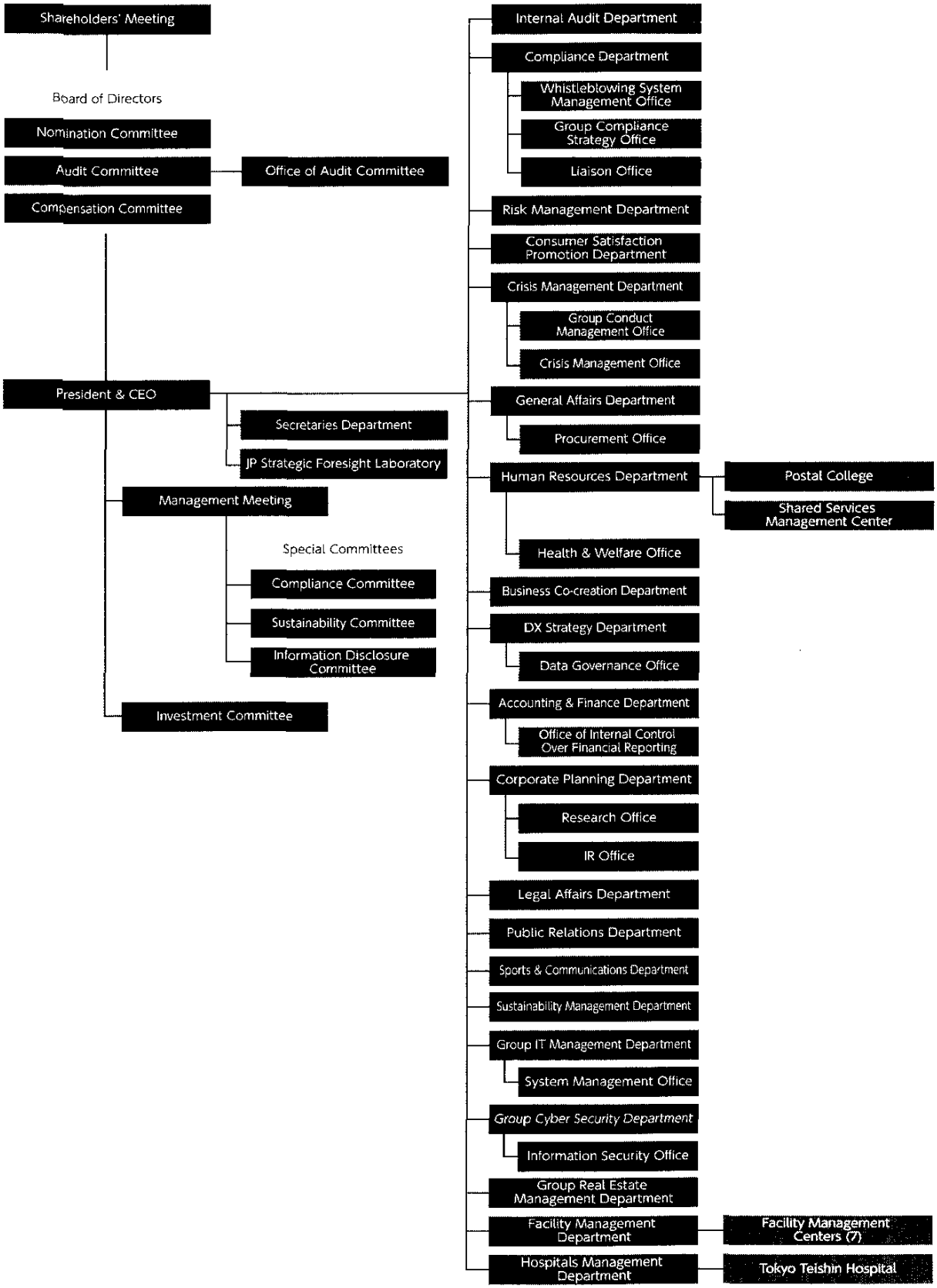
SATAKE Akira (Chair)
KAIAMI Makoto
SUWA Takako
ITO Yayoi

5. Compensation Committee

KOEZUKA Miharu (Chair)
OEDA Hiroshi
MASUDA Hiroya

❺ Organization Chart

(As of July 1, 2023)



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

(As of March 31, 2023)

Affiliation	Company name	Location	Issued capital (Millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000	Postal and domestic logistics business, post office business	October 1, 2007	100.0%
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Postal and domestic logistics business (truck cargo transportation)	November 30, 2007	100.0% (100.0%)
	JAPAN POST MAINTENANCE Co., Ltd	Koto-ku, Tokyo	¥50	Postal and domestic logistics business (automobile maintenance and machinery maintenance business, product sales business, vehicle maintenance and management business)	March 1, 1991	100.0% (100.0%)
	JP BIZ MAIL Co., Ltd.	Adachi-ku, Tokyo	¥100	Postal and domestic logistics business (preparation and posting of postal items)	February 1, 2006	58.5% (58.5%)
	JP MEDIA DIRECT Co., Ltd.	Minato-ku, Tokyo	¥300	Postal and domestic logistics business (planning, development, and sales of direct mail and contracted shipment of merchandise)	February 29, 2008	51.0% (51.0%)
	JP Rakuten Logistics, Inc.	Chiyoda-ku, Tokyo	¥100	Postal and domestic logistics business (logistics business)	May 14, 2021	50.1% (50.1%)
	Tokyo Beiyu Co., Ltd.	Meguro-ku, Tokyo	¥22	Postal and domestic logistics business (petroleum sales business)	March 10, 1949	82.3% (82.3%)
	Japan Post Trading Service Co., Ltd.	Koto-ku, Tokyo	¥100	Post office business (merchandise business, contracting business for merchandise operations)	September 11, 2007	100.0% (100.0%)
	Japan Post Communications Co., Ltd.	Minato-ku, Tokyo	¥350	Post office business (operations related to posting advertisements in post offices)	August 8, 2014	100.0% (100.0%)
	JAPAN POST OFFICE SUPPORT Co., Ltd.	Minato-ku, Tokyo	¥100	Post office business (merchandise sales, facilities management, and contracting business)	March 16, 1971	100.0% (100.0%)
	Japan Post Information Technology Co., Ltd.	Shinjuku-ku, Tokyo	¥3,150	Post office business (communication network maintenance and management)	January 30, 1987	100.0% (67.0%)
	JP GENERAL INSURANCE AGENCY Co., Ltd.	Chiyoda-ku, Tokyo	¥20	Post office business (non-life insurance and automobile liability insurance agency business)	August 7, 1950	70.0% (70.0%)
	JAPAN POST SYSTEM DEVELOPMENT Co., Ltd.	Shinagawa-ku, Tokyo	¥99	Post office business (consulting, planning and development business for business systems and basic technologies)	August 1, 1989	100.0% (100.0%)
	YY Gift Co., Ltd.	Nishi-ku, Yokohama-shi, Kanagawa	¥20	Post office business (sales of catalog products, mail-order business, agency business for sales of alcohol)	April 23, 1996	51.0% (51.0%)
	JP TOKYO TOKUSENKAI Co., Ltd.	Taito-ku, Tokyo	¥30	Post office business (sales of catalog products, mail-order business)	March 2, 2015	51.0% (51.0%)
	Toll Holdings Pty Limited (Note 5)	Melbourne, Australia	AUD4,978	International logistics business (forwarding business, 3PL business)	June 20, 1986	100.0% (100.0%)
	JP TOLL LOGISTICS, Co., Ltd. (Note 6)	Chiyoda-ku, Tokyo	¥100	International logistics business (forwarding business, 3PL business)	September 16, 2009	100.0% (100.0%)
	Toll Express Japan Co., Ltd. (Note 7)	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	60.6%
	JAPAN POST BANK LOAN CENTER Co., Ltd.	Chuo-ku, Tokyo	¥2,000	Banking business (credit guarantee services for account overdraft guarantee service and agency operations)	May 28, 1980	100.0% (100.0%)
	Japan Post Investment Corporation	Chiyoda-ku, Tokyo	¥750	Banking business (securities investment management business and investment advisory business)	February 9, 2018	75.0% (75.0%) [25.0%]
	JAPAN POST INSURANCE Co., Ltd.	Chiyoda-ku, Tokyo	¥500,000	Life insurance business	September 1, 2006	49.8%
	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 CORPORATE SERVICE Co., Ltd.	Minato-ku, Tokyo	¥640	Other businesses (temporary staffing service, contracted business)	July 3, 2007	100.0%
	JAPAN POST BUILDING MANAGEMENT Co., Ltd.	Chiyoda-ku, Tokyo	¥150	Other businesses (operational management of leased buildings)	April 1, 2011	100.0% (100.0%)

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 Capital Co., Ltd.	Chiyoda-ku, Tokyo	¥1,500	Other businesses (investment business, consulting business for management and financial matters)	November 1, 2017	100.0%
	Japan Post Real Estate Co., Ltd.	Chiyoda-ku, Tokyo	¥1,500	Other businesses (ownership, leasing and management business of real estate, development business of residential and commercial land, etc.)	April 2, 2018	100.0%
	JP DIGITAL Co., Ltd.	Chiyoda-ku, Tokyo	¥100	Other businesses (digital-related services business)	July 1, 2021	100.0% (10.0%)
	JP TWOWAY CONTACT Co., Ltd.	Nishi-ku, Osaka-shi, Osaka	¥182	Other businesses (telemarketing services)	April 18, 1988	82.9% (82.9%)
	Japan Post Properties Co., Ltd.	Chuo-ku, Tokyo	¥450	Other businesses (holding and rental of buildings, condominiums, and stores; master leases on real estate; etc.)	October 1, 1953	51.0% (51.0%)
	and 187 other companies					
Affiliated companies accounted for under the equity method	SAISON ASSET MANAGEMENT Co., Ltd.	Toshima-ku, Tokyo	¥1,000	Post office business (type II financial instruments business operation and investment trust management business, others)	June 12, 2006	40.0% (40.0%)
	JA FOODS OITA CO., LTD.	Kitsuki-shi, Oita	¥493	Post office business (processing and sales of agricultural products, fruits, and vegetables)	December 2, 1991	20.0% (20.0%)
	RINGBELL Co., Ltd.	Chuo-ku, Tokyo	¥100	Post office business (planning, production and sales of catalog gifts, others)	July 3, 1987	20.0% (20.0%)
	JP Asset Management Co., Ltd.	Chuo-ku, Tokyo	¥500	Banking business (type II financial instruments business operation and investment management business)	August 18, 2015	50.0% (50.0%)
	ATM Japan Business Service, Ltd.	Minato-ku, Tokyo	¥100	Banking business (ATM cash loading and collection as well as ATM management)	August 30, 2012	35.0% (35.0%)
	Good Technology Company, Co., Ltd.	Chiyoda-ku, Tokyo	¥10	Other businesses (digital-related services)	January 18, 2023	40.0% (40.0%)
	and 8 other companies					

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

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

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

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

Note 5: Toll Holdings Pty Limited is no longer insolvent (excessive liabilities) as of March 31, 2023 due to an additional investment of AUD2,000 million (approximately ¥180 billion) from Japan Post.

Note 6: JP TOLL LOGISTICS, Co., Ltd. changed its trade name to JP LOGISTICS GROUP Co., Ltd. on April 1, 2023, and its reportable segment was changed from "International logistics business" to "Postal and domestic logistics business."

Note 7: Toll Express Japan Co., Ltd. changed its trade name to JP LOGISTICS Co., Ltd. on April 1, 2023, and its reportable segment was changed from "International logistics business" to "Postal and domestic logistics business."

Note 8: Among the affiliated companies listed above, the ordinary income (excluding intercompany ordinary income of consolidated companies) of Japan Post, Japan Post Bank, and Japan Post Insurance exceeded 10% of consolidated ordinary income. Information on principal profits and losses of Japan Post is detailed below. Information on Japan Post Bank and Japan Post Insurance is omitted because these companies submit securities reports.

Name	Principal information on profits and losses (Millions of yen)				
	Operating income	Ordinary income	Net income	Net assets	Total assets
Japan Post	¥ 2,761,180	¥ 83,324	¥ 66,280	¥ 707,195	¥ 4,417,564

2. Outline of Japan Post Co., Ltd.

❶ 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

❷ 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.

❸ Information on Shares

(As of March 31, 2023)

1. Number of Shares

Total shares issued	10,000,000

2. Shareholder

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

❹ Number of Employees

175,950* (as of March 31, 2023)

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

❺ List of Directors, Audit and Supervisory Board Members, and Executive Officers

(As of July 7, 2023)

1. Directors

President & CEO (Representative Executive Officer) ..... SENDA Tetsuya (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Executive Vice President (Representative Director) ..... ICHIKURA Noboru (Concurrently holds the position of Managing Director of Japan Post Holdings Co., Ltd.)
Executive Vice President (Representative Director) ..... MINAMI Yoshito
First Executive Officer (Director) ..... TSUYAMA Katsuhiko
Director ..... MASUDA Hiroya (Concurrently holds the position of Director and Representative Executive Officer, President & CFO of Japan Post Holdings Co., Ltd.)
Director (Outside) ..... ENOMOTO Chisa (Concurrently holds the position of Outside Director (Member of Supervisory Committee) of PERSOL HOLDINGS CO., LTD.)
Director (Outside) ..... OGURA Toshikatsu (Formerly held the position of Senior Executive Vice President, Representative Member of the Board of Nippon Telegraph and Telephone West Corporation)
Director (Outside) ..... TAKAMURA Etsuko (Concurrently holds the position of Managing Director, General Manager, Value Creation of CHORUS CORPORATION)
Director (Outside) ..... TAJI Noriko (Professor of MBA School & Department of Business Administration, Hosei University)
Director (Outside) ..... NOKINA Akira (Concurrently holds the position of Representative Director and Chairman of North Pacific Securities Co., Ltd.)
Director (Outside) ..... MATSUDA Yozo (Concurrently holds the position of Director and Vice President of YOMIURI TELECASTING CORPORATION)

2. Audit and Supervisory Board Members

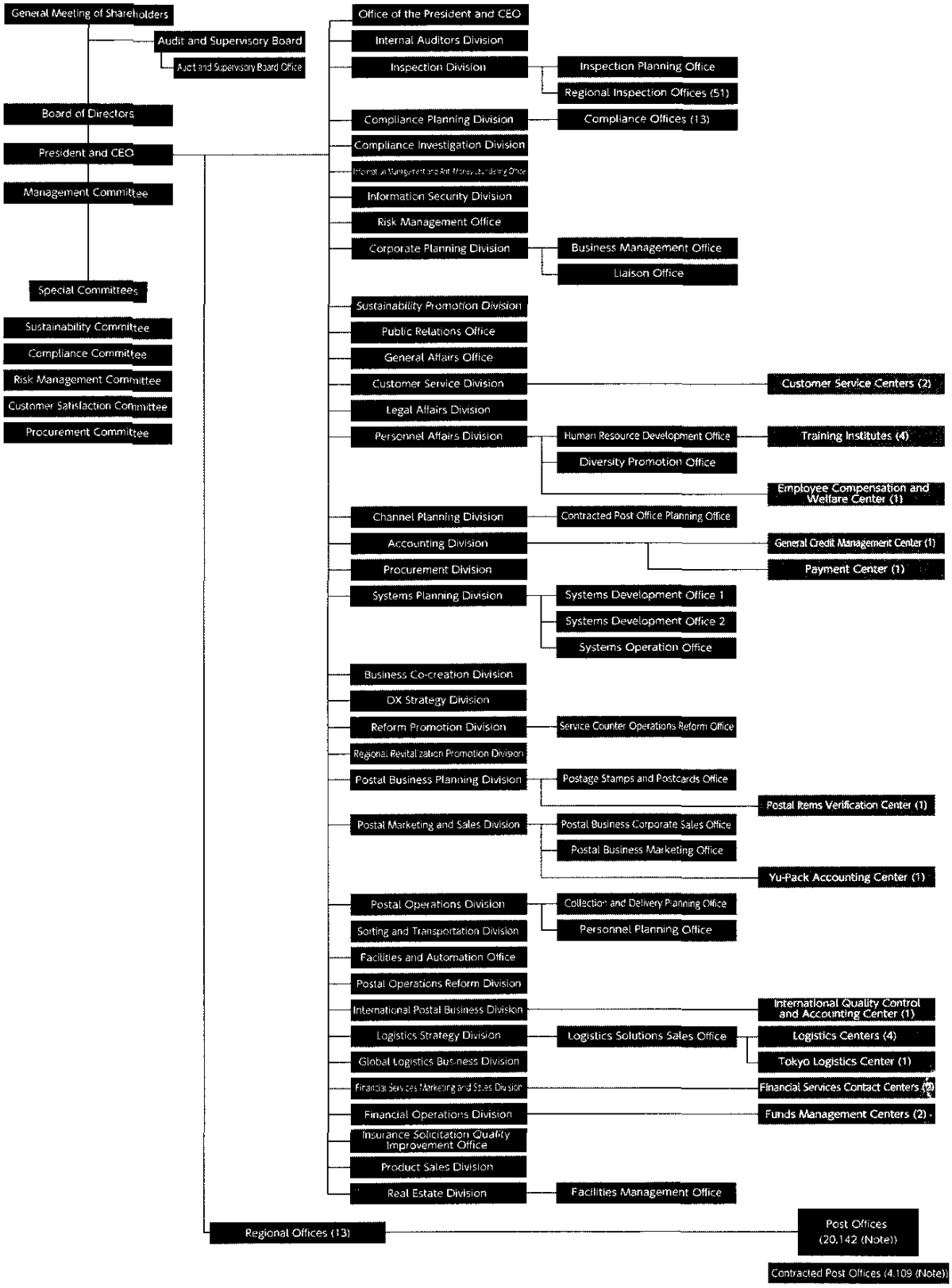
INASAWA Toru
OGURO Masayasu
SHINODA Kenji
NAKAYAMA Hitomi

3. Executive Officers

First Executive Officer	YAMASHIRO Yasuhiko	Executive Officer	ASAMI Kanako
First Executive Officer	ASAI Tomonori	Executive Officer	HASEGAWA Atsushi
First Executive Officer	KATO Nobuyasu	Executive Officer	OGAWA Masato
First Executive Officer	HAYAKAWA Masataka	Executive Officer	NAKAI Katsunori
Senior Executive Officer	NEGISHI Kazuyuki	Executive Officer	NAMIKI Tsukasa
Senior Executive Officer	TAKAHASHI Yasuhiro	Executive Officer	TANAKA Yutaka
Senior Executive Officer	KOIKE Shinya	Executive Officer	MITOMA Norimasa
Senior Executive Officer	SAKATA Hiroshi	Executive Officer	MITANI Masanobu
Senior Executive Officer	FUKUMOTO Kenji	Executive Officer	GOMI Yoshihiro
Senior Executive Officer	FURUSATO Hiroyuki	Executive Officer	TANAKA Hiroyuki
Senior Executive Officer	KINOSHITA Noriko	Executive Officer	BANDO Hideki
Senior Executive Officer	NISHIGUCHI Akihito	Executive Officer	MEGURO Kenji
Senior Executive Officer	SHOMURA Tsutomu	Executive Officer	TAKEBE Shigeki
Senior Executive Officer	ONOKI Kieko	Executive Officer	SUNAYAMA Naoki
Senior Executive Officer	KAMIOZAKI Koji	Executive Officer	MAKI Hirohisa
Senior Executive Officer	TAKAHASHI Fumiaki	Executive Officer	KUROGI Nobuhiro
Senior Executive Officer	ICHIKI Miho	Executive Officer	SAITO Takashi
Senior Executive Officer	NAKAMA Yoshinobu	Executive Officer	MATSUOKA Hoshihiko
Senior Executive Officer	IIDA Yasuhisa	Executive Officer	YAMADA Ryotaro
		Executive Officer	NAKAHATA Ikuko
		Executive Officer	NISHIDA Akihisa

❻ Organization Chart

(As of July 1, 2023)



Note: The number of Regional Inspection Offices, Compliance Offices, and each Center (excluding Financial Services Contact Centers) is as of April 1, 2023. In addition, the number of directly managed post offices and contracted post offices is as of March 31, 2023.

3. Outline of Japan Post Bank Co., Ltd.

❶ 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

❷ Management Philosophy

Management Philosophy

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

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

❸ Information on Shares

(As of March 31, 2023)

1. Number of Shares

Total shares issued	3,690,021,220

2. Major Shareholders

		Number of shares held and percentage of shares held	
		Number of shares held	Percentage of shares held (%)
1	Japan Post Holdings Co., Ltd.	2,224,866,500	60.62
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	76,659,500	2.08
3	JP JPMSE LUX RE UBS AG LONDON BRANCH EQ CO	30,418,700	0.82
4	STATE STREET BANK WEST CLIENT-TREATY 505234	29,273,600	0.79
5	Custody Bank of Japan, Ltd. (Trust Account)	18,239,200	0.49
6	SSBTC CLIENT OMNIBUS ACCOUNT	12,279,075	0.33
7	Japan Post Bank Employee Shareholding Association	11,874,000	0.32
8	JP MORGAN CHASE BANK 385770	11,719,614	0.31
9	STATE STREET BANK AND TRUST COMPANY 505103	10,595,079	0.28
10	JP MORGAN CHASE BANK 385765	9,018,224	0.24

Note 1: The percentage of shares held has been calculated excluding treasury stock (20,347,703 shares) and has been rounded down to the second decimal place.
Note 2: The Bank holds 20,347,703 shares (the ratio of the number of shares held against the total number of shares issued is 0.55%) of treasury stock, which are not included in the above list of major shareholders. The treasury stock does not include the Bank's shares held by the stock benefit trust (1,436,900 shares).

❹ Number of Employees

11,742* (as of March 31, 2023)
* The number of employees excludes employees assigned to other companies by Japan Post Bank but includes employees assigned to Japan Post Bank by other companies. The figure does not include part-time employees (including the indefinite-term employees (associates) based on the indefinite-term employment conversion system).

❺ List of Directors, Executive Officers, and Management Committees

(As of July 1, 2023)

1. Directors

Director, President and Representative Executive Officer..... IKEDA Norito (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)

Director, Representative Executive Vice President..... TANAKA Susumu (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)

Director, Representative Executive Vice President..... KASAMA Takayuki

Director..... MASUDA Hiroya (Concurrently holds the position of Director and Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd.)

Director..... YAMAZAKI Katsuyo

Outside Director..... TAKEUCHI Keisuke (Formerly held the position of Principal Corporate Advisor of JGC HOLDINGS CORPORATION)

Outside Director..... KAIWA Makoto (Concurrently holds the position of Special Advisor of Tohoku Electric Power Co., Inc.)

Outside Director..... AIHARA Risa (Concurrently holds the position of Representative Director and President of AI-LAND Co., Ltd.)

Outside Director..... KAWAMURA Hiroshi (Attorney-at-law)

Outside Director..... YAMAMOTO Kenzo (Concurrently holds the position of Representative of Office KY Initiative)

Outside Director..... NAKAZAWA Keiji (Formerly held the position of Vice President of McDonald's Company (Japan), Ltd.)

Outside Director..... SATO Atsuko (Associate Professor, Department of International Studies, Faculty of Economics of Takasaki City University of Economics)

Outside Director..... AMANO Reiko (Formerly held the position of Auditor of Japan Atomic Energy Agency)

Outside Director..... KATO Akane (Concurrently holds the position of Representative Director of AKANE IDENTITIES INC.)

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

Executive Vice President	YANO Harumi	Executive Officer	KISHI Etsuko
Executive Vice President	OGATA Kenji	Executive Officer	TOUMA Masaya
Senior Managing Executive Officer	KOTOUDA Minoru	Executive Officer	DEN Akihiro
Senior Managing Executive Officer	TAMAKI Masato	Executive Officer	FUKUSHIMA Katsuya
Senior Managing Executive Officer	MATSUNAGA Hisashi	Executive Officer	HASUKAWA Koji
Managing Executive Officer	TANAKA Takayuki	Executive Officer	YOSHIDA Koichiro
Managing Executive Officer	SHINMURA Makoto	Executive Officer	KATO Hisanori
Managing Executive Officer	NAGURA Shinobu	Executive Officer	YAMAMOTO Jun
Managing Executive Officer	OGATA Satoru	Executive Officer	TOYODA Yasumitsu
Managing Executive Officer	NAKAO Hideki	Executive Officer	FUJIE Junko
Managing Executive Officer	IIMURA Koji	Executive Officer	UEDA Hiroshi
		Executive Officer	AONO Kenji

3. Nomination Committee

Chairman	KAIWA Makoto
Member	TAKEUCHI Keisuke
Member	AMANO Reiko
Member	IKEDA Norito
Member	MASUDA Hiroya

4. Audit Committee

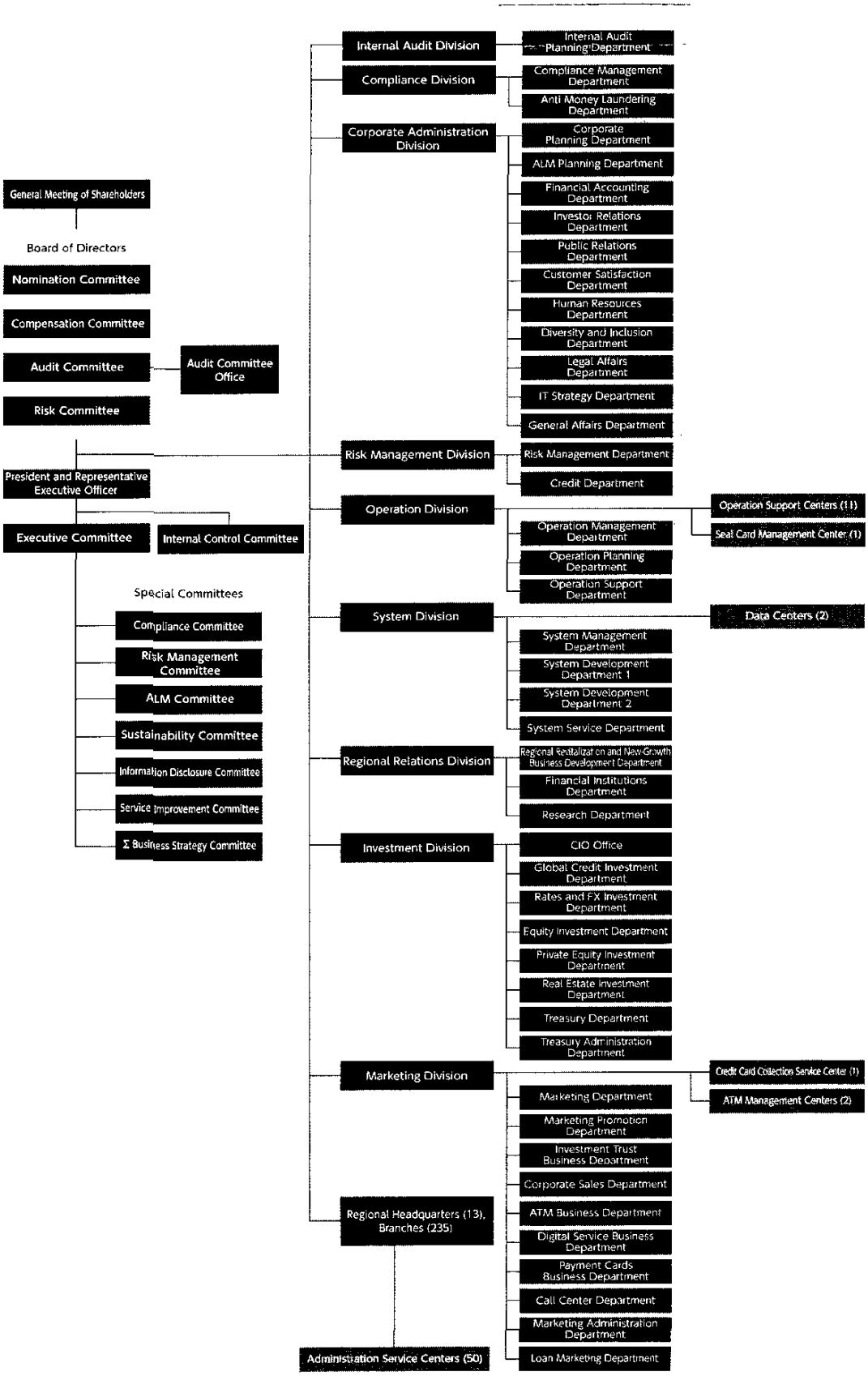
Chairman	KAWAMURA Hiroshi
Member	YAMAZAKI Katsuyo
Member	YAMAMOTO Kenzo
Member	NAKAZAWA Keiji
Member	KATO Akane

5. Compensation Committee

Chairman	TAKEUCHI Keisuke
Member	AIHARA Risa
Member	NAKAZAWA Keiji
Member	MASUDA Hiroya

❻ Organization Chart

(As of July 1, 2023)



4. Outline of Japan Post Insurance Co., Ltd.

❶ 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

❷ 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.

❸ Information on Stocks

(As of March 31, 2023)

1. Number of Stocks

Issued stocks	399,693,700

2. Major Shareholders

	Number of shares held and percentage of shares held	
	Number of shares held	Percentage of shares held
Japan Post Holdings Co., Ltd.	190,963,900	49.84%
The Master Trust Bank of Japan, Ltd. (Trust Account)	32,715,600	8.54%
Custody Bank of Japan, Ltd. (Trust Account)	11,383,500	2.97%
STATE STREET BANK WEST CLIENT - TREATY 505234	3,543,900	0.92%
Japan Post Insurance Employee Shareholding Association	3,368,500	0.88%
JPMorgan Securities Japan Co., Ltd.	3,319,167	0.87%
JP JPMSE LUX RE MERRILL LYNCH INTERNATI EQ CO	3,126,974	0.82%
STATE STREET BANK AND TRUST COMPANY 505103	3,064,073	0.80%
JP MORGAN CHASE BANK 385781	2,280,804	0.60%
STATE STREET BANK AND TRUST COMPANY 505225	2,117,225	0.55%

Note 1: Although the Company holds treasury stock of 16,512,551 shares, it is excluded from the major shareholders above.
Note 2: Percentage of shares held is calculated excluding treasury stock (16,512,551 shares) and rounded to two decimal places.
Treasury stock does not include the 475,600 shares of the Company's stock held in the Board Benefit Trust (BBT).

❹ Number of Employees

19,148* (as of March 31, 2023)

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

❺ List of Directors, Executive Officers, and Management Committees

(As of July 1, 2023)

1. Directors

Director and President, CEO, Representative Executive Officer	TANIGAKI Kunio (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Director and Deputy President, Representative Executive Officer	ONISHI Toru (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Director	NARA Tomoaki
Director	MASUDA Hiroya (Concurrently holds the position of Director and Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd.)
Outside Director	SUZUKI Masako (Formerly held the position of Executive Advisor of Pasona Group Inc.)
Outside Director	HARADA Kazuyuki (Concurrently holds the position of Chairman of the Board of Keikyu Corporation)
Outside Director	YAMAZAKI Hisashi (Attorney-at-law)
Outside Director	TONOSU Kaori (Formerly held the position of Partner of Deloitte Touche Tohmatsu LLC)
Outside Director	TOMII Satoshi (Concurrently holds the position of Chairman of DBJ Investment Advisory Co., Ltd.)
Outside Director	SHINGU Yuki (Concurrently holds the position of President and Chief Executive Officer of Future Architect, Inc.)
Outside Director	OMACHI Reiko (Attorney-at-law)

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

Deputy President, Representative Executive Officer	SHIMA Toshitaka
Senior Managing Executive Officer	HIRONAKA Yasuaki
Senior Managing Executive Officer	TACHIBANA Atsushi
Senior Managing Executive Officer	KUME Takeshi
Managing Executive Officer	KOIE Junko
Managing Executive Officer	SAKAMOTO Hidekazu
Managing Executive Officer	HARUNA Takayuki
Managing Executive Officer	IIDA Takashi
Managing Executive Officer	YOKOYAMA Masamichi
Managing Executive Officer	MIYAZAWA Hitoshi
Executive Officer	MURO Takashi
Executive Officer	IMAIZUMI Michinori
Executive Officer	TAGUCHI Yoshihiro
Executive Officer	SHIGEMATSU Jun
Executive Officer	YOSHIDA Syouichi
Executive Officer	KIMURA Yoshihisa
Executive Officer	HAMASAKI Rika
Executive Officer	HANDA Shuji
Executive Officer	IZUMI Mamiko
Executive Officer	ADACHI Tamami
Executive Officer	IWATA Kazuhiko

3. Nomination Committee

Chairman	HARADA Kazuyuki
Member	TANIGAKI Kunio
Member	MASUDA Hiroya
Member	SUZUKI Masako
Member	YAMAZAKI Hisashi

4. Audit Committee

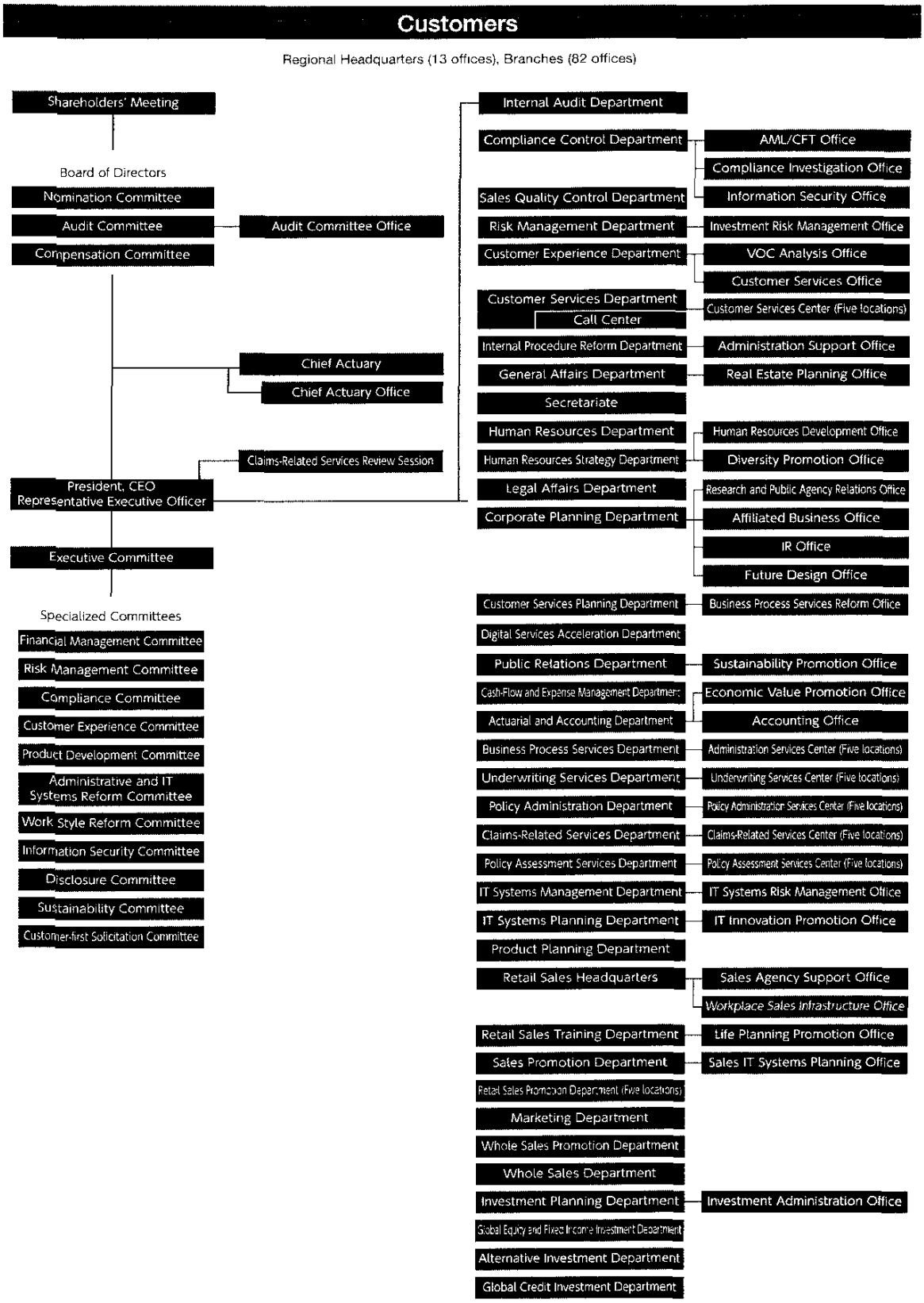
Chairman	SUZUKI Masako
Member	NARA Tomoaki
Member	TONOSU Kaori
Member	TOMII Satoshi
Member	OMACHI Reiko

5. Compensation Committee

Chairman	TOMII Satoshi
Member	MASUDA Hiroya
Member	HARADA Kazuyuki
Member	SHINGU Yuki

❻ Organization Chart

(As of July 1, 2023)



5. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Total income	12,774,999	11,950,185	11,720,403	11,264,774	11,138,580
Income before income taxes	830,696	864,457	914,164	991,464	657,499
Net income	479,419	483,733	418,238	501,685	431,066
Comprehensive income (loss)	291,836	(2,225,078)	3,567,160	(805,187)	(305,224)
Net assets	14,788,654	12,616,774	16,071,067	14,688,981	15,098,256
Total assets	286,170,709	286,098,449	297,738,131	303,846,980	296,111,587
Consolidated capital adequacy ratio (domestic standard)	17.73%	17.66%	17.55%	17.21%	17.35%

Notes
1. The amount of net income attributable to Japan Post Holdings has been used for net income of the Japan Post Group (Consolidated).
2. The consolidated capital adequacy ratio (domestic standard) has been calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006).

Japan Post Holdings (Non-consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Operating income	274,551	289,447	167,933	284,688	257,559
Net operating income	213,623	236,452	104,871	203,545	180,637
Net ordinary income	215,900	243,027	114,800	217,753	198,881
Net income (loss)	220,791	397,647	(2,129,989)	325,460	293,787
Net assets	7,940,442	8,031,667	5,912,969	5,740,721	5,625,034
Total assets	8,079,602	8,129,402	5,997,547	5,848,650	5,762,311

Japan Post (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Operating income	3,960,669	3,839,318	3,837,635	3,656,920	3,451,530
Net operating income	182,021	179,034	155,070	148,268	83,794
Net ordinary income	179,865	168,111	149,191	143,545	79,477
Net income	126,614	87,155	53,415	93,217	62,111
Net assets	915,130	855,378	871,293	910,154	851,356
Total assets	5,182,809	5,179,414	5,175,507	5,180,966	4,890,957

Note: The amount of net income attributable to Japan Post has been used for net income of Japan Post (Consolidated).

[Postal and domestic logistics business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Operating income	2,114,950	2,125,313	2,068,426	2,041,210	1,997,817
Net operating income	121,388	147,505	123,716	102,245	32,852

[Post office business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Operating income	1,362,579	1,298,774	1,243,466	1,151,797	1,074,041
Net operating income	59,619	44,598	37,727	24,569	49,311

[International logistics business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Operating income	700,650	634,954	749,878	687,506	599,462
Net operating income (loss)	10,300	(8,683)	3,505	28,788	10,732

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

Japan Post Bank (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Ordinary income	1,845,413	1,799,544	1,946,728	1,977,640	2,064,251
Net ordinary income	373,978	379,137	394,221	490,891	455,566
Net income	266,189	273,435	280,130	355,070	325,070
Net assets	11,362,365	9,003,256	11,394,827	10,302,261	9,651,874
Total assets	208,974,134	210,910,882	223,870,673	232,954,480	229,582,232
Consolidated capital adequacy ratio (domestic standard)	15.80%	15.58%	15.53%	15.56%	15.53%

Notes:
1. The amount of net income attributable to Japan Post Bank has been used for net income of Japan Post Bank (Consolidated).
2. The consolidated capital adequacy ratio (domestic standard) has been calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No. 19, the Financial Services Agency, 2006).

Japan Post Insurance (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Ordinary income	7,916,655	7,211,405	6,786,226	6,454,208	6,379,561
Net ordinary income	264,870	286,601	345,736	356,113	117,570
Net income	120,480	150,687	166,103	158,062	97,614
Net assets	2,135,137	1,928,380	2,841,475	2,421,063	2,375,377
Total assets	73,905,017	71,664,781	70,172,982	67,174,796	62,687,388
Consolidated solvency margin ratio	1,189.8%	1,070.9%	1,121.2%	1,045.5%	1,009.1%

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

6. Japan Post Group Companies—Consolidated Financial Data

CONSOLIDATED BALANCE SHEETS

	Millions of Yen		*Millions of U.S. Dollars* (Note 1)
	2023 (As of March 31, 2023)	**2022** (As of March 31, 2022)	**2023** (As of March 31, 2023)
ASSETS:			
Cash and due from banks (Notes 3, 4 and 5)	¥ 70,243,186	¥ 68,502,665	$ 526,048
Call loans	2,500,000	2,510,000	18,722
Receivables under resale agreements	11,173,216	11,958,586	83,676
Receivables under securities borrowing transactions	250,241	—	1,874
Monetary claims bought (Notes 4 and 20)	525,632	436,845	3,936
Trading account securities (Notes 4 and 20)	19	11	0
Money held in trust (Notes 4 and 20)	11,787,642	10,762,356	88,277
Securities (Notes 3, 4, 5, 6 and 20)	182,770,020	193,172,232	1,368,756
Loans (Notes 6 and 20)	9,210,199	8,693,923	68,975
Foreign exchanges (Note 6)	124,943	213,924	936
Other assets (Notes 5, 6 and 27)	2,945,647	3,183,566	22,060
Tangible fixed assets (Note 7)			
Buildings	1,044,093	1,038,414	7,819
Land	1,613,766	1,608,472	12,085
Construction in progress	235,520	165,308	1,764
Other tangible fixed assets	285,300	292,909	2,137
Total tangible fixed assets	3,178,680	3,105,104	23,805
Intangible assets			
Software	241,744	197,692	1,810
Goodwill	6,926	8,905	52
Other intangible assets	18,065	18,333	135
Total intangible assets	266,735	224,931	1,998
Asset for retirement benefits (Note 13)	76,022	69,639	569
Deferred tax assets (Note 15)	1,065,309	1,019,228	7,978
Reserve for possible loan losses	(5,909)	(6,036)	(44)
Total assets	**¥ 296,111,587**	**¥ 303,846,980**	**$ 2,217,566**

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)	2023 (As of March 31, 2023)
LIABILITIES:			
Deposits (Notes 5 and 20)	¥ 192,420,880	¥ 191,731,173	$ 1,441,031
Payables under repurchase agreements (Note 5)	22,057,310	22,032,546	165,186
Policy reserves and others			
Reserve for outstanding claims (Note 8)	410,387	402,608	3,073
Policy reserves (Notes 8 and 14)	53,518,219	56,533,454	400,795
Reserve for policyholder dividends (Note 9)	1,175,171	1,260,009	8,801
Total policy reserves and others	55,103,778	58,196,072	412,670
Payables under securities lending transactions (Note 5)	1,941,872	3,751,134	14,543
Borrowed money (Notes 3, 5, 10 and 20)	1,791,279	5,942,886	13,415
Foreign exchanges	1,411	697	11
Bonds (Notes 5, 11 and 20)	335,000	300,000	2,509
Other liabilities (Notes 10, 12 and 27)	4,010,077	3,455,867	30,031
Reserve for bonuses	125,570	127,237	940
Liability for retirement benefits (Note 13)	2,212,694	2,223,051	16,571
Reserve for employee stock ownership plan trust	511	515	4
Reserve for management board benefit trust	1,176	1,139	9
Reserve for reimbursement of deposits	54,655	58,813	409
Reserve for price fluctuations (Note 14)	889,960	972,606	6,665
Deferred tax liabilities (Note 15)	67,152	364,257	503
Total liabilities	**¥ 281,013,330**	**¥ 289,157,998**	**$ 2,104,496**
NET ASSETS (Note 16):			
Capital stock	¥ 3,500,000	¥ 3,500,000	$ 26,211
Capital surplus	—	1,458,718	—
Retained earnings	6,238,845	6,138,069	46,722
Treasury stock	(201,307)	(96,106)	(1,508)
Total shareholders' equity	9,537,537	11,000,681	71,426
Net unrealized gains (losses) on available-for-sale securities	893,645	1,731,180	6,692
Net deferred gains (losses) on hedges	(375,143)	(479,930)	(2,809)
Foreign currency translation adjustments	(116,148)	(112,443)	(870)
Accumulated adjustments for retirement benefits	137,703	169,902	1,031
Total accumulated other comprehensive income	540,056	1,308,709	4,044
Non-controlling interests	5,020,661	2,379,590	37,599
Total net assets	**15,098,256**	**14,688,981**	**113,070**
Total liabilities and net assets	**¥ 296,111,587**	**¥ 303,846,980**	**$ 2,217,566**

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023 (From April 1, 2022 to March 31, 2023)	2022 (From April 1, 2021 to March 31, 2022)	2023 (From April 1, 2022 to March 31, 2023)
INCOME (Note 27):			
Postal business income	¥ 2,559,172	¥ 2,688,197	$ 19,166
Banking business income	2,062,509	1,976,004	15,446
Life insurance business income	6,374,579	6,454,191	47,739
Other income (Notes 7 and 17)	254,553	175,820	1,906
Total income	**11,250,815**	**11,294,215**	**84,257**
EXPENSES:			
Operating expenses	7,783,737	7,398,205	58,292
Personnel expenses (Note 13)	2,434,286	2,429,768	18,230
Depreciation and amortization	229,490	255,361	1,719
Other expenses (Notes 7 and 18)	108,089	369,591	809
Total expenses	**10,555,603**	**10,452,927**	**79,050**
Income before income taxes	**695,212**	**841,287**	**5,206**
Income taxes (Note 15):			
Current	193,095	221,456	1,446
Deferred	(18,570)	1,322	(139)
Total income taxes	**174,525**	**222,779**	**1,307**
Net income	**520,687**	**618,508**	**3,899**
Net income attributable to non-controlling interests	89,620	116,823	671
Net income attributable to Japan Post Holdings	**¥ 431,066**	**¥ 501,685**	**$ 3,228**

	Yen		U.S. Dollars (Note 1)
	2023 (From April 1, 2022 to March 31, 2023)	2022 (From April 1, 2021 to March 31, 2022)	2023 (From April 1, 2022 to March 31, 2023)
Per share of common stock (Note 26):			
Basic net income	¥ 120.82	¥ 131.93	$ 0.90
Diluted net income	—	—	—

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023 (From April 1, 2022 to March 31, 2023)	2022 (From April 1, 2021 to March 31, 2022)	2023 (From April 1, 2022 to March 31, 2023)
Net income	**¥ 520,687**	**¥ 618,508**	**$ 3,899**
Other comprehensive loss (Note 19)			
Net unrealized gains (losses) on available-for-sale securities	(707,864)	(1,210,064)	(5,301)
Net deferred gains (losses) on hedges	(82,206)	(169,335)	(616)
Foreign currency translation adjustments	(4,039)	(7,771)	(30)
Adjustments for retirement benefits	(31,807)	(36,525)	(238)
Share of other comprehensive income of affiliates	6	0	0
Total other comprehensive loss	(825,912)	(1,423,696)	(6,185)
Comprehensive loss	**¥ (305,224)**	**¥ (805,187)**	**$ (2,286)**
Total comprehensive loss attributable to:			
Japan Post Holdings	¥ (283,482)	¥ (705,175)	$ (2,123)
Non-controlling interests	(21,741)	(100,011)	(163)

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

(Millions of Yen)

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

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

See the accompanying notes to consolidated financial statements.

2023 (From April 1, 2022 to March 31, 2023)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2022	¥ 3,500,000	¥ 1,458,718	¥ 6,138,069	¥ (96,106)	¥ 11,000,681
Changes in the fiscal year:					
Cash dividends			(183,136)		(183,136)
Net income attributable to Japan Post Holdings			431,066		431,066
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		(1,505,816)			(1,505,816)
Purchases of treasury stock				(205,355)	(205,355)
Disposals of treasury stock				98	98
Cancellation of treasury stock		(100,056)		100,056	—
Transfer from retained earnings to capital surplus		147,154	(147,154)		—
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	(1,458,718)	100,775	(105,200)	(1,463,143)
BALANCE, MARCH 31, 2023	¥ 3,500,000	¥ —	¥ 6,238,845	¥ (201,307)	¥ 9,537,537

	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, 2022	¥ 1,731,180	¥ (479,930)	¥ (112,443)	¥ 169,902	¥ 1,308,709	¥ 2,379,590	¥ 14,688,981
Changes in the fiscal year:							
Cash dividends							(183,136)
Net income attributable to Japan Post Holdings							431,066
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							(1,505,816)
Purchases of treasury stock							(205,355)
Disposals of treasury stock							98
Cancellation of treasury stock							—
Transfer from retained earnings to capital surplus							—
Net changes in items other than shareholders' equity in the fiscal year	(837,535)	104,786	(3,705)	(32,198)	(768,652)	2,641,071	1,872,418
Net changes in the fiscal year	(837,535)	104,786	(3,705)	(32,198)	(768,652)	2,641,071	409,274
BALANCE, MARCH 31, 2023	¥ 893,645	¥ (375,143)	¥ (116,148)	¥ 137,703	¥ 540,056	¥ 5,020,661	¥ 15,098,256

See the accompanying notes to consolidated financial statements.

2023 (From April 1, 2022 to March 31, 2023)

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

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2022	$ 26,211	$ 10,924	$ 45,968	$ (720)	$ 82,384
Changes in the fiscal year:					
Cash dividends			(1,371)		(1,371)
Net income attributable to Japan Post Holdings			3,228		3,228
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		(11,277)			(11,277)
Purchases of treasury stock				(1,538)	(1,538)
Disposals of treasury stock				1	1
Cancellation of treasury stock		(749)		749	—
Transfer from retained earnings to capital surplus		1,102	(1,102)		—
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	(10,924)	755	(788)	(10,957)
BALANCE, MARCH 31, 2023	$ 26,211	$ —	$ 46,722	$ (1,508)	$ 71,426

	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, 2022	$ 12,965	$ (3,594)	$ (842)	$ 1,272	$ 9,801	$ 17,821	$ 110,005
Changes in the fiscal year:							
Cash dividends							(1,371)
Net income attributable to Japan Post Holdings							3,228
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							(11,277)
Purchases of treasury stock							(1,538)
Disposals of treasury stock							1
Cancellation of treasury stock							—
Transfer from retained earnings to capital surplus							—
Net changes in items other than shareholders' equity in the fiscal year	(6,272)	785	(28)	(241)	(5,756)	19,779	14,022
Net changes in the fiscal year	(6,272)	785	(28)	(241)	(5,756)	19,779	3,065
BALANCE, MARCH 31, 2023	$ 6,692	$ (2,809)	$ (870)	$ 1,031	$ 4,044	$ 37,599	$ 113,070

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023 (From April 1, 2022 to March 31, 2023)	2022 (From April 1, 2021 to March 31, 2022)	2023 (From April 1, 2022 to March 31, 2023)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 695,212	¥ 841,287	$ 5,206
Income taxes paid	(124,552)	(274,815)	(933)
Policyholder dividends paid	(146,714)	(155,691)	(1,099)
Depreciation and amortization	229,490	255,361	1,719
Losses on impairment of fixed assets	3,224	11,280	24
Amortization of goodwill	2,082	1,317	16
Equity in (earnings) losses of affiliates	(1,387)	(1,527)	(10)
Net change in reserve for outstanding claims	7,778	(16,412)	58
Net change in policy reserves	(3,015,234)	(2,864,265)	(22,581)
Provision for interest on policyholder dividends	9	9	0
Provision for reserve for policyholder dividends	62,067	73,113	465
Net change in reserve for possible loan losses	(106)	(1,403)	(1)
Net change in reserve for bonuses	(1,543)	504	(12)
Net change in asset and liability for retirement benefits	(16,740)	7,055	(125)
Net change in reserve for employee stock ownership plan trust	(3)	(20)	(0)
Net change in reserve for management board benefit trust	36	186	0
Net change in reserve for reimbursement of deposits	(4,158)	(15,016)	(31)
Net change in reserve for insurance claims and others	—	(2,851)	—
Net change in reserve for price fluctuations	(82,645)	67,789	(619)
Interest income (accrual basis)	(1,243,685)	(1,369,735)	(9,314)
Interest expenses (accrual basis)	458,165	226,652	3,431
Net (gains) losses on securities	142,927	219,842	1,070
Net (gains) losses on money held in trust	(397,198)	(401,224)	(2,975)
Net (gains) losses on foreign exchanges	(1,337,823)	(1,105,269)	(10,019)
Net (gains) losses on sales and disposal of fixed assets	(13,795)	(17,070)	(103)
Net change in loans	(1,163,957)	248,159	(8,717)
Net change in deposits	689,707	3,746,412	5,165
Net change in borrowed money	(3,971,000)	1,686,100	(29,739)
Net change in call loans, etc.	140	(1,257,041)	1
Net change in receivables under securities borrowing transactions for banking business	(250,241)	—	(1,874)
Net change in call money, etc.	(1,145,024)	4,575,165	(8,575)
Net change in payables under securities lending transactions for banking business	427,434	9,894	3,201
Net change in foreign exchanges (assets)	88,980	(133,076)	666
Net change in foreign exchanges (liabilities)	714	182	5
Interest received (cash basis)	1,195,051	1,337,037	8,950
Interest paid (cash basis)	(411,768)	(343,003)	(3,084)
Other, net	1,173,329	(364,760)	8,787
Total adjustments	(8,846,439)	4,142,880	(66,251)
Net cash provided by (used in) operating activities	**¥ (8,151,226)**	**¥ 4,984,168**	**$ (61,044)**

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023 (From April 1, 2022 to March 31, 2023)	2022 (From April 1, 2021 to March 31, 2022)	2023 (From April 1, 2022 to March 31, 2023)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of call loans	¥ (7,380,000)	¥ (7,600,000)	$ (55,268)
Proceeds from redemption of call loans	7,380,000	7,690,000	55,268
Net change in receivables under resale agreements	735,373	(2,096,833)	5,507
Net change in payables under repurchase agreements	1,169,788	2,570,899	8,760
Purchases of monetary claims bought	(119,988)	(384,982)	(899)
Proceeds from sale and redemption of monetary claims bought	111,808	621,790	837
Net change in receivables under securities borrowing transactions for life insurance business	—	2,585,087	—
Net change in payables under securities lending transactions for life insurance business	(2,236,696)	(2,350,772)	(16,751)
Purchases of securities	(47,557,119)	(44,871,665)	(356,153)
Proceeds from sale of securities	19,019,006	7,159,507	142,432
Proceeds from redemption of securities	38,666,999	38,079,332	289,575
Increase in money held in trust	(1,024,238)	(1,136,176)	(7,670)
Decrease in money held in trust	655,650	885,997	4,910
Payments for loans	(421,335)	(435,102)	(3,155)
Proceeds from collection of loans	1,067,457	1,146,131	7,994
Purchases of tangible fixed assets	(230,999)	(140,274)	(1,730)
Proceeds from sale of tangible fixed assets	30,623	45,991	229
Purchases of intangible assets	(92,214)	(63,516)	(691)
Payments of stocks of subsidiaries and affiliates	(6,688)	—	(50)
Purchases of stocks of subsidiaries resulting in change in the scope of consolidation	(121)	(23,721)	(1)
Proceeds from purchase of stocks of subsidiaries resulting in change in the scope of consolidation	—	4,990	—
Payments for sale of stocks of subsidiaries resulting in change in the scope of consolidation	—	(30)	—
Other, net	(415,158)	(273,431)	(3,109)
Net cash provided by investing activities	**¥ 9,352,146**	**¥ 1,413,220**	**$ 70,038**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	¥ 97,980	¥ 89,187	$ 734
Repayment of borrowings	(276,511)	(98,193)	(2,071)
Proceeds from issuance of bonds	34,887	—	261
Purchases of treasury stock	(205,355)	(345,450)	(1,538)
Purchases of treasury stock of subsidiaries	(52,322)	(548)	(392)
Proceeds from disposals of treasury stock of subsidiaries	55	52	0
Dividends paid	(182,997)	(202,176)	(1,370)
Dividends paid to non-controlling interests	(41,858)	(45,894)	(313)
Purchases of stocks of subsidiaries that do not result in change in the scope of consolidation	—	(1)	—
Proceeds from sale of stocks of subsidiaries that do not result in change in the scope of consolidation	1,191,910	1,189	8,926
Other, net	(16,147)	(19,205)	(121)
Net cash provided by (used in) financing activities	**549,640**	**(621,040)**	**4,116**
Effect of exchange rate changes on cash and cash equivalents	**11,693**	**4,920**	**88**
Net change in cash and cash equivalents	**1,762,254**	**5,781,269**	**13,197**
Cash and cash equivalents at the beginning of the fiscal year	**68,419,223**	**62,637,954**	**512,388**
Cash and cash equivalents at the end of the fiscal year (Note 3)	**¥ 70,181,478**	**¥ 68,419,223**	**$ 525,586**

See the accompanying notes to consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of Japan Post Holdings Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations concerning preparation of consolidated financial statements, Ordinance for Enforcement of the Banking Law, Ordinance for Enforcement of Insurance Business Act and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRS").

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

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.53 to U.S. $1, the approximate rate of exchange as of March 31, 2023. 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 year ended March 31, 2023 include the accounts of the Company and its consolidated subsidiaries (collectively, the "Group").

A) Consolidated subsidiaries

The Company has 218 (245 in 2022) 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, 2023, Japan Post Investment Regional Development and Impact Fund I, ILP and 2 other companies were included in the scope of consolidation due to their establishment, and a subsidiary under Toll Holdings Pty Limited (hereinafter referred to as "Toll") was included in the scope of consolidation due to the acquisition of its stock. On the other hand, 31 subsidiaries of Toll were excluded from the scope of consolidation due to their liquidation from the fiscal year ended March 31, 2023.

B) Non-consolidated subsidiaries

The Company has 10 (6 in 2022) non-consolidated subsidiaries, namely, silent partnerships investing in real estate, etc.

The non-consolidated subsidiaries are excluded from the scope of consolidation because their assets, income, net income (loss) (amount corresponding to the Group's equity position), retained earnings (amount corresponding to the Group's equity position), accumulated other comprehensive income (amount corresponding to the Group's equity position) and others are immaterial, and the exclusion of these companies from the scope of consolidation does not hinder a reasonable understanding of the Group's financial position and results of operations.

2) Application of the equity method

A) Non-consolidated subsidiaries accounted for by the equity method

There were no non-consolidated subsidiaries accounted for by the equity method for all periods presented.

B) Affiliates accounted for by the equity method

The Company has 14 (13 in 2022) affiliates accounted for by the equity method, namely, JA Foods Oita Co., Ltd., Ring Bell Co., Ltd., Saison Asset Management Co., Ltd., ATM Japan Business Service, Ltd., JP Asset Management Co., Ltd., Good Technology Company, Ltd and Toll's affiliates.

During the fiscal year ended March 31, 2023, Good Technology Company, Ltd was included in the scope of the equity method due to its establishment.

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

The Company has 10 (6 in 2022) non-consolidated subsidiaries that are not accounted for by the equity method, namely, silent partnerships investing in real estate, etc.

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

The Company has 3 affiliates (2 in 2022) that is not accounted for by the equity method, namely, BPO.MP COMPANY LIMITED, A.I. Squared, Inc. and MKAM Co., Ltd.

The non-consolidated subsidiaries and affiliates that are not accounted for by the equity method are excluded from the scope of the equity method because their net income (loss) (amount corresponding to the Group's equity position), retained earnings (amount corresponding to the Group's equity position), accumulated other comprehensive income (amount corresponding to the Group's equity position) and others are immaterial, and the exclusion of these companies from the scope of companies accounted for by the equity method does not materially affect the consolidated financial statements.

3) Fiscal year-end dates of consolidated subsidiaries

A) The fiscal year-end dates of consolidated subsidiaries are as follows:

Year ended March 31	2023
June 30	5 companies
December 31	31 companies
March 31	182 companies

B) Consolidated subsidiaries with a fiscal year-end date of June 30 and some consolidated subsidiaries with a fiscal year-end date of December 31 are consolidated using the preliminary financial statements as of March 31. In addition, other consolidated subsidiaries are consolidated using the financial statements on each fiscal year-end date.

Necessary adjustments are made for material transactions that occurred between the consolidated fiscal year-end date and the fiscal year-end dates above.

(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 carried at fair value and the cost of securities sold is calculated using mainly the moving-average method, while stocks and other securities without market prices are carried at cost using the moving-average method.

Net unrealized gains (losses) on available-for-sale securities (including net unrealized gains (losses) arising from fluctuations in foreign exchange, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations), net of income taxes, are included in "Net assets."

Securities included in "Money Held in Trust Classified as Trading" are carried at fair value and the cost of these securities sold is calculated using mainly the moving-average method. In addition,

securities included in "Money Held in Trust Classified as Other than Trading or Held-to-Maturity" are carried using the same method used for securities mentioned above. Net unrealized gains (losses) on money held in trust classified as other than trading or held-to-maturity, net of income taxes, are included in "Net assets".

(4) Derivative Transactions

All derivative transactions are measured at fair value.

(5) Hedge Accounting

1) Hedge accounting for interest rate risks

The Group mainly applies the deferred hedge method for hedges of interest rate risk arising from the financial assets and liabilities.

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

As for portfolio hedges on groups of large-volume, small-value monetary debts, the banking subsidiary applies the deferred hedge method as stipulated in "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Committee Practical Guidance No. 24). To evaluate the hedge effectiveness, the banking subsidiary designates deposits as hedged items and interest rate swaps and others as hedging instruments and assesses how the hedging instruments offset changes in the fair value of hedged items by grouping them based on their maturities.

2) Hedge accounting for foreign exchange risks

The Group applies the deferred hedge method, the fair value hedge method or the allocation method translating the foreign currency receivables at forward rates for hedges of foreign exchange fluctuation risk arising from the securities denominated in foreign currencies.

The Group applies portfolio hedges on the condition that the hedged securities denominated in foreign currencies are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the acquisition costs of the hedged securities denominated in the same foreign currencies.

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

(6) Depreciation

1) Tangible fixed assets (excluding leased assets and right-of-use assets)

Depreciation of tangible fixed assets is computed using the straight-line method.

Useful lives of principal assets are as follows:

Buildings: 2–50 years

Others: 2–75 years

2) Intangible assets (excluding leased assets)

Amortization of intangible assets is computed using the straight-line method. The capitalized development costs of software intended for internal use are amortized over the expected useful lives (mainly 5 years) determined by the Group.

3) Leased assets

Leased assets under finance lease arrangements that transfer the ownership of leased property to the lessee are depreciated using the same method applied to company-owned tangible assets. These leased assets are mainly buildings included in "Tangible fixed assets".

Leased assets under finance lease arrangements that do not transfer the ownership of leased property to the lessee are depreciated to the residual value of zero using the straight-line method over the lease term. These leased assets are mainly personal properties included in "Tangible fixed assets" and software included in "Intangible assets".

4) Right-of-use assets

Right-of-use assets related to lease transactions of Toll and its subsidiaries and affiliates are depreciated using the straight-line method over the useful life of the right-of-use asset or the lease term whichever is shorter.

These right-of-use assets are mainly buildings and land included in "Tangible fixed assets".

(7) Amortization of Goodwill

Goodwill is amortized for a period up to 20 years depending on the causes of occurrence using the straight-line method. Goodwill deemed immaterial, however, is expensed as incurred.

(8) Reserve for Possible Loan Losses

1) For reserve for possible loan losses of the Group other than the banking subsidiary and insurance subsidiary, an allowance is provided for loans other than specific loans using a rate determined based on past bad debt experience. In addition, an allowance is provided for specific loans such as loans to bankrupt or effectively/substantially bankrupt borrowers at the estimated amount considered uncollectible based on the 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 the individual collectability of accounts, is recorded.

All loans and claims are assessed initially by the relevant departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the relevant departments, reviews these self-assessments. The above allowances are recorded based on the results of these assessments.

For secured loans and guaranteed loans that were extended to borrowers in a state of legal bankruptcy, including legal bankrupt or civil rehabilitation, or that are considered substantially bankrupt, respective loan receivable amounts are directly written off for an estimated uncollectable amount, which is calculated as the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. The amounts written off for these loans were ¥92 million ($1 million) and ¥37 million for the fiscal years ended March 31, 2023 and 2022, respectively.

(9) Policy Reserves

To prepare for the fulfillment of future obligations under the insurance contracts with respect to policies that have commenced as of the fiscal year-end, policy reserves are calculated in accordance with the statement of calculation procedures for insurance premiums and policy reserve (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) and accumulated, pursuant to Article 116, Paragraph 1 of the Insurance Business Act.

Basis of the calculation of policy reserves such as expected mortality rates, assumed interest rates, and assumed rate of expenses are deemed reasonable. However, the amount of policy reserves may be affected if actual results deviate significantly or deviations are expected in the future due to changes in the environment.

Among the policy reserves, insurance premium reserves are calculated based on the following methodology. The amount includes additional policy reserves accumulated for a portion of the reinsurance contracts from the Organization for Postal Savings, Postal Life Insurance and Post Office Network (hereinafter referred to as "the Japan Postal Service Organization") and for lump-sum

payment annuities, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).

2) Reserves for the other contracts are calculated based on the net level premium method.

Among the policy reserves, contingency reserves are accumulated to ensure the fulfillment of future obligations under the insurance contracts in the amount of risks that may accrue in the future, pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Insurance Business Act.

The chief actuary confirms whether the policy reserves have been appropriately accumulated as of the fiscal year-end, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act.

The Japan Postal Service Organization was established in October 2007 to support the privatization of the Japan Post Group by succeeding from the former Japan Post Corporation's Postal Savings such as fixed amount or term postal savings deposited by and Postal Life Insurance Contracts concluded by September 2007 to ensure that such Postal Savings and Postal Life Insurance Contracts are managed appropriately and to fulfill the relevant liabilities without fail.

The insurance subsidiary has entered into the reinsurance contracts comprising outsourcing agreements for the administrative operation of the Postal Life Insurance and the reinsurance contracts for insurance liabilities based on former Postal Life Insurance Contracts, for Postal Life Insurance Contracts concluded by September 2007 that have been assumed by the Japan Postal Service Organization.

In addition, based on the master plan by the Postal Service Privatization Act, with respect to the amount equivalent to that lent to policyholders of the Postal Life Insurance Contracts and to Japanese local governments and others succeeded from the former Japan Post Corporation, the insurance subsidiary has lent loans to the Japan Postal Service Organization under the same loan conditions as those of the contracts between the former Japan Post Corporation and its counterparties.

(10) Presentation of Gains (Losses) on Cancellation or Redemption of Investment Trusts

Gains (losses) on cancellation or redemption of investment trusts at the banking subsidiary are recorded as interest and dividends on securities in "Banking business income" for those with bonds or assets equivalent to bonds as trust asset components, and as gains on sales of equity securities in "Banking business income" or losses on sales of equity securities in "Other expenses" for those with other trust asset components. In the event interest and dividends on securities from investment trusts results in a loss as a whole, they are recognized as losses on redemption of bonds in "Operating expenses."

(11) Recognition of Insurance Premiums

The first premium at the insurance subsidiary is recognized for premiums that have been collected and for which the policy has commenced, in the amount collected under "Life insurance business income." Premiums thereafter are recognized in the amount of each collection under "Life insurance business income."

Portions of collected insurance premiums corresponding to the unearned period as of the fiscal year-end are accumulated as policy reserves, pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

(12) Recognition of Insurance Claims and Others

When an insured event occurs and payment is made in the amount calculated based on the insurance contract, insurance claims and others (excluding reinsurance premiums) of the insurance subsidiary are recognized in the amount of such payment under "Operating expenses."

Reserve for outstanding claims has been accumulated for insurance claims, etc. for which payment is due but has not been paid at the fiscal year-end, or insurance claims, etc. for which the occurrence of the insured event has not been reported but the Company deems that the insured event provided in the insurance contract has occurred, pursuant to Article 117 of the Insurance Business Act and Article 72 of the Ordinance for Enforcement of the Insurance Business Act.

(13) Reserve for Bonuses

A reserve for the employee bonus payments is provided based on the amount expected to be incurred at the end of the fiscal year based on the projected obligations as of the end of the fiscal year.

(14) Reserve for Employee Stock Ownership Plan Trust

For a certain consolidated subsidiary, to provide for the payment of the consolidated subsidiary's shares to its employees that are determined based on the rule set by the consolidated subsidiary, a reserve is provided based on the estimated amount of stock benefit obligations at the end of the fiscal year.

(15) Reserve for Management Board Benefit Trust

For the Company and its certain consolidated subsidiaries, to provide for the payment of the Company's shares, etc. to Executive Officers and other management that are determined based on the rules set by each company, a reserve is provided based on the estimated amount of stock benefit obligations at the end of the fiscal year.

(16) Reserve for Reimbursement of Deposits

To provide for requests for refunds by depositors with regard to deposits that are no longer recorded as liabilities, a reserve is provided based on the estimated amount of losses to be incurred in accordance with future requests for refunds.

(17) Retirement Benefits

1) In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit to the respective service period. Treatment of prior service cost and actuarial difference are accounted for as follows.

Prior service cost is amortized using the straight-line method over a fixed period (7–14 years) within the estimated average remaining service period for employees in the fiscal year of incurrence.

Actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (7–14 years) within the estimated average remaining service period for employees as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

2) Charges for the pension program of national public service personnel associated with pension benefits for the service period until December 1958 for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of "Asset for retirement benefits." The Company has established retirement benefit trusts for the above mutual aid pension program.

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

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

(18) Translation of Assets and Liabilities Denominated in Foreign Currencies into Japanese Yen

Assets and liabilities denominated in foreign currencies are mainly translated into Japanese yen at the exchange rates prevailing at the fiscal year-end

Assets and liabilities of foreign subsidiaries, etc. are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end and income and expenses are translated into Japanese yen at the average exchange rates for the fiscal year. The resulting translation differences are included in "Foreign currency translation adjustments" and "Non-controlling interests" under "Net assets".

(19) Reserve for Price Fluctuations

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

(20) 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).

(21) Recognition of Significant Revenue and Expenses

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

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

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

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

2) Revenue from catalogue sales, etc.

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

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

3) Revenue from the international logistics business

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

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

(22) Changes in Accounting Policies

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Implementation Guidance on Fair Value Measurement Accounting Standard"), from the beginning of the fiscal year ended March 31, 2023. The Company has applied the new accounting policy prescribed under the Implementation Guidance on Fair Value Measurement Accounting Standard prospectively, in accordance with the transitional treatment prescribed under Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Accounting Standard. Pursuant to this application, the method used to measure the value of certain investment trusts on the consolidated balance sheets has changed from acquisition costs to fair value.

Concerning notes on investment trusts in fair value information of financial instruments by level of inputs under Note 20 "FINANCIAL INSTRUMENTS," notes pertaining to the fiscal year ended March 31, 2022 are not presented in accordance with Paragraph 27-3 of the Implementation Guidance on Fair Value Measurement Accounting Standard.

(23) Significant Accounting Estimates

Items using accounting estimates recorded in the consolidated financial statements for the current fiscal year that have the possibility of significantly impacting the consolidated financial statements for the following fiscal year are as follows:

1) Fair value measurement of securities

Amounts of securities measured by fair value at the banking subsidiary and some consolidated subsidiaries are considerable and their effects on the consolidated financial statements are significant. Therefore, the fair value of securities is considered as a significant factor in accounting estimates.

A) Amounts recorded in the consolidated financial statements were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Securities	¥ 182,770,020	¥ 193,172,232	$ 1,368,756

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

(i) Calculation method and principal assumptions

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

(ii) Impact on the consolidated financial statements for the following fiscal year

The fair value of securities may fluctuate as a result of changes in input, which are principal assumptions, due to factors such as changes in the market environment.

2) Estimates on retirement benefit obligations

A) Amounts recorded in the consolidated financial statements

This information is provided in Note 13 "RETIREMENT BENEFITS."

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

Retirement benefit obligations of the Company and some consolidated subsidiaries are calculated based on actuarial assumptions. These assumptions include factors such as discount rates and retirement rates, etc. As estimates on retirement benefit obligations involve a high degree of uncertainty, if assumptions differ from actual results or if assumptions are changed, it may impact retirement benefit obligations in the following fiscal year.

(24) New Accounting Pronouncements

"Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)

"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)

"Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

1) Overview

The above standards and guidance define the accounting classification of income taxes, etc. when other comprehensive income is taxable and the handling of tax effect regarding the sales of the stock of subsidiaries, etc. when the group taxation regime is adopted.

2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2025.

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

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

(25) Additional Information

1) Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

The Company and certain domestic consolidated subsidiaries implemented the transition from the consolidated tax payment system to the group tax sharing system from the fiscal year ended March 31, 2023. Accordingly, accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting are processed in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System"

(ASBJ PITF No. 42, August 12, 2021; hereinafter referred to as "ASBJ PITF No. 42"). Moreover, based on ASBJ PITF No. 42 Paragraph 32-1, it is deemed that there is no impact from the changes in accounting policy due to the application of ASBJ PITF No. 42.

2) 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.

A) 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.

B) 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 ¥1,216 million ($9 million) and ¥507 million, and the number of shares of the treasury stock was 1,140 thousand shares and 375 thousand shares as of March 31, 2023 and 2022, 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 of the Company.

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
	2023	2022	2023
Cash and due from banks	¥ 70,243,186	¥ 68,502,665	$ 526,048
Negotiable certificates of deposit of the banking subsidiary included in "Cash and due from banks"	(65,000)	(65,000)	(487)
Negotiable certificates of deposit included in "Securities"	15,000	15,000	112
Deposits with maturities of more than three months	(200)	(200)	(1)
Bank overdrafts included in "Borrowed money"	(11,507)	(33,241)	(86)
Cash and cash equivalents at the end of the fiscal year	¥ 70,181,478	¥ 68,419,223	$ 525,586

4. SECURITIES

(1) Securities

Securities consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Stocks and investments in capital[1]	¥ 602,608	¥ 643,736	$ 4,513
Japanese government bonds[2]	75,229,314	86,668,741	563,389
Japanese local government bonds	9,041,018	10,053,341	67,708
Japanese corporate bonds	14,863,427	15,419,430	111,312
Other[2]	83,033,651	80,386,982	621,835
Total	¥ 182,770,020	¥ 193,172,232	$ 1,368,756

Notes:

1. Stocks and investments in capital include investments in non-consolidated subsidiaries and affiliates of ¥46,564 million ($349 million) and ¥18,852 million as of March 31, 2023 and 2022, respectively.
2. Unsecured and secured loaned securities for which borrowers have the right to sell or pledge in the amount of ¥3,541,200 million ($26,520 million) and ¥3,657,589 million were included in Japanese government bonds and other in "Securities" as of March 31, 2023 and 2022, respectively.
   Securities borrowed under resale agreements, etc. for which the Group has the right to sell or pledge amounted to ¥5,178,588 million ($38,782 million) and ¥4,904,839 million for securities held at the end of the fiscal year without being sold or pledged as of March 31, 2023 and 2022, respectively.

(2) Policy-Reserve-Matching Bonds

The consolidated balance sheet amount and fair value of policy-reserve-matching bonds were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Consolidated balance sheet amount	¥ 8,075,012	¥ 8,604,735	$ 60,473
Fair value	8,237,638	9,106,029	61,691

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 (excluding some insurance types)
- 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 Postal Life Insurance contracts sub-group used to include all insurance policies of Postal Life Insurance contracts. However, as part of measures for risk management improvements in response to capital controls, which are scheduled to be introduced in the fiscal year ending March 31, 2026, the Company decided to apply the deferred hedge method using interest rate swaps based on the "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Insurance Industry" (JICPA Industry Committee Practical Guidance No. 26) to hedge against interest rate risks for some of its Postal Life Insurance contracts. Therefore, from the fourth quarter of the fiscal year ended March 31, 2023, the relevant insurance policies are excluded from the policy reserves sub-group. This change has no impact on income or loss.

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

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

1) *Trading securities*

There were no valuation gains (losses) associated with trading securities recorded under gains or losses as of March 31, 2023 and 2022.

2) Held-to-maturity bonds

(Millions of Yen)

March 31	2023		
	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount			
Japanese government bonds	¥ 33,096,724	¥ 36,136,138	¥ 3,039,413
Japanese local government bonds	2,700,074	2,812,482	112,407
Japanese corporate bonds	1,713,293	1,767,560	54,267
Other	1,628,789	1,675,504	46,715
Subtotal	39,138,881	42,391,686	3,252,804
Those for which fair value does not exceed consolidated balance sheet amount			
Japanese government bonds	11,040,470	10,275,246	(765,223)
Japanese local government bonds	3,398,397	3,332,005	(66,391)
Japanese corporate bonds	4,266,512	4,162,063	(104,449)
Other	2,144,937	2,089,715	(55,222)
Subtotal	20,850,318	19,859,030	(991,287)
Total	¥ 59,989,200	¥ 62,250,717	¥ 2,261,516

(Millions of Yen)

March 31	2022		
	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount			
Japanese government bonds	¥ 38,003,470	¥ 42,058,856	¥ 4,055,385
Japanese local government bonds	3,453,953	3,620,009	166,055
Japanese corporate bonds	2,161,921	2,244,078	82,156
Other	573,309	587,450	14,140
Subtotal	44,192,656	48,510,394	4,317,737
Those for which fair value does not exceed consolidated balance sheet amount			
Japanese government bonds	6,116,978	5,834,157	(282,821)
Japanese local government bonds	2,520,633	2,495,597	(25,035)
Japanese corporate bonds	3,130,052	3,095,392	(34,659)
Other	1,235,185	1,221,125	(14,059)
Subtotal	13,002,849	12,646,273	(356,576)
Total	¥ 57,195,506	¥ 61,156,667	¥ 3,961,161

(Millions of U.S. Dollars)

March 31	2023		
	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount			
Japanese government bonds	$ 247,860	$ 270,622	$ 22,762
Japanese local government bonds	20,221	21,063	842
Japanese corporate bonds	12,831	13,237	406
Other	12,198	12,548	350
Subtotal	293,109	317,469	24,360
Those for which fair value does not exceed consolidated balance sheet amount			
Japanese government bonds	82,682	76,951	(5,731)
Japanese local government bonds	25,450	24,953	(497)
Japanese corporate bonds	31,952	31,169	(782)
Other	16,063	15,650	(414)
Subtotal	156,147	148,723	(7,424)
Total	$ 449,256	$ 466,193	$ 16,936

3) Policy-reserve-matching bonds

(Millions of Yen)

March 31	2023		
	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount			
Japanese government bonds	¥ 4,539,176	¥ 4,974,007	¥ 434,831
Japanese local government bonds	253,802	262,977	9,174
Japanese corporate bonds	53,063	56,749	3,685
Subtotal	4,846,042	5,293,734	447,691
Those for which fair value does not exceed consolidated balance sheet amount			
Japanese government bonds	1,815,799	1,654,334	(161,465)
Japanese local government bonds	238,629	225,016	(13,613)
Japanese corporate bonds	1,174,539	1,064,553	(109,985)
Subtotal	3,228,969	2,943,904	(285,064)
Total	¥ 8,075,012	¥ 8,237,638	¥ 162,626

(Millions of Yen)

March 31	2022		
	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount			
Japanese government bonds	¥ 5,683,080	¥ 6,253,790	¥ 570,710
Japanese local government bonds	407,633	421,913	14,280
Japanese corporate bonds	332,465	340,577	8,111
Subtotal	6,423,179	7,016,281	593,102
Those for which fair value does not exceed consolidated balance sheet amount			
Japanese government bonds	1,183,968	1,124,855	(59,113)
Japanese local government bonds	137,892	134,883	(3,008)
Japanese corporate bonds	859,694	830,008	(29,686)
Subtotal	2,181,555	2,089,747	(91,808)
Total	¥ 8,604,735	¥ 9,106,029	¥ 501,294

(Millions of U.S. Dollars)

March 31	2023		
	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount			
Japanese government bonds	$ 33,994	$ 37,250	$ 3,256
Japanese local government bonds	1,901	1,969	69
Japanese corporate bonds	397	425	28
Subtotal	36,292	39,645	3,353
Those for which fair value does not exceed consolidated balance sheet amount			
Japanese government bonds	13,598	12,389	(1,209)
Japanese local government bonds	1,787	1,685	(102)
Japanese corporate bonds	8,796	7,972	(824)
Subtotal	24,182	22,047	(2,135)
Total	$ 60,473	$ 61,691	$ 1,218

4) *Available-for-sale securities*

(Millions of Yen)

March 31	2023		
	Consolidated balance sheet amount	Cost	Difference
Those for which consolidated balance sheet amount exceeds cost			
Stocks	¥ 323,928	¥ 246,070	¥ 77,858
Bonds	16,719,089	16,509,721	209,367
Japanese government bonds	12,809,843	12,625,559	184,283
Japanese local government bonds	1,706,967	1,703,021	3,945
Japanese short-term corporate bonds	—	—	—
Japanese corporate bonds	2,202,279	2,181,140	21,138
Other	30,017,234	27,059,409	2,957,825
Of which: foreign bonds	16,620,961	14,806,448	1,814,513
Of which: investment trusts	13,249,409	12,107,481	1,141,927
Subtotal	47,060,252	43,815,201	3,245,051
Those for which consolidated balance sheet amount does not exceed cost			
Stocks	180,487	259,160	(78,673)
Bonds	18,124,185	18,922,513	(798,327)
Japanese government bonds	11,927,300	12,655,296	(727,996)
Japanese local government bonds	743,145	749,404	(6,258)
Japanese short-term corporate bonds	1,400,895	1,400,895	—
Japanese corporate bonds	4,052,843	4,116,915	(64,072)
Other	50,250,129	51,663,850	(1,413,720)
Of which: foreign bonds	8,531,443	8,884,533	(353,090)
Of which: investment trusts	40,723,755	41,780,815	(1,057,059)
Subtotal	68,554,801	70,845,523	(2,290,721)
Total	¥ 115,615,054	¥ 114,660,725	¥ 954,329

(Millions of Yen)

March 31	2022		
	Consolidated balance sheet amount	Cost	Difference
Those for which consolidated balance sheet amount exceeds cost			
Stocks	¥ 305,485	¥ 225,811	¥ 79,674
Bonds	28,425,427	28,004,196	421,231
Japanese government bonds	21,801,829	21,427,708	374,120
Japanese local government bonds	2,658,327	2,649,646	8,681
Japanese short-term corporate bonds	—	—	—
Japanese corporate bonds	3,965,270	3,926,841	38,429
Other	50,687,018	48,665,109	2,021,909
Of which: foreign bonds	21,464,017	19,768,180	1,695,837
Of which: investment trusts	29,103,342	28,779,100	324,242
Subtotal	79,417,931	76,895,116	2,522,815
Those for which consolidated balance sheet amount does not exceed cost			
Stocks	268,415	305,710	(37,294)
Bonds	19,724,339	20,068,320	(343,980)
Japanese government bonds	13,879,413	14,194,877	(315,463)
Japanese local government bonds	874,901	877,451	(2,549)
Japanese short-term corporate bonds	1,434,510	1,434,510	—
Japanese corporate bonds	3,535,514	3,561,480	(25,966)
Other	25,547,343	25,910,855	(363,511)
Of which: foreign bonds	5,419,138	5,545,431	(126,293)
Of which: investment trusts	19,313,466	19,549,404	(235,937)
Subtotal	45,540,099	46,284,886	(744,786)
Total	¥ 124,958,031	¥ 123,180,003	¥ 1,778,028

(Millions of U.S. Dollars)

March 31	2023		
	Consolidated balance sheet amount	Cost	Difference
Those for which consolidated balance sheet amount exceeds cost			
Stocks	$ 2,426	$ 1,843	$ 583
Bonds	125,208	123,641	1,568
Japanese government bonds	95,932	94,552	1,380
Japanese local government bonds	12,783	12,754	30
Japanese short-term corporate bonds	—	—	—
Japanese corporate bonds	16,493	16,334	158
Other	224,798	202,647	22,151
Of which: foreign bonds	124,474	110,885	13,589
Of which: investment trusts	99,224	90,672	8,552
Subtotal	352,432	328,130	24,302
Those for which consolidated balance sheet amount does not exceed cost			
Stocks	1,352	1,941	(589)
Bonds	135,731	141,710	(5,979)
Japanese government bonds	89,323	94,775	(5,452)
Japanese local government bonds	5,565	5,612	(47)
Japanese short-term corporate bonds	10,491	10,491	—
Japanese corporate bonds	30,352	30,831	(480)
Other	376,321	386,908	(10,587)
Of which: foreign bonds	63,892	66,536	(2,644)
Of which: investment trusts	304,978	312,895	(7,916)
Subtotal	513,404	530,559	(17,155)
Total	$ 865,836	$ 858,689	$ 7,147

5) Held-to-maturity bonds sold

There were no held-to-maturity bonds sold for the fiscal years ended March 31, 2023 and 2022.

6) *Policy-reserve-matching bonds sold*

(Millions of Yen)

Year ended March 31	2023		
	Sales	Gains	Losses
Bonds	¥ 295,753	¥ 4,003	¥ —
Japanese government bonds	295,753	4,003	—
Total	¥ 295,753	¥ 4,003	¥ —

(Millions of Yen)

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

(Millions of U.S. Dollars)

Year ended March 31	2023		
	Sales	Gains	Losses
Bonds	$ 2,215	$ 30	$ —
Japanese government bonds	2,215	30	—
Total	$ 2,215	$ 30	$ —

7) Available-for-sale securities sold

(Millions of Yen)

Year ended March 31	2023		
	Sales	Gains	Losses
Stocks	¥ 119,406	¥ 19,993	¥ (6,372)
Bonds	12,846,313	54,755	(90,308)
Japanese government bonds	12,375,748	54,278	(77,876)
Japanese local government bonds	277,139	58	(125)
Japanese corporate bonds	193,425	418	(12,396)
Other	5,756,251	141,265	(270,990)
Of which: foreign bonds	3,970,542	55,594	(228,074)
Of which: investment trusts	1,785,709	85,671	(42,916)
Total	¥ 18,721,971	¥ 216,015	¥ (367,761)

(Millions of Yen)

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

(Millions of U.S. Dollars)

Year ended March 31	2023		
	Sales	Gains	Losses
Stocks	$ 894	$ 150	$ (48)
Bonds	96,205	410	(677)
Japanese government bonds	92,681	406	(583)
Japanese local government bonds	2,075	0	(1)
Japanese corporate bonds	1,449	3	(93)
Other	43,108	1,058	(2,029)
Of which: foreign bonds	29,735	416	(1,708)
Of which: investment trusts	13,373	642	(321)
Total	$ 140,208	$ 1,618	$ (2,754)

8) Securities of which holding purposes were changed
There were no securities of which holding purposes were changed as of March 31, 2023 and 2022.

9) Securities that incurred impairment losses
For securities other than trading securities (excluding stocks without market prices and investments in partnerships), and in case whose fair value declines significantly from their acquisition costs, with no prospect of recovering to their acquisition costs, the Company records the fair value of such securities on the consolidated balance sheets and charges valuation differences as losses in the fiscal year in which they are recognized. Impairment losses amounted to ¥344 million ($3 million) and ¥876 million for the fiscal years ended March 31, 2023 and 2022, respectively.

(4) Money Held in Trust

1) Money held in trust classified as trading
There was no money held in trust classified as trading as of March 31, 2023 and 2022, respectively.

2) Money held in trust classified as held-to-maturity
There was no money held in trust classified as held-to-maturity as of March 31, 2023 and 2022, respectively.

3) Money held in trust classified as other than trading or held-to-maturity

(Millions of Yen)

March 31	2023				
	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	¥ 8,754,765	¥ 6,249,110	¥ 2,505,654	¥ 2,640,416	¥ (134,761)

(Millions of Yen)

March 31	2022				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading or held-to-maturity	¥ 7,873,224	¥ 5,555,610	¥ 2,317,614	¥ 2,434,352	¥ (116,738)

(Millions of U.S. Dollars)

March 31	2023				
	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	$ 65,564	$ 46,799	$ 18,765	$ 19,774	$ (1,009)

Notes:

1. For securities with market quotations included as trust assets in "Money held in trust classified as other than trading or held-to-maturity" (excluding stocks without market prices and investments in partnerships, etc.), and in case whose fair value declines significantly from their acquisition costs, with no prospect of recovering to their acquisition costs, the Company records the fair value of such securities on the consolidated balance sheets and charges valuation differences as losses in the fiscal year in which they are recognized. *Impairment losses amounted to ¥9,555 million ($72 million) and ¥10,124 million for the fiscal years ended March 31,* 2023 and 2022, respectively.
2. "Money held in trust classified as other than trading or held-to-maturity" include investment in non-consolidated subsidiaries of ¥28,772 million ($215 million) and ¥25,401 million as of March 31, 2023 and 2022, respectively.

5. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral consisted of the following:

(1) Assets Pledged as Collateral

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Securities	¥ 26,133,024	¥ 30,906,567	$ 195,709

(2) Liabilities Related to Collateral

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Deposits	¥ 492,834	¥ 608,469	$ 3,691
Payables under repurchase agreements	22,057,310	22,032,546	165,186
Payables under securities lending transactions	1,941,872	3,751,134	14,543
Borrowed money	1,632,600	5,603,600	12,226

(3) In addition to the assets pledged as collateral and the liabilities related to collateral presented above, the total assets of the Company have been pledged as general collateral for corporate bonds issued valued at ¥35,000 million ($262 million) as of March 31, 2023.

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, 2023 and 2022:

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Assets pledged as collateral:			
Cash and due from banks	¥ 1,977	¥ —	$ 15
Securities	4,357,682	3,142,273	32,634

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Other assets:			
Margins for future transactions	¥ 171,788	¥ 158,969	$ 1,287
Guarantee deposits	22,970	21,242	172
Margins with central counterparty	362,637	527,199	2,716
Cash collateral paid for financial instruments	538,805	743,560	4,035

6. LOANS

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Claims provable in bankruptcy	¥ —	¥ —	$ —
Doubtful receivables	0	0	0
Past-due loans for three months or more	—	—	—
Restructured loans	—	—	—
Total	¥ 0	¥ 0	$ 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 upon 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 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Amount of unused commitments on loans	¥ 39,855	¥ 54,579	$ 298
Of which: unused commitments with a term of less than one year or that may be cancelled unconditionally at any point of time	579	20,221	4

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 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Amount of unused commitments on loans	¥ 15,659	¥ 25,367	$ 117

7. TANGIBLE FIXED ASSETS

(1) Accumulated Depreciation

Accumulated depreciation were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Accumulated depreciation	¥ 1,808,345	¥ 1,702,779	$ 13,543

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

(2) Deferred Gains on Tangible Fixed Assets Not Recognized for Tax Purposes

Deferred gains on tangible fixed assets not recognized for tax purposes were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Deferred gains on tangible fixed assets not recognized for tax purposes	¥ 89,978	¥ 89,959	$ 674
Of which: deferred during the fiscal year	19	80	0

(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
	2023	2022	2023
Net rent income (losses)[1]	¥ 8,377	¥ 14,280	$ 63
Net gains (losses) on sales[2]	15,419	7,377	115
Losses on impairment[3]	2,180	4,295	16
Other gains[4]	93	—	1
Other losses[3]	1,363	302	10

Notes:

1. Majority of rent income is recorded under other income, and majority of rent expenses are recorded under depreciation and amortization.
2. Gains on sales are recorded under other income, and losses on sales are recorded under other expenses.
3. Losses on impairment and other losses are recorded under other expenses.
4. Other gains are recorded under other income.

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
	2023	2022	2023
Consolidated balance sheet amount[1]			
Balance at the beginning of the fiscal year	¥ 529,122	¥ 492,202	$ 3,963
Net change during the fiscal year	60,306	36,920	452
Balance at the end of the fiscal year	¥ 589,429	¥ 529,122	$ 4,414
Fair value at the end of the fiscal year[2]	¥ 865,001	¥ 744,486	$ 6,478

Notes:
1. The consolidated balance sheet amount represents acquisition costs less accumulated depreciation and accumulated losses on impairment.
2. The fair value is calculated primarily based on the real estate appraisal standard.
3. Real estate for rent under construction is not included in the above table since it is extremely difficult to determine its fair value. The consolidated balance sheet amounts of them were ¥290,087 million ($2,172 million) and ¥216,418 million as of March 31, 2023 and 2022, 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 ¥690 million ($5 million) and ¥525 million as of March 31, 2023 and 2022, respectively.

Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance were ¥880 million ($7 million) and ¥907 million as of March 31, 2023 and 2022, respectively.

9. RESERVE FOR POLICYHOLDER DIVIDENDS

Changes in reserve for policyholder dividends were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Balance at the beginning of the fiscal year	¥ 1,260,009	¥ 1,342,855	$ 9,436
Policyholder dividends paid	(146,714)	(155,691)	(1,099)
Interest accrual, etc.	9	9	0
Reduction due to the acquisition of additional annuity	(200)	(278)	(1)
Provision for reserve for policyholder dividends	62,067	73,113	465
Balance at the end of the fiscal year	¥ 1,175,171	¥ 1,260,009	$ 8,801

10. BORROWED MONEY AND LEASE OBLIGATIONS

Borrowed money and lease obligations were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate[1]	Due
	2023	2022	2023	2023	2023
Borrowed money	¥ 1,791,279	¥ 5,942,886	$ 13,415	0.42%	—
Borrowings	1,791,279	5,942,886	13,415	0.42%	April 2023–March 2028
Lease obligations	123,249	126,147	923	—	April 2023–April 2062

Notes:
1. The interest rates above are calculated using the weighted-average method based on the interest rate and balance at the fiscal year-end date.
2. Of Borrowings, ¥360,100 million ($2,697 million) was without interest as of March 31, 2023.
3. 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.
4. Borrowings are included in "Borrowed money" and lease obligations are included in "Other liabilities" in the accompanying consolidated balance sheets, respectively.

The repayment schedule within 5 years subsequent to the fiscal year-end on borrowings as of March 31, 2023 was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 495,108	$ 3,708
Due after 1 year through 2 years	7,155	54
Due after 2 years through 3 years	5,800	43
Due after 3 years through 4 years	880	7
Due after 4 years through 5 years	1,282,335	9,603

The repayment schedule within 5 years subsequent to the fiscal year-end on lease obligations as of March 31, 2023 was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 20,054	$ 150
Due after 1 year through 2 years	16,620	124
Due after 2 years through 3 years	16,127	121
Due after 3 years through 4 years	13,838	104
Due after 4 years through 5 years	9,122	68

11. BONDS

Bonds were as follows:

Issuer	Description	Issue	Millions of Yen		Millions of U.S. Dollars	Interest rate	Collateral	Due
			2023	2022	2023			
The Company	Japan Post Holdings Series 1 (green bonds)	September 1, 2022	¥ 15,000	¥ —	$ 112	0.255%	General collateral	September 1, 2027
The Company	Japan Post Holdings Series 2 (green bonds)	September 1, 2022	¥ 15,000	¥ —	$ 112	0.469%	General collateral	September 1, 2032
The Company	Japan Post Holdings Series 3 (green bonds)	September 1, 2022	¥ 5,000	¥ —	$ 37	0.984%	General collateral	September 1, 2042
Japan Post Insurance Co., Ltd.	First series of subordinated unsecured bonds with interest deferral option and early redemption option[1]	January 29, 2019	¥ 100,000	¥ 100,000	$ 749	1.00%[2]	Not provided	January 29, 2049
Japan Post Insurance Co., Ltd.	Second series of subordinated unsecured bonds with interest deferral option and early redemption option[1]	January 28, 2021	¥ 200,000	¥ 200,000	$ 1,498	1.05%[3]	Not provided	January 28, 2051
		Total	¥ 335,000	¥ 300,000	$ 2,509			

Notes:

1. These bonds are subordinated bonds with the special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations and no collateral was provided for these bonds
2. Interest rate from the day immediately following January 29, 2029, shall be 6-month Euroyen LIBOR plus 1.78%
3. Interest rate from the day immediately following January 28, 2031, shall be 5-year JGB interest rate plus 2.010% (reset every five years).

The redemption schedule within 5 years subsequent to the fiscal year-end on bonds as of March 31, 2023 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	15,000	112

12. ASSET RETIREMENT OBLIGATIONS

(1) Outline of Asset Retirement Obligations

The Group recorded asset retirement obligations with respect to asbestos removal costs during demolition of the Company's and subsidiaries' buildings, and restoration costs based on the real estate lease contracts of their business locations, company-owned housing and others.

The Group's network, comprised mainly of post offices, is required under the Postal Services Privatization Act to be maintained without fail from the perspective of public services provision. Therefore, restoration costs based on the real estate lease contracts related to facilities essential to the said network maintenance are recorded as asset retirement obligations only when their settlements are clearly expected due to reasons such as planned contract termination.

(2) Calculation Method of Asset Retirement Obligations

The Group calculated the asset retirement obligations by estimating the period of service between 1 year and 47 years and applying discount rates ranging from 0.0% to 6.9%.

(3) Changes in Asset Retirement Obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Balance at the beginning of the fiscal year	¥ 37,143	¥ 38,659	$ 278
Obligations incurred due to acquisition of tangible fixed assets	574	1,611	4
Obligations incurred by acquisition of consolidated subsidiaries	—	4,900	—
Time progress adjustments	295	51	2
Changes in estimates	(130)	2,864	(1)
Obligations settled	(7,300)	(8,100)	(55)
Other	(3,391)	(2,842)	(25)
Balance at the end of the fiscal year	¥ 27,190	¥ 37,143	$ 204

(4) Changes in Estimates

In accordance with the acquisition of new information, the Group has changed the estimates of the removal costs for the future demolition of buildings on leasehold land, etc. for the fiscal years ended March 31, 2023 and 2022, respectively.

As a result, Changes in estimates of ¥(130) million ($(1) million) have been deducted from the amount of asset retirement obligations for the fiscal year ended March 31, 2023 and those of ¥2,864 million have been added to the amount of asset retirement obligations for the fiscal year ended March 31, 2022.

13. 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(17)) 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 ¥10,330 million ($77 million) and ¥10,355 million for the fiscal years ended March 31, 2023 and 2022, respectively.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Balance at the beginning of the fiscal year	¥ 2,468,764	¥ 2,497,192	$ 18,488
Service cost	110,023	111,924	824
Interest cost	16,231	16,267	122
Actuarial differences	(4,426)	(9,742)	(33)
Benefits paid	(169,911)	(146,738)	(1,272)
Prior service cost	—	(408)	—
Other	(4)	268	(0)
Balance at the end of the fiscal year	¥ 2,420,676	¥ 2,468,764	$ 18,128

2) Changes in plan assets

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Balance at the beginning of the fiscal year	¥ 315,352	¥ 351,103	$ 2,362
Expected return on plan assets	746	820	6
Actuarial differences	(1,664)	(1,879)	(12)
Contributions paid by the employer	241	236	2
Benefits paid	(30,672)	(34,927)	(230)
Balance at the end of the fiscal year	¥ 284,004	¥ 315,352	$ 2,127

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Funded retirement benefit obligations	¥ 208,110	¥ 245,834	$ 1,559
Share of public service pension	202,939	240,665	1,520
Share of another public service pension	189	219	1
Corporate pension plan	4,981	4,949	37
Plan assets	(284,004)	(315,352)	(2,127)
Share of public service pension	(277,608)	(308,792)	(2,079)
Share of another public service pension	(61)	(97)	(0)
Corporate pension plan	(6,335)	(6,462)	(47)
	(75,894)	(69,517)	(568)
Unfunded retirement benefit obligations	2,212,566	2,222,929	16,570
Lump-sum severance indemnity	2,212,566	2,222,929	16,570
Net liability (asset) for retirement benefits	¥ 2,136,671	¥ 2,153,412	$ 16,001
Liability for retirement benefits	¥ 2,212,694	¥ 2,223,051	$ 16,571
Asset for retirement benefits	(76,022)	(69,639)	(569)
Net liability (asset) for retirement benefits	¥ 2,136,671	¥ 2,153,412	$ 16,001

4) Retirement benefit costs

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Service cost	¥ 110,023	¥ 111,924	$ 824
Interest cost	16,231	16,267	122
Expected return on plan assets	(746)	(820)	(6)
Amortization of actuarial differences	(17,950)	(21,651)	(134)
Amortization of prior service cost	(17,383)	(24,206)	(130)
Other	1,929	(149)	14
Total	¥ 92,102	¥ 81,365	$ 690

5) Adjustments for retirement benefits (before tax effect)

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Prior service cost	¥ (17,383)	¥ (23,797)	$ (130)
Actuarial differences	(15,188)	(13,788)	(114)
Total	¥ (32,571)	¥ (37,586)	$ (244)

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Unrecognized prior service cost	¥ 94,464	¥ 112,619	$ 707
Unrecognized actuarial differences	44,415	59,356	333
Total	¥ 138,880	¥ 171,976	$ 1,040

7) Plan assets

March 31	2023	2022
Bonds	73%	76%
Stocks	1	1
Life insurance general account	0	0
Other	26	23
Total	100%	100%

Note: The percentage of retirement benefit trusts to total plan assets were 98% and 98% as of March 31, 2023 and 2022, respectively, which were set up for the Company's 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 were as follows:

Years ended March 31	2023	2022
Discount rate	0.2%-0.7%	0.2%-0.7%
Long-term expected rate of return on plan assets	0.1%-2.0%	0.1%-2.0%

(3) Defined Contribution Plans

The amounts required to be contributed to the defined contribution plans by certain consolidated subsidiaries were ¥11,174 million ($84 million) and ¥11,534 million for the fiscal years ended March 31, 2023 and 2022, respectively.

14. RESERVES RELATED TO THE REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to the reinsurance contracts with the Japan Postal Service Organization, are provided at amounts calculated based on the statement of calculation procedures for the insurance subsidiary's insurance premiums and policy reserves. Such amount is set not to fall below the amount calculated based on the statement of calculation procedures for the Postal Life Insurance policy reserves in accordance with the Act on the Organization for Postal Savings, Postal Life Insurance and Post Office Network (Act No. 101 of 2005). In addition, contingency reserve and reserve for price fluctuations are provided for this category of reinsurance.

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations provided for this category of reinsurance were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Policy reserves (excluding contingency reserve)	¥ 27,370,400	¥ 29,331,229	$ 204,976
Contingency reserve	1,260,220	1,203,243	9,438
Reserve for price fluctuations	711,298	695,157	5,327

15. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Liability for retirement benefits	¥ 737,429	¥ 751,476	$ 5,523
Policy reserves	1,021,572	1,026,908	7,651
Reserve for outstanding claims	48,375	38,057	362
Reserve for bonuses	38,246	38,909	286
Reserve for price fluctuations	231,440	248,305	1,733
Deferred losses on hedges	277,268	240,095	2,076
Tax losses carried forward*	1,069,400	677,378	8,009
Other	329,922	233,959	2,471
Subtotal deferred tax assets	3,753,656	3,255,090	28,111
Valuation allowance for tax losses carried forward*	(1,069,383)	(677,301)	(8,009)
Valuation allowance for deductible temporary differences	(797,890)	(801,120)	(5,975)
Total valuation allowance	(1,867,274)	(1,478,421)	(13,984)
Total deferred tax assets	1,886,382	1,776,668	14,127
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(847,448)	(1,059,628)	(6,346)
Unrealized gains on assets and liabilities of the consolidated subsidiaries	(4,118)	(4,209)	(31)
Other	(36,659)	(57,859)	(275)
Total deferred tax liabilities	(888,225)	(1,121,697)	(6,652)
Net deferred tax assets (liabilities)	¥ 998,156	¥ 654,971	$ 7,475

Notes:

1. Deferred tax assets related to policy reserves and reserve for price fluctuations were recoverable because future taxable income would be generated over the long term and therefore deferred tax assets have an effect of reducing the amount of tax payable.
2. Valuation allowance increased by ¥388,852 million ($2,912 million). This increase was due mainly to valuation allowance for tax losses carried forward of ¥392,082 *million ($2,936 million) recognized additionally.*

* Amounts of tax losses carried forward and its deferred tax assets by expiration periods were as follows:

March 31	Millions of Yen						
	2023						
	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]	¥ 3,670	¥ 189,410	¥ 10,313	¥ 8,431	¥ 34	¥ 857,540	¥ 1,069,400
Valuation allowance	(3,670)	(189,410)	(10,313)	(8,431)	(34)	(857,523)	(1,069,383)
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 16	¥ 16

March 31	Millions of Yen						
	2022						
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Tax losses carried forward[1]	¥ 5,467	¥ 3,647	¥ 189,180	¥ 10,175	¥ 8,300	¥ 460,607	¥ 677,378
Valuation allowance	(5,421)	(3,647)	(189,180)	(10,175)	(8,300)	(460,575)	(677,301)
Deferred tax assets	¥ 45	¥ —	¥ —	¥ —	¥ —	¥ 31	¥ 77

March 31	Millions of U.S. Dollars						
	2023						
	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]	$ 27	$ 1,418	$ 77	$ 63	$ 0	$ 6,422	$ 8,009
Valuation allowance	(27)	(1,418)	(77)	(63)	(0)	(6,422)	(8,009)
Deferred tax assets	$ —	$ —	$ —	$ —	$ —	$ 0	$ 0

Note:

1. Tax losses carried forward is after multiplying the statutory tax rate.

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in aggregate, would result in a statutory tax rate of approximately 30.6% for the fiscal years ended March 31, 2023 and 2022, respectively.

Reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of income to the statutory tax rate were as follows:

Years ended March 31	2023	2022
Statutory tax rate	30.6%	30.6%
Income not taxable for income tax purposes (e.g., non-taxable dividend income)	(4.6)	(1.5)
Changes in valuation allowance	56.4	21.2
Adjustment of book value of stocks of subsidiaries for consolidated tax payment system	(56.5)	(23.7)
Other	(0.8)	(0.2)
Effective income tax rate	25.1%	26.5%

(Accounting for corporate tax, local corporate tax, and tax effect accounting)
From the fiscal year ended March 31, 2023, the Company and some of its consolidated subsidiaries have adopted the group tax sharing system. Moreover, the Group process accounting for and presentation of corporate tax, local corporate tax, and tax effect accounting in accordance with ASBJ PITF No. 42.

16 NET ASSETS

(1) Class and Number of Shares Authorized and Issued

Year ended March 31, 2023	Thousands of shares			
	April 1, 2022	Increase	Decrease	March 31, 2023
Shares authorized:				
Common stock	18,000,000	—	—	18,000,000
Shares issued:				
Common stock	3,767,870	—	110,072	3,657,797

Note. The decrease of 110,072 thousand shares issued is due to the cancellation of treasury stock.

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

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

(2) Class and Number of Shares of Treasury Stock

Year ended March 31, 2023	Thousands of shares			
	April 1, 2022[1]	Increase[2]	Decrease[2]	March 31, 2023[1]
Treasury stock:				
Common stock	105,519	202,628	110,159	197,988

Notes:
1. The number of shares of treasury stock at the beginning of the fiscal year includes the shares of the Company held by the management board benefit trust of 375 thousand shares. The number of shares of treasury stock at the end of the fiscal year includes the shares of the Company held by the management board benefit trust of 1,140 thousand shares.
2. The increase of 202,628 thousand shares of treasury stock is due to 5,028 thousand shares repurchased from April 1, 2022 to April 7, 2022 based on the resolution of the Board of Directors' meeting held on October 6, 2021; 196,748 thousand shares repurchased from May 16, 2022 to March 9, 2023 based on the resolution of the Board of Directors' meeting held on May 13, 2022; the purchase of shares less than one unit of 0 thousand shares; and the additional contribution to the management board benefit trust of 851 thousand shares. The decrease of 110,159 thousand shares of treasury stock is due to the cancellation of treasury stock of 110,072 thousand shares based on the resolution of the Board of Directors' meeting held on April 25, 2022 and the benefits paid of the shares of the Company by the management board benefit trust of 86 thousand shares.
3. The Company resolved to cancel its treasury stock in accordance with Article 178 of the Companies Act at the Board of Directors' meeting held on March 29, 2023, however, the cancellation procedures of the following treasury stock had not been completed at the end of the fiscal year ended March 31, 2023.
   Book value: ¥199,989 million ($1,498 million)
   Class of shares to be cancelled: Common stock
   Number of shares to be cancelled 196,748 thousand shares
   The cancellation procedures of the above treasury stock have been completed on April 20, 2023.

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

Notes:
1. The number of shares of treasury stock at the beginning of the fiscal year includes the shares of the Company held by the management board benefit trust of 496 thousand shares. The number of shares of treasury stock at the end of the fiscal year includes the shares of the Company held by the management board benefit trust of 375 thousand shares.
2. The increase of 381,134 thousand shares of treasury stock is due to 276,090 thousand shares repurchased on June 11, 2021 based on the resolution of the Board of Directors' meeting held on June 10, 2021; 105,043 thousand shares repurchased from November 1, 2021 to March 31, 2022 based on the resolution of the Board of Directors' meeting held on October 6, 2021; and the purchase of shares less than one unit of 0 thousand shares. The decrease of 732,250 thousand shares of treasury stock is due to the cancellation of treasury stock of 732,129 thousand shares and the benefits paid of the shares of the Company by the management board benefit trust of 120 thousand shares.
   The acquisition of treasury stock based on the resolution of the Board of Directors' meeting held on October 6, 2021 was completed on April 7, 2022. The number of shares of treasury stock repurchased from April 1, 2022 to April 7, 2022 was 5,028 thousand shares.

(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, 2023

Resolution	Class of shares	Total amount[1] (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 13, 2022	Common stock	¥ 183,136	$ 1,371	¥ 50.00	$ 0.37	March 31, 2022	June 20, 2022

Note:

1. The total amount of dividends includes dividends of ¥18 million ($0 million) for the Company's shares held by the management board benefit trust.

Dividends paid for the fiscal year ended March 31, 2022

Resolution	Class of shares	Total amount[1] (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 14, 2021	Common stock	¥ 202,193	¥ 50.00	March 31, 2021	June 15, 2021

Note:

1. The total amount of dividends includes dividends of ¥24 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, 2023

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, 2023	Common stock	¥ 173,047	$ 1,296	Retained earnings	¥ 50.00	$ 0.37	March 31, 2023	June 22, 2023

Note:

1. The total amount of dividends includes dividends of ¥57 million ($0 million) for the Company's shares held by the management board benefit trust.

17. OTHER INCOME

Other income consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Gains on sales of fixed assets	¥ 20,593	¥ 21,639	$ 154
Reversal of reserve for price fluctuations	82,645	—	619
Compensation for transfer	832	1,185	6
Insurance claim income	735	4,383	6
Gains on sale of businesses	6,995	—	52
Other	142,751	148,611	1,069
Total	¥ 254,553	¥ 175,820	$ 1,906

18. OTHER EXPENSES

Other expenses consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Losses on sales and disposal of fixed assets	¥ 3,859	¥ 4,609	$ 29
Losses on impairment of fixed assets	3,224	11,280	24
Provision for reserve for price fluctuations	—	67,789	—
Extra payments for early retirements	1,992	—	15
Litigation expenses	969	—	7
Losses on sale of businesses	—	10,898	—
Provision for reserve for policyholder dividends[1]	62,067	73,113	465
Other	35,975	201,899	269
Total	¥ 108,089	¥ 369,591	$ 809

Note:

1. Provision for reserve for policyholder dividends, which is provided for the Japan Postal Service Organization based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Japan Postal Service Organization, was ¥43,678 million ($327 million) and ¥54,849 million for the fiscal years ended March 31, 2023 and 2022, respectively.

19. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ (684,584)	¥ (1,543,827)	$ (5,127)
Reclassification adjustments	(312,257)	(183,633)	(2,338)
Before tax effect adjustments	(996,841)	(1,727,460)	(7,465)
Tax effect	288,977	517,395	2,164
Net unrealized gains (losses) on available-for-sale securities	(707,864)	(1,210,064)	(5,301)
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	(245,230)	(442,446)	(1,837)
Reclassification adjustments	129,938	201,500	973
Adjustments of assets' acquisition costs	(2,188)	(1,239)	(16)
Before tax effect adjustments	(117,481)	(242,186)	(880)
Tax effect	35,274	72,850	264
Net deferred gains (losses) on hedges	(82,206)	(169,335)	(616)
Foreign currency translation adjustments:			
Amount arising during the fiscal year	(4,039)	(12,886)	(30)
Reclassification adjustments	—	5,115	—
Before tax effect adjustments	(4,039)	(7,771)	(30)
Tax effect	—	—	—
Foreign currency translation adjustments	(4,039)	(7,771)	(30)
Adjustments for retirement benefits:			
Amount arising during the fiscal year	2,762	8,220	21
Reclassification adjustments	(35,333)	(45,806)	(265)
Before tax effect adjustments	(32,571)	(37,586)	(244)
Tax effect	764	1,061	6
Adjustments for retirement benefits	(31,807)	(36,525)	(238)
Share of other comprehensive income of affiliates:			
Amount arising during the fiscal year	6	0	0
Reclassification adjustments	—	—	—
Before tax effect adjustments	6	0	0
Tax effect	—	—	—
Share of other comprehensive income of affiliates	6	0	0
Total other comprehensive loss	¥ (825,912)	¥ (1,423,696)	$ (6,185)

20. 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 ¥4,722,630 million ($35,368 million) and ¥3,853,231 million as of March 31, 2023 and 2022, 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

In calculating the fair value of a financial instrument, 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 were as follows.

Stocks and other securities without market prices and investments in partnerships are not included in the table below (see Notes 1 and 2 below).

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

(Millions of Yen)

March 31	2023		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Monetary claims bought	¥ 525,632	¥ 525,632	¥ —
2) Trading account securities			
Trading securities	19	19	—
3) Money held in trust[1]	8,754,765	8,754,765	—
4) Securities			
Held-to-maturity bonds	59,989,200	62,218,904	2,229,703
Policy-reserve-matching bonds	8,075,012	8,237,638	162,626
Available-for-sale securities[1]	114,499,422	114,499,422	—
5) Loans	9,210,199		
Reserve for possible loan losses[2]	(175)		
	9,210,023	9,312,882	102,858
Total	¥ 201,054,076	¥ 203,549,265	¥ 2,495,189
1) Deposits	192,420,880	192,441,115	20,235
2) Borrowed money	1,791,279	1,791,683	404
3) Bonds	335,000	317,859	(17,141)
Total	¥ 194,547,159	¥ 194,550,658	¥ 3,498
Derivative transactions[3]			
Hedge accounting not applied	¥ (144,148)	¥ (144,148)	¥ —
Hedge accounting applied[4]	(999,973)	(999,973)	—
Total derivative transactions	¥ (1,144,121)	¥ (1,144,121)	¥ —

(Millions of U.S. Dollars)

March 31	2023		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Monetary claims bought	$ 3,936	$ 3,936	$ —
2) Trading account securities			
Trading securities	0	0	—
3) Money held in trust[1]	65,564	65,564	—
4) Securities			
Held-to-maturity bonds	449,256	465,954	16,698
Policy-reserve-matching bonds	60,473	61,691	1,218
Available-for-sale securities[1]	857,481	857,481	—
5) Loans	68,975		
Reserve for possible loan losses[2]	(1)		
	68,973	69,744	770
Total	$ 1,505,685	$ 1,524,371	$ 18,686
1) Deposits	1,441,031	1,441,183	152
2) Borrowed money	13,415	13,418	3
3) Bonds	2,509	2,380	(128)
Total	$ 1,456,955	$ 1,456,981	$ 26
Derivative transactions[3]			
Hedge accounting not applied	$ (1,080)	$ (1,080)	$ —
Hedge accounting applied[4]	(7,489)	(7,489)	—
Total derivative transactions	$ (8,568)	$ (8,568)	$ —

Notes:

1. Investment trusts that apply the treatment to regard a unit price as the fair value based on Paragraph 24-3 and Paragraph 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) are included.
2. General reserve for possible loan losses and specific reserve for possible loan losses corresponding to loans have been deducted.
3. Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums. Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses. Additionally, those subject to the exceptional treatment for interest rate swaps and the allocation method for forward foreign exchange, etc. which requires recognized foreign currency assets or liabilities to be translated using the corresponding foreign exchange contract rates are jointly disclosed with hedged borrowed money and securities. Therefore, their fair values are included in the relevant borrowed money and securities.
4. The banking subsidiary uses interest rate swaps and other derivatives to hedge market fluctuation of securities and other items subject to hedges, mainly adopting the deferred hedge method. "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No.40, March 17, 2022) is applied to these hedging relationships.

Note 1: Amounts carried on the consolidated balance sheets for stocks and other securities without market prices and investments in partnerships are as shown below; they are not included in "Assets 3) Money held in trust" and "Assets 4) Securities" under information concerning fair values of financial instruments.

	Millions of Yen	Millions of U.S. Dollars
	2023	
Money held in trust[1 and 2]	¥ 3,032,876	$ 22,713
Securities		
Unlisted stocks[1]	74,917	561
Investment trusts	—	—
Investments in partnerships[2]	131,467	985
Total[3]	¥ 3,239,262	$ 24,259

Notes:

1. In accordance with the provisions of Paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020), unlisted stocks are not included in the scope of fair value disclosures.
2. In accordance with the provisions of Paragraph 24-16 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021), investments in partnerships are not included in the scope of fair value disclosures.
3. Impairment losses of ¥4,822 million ($36 million) were recognized for the fiscal year ended March 31, 2023.

(Millions of Yen)

March 31	2022		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Monetary claims bought	¥ 436,845	¥ 436,845	¥ —
2) Trading account securities			
Trading securities	11	11	—
3) Money held in trust	7,873,224	7,873,224	—
4) Securities			
Held-to-maturity bonds	57,195,506	61,141,595	3,946,089
Policy-reserve-matching bonds	8,604,735	9,106,029	501,294
Available-for-sale securities	124,051,186	124,051,186	—
5) Loans	8,693,923		
Reserve for possible loan losses[1]	(171)		
	8,693,751	8,922,524	228,772
Total	¥ 206,855,261	¥ 211,531,418	¥ 4,676,157
1) Deposits	191,731,173	191,761,374	30,201
2) Borrowed money	5,942,886	5,942,925	38
3) Bonds	300,000	299,760	(240)
Total	¥ 197,974,059	¥ 198,004,059	¥ 30,000
Derivative transactions[2]			
Hedge accounting not applied	¥ (83,231)	¥ (83,231)	¥ —
Hedge accounting applied[3]	(1,242,371)	(1,242,371)	—
Total derivative transactions	¥ (1,325,602)	¥ (1,325,602)	¥ —

Notes:
1. General reserve for possible loan losses and specific reserve for possible loan losses corresponding to loans have been deducted.
2. *Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums. Net receivables and payables arising from derivative transactions* are stated at net values, and if the values are negative, they are indicated in parentheses. Additionally, those subject to the exceptional treatment for interest rate swaps and the allocation method for forward foreign exchange, etc. which requires recognized foreign currency assets or liabilities to be translated using the corresponding foreign exchange contract rates are jointly disclosed with hedged borrowed money and securities. Therefore, their fair values are included in the relevant borrowed money and securities.
3. The banking subsidiary uses interest rate swaps and other derivatives to hedge market fluctuation of securities and other items subject to hedges, mainly adopting the deferred hedge method. "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No.40, March 17, 2022) is applied to these hedging relationships.

Note 2: Amounts carried on the consolidated balance sheets for stocks and other securities without market prices and investments in partnerships, etc. are as shown below; they are not included in "Assets 3) Money held in trust" and "Assets 4) Securities" under information concerning fair values of financial instruments.

March 31	Millions of Yen
	2022
Money held in trust[1,2 and 3]	¥ 2,889,132
Securities	
Unlisted stocks[1]	66,271
Investment trusts[2]	3,161,984
Investments in partnerships[3]	92,549
Total[4]	¥ 6,209,937

Notes:
1. In accordance with the provisions of Paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020), unlisted stocks are not included in the scope of fair value disclosures.
2. In accordance with the provisions of Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), some investment trusts that apply transitional measures have been treated using the previous method, and are not included in the scope of fair value disclosures.
3. In accordance with the provisions of Paragraph 27 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), investments in partnerships are not included in the scope of fair value disclosures.
4. Impairment losses of ¥5,661 million were recognized for the fiscal year ended March 31, 2022.

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

(Millions of Yen)

March 31	2023					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Monetary claims bought	¥ 32,452	¥ 19,175	¥ 76,085	¥ 80,070	¥ 64,531	¥ 255,197
Securities	15,031,238	23,804,013	17,604,347	15,001,780	13,747,438	50,320,775
Held-to-maturity bonds	3,810,638	8,746,512	7,335,661	5,164,549	6,798,316	27,883,178
Japanese government bonds	2,262,900	5,606,700	3,605,800	3,520,300	4,954,200	23,958,500
Japanese local government bonds	806,945	1,211,060	1,056,854	941,204	1,257,508	810,854
Japanese corporate bonds	612,799	1,138,354	1,588,531	607,826	462,464	1,562,469
Other	127,993	790,398	1,084,475	95,218	124,144	1,551,354
Policy reserve-matching bonds	478,065	605,516	571,300	1,708,700	1,127,100	3,423,393
Japanese government bonds	351,900	451,400	554,200	1,693,800	905,900	2,240,400
Japanese local government bonds	105,865	78,299	300	—	65,000	242,693
Japanese corporate bonds	20,300	75,817	16,800	14,900	156,200	940,300
Available-for-sale securities with maturities	10,742,534	14,451,984	9,697,386	8,128,531	5,822,022	19,014,203
Japanese government bonds	3,966,264	6,443,348	1,126,493	981,061	1,331,342	11,224,600
Japanese local government bonds	683,713	862,909	654,932	103,518	2,200	136,019
Japanese short-term corporate bonds	1,401,000	—	—	—	—	—
Japanese corporate bonds	973,925	1,582,761	1,112,156	685,916	652,376	1,284,011
Other	3,717,631	5,562,965	6,803,805	6,358,034	3,836,103	6,369,571
Loans[1]	3,876,819	1,864,634	1,058,157	780,316	820,536	805,714
Total	¥ 18,940,510	¥ 25,687,823	¥ 18,738,590	¥ 15,862,170	¥ 14,632,506	¥ 51,381,688

(Millions of Yen)

March 31	2022					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Monetary claims bought	¥ 22,873	¥ 8,732	¥ 85,126	¥ 82,105	¥ 36,843	¥ 200,482
Securities	21,969,273	22,196,975	15,602,697	18,003,969	20,517,210	45,261,183
Held-to-maturity bonds	10,256,223	5,653,851	4,544,503	5,744,850	7,236,070	23,360,165
Japanese government bonds	8,867,900	2,769,500	2,214,300	4,260,400	5,402,500	20,230,000
Japanese local government bonds	730,870	1,547,203	822,885	601,049	1,312,573	945,594
Japanese corporate bonds	510,972	1,023,285	924,077	872,957	520,997	1,430,306
Other	146,481	313,862	583,241	10,442	—	754,265
Policy-reserve-matching bonds	369,235	1,224,681	548,300	1,384,000	1,371,700	3,535,950
Japanese government bonds	277,000	981,400	511,000	1,359,400	1,176,900	2,394,600
Japanese local government bonds	67,299	183,364	1,100	—	60,000	233,450
Japanese corporate bonds	24,936	59,917	36,200	24,600	134,800	907,900
Available-for-sale securities with maturities	11,343,814	15,318,442	10,509,894	10,875,118	11,909,440	18,365,066
Japanese government bonds	5,879,187	4,919,770	3,327,813	3,037,447	6,437,605	11,587,600
Japanese local government bonds	731,578	1,195,920	1,017,115	382,471	41,287	142,932
Japanese short-term corporate bonds	1,434,500	—	—	—	—	—
Japanese corporate bonds	1,067,464	1,866,364	1,316,362	945,338	838,578	1,439,414
Other	2,231,084	7,336,387	4,848,602	6,509,861	4,591,968	5,195,119
Loans[1]	3,073,553	1,759,761	1,222,259	811,274	902,719	918,698
Total	¥ 25,065,700	¥ 23,965,469	¥ 16,910,084	¥ 18,897,349	¥ 21,456,773	¥ 46,380,365

(Millions of U.S. Dollars)

March 31	2023					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Monetary claims bought	$ 243	$ 144	$ 570	$ 600	$ 483	$ 1,911
Securities	112,568	178,267	131,838	112,348	102,954	376,850
Held-to-maturity bonds	28,538	65,502	54,936	38,677	50,912	208,816
Japanese government bonds	16,947	41,988	27,004	26,363	37,102	179,424
Japanese local government bonds	6,043	9,070	7,915	7,049	9,417	6,072
Japanese corporate bonds	4,589	8,525	11,896	4,552	3,463	11,701
Other	959	5,919	8,122	713	930	11,618
Policy-reserve-matching bonds	3,580	4,535	4,278	12,796	8,441	25,638
Japanese government bonds	2,635	3,381	4,150	12,685	6,784	16,778
Japanese local government bonds	793	586	2	—	487	1,818
Japanese corporate bonds	152	568	126	112	1,170	7,042
Available-for-sale securities with maturities	80,450	108,230	72,623	60,874	43,601	142,396
Japanese government bonds	29,703	48,254	8,436	7,347	9,970	84,061
Japanese local government bonds	5,120	6,462	4,905	775	16	1,019
Japanese short-term corporate bonds	10,492	—	—	—	—	—
Japanese corporate bonds	7,294	11,853	8,329	5,137	4,886	9,616
Other	27,841	41,661	50,953	47,615	28,728	47,701
Loans[1]	29,033	13,964	7,924	5,844	6,145	6,034
Total	$ 141,845	$ 192,375	$ 140,332	$ 118,791	$ 109,582	$ 384,795

Note: 1. Loans do not include ¥0 million ($0 million) and ¥0 million of claims whose redemption schedules are not expected, such as claims against bankrupt obligors, substantially bankrupt obligors and doubtful borrowers as of March 31, 2023 and 2022, respectively.

Note 4: Redemption schedule of deposits, borrowed money and bonds were as follows:

(Millions of Yen)

March 31	2023					
	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]	¥ 128,161,115	¥ 10,653,395	¥ 18,946,445	¥ 16,717,895	¥ 17,942,029	¥ —
Borrowed money	495,108	12,955	1,283,215	—	—	—
Bonds	—	—	15,000	—	15,000	305,000
Total	¥ 128,656,223	¥ 10,666,350	¥ 20,244,660	¥ 16,717,895	¥ 17,957,029	¥ 305,000

(Millions of Yen)

March 31	2022					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits[1]	¥ 121,457,781	¥ 12,086,520	¥ 13,565,375	¥ 23,932,579	¥ 20,688,915	¥ —
Borrowed money	5,912,113	14,257	6,680	9,835	—	—
Bonds	—	—	—	—	—	300,000
Total	¥ 127,369,895	¥ 12,100,778	¥ 13,572,055	¥ 23,942,414	¥ 20,688,915	¥ 300,000

(Millions of U.S. Dollars)

March 31	2023					
	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]	$ 959,793	$ 79,783	$ 141,889	$ 125,200	$ 134,367	$ —
Borrowed money	3,708	97	9,610	—	—	—
Bonds	—	—	112	—	112	2,284
Total	$ 963,501	$ 79,880	$ 151,611	$ 125,200	$ 134,479	$ 2,284

Note. 1. Demand deposits are included in "Within 1 year"

(6) Fair Value Information of Financial Instruments by Level of Inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: The fair value measured by quoted prices of identical assets or liabilities in active markets.
Level 2 fair value: The fair value measured using observable inputs other than Level 1.
Level 3 fair value: The fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Group classified fair values into a category to which the lowest priority is assigned.

1) *Financial assets and financial liabilities measured at fair value*

(Millions of Yen)

March 31	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ 29,996	¥ 495,635	¥ 525,632
Money held in trust[1]	6,399,239	736,851	—	7,136,091
Trading account securities and securities				
Trading securities				
Japanese government bonds	19	—	—	19
Available-for-sale securities				
Stocks	504,415	—	—	504,415
Japanese government bonds	24,486,704	250,439	—	24,737,143
Japanese local government bonds	—	2,417,432	32,681	2,450,113
Japanese short-term corporate bonds	—	1,400,895	—	1,400,895
Japanese corporate bonds	—	6,254,583	539	6,255,122
Other	11,513,828	61,620,996	140,294	73,275,120
Of which: foreign bonds	11,513,828	13,509,443	129,133	25,152,404
Of which: investment trusts[1]	—	48,096,553	—	48,096,553
Total assets	¥ 42,904,207	¥ 72,711,195	¥ 669,151	¥ 116,284,553
Derivative transactions[3]				
Interest rate-related derivatives	¥ —	¥ (22,200)	¥ —	¥ (22,200)
Currency-related derivatives	—	(1,122,023)	—	(1,122,023)
Credit derivatives	—	102	—	102
Total derivative transactions	¥ —	¥ (1,144,121)	¥ —	¥ (1,144,121)

(Millions of Yen)

March 31	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ —	¥ 19,999	¥ 416,846	¥ 436,845
Money held in trust[2]	6,037,636	—	—	6,037,636
Trading account securities and securities				
Trading securities				
Japanese government bonds	11	—	—	11
Available-for-sale securities				
Stocks	573,902	—	—	573,902
Japanese government bonds	33,972,969	1,708,273	—	35,681,243
Japanese local government bonds	—	3,498,586	34,642	3,533,229
Japanese short-term corporate bonds	—	1,434,510	—	1,434,510
Japanese corporate bonds	7,945	7,491,001	1,837	7,500,784
Other	13,282,874	13,369,772	258,059	26,910,707
Of which: foreign bonds	13,282,874	13,354,772	245,508	26,883,156
Of which: investment trusts[2]	—	—	—	—
Total assets	¥ 53,875,339	¥ 27,522,144	¥ 711,386	¥ 82,108,870
Derivative transactions[3]				
Interest rate-related derivatives	¥ —	¥ (122,044)	¥ —	¥ (122,044)
Currency-related derivatives	—	(1,203,889)	—	(1,203,889)
Credit derivatives	—	330	—	330
Total derivative transactions	¥ —	¥ (1,325,602)	¥ —	¥ (1,325,602)

(Millions of U.S. Dollars)

March 31	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	$ —	$ 225	$ 3,712	$ 3,936
Money held in trust[1]	47,924	5,518	—	53,442
Trading account securities and securities				
Trading securities				
Japanese government bonds	0	—	—	0
Available-for-sale securities				
Stocks	3,778	—	—	3,778
Japanese government bonds	183,380	1,876	—	185,255
Japanese local government bonds	—	18,104	245	18,349
Japanese short-term corporate bonds	—	10,491	—	10,491
Japanese corporate bonds	—	46,840	4	46,844
Other[1]	86,227	461,477	1,051	548,754
Of which: foreign bonds	86,227	101,172	967	188,365
Of which: investment trusts[1]	—	360,193	—	360,193
Total assets	$ 321,308	$ 544,531	$ 5,011	$ 870,850
Derivative transactions[3]				
Interest rate-related derivatives	$ —	$ (166)	$ —	$ (166)
Currency-related derivatives	—	(8,403)	—	(8,403)
Credit derivatives	—	1	—	1
Total derivative transactions	$ —	$ (8,568)	$ —	$ (8,568)

Notes:

1. Investment trusts that apply the treatment to regard a unit price as the fair value based on Paragraph 24-3 and Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) are not included. The consolidated balance sheet amount of investment trusts that apply the treatment of Paragraph 24-3 was ¥6,690,682 million ($50,106 million) and the consolidated balance sheet amount of investment trusts that apply the treatment of Paragraph 24-9 was ¥300,283 million ($2,249 million).
2. Investment trusts applying transitional measures prescribed in Paragraph 26 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) are not included in the above table. The amount of such investment trusts in the consolidated balance sheets was ¥49,982,519 million.
3. Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums. Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses.

2) Financial assets and financial liabilities not measured at fair value

(Millions of Yen)

March 31	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	¥ —	¥ 504,320	¥ —	¥ 504,320
Securities				
Held-to-maturity bonds				
Japanese government bonds	46,411,385	—	—	46,411,385
Japanese local government bonds	—	6,140,736	3,752	6,144,488
Japanese corporate bonds	—	5,929,623	—	5,929,623
Other	721,757	3,011,650	—	3,733,407
Policy-reserve-matching bonds				
Japanese government bonds	6,628,341	—	—	6,628,341
Japanese local government bonds	—	464,269	23,723	487,993
Japanese corporate bonds	—	1,121,303	—	1,121,303
Loans	—	—	9,312,882	9,312,882
Total assets	¥ 53,761,484	¥ 17,171,903	¥ 9,340,358	¥ 80,273,746
Deposits	¥ —	¥ 192,441,115	¥ —	¥ 192,441,115
Borrowed money	—	1,791,683	—	1,791,683
Bonds	—	317,859	—	317,859
Total liabilities	¥ —	¥ 194,550,658	¥ —	¥ 194,550,658

(Millions of Yen)

March 31	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	¥ —	¥ 269,877	¥ —	¥ 269,877
Securities				
Held-to-maturity bonds				
Japanese government bonds	47,893,013	—	—	47,893,013
Japanese local government bonds	—	6,111,476	4,130	6,115,606
Japanese corporate bonds	—	5,339,471	—	5,339,471
Other	246,165	1,534,335	13,002	1,793,504
Policy reserve matching bonds				
Japanese government bonds	7,378,646	—	—	7,378,646
Japanese local government bonds	—	531,162	25,634	556,796
Japanese corporate bonds	—	1,170,585	—	1,170,585
Loans	—	—	8,922,524	8,922,524
Total assets	¥ 55,517,825	¥ 14,956,910	¥ 8,965,291	¥ 79,440,028
Deposits	¥ —	¥ 191,761,374	¥ —	¥ 191,761,374
Borrowed money	—	5,942,925	—	5,942,925
Bonds	—	299,760	—	299,760
Total liabilities	¥ —	¥ 198,004,059	¥ —	¥ 198,004,059

(Millions of U.S. Dollars)

March 31	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	$ —	$ 3,777	$ —	$ 3,777
Securities				
Held-to-maturity bonds				
Japanese government bonds	347,573	—	—	347,573
Japanese local government bonds	—	45,988	28	46,016
Japanese corporate bonds	—	44,407	—	44,407
Other	5,405	22,554	—	27,959
Policy-reserve-matching bonds				
Japanese government bonds	49,639	—	—	49,639
Japanese local government bonds	—	3,477	178	3,655
Japanese corporate bonds	—	8,397	—	8,397
Loans	—	—	69,744	69,744
Total assets	$ 402,617	$ 128,600	$ 69,950	$ 601,166
Deposits	$ —	$ 1,441,183	$ —	$ 1,441,183
Borrowed money	—	13,418	—	13,418
Bonds	—	2,380	—	2,380
Total liabilities	$ —	$ 1,456,981	$ —	$ 1,456,981

A description of the valuation techniques and inputs used in the fair value measurements

Assets

Monetary claims bought

The fair value of monetary claims bought is based on pricing offered by the broker and other third parties, and is classified primarily into Level 3 fair value.

Money held in trust

For securities representing trust assets in money held in trust, the fair value of stocks and investment trusts with market prices is based on the price on the stock exchange, and the fair value of bonds is based on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association. These are classified primarily into Level 1 fair value. The fair value of investment trusts without market prices is based on a unit price if there are no restrictions that are significant enough to cause market participants to demand compensation for risks with respect to cancellation or repurchase requests, and the fair value is categorized as level 2.

Notes to money held in trust by categories based on holding purposes are provided in Note 4 (4) "Money Held in Trust."

Trading account securities

The fair value of trading account securities is based on the purchase price of the Bank of Japan, and is classified primarily into Level 1 fair value because unadjusted quoted prices in active markets are available.

Securities

The fair value of stocks is based on the price on the stock exchange, and is classified primarily into Level 1 fair value because unadjusted quoted prices in active markets are available.

The fair value of bonds is based on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, the price calculated using the comparable price method or the price provided by a third party such as a vendor or a broker.

For bonds whose fair value is based on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association or the price calculated using the comparable price method and other criteria, principally, the fair value of Japanese government bonds and

Japanese treasury discount bills is classified into Level 1 fair value, and that of other bonds is classified into Level 2 fair value. In addition, the fair value of bonds whose fair value is based on the price provided by a third party such as a vendor or a broker is classified into Level 1, Level 2 or Level 3 fair value depending on whether the obtained prices and inputs and other indicators used in the pricing are observable in markets.

The fair value of bonds subject to the allocation method of forward foreign exchange, etc., reflects the fair value of the relevant forward foreign exchange, etc.

The fair value of investment trusts without market prices is based on a unit price if there are no restrictions that are significant enough to cause market participants to demand compensation for risks with respect to cancellation or repurchase requests, and the fair value is categorized as level 2.

Notes to securities by categories considering holding purposes are provided in Note 4 (3) "Fair Value Information on Securities and Policy-Reserve-Matching Bonds."

Loans

For loans with variable interest rates, which follow market interest rates only over the short term, book value approximates fair value provided the obligor's credit standing has not significantly changed after the transaction. In such cases, book value serves as fair value. For loans with fixed interest rates, fair value is considering a net discounted present value of future cash flows, etc.

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

The fair value of these loans is classified into Level 3 fair value.

Liabilities

Deposits

For demand deposits such as transfer deposits and ordinary deposits, the payment amount (book value) if demanded on the consolidated balance sheet date is deemed to be the fair value of such demand deposits, and the fair value is classified into Level 2 fair value.

For time deposits, fair value is based on the net present value calculated by discounting estimated future cash flows, following a division into certain periods, and fair value is classified into Level 2 fair value.

For fixed deposits, fair value is based on the net present value calculated by discounting estimated future cash flows, which reflect an early cancellation rate calculated using historical results, following a division into certain periods. The fair value is classified into Level 2 fair value if the effect of unobservable inputs is immaterial, and into Level 3 fair value if significant unobservable inputs are used.

The interest rates applicable to new savings are used as the discount rates of time deposits and fixed deposits.

Borrowed money

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

The fair value of borrowed money is classified into Level 2 fair value.

The fair value of borrowed money subject to the exceptional treatment for interest rate swaps reflects the fair value of the relevant interest rate swaps.

Bonds

The fair value of bonds issued by the Company and its consolidated subsidiaries is based on the publicly released quoted price, and is classified into Level 2 fair value.

Derivative transactions

For derivative transactions that unadjusted quoted prices in active markets are available, fair value is classified into Level 1 fair value.

However, as most of the derivative transactions are over-the-counter transactions and there is no publicly released quoted price, valuation techniques such as the discounted present value method is used to calculate fair value depending on the type of transaction and the period to maturity. The main inputs used in these techniques are interest rates and foreign exchange rates. In case where unobservable inputs are not used or their effects are immaterial, the fair value of derivative transactions is classified into Level 2 fair value, such as for plain vanilla interest rate swaps and forward foreign exchange. In case where significant unobservable inputs are used, the item is classified into Level 3 fair value.

Information about Level 3 fair value of financial assets and financial liabilities measured at fair value is as follows:

A) Quantitative information on significant unobservable inputs

This information is not presented because the Company's consolidated subsidiaries do not estimate unobservable inputs as of March 31, 2023 and 2022.

B) Changes from balance at the beginning of the fiscal year to balance at the end of the fiscal year and gain (loss) on valuation recognized as gain (loss) for the fiscal year under review

(Millions of Yen)

	2023							
	Balance at the beginning of fiscal year	Gain (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales, issuances and settlements	Reclassified as level 3 fair value[3]	Reclassified from level 3 fair value[5]	Balance at the end of the fiscal year	Of the amounts listed under gain (loss) for the fiscal year, gain (loss) on valuation of financial assets and liabilities held on the date of the consolidated balance sheet[1]
		Recorded as gain (loss)[1]	Recorded in other comprehensive income[2]					
Monetary claims bought	¥ 416,846	¥ (6)	¥ (2,555)	¥ 81,351	¥ —	¥ —	¥ 495,635	¥ —
Securities								
Available-for-sale securities								
Japanese local government bonds	34,642	106	(1,185)	(882)	—	—	32,681	106
Japanese corporate bonds	1,837	(3)	(0)	(1,294)	—	—	539	—
Other	258,059	2,793	(4,107)	(62,160)	10,529	(64,818)	140,294	(1,707)
Of which foreign bonds	245,508	2,793	(3,928)	(60,950)	10,529	(64,818)	129,133	(1,707)

(Millions of Yen)

	2022							
	Balance at the beginning of fiscal year	Gain (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales, issuances and settlements	Reclassified as level 3 fair value[4]	Reclassified from level 3 fair value[5]	Balance at the end of the fiscal year	Of the amounts listed under gain (loss) for the fiscal year, gain (loss) on valuation of financial assets and liabilities held on the date of the consolidated balance sheet[1]
		Recorded as gain (loss)[1]	Recorded in other comprehensive income[2]					
Monetary claims bought	¥ 383,992	¥ (8)	¥ (1,995)	¥ 34,858	¥ —	¥ —	¥ 416,846	¥ —
Securities								
Available for sale securities								
Japanese local government bonds	29,238	1,105	(958)	(759)	6,016	—	34,642	1,105
Japanese corporate bonds	3,951	(6)	(6)	(2,100)	—	—	1,837	—
Other	357,493	6,079	258	(48,649)	—	(57,122)	258,059	4,571
Of which: foreign bonds	343,184	6,079	399	(47,032)	—	(57,122)	245,508	4,571

(Millions of U.S. Dollars)

	2023							
	Balance at the beginning of fiscal year	Gain (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales, issuances and settlements	Reclassified as level 3 fair value[3]	Reclassified from level 3 fair value[5]	Balance at the end of the fiscal year	Of the amounts listed under gain (loss) for the fiscal year, gain (loss) on valuation of financial assets and liabilities held on the date of the consolidated balance sheet[1]
		Recorded as gain (loss)[1]	Recorded in other comprehensive income[2]					
Monetary claims bought	$ 3,122	$ (0)	$ (19)	$ 609	$ —	$ —	$ 3,712	$ —
Securities								
Available-for-sale securities								
Japanese local government bonds	259	1	(9)	(7)	—	—	245	1
Japanese corporate bonds	14	(0)	(0)	(10)	—	—	4	—
Other	1,933	21	(31)	(466)	79	(485)	1,051	(13)
Of which: foreign bonds	1,839	21	(29)	(456)	79	(485)	967	(13)

Notes:
1. Included mainly in banking business income, life insurance business income and operating expenses in the consolidated statements of income.
2. Included in net unrealized gains (losses) on available-for-sale securities under other comprehensive income in the consolidated statements of comprehensive income.
3. *Reclassified from level 2 fair value to level 3 fair value. For foreign bonds, this is because of the shortage of material observable data due to the reduced market* activities. The reclassification is made at the beginning of the fiscal year.
4. Reclassified from level 2 fair value to level 3 fair value. For Japanese local government bonds, this is because material observable data cannot be used. The reclassification is made at the beginning of the fiscal year.
5. Reclassified from level 3 fair value to level 2 fair value. For foreign bonds, this is because material observable data can be used. The reclassification is made at the beginning of the fiscal year

C) A description of valuation processes used for fair value measurements

The fair value verification department of the banking subsidiary has established policies and procedures for measuring fair value, and each fair value measurement department measures fair value accordingly. A fair value verification department independent from the fair value measurement departments verifies whether the fair value obtained is measured using valid valuation techniques and inputs and classifies them into levels of the fair value hierarchy. The results of the verification are reported to the ALM committee to ensure that the policies and procedures for measuring fair value are appropriate.

In measuring fair value, the Company uses a valuation model that most appropriately reflects the nature, characteristics and risks of each financial instrument. In addition, when using quoted prices obtained from third parties, the Company verifies whether the prices are valid using appropriate methods, such as confirming the valuation techniques and inputs used and comparing them with the fair value of similar financial instruments.

The fair value measurement division of the insurance subsidiary has established policies and procedures for measuring fair value, measures fair value, and determines its level in the fair value hierarchy. The risk management division of the insurance subsidiary has established verification procedures for measuring fair value of financial instruments. If quoted prices obtained from a third party are used, the division verifies the validity of prices using appropriate methods such as confirmation of the valuation techniques and inputs used, and comparison with fair value of similar financial instruments. Thus, the Group ensures that the fair value measurement of financial instruments and other matters are appropriate.

D) A narrative description of sensitivity of the fair value measurement to changes in significant unobservable inputs

This information is not presented because the Company's consolidated subsidiaries do not estimate unobservable inputs.

Information on investment trusts that apply the treatment to regard a unit price as the fair value based on Paragraph 24-3 and Paragraph 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) is as follows:

A) Changes from balance at the beginning of the fiscal year to balance at the end of the fiscal year of the investment trusts that apply the treatment of Paragraph 24-3

(Millions of Yen)

2023							
Balance at the beginning of fiscal year	Gain (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales and redemption	Amount of investment trusts that regards a unit price as fair value	Amount of investment trusts that doesn't regard a unit price as fair value	Balance at the end of the fiscal year	Of the amounts listed under gain (loss) for the fiscal year, gain (loss) on valuation of investment trusts held on the date of the consolidated balance sheet
	Recorded as gain (loss)[1]	Recorded in other comprehensive income[2]					
¥ 3,884,768	¥ 76,133	¥ 1,255,198	¥ 1,474,582	¥ —	¥ —	¥ 6,690,682	¥ —

(Millions of U.S. Dollars)

2023							
Balance at the beginning of fiscal year	Gain (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales and redemption	Amount of investment trusts that regards a unit price as fair value	Amount of investment trusts that doesn't regard a unit price as fair value	Balance at the end of the fiscal year	Of the amounts listed under gain (loss) for the fiscal year, gain (loss) on valuation of investment trusts held on the date of the consolidated balance sheet
	Recorded as gain (loss)[1]	Recorded in other comprehensive income[2]					
$ 29,093	$ 570	$ 9,400	$ 11,043	$ —	$ —	$ 50,106	$ —

Notes:
1. Included mainly in banking business income in the consolidated statements of income.
2. Included in net unrealized gains (losses) on available-for-sale securities under other comprehensive income in the consolidated statements of comprehensive income.

B) Changes from balance at the beginning of the fiscal year to balance at the end of the fiscal year of the investment trusts that apply the treatment of Paragraph 24-9

(Millions of Yen)

2023							
Balance at the beginning of fiscal year	Gain (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales and redemption	Amount of investment trusts that regards a unit price as fair value	Amount of investment trusts that doesn't regard a unit price as fair value	Balance at the end of the fiscal year	Of the amounts listed under gain (loss) for the fiscal year, gain (loss) on valuation of investment trusts held on the date of the consolidated balance sheet
	Recorded as gain (loss)[1]	Recorded in other comprehensive income[2]					
¥ 225,542	¥ 127	¥ 35,443	¥ 39,168	¥ —	¥ —	¥ 300,283	¥ —

(Millions of U.S. Dollars)

2023							
Balance at the beginning of fiscal year	Gain (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales and redemption	Amount of investment trusts that regards a unit price as fair value	Amount of investment trusts that doesn't regard a unit price as fair value	Balance at the end of the fiscal year	Of the amounts listed under gain (loss) for the fiscal year, gain (loss) on valuation of investment trusts held on the date of the consolidated balance sheet
	Recorded as gain (loss)[1]	Recorded in other comprehensive income[2]					
$ 1,689	$ 1	$ 265	$ 293	$ —	$ —	$ 2,249	$ —

Notes:
1. Included mainly in banking business income in the consolidated statements of income.
2. Included in net unrealized gains (losses) on available-for-sale securities under other comprehensive income in the consolidated statements of comprehensive income.

C) Breakdown by the content of the restrictions regarding cancellation or repurchase requests on the last day of the fiscal period

March 31	Millions of Yen	Millions of U.S. Dollars
	2023	2023
Investment trusts that require a certain period of time for cancellation, etc.	¥ 6,690,682	$ 50,106

21. DERIVATIVE TRANSACTIONS

(1) Derivative Transactions to Which the Hedge Accounting Method Is Not Applied

The following tables set forth the contract amount or the amount equivalent to the principal, fair value and valuation gains (losses) at the end of the fiscal year by transaction type with respect to derivative transactions to which the hedge accounting method is not applied. Contract amount does not indicate the market risk related to derivative transactions.

1) Currency-related derivatives

(Millions of Yen)

March 31	2023			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Currency swaps	¥ 1,413,700	¥ 897,092	¥ (146,585)	¥ (146,585)
Forward foreign exchange:				
Sold	235,593	—	956	956
Bought	443,506	—	1,378	1,378
Total			¥ (144,250)	¥ (144,250)

(Millions of Yen)

March 31	2022			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Currency swaps	¥ 681,912	¥ 681,912	¥ (74,510)	¥ (74,510)
Forward foreign exchange:				
Sold	308,988	—	(14,659)	(14,659)
Bought	202,603	—	5,607	5,607
Total			¥ (83,562)	¥ (83,562)

(Millions of U.S. Dollars)

March 31	2023			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Currency swaps	$ 10,587	$ 6,718	$ (1,098)	$ (1,098)
Forward foreign exchange:				
Sold	1,764	—	7	7
Bought	3,321	—	10	10
Total			$ (1,080)	$ (1,080)

Note: The above transactions are measured at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.

2) Credit-related derivatives

(Millions of Yen)

March 31	2023			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold	¥ 14,000	¥ 5,000	¥ 102	¥ 102
Total			¥ 102	¥ 102

(Millions of Yen)

March 31	2022			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold	¥ 28,223	¥ 14,000	¥ 330	¥ 330
Total			¥ 330	¥ 330

(Millions of U.S. Dollars)

March 31	2023			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold	$ 105	$ 37	$ 1	$ 1
Total			$ 1	$ 1

Notes:
1. The above transactions are measured at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.
2. "Sold" represents transactions which the credit risk has been assumed.

(2) Derivative Transactions to Which the Hedge Accounting Method Is Applied

The following tables set forth the contract amount or the amount equivalent to the principal and fair value at the end of the fiscal year by transaction type and hedge accounting method with respect to derivative transactions to which the hedge accounting method is applied. Contract amount does not indicate the market risk related to derivative transactions.

1) Interest rate-related derivatives

(Millions of Yen)

March 31	Type of derivative	Major hedged item	2023		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method	Interest rate swaps:				
	Receivable fixed rate / Payable floating rate	Securities Deposits Insurance liabilities	¥ 5,275,000	¥ 4,725,000	¥ 7,071
	Receivable floating rate / Payable fixed rate		3,716,712	3,484,525	(29,271)
Exceptional treatment for interest rate swaps	Interest rate swaps:				
	Receivable floating rate / Payable fixed rate	Borrowed money	1,657	1,355	
		Total			¥ (22,200)

(Millions of Yen)

March 31	Type of derivative	Major hedged item	2022		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method	Interest rate swaps:				
	Receivable fixed rate / Payable floating rate	Securities Deposits Borrowed money	¥ 3,400,000	¥ 3,400,000	¥ 13,672
	Receivable floating rate / Payable fixed rate		4,027,945	3,634,863	(135,716)
Exceptional treatment for interest rate swaps	Interest rate swaps:				
	Receivable floating rate / Payable fixed rate	Borrowed money	5,035	4,632	
		Total			¥ (122,044)

(Millions of U.S. Dollars)

March 31	Type of derivative	Major hedged item	2023		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method	Interest rate swaps:				
	Receivable fixed rate / Payable floating rate	Securities Deposits Insurance liabilities	$ 39,504	$ 35,385	$ 53
	Receivable floating rate / Payable fixed rate		27,834	26,095	(219)
Exceptional treatment for interest rate swaps	Interest rate swaps:				
	Receivable floating rate / Payable fixed rate	Borrowed money	12	10	
		Total			$ (166)

Notes:
1. In principle, these derivatives are accounted for using deferred hedge accounting.
2. Interest rate swaps subject to the exceptional treatment are accounted for in combination with the borrowed money that are subject to the hedge. Therefore their fair value is included in the fair value of the relevant loans in Note 20 "FINANCIAL INSTRUMENTS."

2) Currency-related derivatives

(Millions of Yen)

March 31 Hedge accounting method	Type of derivative	Major hedged item	2023 Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method		*Securities*			
	Currency swaps	Borrowed money	¥ 9,195,588	¥ 7,765,631	¥ (913,382)
Allocation method	Currency swaps	Securities	1,819,272	1,743,579	
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	2,979,420	—	15,496
	Currency swaps		408,934	92,876	(79,886)
		Total			¥ (977,773)

(Millions of Yen)

March 31 Hedge accounting method	Type of derivative	Major hedged item	2022 Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method		*Securities*			
	Currency swaps	Borrowed money	¥ 8,782,501	¥ 7,754,729	¥ (762,595)
Allocation method	Currency swaps	Securities	641,528	635,047	
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	4,032,109	—	(290,030)
	Currency swaps		477,496	316,058	(67,700)
		Total			¥ (1,120,327)

(Millions of U.S. Dollars)

March 31 Hedge accounting method	Type of derivative	Major hedged item	2023 Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method		*Securities*			
	Currency swaps	Borrowed money	$ 68,865	$ 58,156	$ (6,840)
Allocation method	Currency swaps	Securities	13,624	13,058	
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	22,313	—	116
	Currency swaps		3,062	696	(598)
		Total			$ (7,322)

Notes:
1. In principle, these derivatives are accounted for using deferred hedge accounting.
2. Currency swaps, which are accounted for as forward foreign exchange subject to the allocation method, are accounted for in combination with the securities that are subject to the hedge. Therefore their fair value is included in the fair value of the relevant securities in Note 20 "FINANCIAL INSTRUMENTS."

22. LEASE TRANSACTIONS

Operating Leases

(1) As lessee

Future lease payments under non-cancelable operating leases were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Due within 1 year	¥ 8,922	¥ 7,936	$ 67
Due after 1 year	39,612	30,772	297
Total	¥ 48,534	¥ 38,709	$ 363

(2) As lessor

Future lease receivables under non-cancelable operating leases were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Due within 1 year	¥ 14,618	¥ 14,828	$ 109
Due after 1 year	51,747	47,226	388
Total	¥ 66,366	¥ 62,055	$ 497

23. 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 ¥59,588 million ($446 million) and ¥61,334 million as of March 31, 2023 and 2022, 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.

24. BUSINESS COMBINATIONS

Transactions Under Common Control

Sale of a portion of stocks in subsidiaries

The Company sold a portion of its shares in the stocks in Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd. (hereinafter collectively referred to as "the Two Finance Companies"), which are consolidated subsidiaries, as described below.

(1) Transactions with Japan Post Insurance Co., Ltd.

1) *Overview of the transaction*

A) Overview and purpose of the transaction

Under the Postal Service Privatization Act, the Company shall aim to dispose of the entire equity interest in the Two Finance Companies, and shall dispose of these shareholdings within the earliest possible time-frame, in light of the business condition of the Two Finance Companies and any impact on the ability to fulfill universal services obligation. In accordance with this aim, the Company, under its Medium-Term Management Plan, has set forth the policy of selling down these shareholdings as early as possible, until it holds 50% or less of the voting rights in each of the Two Finance Companies by 2025.

In accordance with the policy described above, the Company *sold a portion of its shares of common stock in Japan Post* Insurance Co., Ltd. in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd.

B) Name and description of business of party to which the business combination was applied

Name: Japan Post Insurance Co., Ltd.

Description of business: Life insurance business

C) Date of the business combination

Sale of shares in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd.

August 16, 2022

D) Legal form of the business combination

Sale of a portion of stock for cash consideration

E) Name of company after business combination

No change

2) Overview of accounting treatment applied

This transaction is treated as a transaction with non-controlling shareholders, which falls under the category of a transaction under common control, etc., based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

3) Matters concerning changes in the Company's equity interest as a result of transaction with non-controlling shareholders

A) Main cause for change in capital surplus

Sale of a portion of stock in a subsidiary

B) Decreased amount of capital surplus as a result of transaction with non-controlling shareholders

¥7,725 million ($58 million)

(2) Transactions with Japan Post Bank Co., Ltd.

1) Overview of the transaction

A) Overview and purpose of the transaction

Under the Postal Service Privatization Act, the Company shall aim to dispose of the entire equity interest in the Two Finance Companies, and shall dispose of these shareholdings within the earliest possible time-frame, in light of the business condition of the Two Finance Companies and any impact on the ability to fulfill universal services obligation. In accordance with this aim, the Company, under its Medium-Term Management Plan, has set forth the policy of selling down these shareholdings as early as possible, until it holds 50% or less of the voting rights in each of the Two Finance Companies by 2025.

Based on the above plan, from the view that Japan Post Bank *Co., Ltd. does not satisfy the requirement for tradable share ratio* among the listing criteria of the Prime Market of the Tokyo Stock Exchange, Inc., in order to improve the ratio, the Company sold a portion of its shares of common stock in Japan Post Bank Co., Ltd. (hereinafter referred to as the "Sale") considering the influence over the share price of Japan Post Bank Co., Ltd., the Company's capital needs and consolidated financial results, etc.

Prior to this, the Company sold a portion of its shares of common stock in Japan Post Bank Co., Ltd. in response to a share repurchase undertaken by Japan Post Bank Co., Ltd.

B) Name and description of business of party to which the business combination was applied

Name: Japan Post Bank Co., Ltd.

Description of business: Banking business

C) Date of the business combination

a. Sale of shares in response to the implementation of a share repurchase by Japan Post Bank Co., Ltd.

March 3, 2023

b. The Sale

From March 20, 2023 to March 31, 2023

D) Legal form of the business combination

Sale of a portion of stock for cash consideration

E) Name of company after business combination

No change

2) Overview of accounting treatment applied

This transaction is treated as a transaction with non-controlling shareholders, which falls under the category of a transaction under common control, etc., based on "Accounting Standard for *Business Combinations" (ASBJ Statement No. 21, January 16, 2019)* and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

3) Matters concerning changes in the Company's equity interest as a result of transaction with non-controlling shareholders

A) Main cause for change in capital surplus

Sale of a portion of stock in a subsidiary

B) Decreased amount of capital surplus as a result of transaction with non-controlling shareholders

¥1,532,635 million ($11,478 million)

Since other capital surplus became a negative value due to the transaction above, other capital surplus was recorded as zero and the amount of the negative value was deducted from other retained earnings, based on "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (ASBJ Statement No. 1, March 26, 2015).

25. SEGMENT INFORMATION

(1) Outline of Reportable Segments

The Group's reportable segments are categorized based on certain criteria for which discrete financial information is available *and reviewed regularly by the management in order to make* decisions about resources to be allocated to the segment and assess its performance.

The Group assesses business performance primarily by assessing the performance of each individual consolidated subsidiary and as such recognizes each consolidated subsidiary as an identifiable business segment unit except for Japan Post Co., Ltd., which is classified into postal and domestic logistics business segment and post office business segment. The Group determines its reportable segments by aggregating business segment units with similar economic characteristics, market selling products and services, customer type and other factors.

The Group's reportable segments are (1) postal and domestic logistics business and (2) post office business operated mainly by Japan Post Co., Ltd., (3) international logistics business operated mainly by Toll, (4) banking business operated mainly by Japan Post Bank Co., Ltd., and (5) life insurance business operated mainly by Japan Post Insurance Co., Ltd.

(Changes in classification of reportable segments)

Pursuant to a partial change in performance management classifications within the Group, the business conducted by Japan *Post Building Management Co., Ltd., which was previously* included in the "Post office" business for the purposes of classifying the Group's reportable segment, has been reclassified as part of "Other" business from the fiscal year ended March 31, 2023.

The segment information for the fiscal year ended March 31, 2022 was presented based on the new classification.

(2) Method of Calculating Income, Profit and Loss, and Assets and Other Items by Reportable Segment

Accounting policies applied to the reportable segments are the same as those described in Note 2 "SIGNIFICANT ACCOUNTING POLICIES." Intersegment income is determined based on market prices or total cost.

(3) Selected Financial Information on Reportable Segment

(Millions of Yen)

Year ended March 31	2023							
	Reportable segment						Other[2]	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life Insurance	Total		
Income[1]:								
Income from third parties	¥ 1,963,562	¥ 84,509	¥ 599,899	¥ 2,062,509	¥ 6,374,579	¥ 11,085,062	¥ 49,160	¥ 11,134,222
Intersegment Income	38,056	991,253	279	1,605	4,981	1,036,176	263,988	1,300,164
Total	¥ 2,001,619	¥ 1,075,762	¥ 600,179	¥ 2,064,115	¥ 6,379,561	¥ 12,121,238	¥ 313,149	¥ 12,434,387
Segment profit (loss)	¥ 35,212	¥ 50,466	¥ (723)	¥ 455,537	¥ 117,892	¥ 658,385	¥ 189,802	¥ 848,188
Segment assets	2,059,374	2,585,101	405,955	229,580,406	62,687,388	297,318,226	5,843,422	303,161,649
Other items:								
Depreciation and amortization	66,456	36,395	35,698	34,234	39,490	212,275	17,507	229,782
Amortization of goodwill	—	—	103	—	—	103	1,979	2,082
Interest and dividend income	11	109	730	1,243,685	950,717	2,195,253	12,874	2,208,127
Interest expenses	978	0	12,173	458,165	4,639	475,956	97	476,053
Equity in earnings of affiliates	—	488	714	183	—	1,387	—	1,387
Gains on sales of fixed assets	1,103	12,078	1,264	257	—	14,704	5,889	20,593
Reversal of reserve for price fluctuations	—	—	—	—	82,645	82,645	—	82,645
Losses on sales and disposal of fixed assets	1,172	1,335	228	575	319	3,632	230	3,863
Losses on impairment of fixed assets	229	802	—	875	—	1,907	1,318	3,226
Provision for reserve for price fluctuations	—	—	—	—	—	—	—	—
Provision for reserve for policyholder dividends	—	—	—	—	62,067	62,067	—	62,067
Income taxes	13,634	9,243	3,305	122,698	40,215	189,097	(14,572)	174,525
Investments in affiliates accounted for by the equity method	—	3,048	12,205	1,012	—	16,266	—	16,266
Increase in tangible fixed assets and intangible assets	75,715	105,043	34,654	54,223	36,794	306,432	60,779	367,211

(Millions of Yen)

Year ended March 31	2022							
	Reportable segment						Other[3]	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income[1]:								
Income from third parties	¥ 2,003,084	¥ 86,771	¥ 687,579	¥ 1,976,004	¥ 6,454,191	¥ 11,207,632	¥ 54,600	¥ 11,262,232
Intersegment income	40,540	1,069,944	237	1,637	16	1,112,376	279,651	1,392,028
Total	¥ 2,043,624	¥ 1,156,716	¥ 687,817	¥ 1,977,642	¥ 6,454,208	¥ 12,320,009	¥ 334,341	¥ 12,654,351
Segment profit	¥ 103,898	¥ 24,486	¥ 21,226	¥ 490,893	¥ 356,113	¥ 996,617	¥ 209,590	¥ 1,206,208
Segment assets	2,185,467	2,632,504	435,273	232,954,438	67,174,796	305,382,480	5,924,102	311,306,583
Other items:								
Depreciation and amortization	71,381	37,755	36,620	37,716	54,562	238,036	17,711	255,748
Amortization of goodwill	183	—	—	—	—	183	1,133	1,317
Interest and dividend income	10	61	375	1,369,735	985,879	2,356,061	10,007	2,366,069
Interest expenses	817	0	7,872	226,652	2,352	237,696	52	237,749
Equity in earnings of affiliates	—	358	879	290	—	1,527	—	1,527
Gains on sales of fixed assets	60	7,025	1,815	6,379	5,696	20,977	661	21,639
Reversal of reserve for price fluctuations	—	—	—	—	—	—	—	—
Losses on sales and disposal of fixed assets	1,258	1,001	965	681	376	4,234	379	4,613
Losses on impairment of fixed assets	659	3,035	576	15	—	4,286	6,995	11,282
Provision for reserve for price fluctuations	—	—	—	—	67,789	67,789	—	67,789
Provision for reserve for policyholder dividends	—	—	—	—	73,113	73,113	—	73,113
Income taxes	32,380	4,533	6,466	142,348	62,517	248,245	(25,466)	222,779
Investments in affiliates accounted for by the equity method	—	2,564	11,413	1,063	—	15,041	—	15,041
Increase in tangible fixed assets and intangible assets	38,238	35,197	20,468	44,685	31,958	170,549	49,333	219,882

(Millions of U.S. Dollars)

Year ended March 31	2023							
	Reportable segment						Other[2]	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income[1]:								
Income from third parties	$ 14,705	$ 633	$ 4,493	$ 15,446	$ 47,739	$ 83,016	$ 368	$ 83,384
Intersegment income	285	7,423	2	12	37	7,760	1,977	9,737
Total	$ 14,990	$ 8,056	$ 4,495	$ 15,458	$ 47,776	$ 90,775	$ 2,345	$ 93,121
Segment profit (loss)	$ 264	$ 378	$ (5)	$ 3,411	$ 883	$ 4,931	$ 1,421	$ 6,352
Segment assets	15,423	19,360	3,040	1,719,317	469,463	2,226,602	43,761	2,270,364
Other items:								
Depreciation and amortization	498	273	267	256	296	1,590	131	1,721
Amortization of goodwill	—	—	1	—	—	1	15	16
Interest and dividend income	0	1	5	9,314	7,120	16,440	96	16,537
Interest expenses	7	0	91	3,431	35	3,564	1	3,565
Equity in earnings of affiliates	—	4	5	1	—	10	—	10
Gains on sales of fixed assets	8	90	9	2	—	110	44	154
Reversal of reserve for price fluctuations	—	—	—	—	619	619	—	619
Losses on sales and disposal of fixed assets	9	10	2	4	2	27	2	29
Losses on impairment of fixed assets	2	6	—	7	—	14	10	24
Provision for reserve for price fluctuations	—	—	—	—	—	—	—	—
Provision for reserve for policyholder dividends	—	—	—	—	465	465	—	465
Income taxes	102	69	25	919	301	1,416	(109)	1,307
Investments in affiliates accounted for by the equity method	—	23	91	8	—	122	—	122
Increase in tangible fixed assets and intangible assets	567	787	260	406	276	2,295	455	2,750

Notes:
1. Income is presented instead of net sales which is typical for companies in other industries.
2. Other business includes the hospital business. Segment profit in other business includes dividend income from subsidiaries and affiliates recorded by the Company in the amount of ¥184,610 million ($1,383 million) for the fiscal year ended March 31, 2023.
3. Other business includes the hotel business and the hospital business. Segment profit in other business includes dividend income from subsidiaries and affiliates recorded by the Company in the amount of ¥203,393 million for the fiscal year ended March 31, 2022.

(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
	2023	2022	2023
Total income of reportable segments[1]	¥ 12,121,238	¥ 12,320,009	$ 90,775
Income of other business[1]	313,149	334,341	2,345
Eliminations of intersegment transactions	(1,300,164)	(1,392,028)	(9,737)
Adjustments[2]	4,358	2,451	33
Subtotal	¥ 11,138,580	¥ 11,264,774	$ 83,416
Gains on sales of fixed assets	20,593	21,639	154
Reversal of reserve for price fluctuations	82,645	—	619
Compensation for transfer	832	1,185	6
Insurance claim income	735	4,383	6
Gains on sale of businesses	6,995	—	52
Other	432	2,232	3
Total income on the consolidated statements of income	¥ 11,250,815	¥ 11,294,215	$ 84,257

Notes:

1. Income is presented instead of net sales which is typical for companies in other industries.
2. "Adjustments" are primarily due to differences in the calculation methods used for income for the international logistics business segment and the consolidated statements of income.

2) Reconciliation between total segment profit of reportable segments and income before income taxes on the consolidated statements of income

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Total segment profit (loss) of reportable segments	¥ 658,385	¥ 996,617	$ 4,931
Segment profit in other business	189,802	209,590	1,421
Eliminations of intersegment transactions	(187,443)	(211,745)	(1,404)
Adjustments[1]	(3,245)	(2,997)	(24)
Subtotal	¥ 657,499	¥ 991,464	$ 4,924
Gains on sales of fixed assets	20,593	21,639	154
Reversal of reserve for price fluctuations	82,645	—	619
Compensation for transfer	832	1,185	6
Insurance claim income	735	4,383	6
Gains on sale of businesses	6,995	—	52
Losses on sales and disposal of fixed assets	(3,859)	(4,609)	(29)
Losses on impairment of fixed assets	(3,224)	(11,280)	(24)
Provision for reserve for price fluctuations	—	(67,789)	—
Extra payments for early retirements	(1,992)	—	(15)
Litigation expenses	(969)	—	(7)
Losses on sale of businesses	—	(10,898)	—
Provision for reserve for policyholder dividends	(62,067)	(73,113)	(465)
Other, net	(1,975)	(9,693)	(15)
Income before income taxes on the consolidated statements of income	¥ 695,212	¥ 841,287	$ 5,206

Note: "Adjustments" are primarily due to differences in the calculation methods used for segment profit or loss for the international logistics business segment and income before income taxes on the consolidated statements of income.

3) Reconciliation between total segment assets of reportable segments and total assets on the consolidated balance sheets

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Total segment assets of reportable segments	¥ 297,318,226	¥ 305,382,480	$ 2,226,602
Segment assets in other business	5,843,422	5,924,102	43,761
Eliminations of intersegment transactions	(7,050,062)	(7,459,602)	(52,798)
Total assets on the consolidated balance sheets	¥ 296,111,587	¥ 303,846,980	$ 2,217,566

4) Reconciliation between other items on reportable segments and the amounts of items equivalent to those items on the consolidated financial statements

(Millions of Yen)

Year ended March 31	2023			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 212,275	¥ 17,507	¥ (292)	¥ 229,490
Amortization of goodwill	103	1,979	—	2,082
Interest and dividend income	2,195,253	12,874	(5,073)	2,203,053
Interest expenses	475,956	97	(279)	475,774
Equity in earnings of affiliates	1,387	—	—	1,387
Gains on sales of fixed assets	14,704	5,889	—	20,593
Reversal of reserve for price fluctuations	82,645	—	—	82,645
Losses on sales and disposal of fixed assets	3,632	230	(3)	3,859
Losses on impairment of fixed assets	1,907	1,318	(1)	3,224
Provision for reserve for price fluctuations	—	—	—	—
Provision for reserve for policyholder dividends	62,067	—	—	62,067
Income taxes	189,097	(14,572)	—	174,525
Investments in affiliates accounted for by the equity method	16,266	—	—	16,266
Increase in tangible fixed assets and intangible assets	306,432	60,779	(1,126)	366,084

(Millions of Yen)

Year ended March 31	2022			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 238,036	¥ 17,711	¥ (386)	¥ 255,361
Amortization of goodwill	183	1,133	—	1,317
Interest and dividend income	2,356,061	10,007	(60)	2,366,008
Interest expenses	237,696	52	(265)	237,483
Equity in earnings of affiliates	1,527	—	—	1,527
Gains on sales of fixed assets	20,977	661	—	21,639
Reversal of reserve for price fluctuations	—	—	—	—
Losses on sales and disposal of fixed assets	4,234	379	(4)	4,609
Losses on impairment of fixed assets	4,286	6,995	(1)	11,280
Provision for reserve for price fluctuations	67,789	—	—	67,789
Provision for reserve for policyholder dividends	73,113	—	—	73,113
Income taxes	248,245	(25,466)	—	222,779
Investments in affiliates accounted for by the equity method	15,041	—	—	15,041
Increase in tangible fixed assets and intangible assets	170,549	49,333	(143)	219,739

(Millions of U.S. Dollars)

Year ended March 31	2023			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	$ 1,590	$ 131	$ (2)	$ 1,719
Amortization of goodwill	1	15	—	16
Interest and dividend income	16,440	96	(38)	16,499
Interest expenses	3,564	1	(2)	3,563
Equity in earnings of affiliates	10	—	—	10
Gains on sales of fixed assets	110	44	—	154
Reversal of reserve for price fluctuations	619	—	—	619
Losses on sales and disposal of fixed assets	27	2	(0)	29
Losses on impairment of fixed assets	14	10	(0)	24
Provision for reserve for price fluctuations	—	—	—	—
Provision for reserve for policyholder dividends	465	—	—	465
Income taxes	1,416	(109)	—	1,307
Investments in affiliates accounted for by the equity method	122	—	—	122
Increase in tangible fixed assets and intangible assets	2,295	455	(8)	2,742

(5) Information on Amortization and Unamortized Balance of Goodwill by Reportable Segment

(Millions of Yen)

Year ended March 31	2023							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	¥ —	¥ —	¥ 103	¥ —	¥ —	¥ 103	¥ 1,979	¥ 2,082
Unamortized balance of goodwill	—	—	—	—	—	—	6,926	6,926

(Millions of Yen)

Year ended March 31	2022							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	¥ 183	¥ —	¥ —	¥ —	¥ —	¥ 183	¥ 1,133	¥ 1,317
Unamortized balance of goodwill	—	—	—	—	—	—	8,905	8,905

(Millions of U.S. Dollars)

Year ended March 31	2023							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	$ —	$ —	$ 1	$ —	$ —	$ 1	$ 15	$ 16
Unamortized balance of goodwill	—	—	—	—	—	—	52	52

(6) Information on Gains on Negative Goodwill by Reportable Segment
There were no gains on negative goodwill for the fiscal years ended March 31, 2023 and 2022.

(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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 and 2022.

26. PER SHARE DATA

March 31	Yen		U.S. Dollars
	2023	2022	2023
Net assets per share[2]	¥ 2,912.76	¥ 3,361.06	$ 21.81

Years ended March 31	Yen		U.S. Dollars
	2023	2022	2023
Net income per share[4]	¥ 120.82	¥ 131.93	$ 0.90

Notes:
1. Diluted net income per share is not presented for the fiscal years ended March 31, 2023 and 2022 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
	2023	2022	2023
Net assets	¥ 15,098,256	¥ 14,688,981	$ 113,070
Amount deducted from net assets:			
Non-controlling interests	5,020,661	2,379,590	37,599
Net assets attributable to common stock at the fiscal year-end	¥ 10,077,594	¥ 12,309,391	$ 75,471

(Thousands of shares)

March 31	2023	2022
Number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share[3]	3,459,808	3,662,350

3. The number of shares 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 1,140,500 shares and 375,400 shares as of March 31, 2023 and 2022, respectively.
4. Net income per share is calculated based on the following:

Years ended March 31	Millions of yen		Millions of U.S. Dollars
	2023	2022	2023
Net income attributable to Japan Post Holdings	¥ 431,066	¥ 501,685	$ 3,228
Amount not attributable to common stockholders	—	—	—
Net income attributable to common stock	¥ 431,066	¥ 501,685	$ 3,228

(Thousands of shares)

Years ended March 31	2023	2022
Average number of common stock outstanding during the fiscal year[5]	3,567,713	3,802,720

5. The number of shares 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 1,022,544 shares and 413,423 shares for the fiscal years ended March 31, 2023 and 2022, respectively.

27. REVENUE RECOGNITION

(1) Disaggregation of Revenue from Contracts with Customers

The following is a disaggregation of the main components of revenue from contracts with customers in the Japan Post Group. The relationship between this revenue disaggregation and segment income is as follows.

(Millions of Yen)

Year ended March 31	2023		
	Revenue from contracts with customers	Other sources	Income from third parties
Postal and domestic logistics business segment	¥ 1,958,813	¥ 4,749	¥ 1,963,562
Postal operations, etc.	1,832,195		
Other	126,618		
Post office business segment	52,935	31,574	84,509
Merchandising	36,628		
Third-party financial	7,512		
Other	8,794		
International logistics business segment	598,602	1,297	599,899
Banking business segment	173,346	1,889,163	2,062,509
Life insurance business segment	—	6,374,579	6,374,579
Other business	23,187	25,972	49,160
Total	¥ 2,806,885	¥ 8,327,336	¥ 11,134,222

(Millions of Yen)

Year ended March 31	2022		
	Revenue from contracts with customers	Other sources	Income from third parties
Postal and domestic logistics business segment	¥ 1,999,942	¥ 3,142	¥ 2,003,084
Postal operations, etc.	1,902,472		
Other	97,469		
Post office business segment	53,173	33,598	86,771
Merchandising	37,596		
Third-party financial	7,585		
Other	7,991		
International logistics business segment	686,777	802	687,579
Banking business segment	155,607	1,820,397	1,976,004
Life insurance business segment	—	6,454,191	6,454,191
Other business	30,950	23,740	54,690
Total	¥ 2,926,450	¥ 8,335,872	¥ 11,262,323

(Millions of U.S. Dollars)

Year ended March 31	2023		
	Revenue from contracts with customers	Other sources	Income from third parties
Postal and domestic logistics business segment	$ 14,669	$ 36	$ 14,705
Postal operations, etc.	13,721		
Other	948		
Post office business segment	396	236	633
Merchandising	274		
Third-party financial	56		
Other	66		
International logistics business segment	4,483	10	4,493
Banking business segment	1,298	14,148	15,446
Life insurance business segment	—	47,739	47,739
Other business	174	195	368
Total	$ 21,021	$ 62,363	$ 83,384

Notes:
1. "Other business" includes the hospital business and other businesses not included in reportable segments for the fiscal year ended March 31, 2023 and includes the hotel business, hospital business and other businesses not included in reportable segments for the fiscal year ended March 31, 2022
2. The above information for the fiscal year ended March 31, 2022 was presented based on the new classification as described in "Changes in classification of reportable segments" in Note 25 "SEGMENT INFORMATION."

(2) Fundamental Information for Understanding Revenue from Contracts with Customers

1) Postal and domestic logistics business

The postal and domestic logistics business consists primarily of the postal business, sale of stamps, issuance of items such as New year's postcards, domestic logistics business, and other businesses. The domestic logistics business also includes the general logistics business. The domestic logistics business involves not only the general motor truck transportation business, consigned freight forwarding business, and incidental operations related to domestic cargo but also operations equivalent to parcel and mail delivery operations (Yu-Pack, Yu-Mail).

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

In addition, consideration amount received before performance obligations are satisfied is recognized as contract liabilities.

For revenue related to mail and parcels, consideration amount for deferred-payment mail is generally received within one month based on separately stipulated payment terms, and for receivables based on contracts with these customers, significant financing component are not included.

2) Post office business

The post office business involves not only customer counter operations, banking customer counter operations, and insurance customer counter operations related to the postal and domestic logistics business conducted by directly-managed post offices established throughout the country as sales bases to provide services to customers but also merchandising business, real estate business, third-party financial services and other related businesses.

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

Consideration amount for catalogue sales, etc., is generally collected within one year of delivering products, etc., to customers, and for receivables based on contracts with these customers, significant financing component are not included.

3) International logistics business

The international logistics business involves the forwarding business as well as the logistics business.

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

Consideration amount in the international logistics business is generally collected within one year of transferring items to customers through the provision of services to customers, and for receivables based on contracts with these customers, significant financing component are not included.

(3) Relationship between Satisfying Performance Obligations based on Contracts with Customers and Cash Flows from Those Contracts and Amount of Revenue Projected to be Recognized in the Following Fiscal Year and After from Contracts with Existing Customers as of the End of the Fiscal Year under Review

1) Balances of contract assets and contract liabilities

Receivables arising from contracts with customers, contract assets and contract liabilities are as follows. Receivables arising from contracts with customers and contract assets are included in "Other assets" while contract liabilities are included in "Other liabilities" in the consolidated balance sheets.

March 31	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Receivables arising from contracts with customers			
Balance at the beginning of the fiscal year	¥ 270,339	¥ 280,812	$ 2,025
Balance at the end of the fiscal year	238,250	270,339	1,784
Contract assets			
Balance at the beginning of the fiscal year	8,523	6,423	64
Balance at the end of the fiscal year	8,548	8,523	64
Contract liabilities			
Balance at the beginning of the fiscal year	46,266	44,142	346
Balance at the end of the fiscal year	51,465	46,266	385

Contract assets are primarily those related to rationally estimated revenue proportional to progress in satisfying performance obligations for received mail and parcels employing deferred payment in the postal and domestic logistics business that have not been delivered by the end of the fiscal period. Contract assets are transferred to receivables arising from contracts with customers when rights to consideration become unconditional. The consideration for deferred postage payment mail, etc. is received mostly within one month based on payment terms separately determined.

Contract liabilities are primarily the rationally estimated amount considering the degree that performance obligations have been satisfied when delivery has not been completed by the end of the fiscal year for received mail and parcels in the postal and domestic logistics business (excluding deferred payment, etc.), and the rationally estimated amount of unused items at the end of the fiscal period based on factors such as the value of remaining inventory of postal stamps at locations that sell postal stamps compared to value of purchased postal stamps. Contract liabilities are reversed as revenue is recognized.

The amounts of revenue recognized in the fiscal years ended March 31, 2023 and 2022 and included in contract liabilities at the beginning of the fiscal years were ¥41,901 million ($314 million) and ¥43,792 million, respectively.

There were no significant amounts in revenue recognized in the fiscal years ended March 31, 2023 and 2022 from performance obligations satisfied (or partially satisfied) in previous periods.

2) Transaction prices allocated to the remaining performance obligations

The Group has omitted notes by applying practical expedient because there are no material transactions for which the initially expected contract period exceeds 1 year in the fiscal years ended March 31, 2023 and 2022.

28. SUBSEQUENT EVENTS

(1) Repurchase of Treasury Stock

The Company resolved on matters concerning the repurchase of its treasury stock in accordance with Article 39, Paragraph 1 of the Company's Articles of Incorporation based on Article 459, Paragraph 1, Item 1 of the Companies Act at the meetings of the Board of Directors held on May 15, 2023 and August 14, 2023.

1) Reason for the repurchase of treasury stock

Based on the capital strategy in its Medium-Term Management Plan "JP Vision 2025," the Company decided to repurchase its shares in order to improve capital efficiency and strengthen shareholder returns.

2) Details of the repurchase of treasury stock

A) Class of shares to be repurchased: Common stock of the Company

B) Total number of shares to be repurchased: 346,000,000 shares (maximum) (10.0% to the total number of shares issued (excluding treasury stock))

C) Total repurchase cost of shares: ¥300,000 million ($2,247 million) (maximum)

D) Repurchase period: From August 15, 2023 to March 31, 2024

E) Method of repurchase: Purchases through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3) and trading on the auction market of the Tokyo Stock Exchange, Inc.

3) Status of the repurchase of treasury stock

Based on the above resolutions on treasury stock of the meetings of the Board of Directors, the Company repurchased the Company's common stock on August 15, 2023 as follows:

A) Total number of shares repurchased: 103,073,600 shares

B) Total repurchase cost: ¥106,526,565,600 ($798 million)

Since the total cost of treasury stock repurchased through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3) did not reach the maximum amount of the total repurchase cost of shares resolved at the meeting of the Board of Directors held on May 15, 2023, the Company determined to commence repurchasing treasury stock through trading on the auction market up to the maximum amount less the total cost of shares repurchased through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3).

(2) Issuance of Subordinated Unsecured Bonds for Domestic Public Offering

Japan Post Insurance Co., Ltd., a consolidated subsidiary of the Company, adopted a resolution concerning the issuance of subordinated unsecured bonds for domestic public offering at the meeting of the Board of Directors held on August 10, 2023, and the payment was completed on September 7, 2023. Its outline is as follows:

1) Description of bonds:	Third series of subordinated unsecured bonds with interest deferral option and early redemption option
2) Total amount of issuance:	¥100 billion ($749 million)
3) Amount of each bond:	¥100 million
4) Repayment term:	September 7, 2053 It shall be redeemable at the option of the issuer with the authorities' prior approval, etc., (i) on September 7, 2033 and the corresponding day of subsequent every 5 years or (ii) in the cases where events that affect capital, tax or equity attributes occur after the payment date and continue after the payment date.
5) Interest rate:	(i) From the day immediately following September 7, 2023 to September 7, 2033 : 1.910% per annum (ii) From the day immediately following September 7, 2033 : 5-year JGB interest rate plus 2.277% (reset every five years)
6) Interest payment date:	March 7 and September 7 each year
7) Issue price:	¥100 per ¥100 of each bond
8) Redemption amount:	¥100 per ¥100 of each bond
9) Payment date:	September 7, 2023
10) Collateral or guarantees:	Not provided.
11) Repayment priority:	As for the repayment of debt in the issuer's liquidation proceedings, etc., the bonds shall be subordinate to general indebtedness, treated substantially at the same priority level as the issuer's pari passu subordinated debt and the highest-ranked preferred stock (in the case where the issuer issues it), and take precedence over common stock.
12) Use of funds:	General working capital

KPMG

Independent auditor's report

To the Board of Directors of JAPAN POST HOLDINGS Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of JAPAN POST HOLDINGS Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2023, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Reasonableness of the valuation of available-for-sale securities categorized within Level 2 and Level 3 held by JAPAN POST BANK Co., Ltd.	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of JAPAN POST HOLDINGS Co., Ltd. (the "Company") and its consolidated subsidiaries, Securities of ¥182,770,020 million were recognized as of March 31, 2023, accounting for approximately 62% of total assets. A consolidated subsidiary, JAPAN POST BANK Co., Ltd. (hereinafter, the "bank subsidiary"), manages funds raised primarily through deposits by investing them in securities, including Japanese government bonds, Japanese corporate bonds, foreign bonds and investment trusts. Available-for-sale securities booked at fair value on the bank subsidiary's consolidated balance sheet include Japanese corporate bonds and foreign bonds included in Others ("Bonds") of ¥15,409,964 million categorized within Level 2 and Bonds of ¥99,200 million categorized within Level 3. The bank subsidiary calculated the fair value based on prices mainly obtained from third parties including information vendors and brokers. However, as described in the Note 2, "SIGNIFICANT ACCOUNTING POLICIES", (23) "Significant Accounting Estimates," directly or indirectly observable market inputs such as spreads estimated based on prices of similar securities and unobservable market inputs including significant estimates, are used as key assumptions in the prices obtained from third parties. These key assumptions may be affected by a sudden change in market environment or a distortion in the financial markets that results in, for example, a significant widening of bid-ask spreads or a significant increase in liquidity risk premiums, and in particular, for the fair-value valuation of certain illiquid Bonds categorized within Level 2 and Level 3 (such as private placement bonds and securitized products), their estimates may have high estimation uncertainty. Accordingly, using the prices obtained from third parties as fair value involved significant	In order to assess whether the valuation of certain illiquid Bonds categorized within Level 2 and Level 3 was reasonable, we requested the component auditor of the bank subsidiary to perform an audit. Then we evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained. The following audit procedures, among others, were performed: **(1) Internal control testing** The component auditor tested the design and operating effectiveness of certain of the bank subsidiary's internal controls relevant to the valuation of certain Bonds categorized within Level 2 and Level 3. In this assessment, special attention was given to the following controls: ● controls to validate the reasonableness of the price to be used as fair value through the comparison with prices obtained from multiple third parties; and ● controls to validate the reasonableness of the price to be used as fair value through the examination of spreads estimated based on prices. **(2) Assessment of the reasonableness of fair value** For the Bonds categorized within Level 2 and Level 3 individually selected by the component auditor of the bank subsidiary, of which prices varied widely amongst various third parties as well as securitized products, the component auditor involved financial instrument valuation specialists from our member network firm and performed the following procedures: ● The component auditor assessed whether the price used by the bank subsidiary as fair value was within a reasonable range by comparing it with the prices obtained directly from third parties; and ● The component auditor assessed whether the price used by the bank subsidiary as fair value was within a reasonable range by comparing it with the price independently estimated.

management judgment, and the use of a price based on inappropriate assumptions may have a significant impact on the consolidated financial statements. We, therefore, determined that our assessment of the reasonableness of the valuation of certain illiquid Bonds categorized within Level 2 and Level 3 held by the bank subsidiary was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	
2. Accuracy of the calculation and sufficiency of policy reserves	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of JAPAN POST HOLDINGS Co., Ltd. (the "Company") and its consolidated subsidiaries, Policy reserves of ¥53,518,219 million were recognized as of March 31, 2023, accounting for approximately 19% of total liabilities. As described in Note 2, "SIGNIFICANT ACCOUNTING POLICIES, (9) Policy Reserves", policy reserves are set aside for the fulfilment of future obligations under the insurance contracts pursuant to the Insurance Business Act and other applicable laws and regulations (hereinafter collectively referred to as the "Act"). Pursuant to the Act, policy reserves are required to be accumulated each accounting period in accordance with the statements of calculation procedures approved by the Financial Services Agency in Japan (FSA). In addition, the Act requires an insurance company to validate the sufficiency of policy reserves, and an additional policy reserve may be required to be provided for, as necessary. Policy reserves are calculated based on certain calculation assumptions affecting long-term future cash flows, such as assumed mortality rates, assumed interest rates, and expected operating expense ratios. The calculation formula for policy reserves stipulated in the statements of calculation procedures approved by the FSA is complex,	In order to assess whether the calculation of policy reserves was accurate and the amount of policy reserves was sufficient, we requested the component auditor of a consolidated subsidiary, JAPAN POST INSURANCE Co., Ltd. (hereinafter, the "insurance subsidiary"), to perform an audit. Then we evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained. The following procedures, among others, were performed by involving actuarial specialists and IT system specialists within our firm: **(1) Internal control testing** The component auditor tested the design and operating effectiveness of certain of the insurance subsidiary's internal controls over the processes to ensure the accuracy of the calculation and sufficiency of policy reserves. In the assessment, special attention was given to the following controls: ● IT controls over the policy reserve calculation system to ensure the accuracy of the calculation of policy reserves; ● controls that the actuarial-related departments ensure that policy reserves are recognized completely for all of the insurance subsidiary's insurance contracts; ● controls that the actuarial-related departments ensure the accuracy of the calculation of policy reserves by reperforming the calculation of policy reserves on a sample basis, and assessing the consistency with the amount of policy reserves calculated by a system other than the policy reserve calculation system used for financial

and therefore involves a high level of expertise in actuarial valuation. In addition, pursuant to the Act, in order to validate the sufficiency of policy reserves, an analysis on future income and expenses must be performed by the chief actuary. This analysis requires significant management judgment on assumptions underlying the estimate of future cash flows, such as a level of insurance product sales, the amount of insurance claims and other benefit payments, investment income and operating expenses, which involves a high level of expertise in actuarial valuation. We, therefore, determined that our assessment of the accuracy of the calculation and sufficiency of policy reserves was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	reporting purpose; and ● controls that the insurance subsidiary's management receives the opinion report of the chief actuary to evaluate the sufficiency of policy reserves. **(2) Assessment of the accuracy of the calculation of policy reserves** ● The component auditor confirmed that the policy reserves which were newly sold and revised during the current fiscal year were accurately calculated in accordance with the statements of calculation procedures approved by the FSA through recalculation; and ● The component auditor confirmed that the changes in policy reserves from the previous fiscal year were consistent with insurance premium, insurance claims and operating expenses for the current fiscal year. **(3) Assessment of the sufficiency of the amount of policy reserves** ● The component auditor assessed whether the amount of policy reserves was sufficient by confirming that an analysis on future income and expenses was appropriately performed pursuant to the Act in accordance with the "Standard of Practice for Appointed Actuaries of Life Insurance Companies" issued by the Institute of Actuaries of Japan, and comparing the amount of policy reserves with the calculation results of the previous fiscal year; and ● The component auditor assessed the contents of the opinion and supplementary reports of the chief actuary considering the chief actuary's opinion, and inquired of the chief actuary about the reports.
3. Reasonableness of management's judgment on the recoverability of deferred tax assets related to policy reserves and reserve for price fluctuations	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of JAPAN POST HOLDINGS Co., Ltd. (the "Company") and its consolidated subsidiaries, Deferred tax assets of ¥1,065,309 million were recognized as of March 31, 2023. As described in Note 15, "DEFERRED TAX ASSETS AND LIABILITIES" to the consolidated financial statements, the amount of gross deferred tax	In order to assess whether management's judgment on the recoverability of deferred tax assets related to policy reserves and reserve for price fluctuations was appropriate, we requested the component auditor of the insurance subsidiary to perform an audit. Then we evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained. The following audit

assets before being offset by deferred tax liabilities amounted to ¥1,886,382 million. Of this amount, the deferred tax assets related to policy reserves and reserve for price fluctuations were ¥1,021,572 million and ¥231,440 million, respectively, accounting for a significant portion.

Deferred tax assets are recognized to the extent that deductible temporary differences are expected to reduce future taxable income. The amount recognized as deferred tax assets depends on the appropriateness of the company category determined in accordance with the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Guidance No. 26 of the Accounting Standards Board of Japan) and the estimated future taxable income.

As described in Note 15, "DEFERRED TAX ASSETS AND LIABILITIES", the Company determined that deferred tax assets related to policy reserves and reserve for price fluctuations were recoverable because future taxable income would be generated over the long term and therefore deferred tax assets would have the effect of reducing the amount of tax payable. Consolidated subsidiary, JAPAN POST INSURANCE Co., Ltd. (hereinafter, the "insurance subsidiary") management's estimate of future taxable income that would be generated over the long term involved significant management judgment on key assumptions, such as forecasts of the level of new contracts for insurance products, the amount of insurance claims and other benefit payments, investment income and operating expenses. The level of new contracts for insurance products, in particular, was estimated based on the business plan prepared in the current fiscal year and on the assumption that new contracts for insurance products would reach a certain level under the measures in the business plan. However, the actual results of new contracts for the current fiscal year only showed a moderate recovery and accordingly, the estimate of the level of new contracts for insurance products involved a high degree of uncertainty.

We, therefore, determined that our assessment of the reasonableness of procedures, among others, were performed:

(1) Internal control testing

The component auditor tested the design and operating effectiveness of certain of the insurance subsidiary's internal controls relevant to the estimate of future taxable income, including those over the development of the business plan.

(2) Assessment of the company category

The component auditor evaluated the appropriateness of the company category determined in accordance with the "Implementation Guidance on Recoverability of Deferred Tax Assets," with a particular focus on the assessment of whether significant changes in the business environment of the insurance subsidiary were expected in the near future.

(3) Assessment of the appropriateness and feasibility of estimated future taxable income

- The component auditor inquired of the insurance subsidiary's management and the relevant department and obtained an understanding of assumptions underlying the insurance subsidiary's business plan, which formed the basis for the estimate of future taxable income;
- The component auditor obtained an understanding of the main causes of any differences between the future taxable income estimated in the previous fiscal years and the actual results by inquiring of the insurance subsidiary's relevant department and assessed their impacts to the estimated future taxable income;
- The component auditor confirmed the consistency between the estimated future taxable income and the business plan; and
- The component auditor inquired of the insurance subsidiary's relevant department regarding alternative assumptions used by management of the insurance subsidiary for stress test scenarios in estimating future taxable income, understood the results of the stress test, and assessed the appropriateness of the evaluation of uncertainty in management's estimate.

management's judgment on the recoverability of deferred tax assets related to policy reserves and reserve for price fluctuations was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the executive officers' and directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures* that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year

ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ MAENO Atsuji
Designated Engagement Partner
Certified Public Accountant

/S/ MURAMATSU Keisuke
Designated Engagement Partner
Certified Public Accountant

/S/ TOYAMA Takahiro
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
September 22, 2023

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Capital Adequacy

Matters for Disclosure Concerning Composition of Capital

Capital structure
Consolidated capital adequacy ratio (domestic standard)

(Millions of yen)

Items	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
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	¥ 8,607,026	¥ 10,151,816
of which: capital and capital surplus	3,638,044	5,102,510
of which: retained earnings	5,415,576	5,349,170
of which: treasury stock (deduction)	201,307	96,106
of which: cash dividends to be paid (deduction)	245,287	203,758
of which: other than those above	—	—
Accumulated other comprehensive income included in Core Capital	20,407	56,069
of which: foreign currency translation adjustments	(116,148)	(112,443)
of which: remeasurements of defined benefit plans	136,555	168,512
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)	921,756	255,976
Reserves included in Core Capital: instruments and reserves	205	224
of which: general reserve for possible loan losses	205	224
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	1,642,835	542,641
Core Capital: instruments and reserves (A)	11,192,230	11,006,729
Core Capital: regulatory adjustments		
Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	125,231	93,860
of which: goodwill (net of related tax liability, including those equivalent)	6,926	8,905
of which: other intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	118,305	84,954
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—
Shortfall of eligible provisions to expected losses	—	—
Securitization gain on sale	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	52,740	48,312
Investments in own shares (excluding those reported in the Net Assets section)	—	—
Reciprocal cross-holdings in capital instruments issued by Other Financial Institutions for raising capital that are held by the Holding Company Group	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ("Non-significant Investment") (amount above the 10% threshold)	—	—

(Millions of yen)

Item		2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
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)	177,972	142,172
Total capital			
Total capital ((A) - (B))	(C)	11,014,257	10,864,556
Risk-weighted assets			
Credit risk-weighted assets		60,792,901	60,339,441
of which: total of items included in risk-weighted assets subject to transitional arrangements		—	—
of which: Other Financial Institutions Exposures		—	—
of which: other than those above		—	—
Market risk equivalent / 8%		—	—
Operational risk equivalent / 8%		2,678,331	2,784,254
Credit risk-weighted assets adjustments		—	—
Operational risk equivalent adjustments		—	—
Total amount of risk-weighted assets	(D)	63,471,232	63,123,696
Capital adequacy ratio			
Capital adequacy ratio ((C) / (D))		17.35%	17.21%

Note 1: The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006, hereinafter referred to as Holding Company Capital Adequacy Ratio Notice).
The data is calculated on a consolidated basis and according to the domestic standard.

Note 2: In accordance with Article 15, Paragraph 3 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd. is not included in the scope of consolidation.

Qualitative Disclosure

1. Scope of consolidation

(1) Differences and the causes of the relevant differences between companies belonging to the Japan Post Group that calculate the consolidated capital adequacy ratio in accordance with Article 15 of the Financial Service Agency's (FSA) Holding Company Capital Adequacy Ratio Notice and companies that are included in the scope of consolidation in accordance with Regulations for Consolidated Financial Statements

The Company calculates its consolidated capital adequacy ratio as follows. Pursuant to Article 52-25 of the Banking Act, Consolidated capital adequacy ratio is calculated its capital adequacy in accordance with the capital adequacy ratio measurement guidelines, FSA's Notice No. 20, March 27, 2006 (hereinafter referred to as Holding Company Capital Adequacy Ratio Notice), which requires the bank holding company to calculate its capital adequacy based on assessment of the assets of the bank holding company and its subsidiaries. Please refer to pages 105 through 106 for the names of principal subsidiaries. In accordance with Article 15, the Group is comprised of the following 217 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 218 companies, comprising 217 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 49 and 113 through 115.

(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 217 companies under the Holding Company Capital Adequacy Ratio Notice.

Principal consolidated subsidiaries are Japan Post Co., Ltd. and Japan Post Bank Co., Ltd. For details on business activities of the principal consolidated subsidiaries, refer to pages 46 through 48 and 107 through 112 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 117 of this report for details on the total amount of assets and total amount of net assets for Japan Post Insurance Co., Ltd. and to page 49 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, 2023 calculated in accordance with the Holding Company Capital Adequacy Ratio Notice was 17.35%. This level is substantially higher than the 4% capital adequacy ratio of the domestic standard. When calculating the consolidated capital adequacy ratio, the standardized approach is used for credit risk and the basic indicator approach is used for operational risk. A figure for market risk is not included.

Japan Post Bank holds most of the assets with risk exposure concerning risk categories for companies belonging to the holding company's group with regard to the Holding Company Capital Adequacy Ratio Notice. Consequently, the following section covers primarily risk management at Japan Post Bank.

As a bank holding company, Japan Post Holdings monitors the overall risk management framework at Japan Post Bank. In addition, the holding company supervises risk management for the entire Group in accordance with the Basic Policy for Group Risk Management. Please refer to "Japan Post Group Risk Management" on pages 90 through 91 for more information about risk management for the Japan Post Group.

4. Credit risk

(1) Summary of risk management policy and procedures

Credit risk is the risk of incurring a loss due to a decline in the value of assets (including off-balance-sheet assets), or total loss of value due to the deteriorating financial condition of an obligor or to other factors.

Japan Post Bank uses a statistical method called value at risk (VaR) to quantify credit risk exposure. Japan Post Bank monitors its credit risk limit amounts on an ongoing basis in order to ensure that VaR does not exceed allocated risk capital. Japan Post Bank also carries out stress testing to consider the possibility of credit risk due to large-scale economic fluctuations outside those in the VaR model.

Japan Post Bank sets credit limits for exposure for individual companies, corporate groups, and countries and areas and manages and monitors this exposure in order to control credit concentration risk.

To provide a system of checks and balances for credit risk management, Japan Post Bank has a Risk Management Department, positioned as a middle management unit, and a Credit Department, positioned as a credit control unit. Within the Bank's organization, these units are independent of front-office and back-office operations. The Risk Management Department oversees credit risk measurements, credit concentration risk management, internal credit rating systems and other activities associated with credit risks. The Credit Department is responsible for individual credit account management, including assigning internal credit ratings, monitoring borrowers, managing major loan accounts and screening prospective loan deals.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions on matters concerning the establishment and operation of credit risk management programs and on credit risk management.

Moreover, Japan Post Bank conducts credit business with the basic principles of public welfare, financial soundness and profitability. The Bank establishes the credit code to underpin sound and appropriate credit business activities by all executives and employees, in which the Bank has defined in writing its basic philosophy, action guidelines and other items of credit business.

Reserve for possible loan losses is provided for in accordance with the write-off and provision standards from the "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public

Accountants (JICPA), Special Committee for Audits of Banks, etc., Report No. 4). In accordance with self-assessment standards for assets, all loans are categorized by marketing departments and then audited by independent credit assessment departments.

Moreover, Japan Post Bank continuously monitors individual obligor's ability to meet the financial obligations, their financial condition and other factors affecting their credit standing in order to check obligors' credit risk in a timely and suitable manner. Additionally, Japan Post Bank performs even more-strict monitoring of borrowers with business conditions requiring close attention, such as borrowers at risk of having their credit rating downgraded due to deteriorating business results and borrowers with a steep decline in their stock price.

(2) Portfolios where the standardized approach is applied

1) Qualified rating agencies, etc., used in making judgments on risk weights

When making judgments on risk weight, Japan Post Bank uses the credit ratings of four rating agencies and the Organisation for Economic Co-operation and Development (OECD). The four credit rating agencies are Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); and S&P Global Ratings (S&P).

2) Qualified rating agencies, etc., used to determine risk weight for each category of exposure

Japan Post Bank uses the following qualified rating agencies for each of the following credit risk exposure categories.

In the case where multiple credit rating agencies provide ratings, the Bank selects the credit rating that yields the second smallest risk weight in accordance with Ministerial Notification of Capital Adequacy Ratio of the FSA's Notice No. 19, March 27, 2006, criteria on whether or not the adequacy of equity capital of a Bank is appropriate in light of the circumstances such as the assets owned by that Bank as stipulated by Article 14-2 of the Banking Act (hereinafter referred to as "Capital Adequacy Ratio Notice").

Exposure		Rating agencies
Central governments and central banks	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Non-central government public-sector entities		R&I, JCR, Moody's, S&P
Foreign non-central government public-sector entities		Moody's, S&P, OECD
Multilateral Development Banks		Moody's, S&P
Japan Finance Organization for Municipalities		R&I, JCR, Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
Three regional public corporations under Japanese local governments		R&I, JCR, Moody's, S&P
Financial institutions and Type 1 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 changed the method of applying eligible financial collateral from the "simplified method" to the "comprehensive method" as prescribed in the Capital Adequacy Ratio Notification as of March 31, 2022.

The Bank has established internal bank procedures to permit the timely disposal or acquisition of qualified financial collateral based on contracts concerning collateral as prescribed in loan agreements, etc.

- Summary of policy and procedures for offsetting loans and self-deposits and types and scope of applicable transactions

For the use of the netting of loans and self-deposits, as prescribed in the special terms for netting in the bank transaction agreement, etc., Japan Post Bank uses the remaining amount after netting loans and self-deposits as the amount of exposure for calculating the capital adequacy ratio.

As of the end of March 2023, Japan Post Bank was not using the offsetting of loans and self-deposits.

- Categories and credit standing of guarantors and major credit derivative counterparties

Principal guarantors at Japan Post Bank are the central governments, etc., to which lower risk weightings than the guaranteed obligations are applied.

Additionally, credit derivative counterparties are the financial institutions to which lower risk weightings than the reference obligations are applied.

- Summary of policy and procedures when using legally binding mutual netting contracts for derivative transactions and transactions with repurchase agreements and categories and scope of applicable transactions

Japan Post Bank considers the results of derivatives transactions, including interest swaps and currency swaps, for which it has concluded effective netting contracts in accordance with the legal systems of each country in which it carries out transactions

- Information concerning concentrations of credit risk and market risk associated with the use of credit risk mitigation methods

The principal credit risk mitigation methods of Japan Post Bank are qualified financial collateral that use cash and self-deposits and there is no concentration of credit risk and market risk.

6. Summary of risk management policy and procedures for counterparty risk concerning derivative transactions and transactions with long-term settlements

(1) Policy on collateral security and reserve calculation, impact in the event of need for provision of additional collateral due to downturn in credit standing of Japan Post Bank

As required, Japan Post Bank enters into contracts for the mitigation of credit risk in which collateral is periodically submitted or received with the derivative transaction counterparty in order to cover rebuilding and other costs. Under the provision of these contracts, a decline in the financial condition of Japan Post Bank may require the provision of additional collateral to the counterparty. However, the Bank believes that the impact would be negligible.

The policy for calculating the allowance for derivative transaction losses is the same as for ordinary balance sheet assets.

(2) Policy for credit limits and allocation of capital for risk exposure

When conducting derivative transactions, Japan Post Bank assigns obligor ratings to all counterparties and provides credit limits in accordance with the rating of each counterparty. These limits are monitored on a daily basis. In addition, the credit balance calculation method for credit risk management was changed from the current exposure method to SA-CCR as of March 31, 2022.

The allocation of capital for taking on risk for derivative transactions is almost the same as other transactions.

7. Securitization exposure

(1) Summary of risk management policy and risk characteristics

As an investor, Japan Post Bank is exposed to risks associated with securitization. Just as with investments in other securities, for purchasing, the Bank provides credit limits based on obligor ratings assigned in accordance with the Bank's own thorough examination of underlying assets, the senior / subordinate rights structure, the nature of securitization scheme and other factors. Following a purchase, the Bank monitors any decline in the quality of and changes in the composition of the underlying assets as well as other factors. Also, credit risk with securitization exposure is included in the calculation of credit risk and interest rate risk is included in the calculation of market risk. In addition, the Bank is also aware of market liquidity risk and reports on the state of these risks to the Executive Committee and other bodies.

The procedure concerning re-securitization exposure is the same as for securitization exposure.

(2) Outline of the establishment and state of operation of a system prescribed by Article 227, Paragraph 4-3 to 4-6 of the Holding Company Capital Adequacy Ratio Notice (includes cases of application pursuant to Article 232, Paragraph 2 and Article 280-4, Paragraph 1) of the Holding Company Capital Adequacy Ratio Notice.

For securitization exposure risk, Japan Post Bank operates a structure that ascertains on a timely basis information concerning comprehensive risk characteristics and performance. Specifically, in addition to the Bank periodically reviewing obligor ratings in the event that a decline in the quality of or change in the structure of underlying assets has an impact on obligor ratings, the Bank provisionally reviews the obligor ratings.

The procedures concerning re-securitization exposure are the same as for securitization exposure.

(3) Policies on using securitization transactions as a credit risk mitigation method

Japan Post Bank does not use securitization transactions as a credit risk mitigation method.

(4) Name of method used to calculate amount of credit risk assets for securitization exposure

Japan Post Bank uses the External Ratings-Based Approach and Standard Approach prescribed in the Capital Adequacy Ratio Notice for calculating the amount of credit risk assets for securitization exposure.

(5) Name of method used for calculating an amount equivalent to market risk of securitization exposure

Not applicable

(6) Distinguishing types of conduits for securitization and whether the Group is exposed to risks associated with securitization from securitization transactions when using conduits for securitization in executing securitization transactions for third-party assets

The Japan Post Group does not use conduits for securitization to execute securitization transactions involving third-party assets.

(7) Among the Group's subsidiaries (excluding consolidated subsidiaries, etc.) and affiliate companies, names of those companies exposed to risk associated with securitization transactions carried out by the Group (including securitization transactions using conduits for securitization)

Not applicable

(8) Accounting policy on securitized transactions

For the recognition, valuation and accounting treatment of origination and extinguishment of financial assets and liabilities associated with securitized transactions, Japan Post Bank applies ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" (January 22, 1999, Business Accounting Council).

(9) Name of qualified rating agencies used in making judgments on risk weight for securitization exposure by category

Japan Post Bank uses the ratings of the following credit rating agencies for the calculation of credit risk assets for securitization exposure:

Rating and Investment Information, Inc. (R&I)
Japan Credit Rating Agency, Ltd. (JCR)
Moody's Investors Service, Inc. (Moody's)
S&P Global Ratings (S&P)

8. Operational risk

(1) Summary of risk management policy and procedures

The Japan Post Group defines operational risk as the risk of incurring losses caused by inappropriate activity involving business processes, the activities of executives and employees or computer systems, or by external events.

Japan Post Bank has seven categories of operational risk: processing risk, IT system risk, information assets risk, legal risk, human resources risk, tangible assets risk and reputational risk.

Japan Post Bank identifies, assesses, controls, monitors and mitigates risk for each risk category to manage operational risk and to maintain the soundness of their operations. To manage risk, Japan Post Bank identifies risks associated with business operations and evaluates these risks based on the frequency of their occurrence and the scale of their impact on operations. The Bank provides controls in accordance with the importance of each risk, monitors these risks and takes actions as required.

In addition, Japan Post Bank prepares a list of operational risks associated with business processes, products, computer systems and other items. The Bank periodically uses a Risk & Control Self Assessment (RCSA) process to determine the effectiveness of management systems aimed at reducing exposure to these risks. Based on the results of RCSA, for areas in which it is recognized that risk management needs to be improved and areas that risk management especially needs to be reinforced, improvement plans are formulated and improvement plans for reducing risk are discussed and formulated.

Japan Post Bank is making preparations for using systems to report actualized events such as clerical accidents or system problems. The content of the reports analyzes the causes and tendencies of clerical accidents, system problems and other matters and is used as basic data for taking effective countermeasures.

(2) The name of method used for the calculation of an amount equivalent to operational risk

Japan Post Bank uses the "basic indicator approach" with regard to the calculation of an amount equivalent to operational risk.

9. Summary of risk management policy and procedures for investments, shares and other exposure

Japan Post Bank, which is a company engaged in the banking business that belongs to the Group as prescribed in the Holding Company Capital Adequacy Ratio Notice, monitors and manages exposure to investments, stock, and other assets as owned by the Bank in the banking account based on the framework of market risk management and credit risk management. It does so by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, based on the Bank's equity and other resources.

10. Interest rate risk

(1) Summary of risk management policy and procedures

Interest rate risk in the banking book (IRRBB) is the risk of incurring a loss due to a change in the value of assets and liabilities (including off-balance-sheet assets and liabilities) or the risk of incurring a loss due to changes in earnings generated from assets and liabilities due to changes in interest rates.

As part of its monitoring of interest rate risk in the banking book, Japan Post Bank measures interest rate sensitivity (10BPV) daily and also measures ΔEVE (measured as such an amount of decline in economic value of equity in relation to an interest rate shock as may be calculated on the basis of interest rate shocks as prescribed by the Capital Adequacy Ratio Notification) and ΔNII (measured as such an amount of decline in interest income over the measurement period (the period of 12 months from the reference date of calculation) in relation to an interest rate shock as may be calculated on the basis of interest rate shocks as prescribed by the Capital Adequacy Ratio Notification) monthly to evaluate a level of capital adequacy.

(2) Summary of method for calculating interest rate risk for internal management

The main assumptions for calculation of interest rate risk (ΔEVE and ΔNII) in the banking book of Japan Post Bank Co., Ltd. are as follows.

- The Bank applies an internal model for estimating outstanding balances and allocating to settlement dates of liquid deposits that will remain on deposit in the Bank for a long term without being withdrawn (so-called core deposits). The average maturity for interest rate revisions is 3.7 years and the longest maturity for interest rate revisions is 10 years.
- Interest rate risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow using an internal model. ΔNII is the simple sum of ΔNII measured for each currency.
- For aggregating multiple currencies, the ΔEVE calculated for each currency consisting of the Japanese yen, U.S. dollar, euro, pound and Australian dollar is aggregated factoring in cross-currency correlations. For other currencies, calculation is performed based on the simple addition of just those positive currencies from among the ΔEVE 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	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
1	Cash	¥ —	¥ —
2	Japanese government and the Bank of Japan	—	—
3	Foreign central governments and central banks	6,820	8,207
4	Bank for International Settlements, etc.	—	—
5	Non-central government public-sector entities	—	—
6	Foreign non-central government public-sector entities	6,636	6,997
7	Multilateral Development Banks	—	—
8	Japan Finance Organization for Municipalities	2,480	2,640
9	Japanese government agencies	8,956	10,148
10	Three regional public corporations under Japanese local governments	526	494
11	Financial Institutions and Type I Financial Instruments Business Operators	79,992	80,109
12	Corporates	273,224	256,652
13	Small and medium-sized enterprises and individuals	2	2
14	Mortgage loans	—	—
15	Project finance (acquisition of real estate)	204	204
16	Past-due loans (three months or more)	92	101
17	Outstanding drafts	—	—
18	Loans guaranteed by Credit Guarantee Corporation, etc.	—	—
19	Loans guaranteed by the Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—	—
20	Investments in capital and others	23,868	23,543
	of which: exposure to investments	23,868	23,543
	of which: exposure to significant investments	—	—
21	Other than above	193,966	193,113
	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	17,677	22,959
	of which: exposure related to portions not included in adjustment items among specified items	49,539	46,733
	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	126,749	123,420
22	Securitization transactions	24,057	16,903
	of which: STC requirements are applied	—	—
	of which: non-STC requirements are applied	24,057	16,903
23	Re-securitization transactions	22	29
24	Exposure to which deemed calculation of risk weight is applied	1,774,505	1,771,447
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	¥2,395,355	¥2,370,595

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	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
1	Commitment lines that can be cancelled automatically or unconditionally at any time	¥ —	¥ —
2	Commitment lines with original contracts of one year or less	37	80
3	Short-term trade contingent liabilities	—	—
4	Contingent liabilities arising from specific transactions	—	—
	of which: principal reimbursement trust deeds with restructuring	—	—
5	NIF or RUF	—	—
6	Commitment lines with an original duration of one year or longer	448	325
7	Contingent liabilities arising from directly substituted credit	8,834	12,716
	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	6,914	10,516
8	Assets sold with repurchase agreements or assets sold with right of claim (after deductions)	—	—
	Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	—	—
	Deduction	—	—
9	Futures bought, forward delivery deposits, partially subscribed equity shares, partially subscribed bonds	—	—
10	Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement	23,064	23,253
11	Derivative transactions and long-term settlements transactions	1,266	2,432
	Current exposure method	3	12
	Derivative transactions	3	12
	Foreign exchange related transactions	3	12
	Interest rate related transactions	—	—
	Gold related transactions	—	—
	Equity security related transactions	—	—
	Precious metal related transactions (excluding gold)	—	—
	Other commodity related transactions	—	—
	Credit derivative transactions (counterparty risk)	—	—
	Netting effect on credit equivalent amount under close-out netting agreement (deduction)	—	—
	Long-term settlements transactions	—	—
	SA-CCR	1,262	2,420
	Derivative transactions	1,262	2,416
	Long-term settlements transactions	0	3
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	¥ 33,651	¥ 38,807

Note 1: Required capital is calculated using the following formula:
Credit risk-weighted assets × 4%

Note 2: Japan Post Bank Co., Ltd. applies the SA-CCR as the credit equivalent calculation method for derivative transactions and long-term settlements transactions. Other credit equivalent amounts are calculated using the current exposure method.

(3) Total amount of consolidated required capital

(Millions of yen)

Item	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
Total amount of consolidated required capital	¥ 2,538,849	¥ 2,524,947
Amount of required capital for credit risk	657,210	642,130
Portfolios where the standardized approach is applied	630,421	621,023
Securitization exposure	24,079	16,933
CVA risk equivalent amount	1,898	3,642
Central counterparty risk exposure	810	531
Amount of required capital for credit risk pertaining to exposure for which deemed calculation of risk weight is applied	1,774,505	1,771,447
Amount of required capital for market risk equivalent amount	—	—
Amount of required capital for operational risk equivalent amount	107,133	111,370
Basic indicator approach	107,133	111,370

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		2023 (As of March 31, 2023)				
		Loans and deposits	Securities	Derivatives	Others	Total
Domestic	Sovereigns	¥ 77,543,487	¥ 52,816,698	¥ —	¥ 119,294	¥ 130,479,480
	Financial institutions	5,593,733	11,416,634	168,710	48,926	17,228,004
	Corporates	563,120	6,586,786	—	319,628	7,469,535
	Small and medium-sized enterprises and individuals	—	—	—	140	140
	Others	2,425,288	7,269,507	51,674	3,266,367	13,012,837
	Domestic total	86,125,629	78,089,626	220,384	3,754,357	168,189,997
Overseas total		85,784	12,325	385	166,474	264,970
Investment trust, etc.		6,126,443	52,820,289	—	—	58,946,733
Total		¥ 92,337,857	¥ 130,922,241	¥ 220,770	¥ 3,920,832	¥ 227,401,701

(Millions of yen)

Counterparts		2022 (As of March 31, 2022)				
		Loans and deposits	Securities	Derivatives	Others	Total
Domestic	Sovereigns	¥ 77,196,464	¥ 63,810,250	¥ —	¥ 152,099	¥ 141,158,814
	Financial institutions	6,014,245	11,105,504	301,703	41,011	17,462,465
	Corporates	563,960	6,622,689	—	340,914	7,527,565
	Small and medium-sized enterprises and individuals	—	—	—	153	153
	Others	2,512,519	6,145,019	24,873	3,141,610	11,824,022
	Domestic total	86,287,190	87,683,463	326,576	3,675,790	177,973,021
Overseas total		86,329	11,534	1,453	204,704	304,023
Investment trust, etc.		5,475,207	50,521,955	—	—	55,997,163
Total		¥ 91,848,728	¥ 138,216,954	¥ 328,030	¥ 3,880,495	¥ 234,274,208

Note 1: All subsidiaries other than Japan Post Bank Co., Ltd. do not engage in loan operations, in principle, and therefore do not categorize credit by industry sector. Accordingly, a breakdown by customer is presented in the above table.

Note 2: "Domestic" and "Overseas" refer to the domicile of the main branch (Head Office).

Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc., other than derivatives.

Note 4: "Securities" include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 5: "Derivatives" include forward interest rate swaps and currency swaps, etc.

Note 6: "Sovereigns" include central governments, central banks, local governments, etc.

Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities and Financial Institutions and Type I Financial Instruments Business Operators.

Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations, etc.

Note 9: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 10: Investment trusts and other funds are recorded in investment trust, etc.

(2) Credit risk exposure by maturity

(Millions of yen)

Remaining period	2023 (As of March 31, 2023)				
	Loans and deposits	Securities	Derivatives	Others	Total
1 year or less	¥ 13,919,794	¥ 12,879,820	¥ 7,112	¥ 422,958	¥ 27,229,686
Over 1 year to 3 years	738,020	19,912,778	42,199	—	20,692,999
Over 3 years to 5 years	560,811	11,770,487	96,490	35	12,427,825
Over 5 years to 7 years	343,131	6,103,656	1,210	—	6,447,998
Over 7 years to 10 years	457,389	4,673,719	25,029	—	5,156,138
Over 10 years	801,230	21,846,876	48,728	—	22,696,835
No due date or perpetual	69,391,035	914,612		3,497,837	73,803,485
Investment trust, etc.	6,126,443	52,820,289	—	—	58,946,733
Total	¥ 92,337,857	¥ 130,922,241	¥ 220,770	¥ 3,920,832	¥ 227,401,701

(Millions of yen)

Remaining period	2022 (As of March 31, 2022)				
	Loans and deposits	Securities	Derivatives	Others	Total
1 year or less	¥ 15,266,311	¥ 20,105,265	¥ 12,351	¥ 476,343	¥ 35,860,271
Over 1 year to 3 years	720,488	17,153,287	8,794	—	17,882,570
Over 3 years to 5 years	828,286	11,412,789	217,393	43	12,458,513
Over 5 years to 7 years	235,687	9,302,351	5,361	—	9,543,400
Over 7 years to 10 years	514,516	10,938,669	45,818	—	11,499,005
Over 10 years	806,724	17,862,012	38,310	—	18,707,048
No due date or perpetual	68,001,504	920,621	—	3,404,108	72,326,234
Investment trust, etc.	5,475,207	50,521,955	—	—	55,997,163
Total	¥ 91,848,728	¥ 138,216,954	¥ 328,030	¥ 3,880,495	¥ 234,274,208

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		2023 (As of March 31, 2023)					2022 (As of March 31, 2022)				
		Loans and deposits	Securities	Derivatives	Others	Total	Loans and deposits	Securities	Derivatives	Others	Total
Domestic	Sovereigns	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Financial institutions	—	—	—	—	—	—	—	—	—	—
	Corporates	—	—	—	5	5	—	—	—	5	5
	Small and medium-sized enterprises and individuals	—	—	—	61	61	—	—	—	60	60
	Others	—	—	—	3,639	3,639	—	—	—	3,769	3,769
	Domestic total	—	—	—	3,707	3,707	—	—	—	3,835	3,835
Overseas total		—	—	—	—	—	—	—	—	—	—
Investment trust, etc.		—	—	—	—	—	—	—	—	—	—
Total		¥ —	¥ —	¥ —	¥ 3,707	¥ 3,707	¥ —	¥ —	¥ —	¥ 3,835	¥ 3,835

Note 1: "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.
Note 2: "Domestic" and "Overseas" refer to the domicile of the main branch (Head Office).
Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc., other than derivatives.
Note 4: "Securities" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 5: "Derivatives" include forward interest rate swaps and currency swaps, etc.
Note 6: "Sovereigns" include central governments, central banks, local governments, etc.
Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities and Financial Institutions and Type I Financial Instruments Business Operators.
Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations, etc.
Note 9: Exposures of certain subsidiaries are included in "Others" (exposure) under "Others" (counterparts).
Note 10: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 11: Investment trusts and other funds are recorded in investment trust, etc.

(4) Year-end balances and changes during the period of general reserve for possible loan losses, specific reserve for possible loan losses and loan loss reserve *for specific overseas countries*

Year-end balance

(Millions of yen)

	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
General reserve for possible loan losses	¥ 161	¥ 170
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Change during the period

(Millions of yen)

	2023 (From April 1, 2022 to March 31, 2023)	2022 (From April 1, 2021 to March 31, 2022)
General reserve for possible loan losses	¥ (10)	¥ 9
Specific reserve for possible loan losses	(0)	—
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.

• Year-end balances and changes during the period of specific reserve for possible loan losses by region and industry

By region

(Millions of yen)

	2023 (From April 1, 2022 to March 31, 2023)	2023 (As of March 31, 2023)	2022 (From April 1, 2021 to March 31, 2022)	2022 (As of March 31, 2022)
	Change during the period	Year-end balance	Change during the period	Year-end balance
Domestic	(0)	0	—	—
Overseas	—	—	—	—
Total	(0)	0	—	—

Note: Reserve for loan losses related to loans disclosed under the Financial Revitalization Law is listed.

By industry

(Millions of yen)

	2023 (From April 1, 2022 to March 31, 2023)	2023 (As of March 31, 2023)	2022 (From April 1, 2021 to March 31, 2022)	2022 (As of March 31, 2022)
	Change during the period	Year-end balance	Change during the period	Year-end balance
Agriculture, forestry, fisheries, mining	—	—	—	—
Manufacturing	—	—	—	—
Utilities, Information/communications, transportation	—	—	—	—
Wholesale, retail	—	—	—	—
Finance and Insurance	—	—	—	—
Construction, real estate	—	—	—	—
Services, goods rental/leasing	—	—	—	—
Sovereigns	—	—	—	—
Others	(0)	(0)	—	—
Total	(0)	(0)	—	—

Note: Reserve for loan losses related to loans disclosed under the Financial Revitalization Law is listed.

(5) The amount of write-off of loans by industry and customer

(Millions of yen)

	2023 (From April 1, 2022 to March 31, 2023)	2022 (From April 1, 2021 to March 31, 2022)
Agriculture, forestry, fisheries, mining	—	—
Manufacturing	—	—
Utilities, Information/communications, transportation	—	—
Wholesale, retail	—	—
Finance and Insurance	—	—
Construction, real estate	—	—
Services, goods rental/leasing	—	—
Sovereigns	—	—
Others	1	—
Total	1	—

(6) Amount of exposure by risk weight category

(Millions of yen)

Risk weight	2023 (As of March 31, 2023)		2022 (As of March 31, 2022)	
	Rated	Not rated	Rated	Not rated
0%	¥ 124,196,836	¥ 8,525,877	¥ 134,408,945	¥ 8,542,611
2%	—	684,204	—	476,632
4%	—	—	—	—
10%	212,929	2,852,002	230,454	3,197,215
20%	17,282,358	69,357	17,262,270	61,853
35%	—	—	—	—
50%	7,106,627	3,519	6,641,552	3,532
75%	—	78	—	93
100%	2,240,444	4,507,929	2,229,080	4,423,986
150%	178	186	207	302
250%	50,893	621,273	64,014	632,910
1,250%	—	—	—	—
Others	—	100,272	—	101,381
Investment trust, etc.	—	58,946,733	—	55,997,163
Total	¥ 151,090,267	¥ 76,311,434	¥ 160,836,524	¥ 73,437,683

Note 1: Ratings are used for those rated by qualified rating agencies in principle.
Note 2: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 3: Regarding assets to which the Company applies credit risk mitigation techniques for a portion of its exposure, the Group records exposure amounts in weighted categories after the application of credit risk mitigation techniques.
In accordance with the change of the collateral consideration method to the comprehensive method at Japan Post Bank Co., Ltd. as of March 31, 2022, the exposure amounts are reduced for assets that are considered eligible financial collateral.
Note 4: Regarding assets to which the Company applied transitional arrangements, the Company records these assets in risk-weighted categories in case of that transitional arrangements are not applied.
Note 5: The "Others" item represents clearing funds contributed to qualifying central counterparties.
Note 6: Investment trusts and other funds are recorded in investment trust, etc. The weighted average of risk weights was 75.26% as of March 31, 2023 (compared with 79.08% as of March 31, 2022)

4. Credit risk mitigation methods

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	2023 (As of March 31, 2023)		2022 (As of March 31, 2022)	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Eligible financial collateral	¥ 30,709,264	91.80%	¥ 31,202,008	92.84%
Guarantees and credit derivatives	2,742,714	8.20%	2,407,220	7.16%
Total	¥ 33,451,978	100.00%	¥ 33,609,228	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	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
Amount for which the current exposure method has been applied		
Aggregate sum of amounts of gross reconstruction costs	¥ 232	¥ 195
Aggregate sum of gross add-on amounts	224	1,335
Gross credit equivalents	456	1,531
Foreign exchange related transactions	456	1,531
Interest rate related transactions	—	—
Stock related transactions	—	—
Credit derivative transactions (counterparty risk)	—	—
Long-term settlements transactions	—	—
Reduction in credit equivalents through netting (deduction)	—	—
Net credit equivalents (before taking into account the effect of credit risk reduction by collateral)	456	1,531
Amount of SA-CCR to be applied		
Collateral amount received	49,946	42,021
Marketable securities	27,289	32,517
Cash	22,657	9,504
Collateral amount pledged	823,199	966,963
Marketable securities	288,488	260,252
Cash	534,711	706,710
Net credit equivalents (after consideration of effectiveness of risks mitigated by collateral)	220,380	326,961
Net credit equivalents (current exposure method and SA-CCR)	¥ 220,837	¥ 328,492

Note 1: Japan Post Bank Co., Ltd. applies the SA-CCR as the credit equivalent calculation method.
Other credit equivalent amounts are calculated using the current exposure method.
Note 2: Regarding derivative transactions and transactions with long-term settlements, only those transactions requiring the calculation of credit equivalents are included.
Note 3: Derivative transactions and transactions with long-term settlements included in investment trusts and other funds are not included herein.
Note 4: Limited to transactions on which gross reconstruction costs are not less than zero.

• Notional principal amounts of credit derivatives

(Millions of yen)

Item	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
Total return swaps	¥ —	¥ 1,600
Purchase of protection	—	1,600
Among these, those that are used for considering the effects of credit risk mitigation methods	—	1,600
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	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
Mortgage loans	¥ 248,271	¥ 212,326
Auto loans	219,343	176,926
Leases	3,967	5,389
Accounts receivable	64,861	54,286
Corporate loans	2,489,111	1,680,066
Others	—	—
Total	¥ 3,025,555	¥ 2,128,995

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	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
Mortgage loans	¥ 561	¥ 735
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 561	¥ 735

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	2023 (As of March 31, 2023)		2022 (As of March 31, 2022)	
	Balance	Required capital	Balance	Required capital
15% or more and 20% or less	¥ 3,025,555	¥ 24,057	¥ 2,128,995	¥ 16,903
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	¥ 3,025,555	¥ 24,057	¥ 2,128,995	¥ 16,903

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	2023 (As of March 31, 2023)		2022 (As of March 31, 2022)	
	Balance	Required capital	Balance	Required capital
100%	¥ 561	¥ 22	¥ 735	¥ 29
Over 100% and less than 1,250%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 561	¥ 22	¥ 735	¥ 29

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)

	2023 (As of March 31, 2023)		2022 (As of March 31, 2022)	
	Amount carried on the consolidated balance sheet	Fair value	Amount carried on the consolidated balance sheet	Fair value
Listed equities exposure (Note 1)	¥ —	—	¥ —	—
Investment or equities exposure not corresponding to listed equities exposure (Note 2)	35,056		33,038	
Total	¥ 35,056		¥ 33,038	

Note 1: Shares with market quotations are listed.
Note 2: Shares without market prices are listed.
Note 3: Shares held by the Bank's subsidiaries and their subsidiaries are listed. The exposure included in investment trusts and other funds are not included herein. The same applies to the following.

(2) Gains and losses on sale or write-off of investment or equity exposures

(Millions of yen)

	2023 (From April 1, 2022 to March 31, 2023)	2022 (From April 1, 2021 to March 31, 2022)
Gains / Losses	¥(1,208)	¥(1,501)
Gains	362	—
Losses	—	—
Write-off	¥ 1,570	¥ 1,501

Note: Gains and losses on the sale of stock are listed in the Consolidated Statements of Income.

(3) Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of income

(Millions of yen)

	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	—	—

Note: Shares with market quotations are listed.

(4) Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income

(Millions of yen)

	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
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	2023 (As of March 31, 2023)		2022 (As of March 31, 2022)	
		Balance	Required capital	Balance	Required capital
Look-through approach (LTA)	—	¥ 58,753,172	¥ 1,737,039	¥ 55,803,848	¥ 1,734,931
Mandate-based approach (MBA)	—	—	—	—	—
Probability approach	250%	139,584	13,958	110,168	11,016
	400%	10,237	1,638	47,279	7,564
Fall-back approach (FBA)	1,250%	43,739	21,869	35,867	17,933
Total		¥ 58,946,733	¥ 1,774,505	¥ 55,997,163	¥ 1,771,447

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					
Item number		(A)	(B)	(C)	(D)
		ΔEVE		ΔNII	
		2023 (As of March 31, 2023)	2022 (As of March 31, 2022)	2023 (As of March 31, 2023)	2022 (As of March 31, 2022)
1	Upward parallel shift	¥ 685,309	¥ 1,053,364	¥ 295,311	¥ 331,727
2	Downward parallel shift	536,094	1,095,093	(107,442)	2,296
3	Steepening	753,119			
4	Flattening				
5	Rise in short-term interest rates				
6	Decrease in short-term interest rates				
7	Maximum value	¥ 753,119	¥ 1,095,093	¥ 295,311	¥ 331,727
		(E)		(F)	
		2023 (As of March 31, 2023)		2022 (As of March 31, 2022)	
8	Amount of equity	11,014,257		10,864,556	

Note 1: Decreased economic value and interest income are shown as positive values
Note 2: Key assumptions for ΔEVE and ΔNII calculations are as follows:
- The Bank has applied an internal model to allocate the estimated balance and termination dates of liquid deposits that have remained on deposit in the Bank for a long term without being withdrawn, (so-called "core deposits"). The average repricing maturities of liquid deposits are 3.1 years. The longest repricing maturities are 10 years.
- Interest rate risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow using an internal model.
- The Bank aggregates ΔEVE of JPY, USD, EUR, GBP, and AUD taking into account the correlation between each different currency. On the other hand, the Bank adds only positive ΔEVE of the other currencies. ΔNII is the simple sum of ΔNII measured for each currency.
- Spread levels are included in discount rates and cash flows.

Note 3: The Bank confirms that it has secured sufficient capital to counter measured interest rate risk.
Note 4: According to the "Comprehensive Guidelines for Supervision of Major Banks, etc." prescribed by the Financial Services Agency (FSA), "Because JAPAN POST BANK is obligated legally to hold a portion of its assets in JGBs and other "safe" assets, the FSA takes this special information into consideration in its oversight of the Bank in terms of the application of the materiality test."
Note 5: Regarding interest rate risks, the assets of consolidated subsidiaries are insignificant, and Japan Post Bank's non-consolidated figures are shown excluding the amount of equity capital.

Compensation, etc., Subject to Disclosure

1. Matters concerning the establishment of an organizational system for subject executives and employees of the Company (Group)

(1) Scope of subject executives and employees

The following describes the scope of "subject executives" and "subject employees" (collectively referred to as "subject executives and employees") who are subject to disclosure as persons having a significant impact on the operation of the banking business and state of assets as prescribed by the notification (Japan Financial Services Agency Notification No. 21 of March 29, 2012) for deciding matters determined separately by the Commissioner of the Financial Services Agency as an item concerning compensation based on provisions of the Ordinance for Enforcement of the Banking Act, Article 19-2, Paragraph 1-6.

1) Scope of "subject executives"

Subject executives are the Company's directors and executive officers. Outside directors are excluded.

2) Scope of "subject employees"

Among Company executives (other than subject executives) and employees as well as executives and employees of subsidiaries, those "persons receiving high amounts of compensation" and who have a significant impact on the management of business operations and the state of assets of the Company or its principal subsidiaries are deemed "subject employees" who are subject to disclosure.

(a) Scope of "principal consolidated subsidiaries"

Principal consolidated subsidiaries are consolidated subsidiaries that have a significant impact on Group management. Specifically, the three business subsidiaries are in this category.

(b) Scope of "persons receiving high amounts of compensation"

"Persons receiving high amounts of compensation" are those persons receiving compensation exceeding standard amounts from the Company and its principal consolidated subsidiaries. The Company has set the Group standard amount at ¥28 million. The relevant standard amount is set based on the average basic compensation (excludes persons who assume positions or retire from positions during the term in each fiscal year) for the past three years for executives of the Company and Japan Post Bank and this serves as a common standard amount for the Group. However, because there are no large differences in compensation systems and levels for the Company's principal consolidated subsidiaries, these are also applied in common at principal consolidated subsidiaries.

(c) Scope of "persons having a significant impact on the management of the Group's business or the state of its assets"

"Persons having a significant impact on the management of the Group's business or the state of its assets" refers to persons who engage in regular business transactions and manage matters that have a considerably significant impact on the management of the Company, the Japan Post Group and its principal consolidated subsidiaries, or persons who would exert a significant impact on the state of assets by incurring losses from business transactions or other matters. Specifically, this refers to executives of principal consolidated subsidiaries or executive officers with authority to execute the business of business departments in accordance with resolutions by the Board of Directors as well as to professional positions at Japan Post Bank. (Referred to hereafter as management employees for whom a performance-linked compensation system is applicable based on professional position salary regulations and who perform duties for the execution of business using especially sophisticated and expert knowledge in the Investment Division of Japan Post Bank).

(2) Determination of compensation for subject executives and employees

1) Determination of compensation for subject executives

The Company has established the Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for the Company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to decide policies for determining compensation as well as determine individual compensation.

2) Determination of compensation for subject employees

The determination of compensation for executives of principal consolidated subsidiaries who are deemed subject employees is as follows.

(a) Japan Post

Executive compensation is determined under a structure whereby the total amount of executive compensation is determined at the Shareholders' Meeting.

Individual allocation of directors' compensation is determined on a resolution by the Board of Directors, according to the total amount decided at the Shareholders' Meeting.

Individual allocation of compensation for auditors is determined based on consultation by the auditors.

Compensation for executive officers is determined based on a resolution by the Board of Directors.

(b) Japan Post Bank and Japan Post Insurance

Japan Post Bank and Japan Post Insurance have respectively established a Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for each company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to determine policies for determining compensation as well as determine individual compensation.

The Human Resources Division, which is independent from the Corporate Administration Division, has established a performance-linked compensation system based on professional position salary regulations for professional positions at Japan Post Bank. Compensation based on this system is determined after deliberation at the Evaluation Committee that is composed of executive officers such as the President and Representative Executive Officer of Japan Post Bank.

(3) Determination of compensation for staff of the Risk Management Department and Compliance Department

Compensation for staff of the Risk Management Department and Compliance Department is determined based on salary rules and regulations. Specific amounts paid are decided by determining compensation separate from the sales promotion department by setting amounts based on employee performance evaluations, with the general manager of the relevant departments as the person making final decisions.

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 2022 to March 2023)
Japan Post Holdings	Compensation Committee	4 times
Japan Post	Shareholders' Meeting	0 times
	Board of Directors	2 times
	Board of Corporate Auditors	1 time
Japan Post Bank	Compensation Committee	4 times
	Evaluation Committee	9 times
Japan Post Insurance	Compensation Committee	6 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, 2022 to March 31, 2023)

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)	34	933	800	800	132	—	132	—	—
Subject employees, etc.	25	1,160	681	681	476	230	246	—	0

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.

7. Japan Post Group Privacy Policy

❶ Japan Post Group Privacy Policy

The Japan Post Group ("the Group") is dedicated to providing services that can achieve a high degree of customer satisfaction. Properly protecting and the treatment of personal information is vital to accomplishing this goal. Accordingly, the Group has established the following fundamental policy (hereinafter referred to as "the Privacy Policy") for protecting personal information.

(1) Compliance with laws and regulations
When handling personal information, the Group complies with all laws and regulations associated with protecting personal information, national government policies and the provisions of the Privacy Policy ("laws, regulations, etc.," hereafter).

(2) Purpose of using personal information
The Group specifies the purpose of using personal information and does not use this information beyond the scope necessary for achieving this purpose.

The purposes for which Group companies use personal information are listed in the privacy policies on each company's website and where applicable.

(3) Acquisition of personal information
The Group acquires personal information using methods that are legal and proper.

(4) Security measures for management of personal information
The Group uses an appropriate security management system to prevent leaks, losses or alterations of personal information. In addition, the Group properly supervises persons engaged in the business of handling personal information, outsourcing parties and others.

(5) Provision of personal information to third parties
Except in cases where required by laws and regulations, the Group does not supply personal information to third parties without the prior consent of each individual.

In cases where two or more Group companies share the same personal information, this sharing is performed only after providing prior notice or public announcements of items required by law.

Irrespective of the above, specific personal information shall not be provided to third parties or shared jointly except when prescribed by laws or ordinances.

(6) Procedures for requesting disclosure of personal data
The Group responds in a sincere manner in cases where there are requests for the notification of the purpose of use or for the disclosure, correction or termination of use of retained personal data as prescribed by laws, regulations, etc.

The disclosure request procedures for each company can be found on their respective websites and where applicable.

(7) Points of contact for inquiries
Requests regarding retained personal data set forth in the preceding section and inquiries and requests regarding treatment of personal information can be made to designated points of contact.

(8) Continuous improvements
The Group constantly reviews and improves its management and handling methods for the protection of personal information in response to advances in information technology and shifts in social demands.

❷ Sharing of Personal Data among Japan Post Group Companies

Japan Post Group companies consist of Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Insurance Co., Ltd. and several other subsidiaries and affiliated companies.

Each Japan Post Group company uses its respective specialized skills to provide high-quality services. The objective is to achieve even greater customer satisfaction.

To accomplish this goal, the Japan Post Group wishes to share customers' personal data solely to the degree required and within the scope explained below. This data is used to conduct business activities performed directly by Group companies or through outsourcing parties.

The Group asks for customers' understanding and pledges that strict information management will be used during the shared use of personal data.

(1) Personal data items for shared use
Shared use covers names, birth dates, addresses, telephone numbers and other contact information, family members, occupations and data concerning business transactions with the Group. However, this excludes information about materials sent or delivered by postal mail or any sensitive information.

(2) Scope of parties involved in shared use
Shared use is limited to the Japan Post Group. However, this applies only to companies included in the consolidated financial statements, including equity-method affiliates, of Japan Post Holdings, as prescribed by laws, regulations, etc., and is limited to the following companies:

Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.

(3) Purpose of use
1) Distribution of information about services and research and development involving services
2) Decisions involving the provision of services
3) For the proper management of Group business operations primarily for the purpose of monitoring and managing risks

(4) Name of party with responsibility for managing personal data
Japan Post Holdings Co., Ltd.

Data Compilation 8. Japan Post Group's Approach to Procurement Activity

The Japan Post Group conducts its procurement activity according to the following concept.

Japan Post Group's Approach to Procurement Activity

1. Open, fair and appropriate procurement
   - The Group opens the door widely to suppliers and offers fair entry opportunities.
   - The Group selects suppliers based on a comprehensive and appropriate evaluation of quality, price, delivery period, technology, business condition and other factors.

2. Compliance with laws, regulations and social standards
   - The Group complies with all applicable laws, regulations and social standards and carries out procurement activity in good faith.
   - In its procurement activity, the Group forms no relationship with antisocial forces that pose a threat to the order and safety of civil society.

3. Environmental considerations
   - The Group carries out procurement activity in consideration of global and local environmental preservation and the effective use of resources.

4. Building trusting relationships
   - Through good communication with suppliers, the Group builds strong trust and strives for mutual prosperity.
   - The Group appropriately manages information about suppliers that it obtains through its procurement activity.

5. Request to suppliers (Compliance with the UN Global Compact)
   - The Group supports the Ten Principles of the UN Global Compact regarding the four areas of human rights, labor, the environment and anti-corruption and promotes CSR procurement activity. The Group expects its suppliers to understand the above and asks for their proactive cooperation.

The Ten Principles of the UN Global Compact
https://www.unglobalcompact.org/what-is-gc/mission/principles

9. Japan Post Group Conflicts of Interest Management Policy

The Japan Post Group ("the Group") conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to a conflict of interest.

1. The following representative examples of companies in the Japan Post Group ("Group companies") fall within the scope of the Conflicts of Interest Management Policy.
   - Japan Post Bank Co., Ltd.
   - Japan Post Insurance Co., Ltd.
   - Japan Post Co., Ltd.

2. The Group will manage conflicts of interest for the transactions stipulated below.
   (1) Transactions that may unduly impair the interests of customers among the following transactions:
   - Transaction with a customer that has an interest in one of the Group companies based on an agreement
   - Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
   - Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement

   (2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest

3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:
   (1) Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
   (2) Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
   (3) Discontinue the target transaction or the secondary transaction with the customer
   (4) Properly disclose to the customer that the target transaction may unduly impair his or her interests

4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.

5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.

10. Declaration by Top Management Regarding the Elimination of Relationships with Antisocial Forces

To eliminate any relationships with antisocial forces and prevent damage to the organization, the Japan Post Group has made the following declaration in line with the Fundamental Policy for Establishment of Internal Control Systems.

1. Organizational response
In firm recognition of its social responsibility and to strengthen management based on compliance, the Japan Post Group, as an organization in its entirety, will ensure that any relationships with antisocial forces are eliminated.

2. Complete elimination of relationships, including transactions
The Japan Post Group will have no relationships whatsoever with antisocial forces, including transactions.

3. Legal measures and prohibition of secret negotiations
The 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. The Japan Post Group will never negotiate in secrecy with antisocial forces, even if their unjustified demands are to conceal matters related to any misconduct of the Group's own activities or that of its staff.

4. Cooperation with outside experts
The Japan Post Group will establish close relationships with outside experts in preparation for any unjustified demands by antisocial forces in order to ensure the safety of its staff against such demands.

5. Prohibiting financing for antisocial forces
The Japan Post Group will never engage in financing for antisocial forces.

11. Japan Post Group Information Security Declaration

Services provided by Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. as the Japan Post Group are used by a large number of customers. We believe that information about these customers must be strictly managed, and the services used by customers must be absolutely safe.

We understand that information security is essential for customers to use our services with confidence. Our activities reflect this awareness of the importance of information security. We place priority on the following items in order to manage information about customers safely and to protect this information from leaks and alterations resulting from unauthorized access and from disruptions in services caused by accidents, natural disasters and other events.

1. Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. will establish information security policies and follow the policies for the purpose of conducting information security activities.

2. We will conduct a continuous information security training program for the purpose of maintaining a strong awareness among employees of the importance of information security and reinforcing that awareness.

3. We will conduct continuous inspections of information security activities and make revisions and improvements whenever needed for the purpose of maintaining and enhancing the effectiveness of information security activities.

12. Japan Post Group Executive Declaration on Cyber Security

Recognizing cyber security measures as a critical issue in its corporate management, the Japan Post Group (*) has developed the Japan Post Group Executive Declaration on Cyber Security (hereinafter the "Declaration").

In adherence to the Declaration, the Group will be committed to further driving cyber security measures, with the management taking the initiative, and to delivering services in a secure and safe fashion, in defense against increasingly serious and sophisticated cyber attacks.

(*) Japan Post Group refers to JAPAN POST HOLDINGS Co., Ltd., JAPAN POST Co., Ltd., JAPAN POST BANK Co., Ltd. and JAPAN POST INSURANCE Co., Ltd.

1. Recognition as an executive issue
Recognizing the importance of cyber security, the Japan Post Group will position risks related to cyber attacks and other such threats as a critical issue in its corporate management and the management will take the initiative in driving the measures to address those risks.

2. Development of measures and representation of commitment
Only after reviewing the functions of our cyber security measures (identification, defense, detection, response and recovery) according to changes in the surroundings, the Japan Post Group will develop business continuity plans (BCPs) with the aim of ensuring quick recovery from the event of any cyber security risk materializing.

The management will take the leading role in making its commitment clear to internal and external stakeholders, as well as in making efforts to disclose what risks are recognized and what action is taken to address them by, for example, voluntarily stating them in various types of reports.

3. Establishment of a control structure
The Japan Post Group will establish an organization engaged to work under normal circumstances in preparation for cyber attacks as well as to take action in the event of emergency and thereby conduct a range of activities relevant to cyber attacks, including monitoring, inspection, collecting and analyzing information, and responding to and recovering from incidents, and will also perform regular exercises and training sessions in an attempt to develop more sophisticated cyber security readiness.

For the purpose of cyber security enhancement, each class of the Group's personnel, from executives to managers and employees, will be provided with necessary education.

The Group will pursue security measures that encompass its business associates, including contractors.

4. Continuous delivery of systems and services with user peace-of-mind
In order to maintain its cyber security measures and make them better, the Japan Post Group will continually perform inspections and work on improvements.

5. Coordination with external organizations
The Japan Post Group will have timely and appropriate coordination with related ministries and governmental agencies, such as the Ministry of Internal Affairs and Communications, the Financial Services Agency, the National Center of Incident Readiness and Strategy for Cybersecurity, the Information-Technology Promotion Agency and the police, and will also make proactive efforts in the exchange of information through JPCERT / CC and other relevant channels, thereby contributing to raising the levels of cyber security measures of the entire society.

13. Disclosure Policy

Fundamental policy

The Japan Post Group has stipulated in its Charter of Corporate Conduct to "fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner" to earn the trust of customers. To achieve sustainable growth and medium- to long-term improvement in our enterprise value, Japan Post Holdings Co., Ltd. (the "Company") shall disclose information in a fair and accurate manner to its shareholders, investors, and other stakeholders. In addition, the management shall make efforts to actively communicate with them and share among its own staff the requests, expectations, and so on obtained through this communication.

Standards for information disclosure

The Company shall comply with the Financial Instruments and Exchange Act of Japan, other applicable laws and regulations and the securities listing regulations stipulated by the Tokyo Stock Exchange, manage important information about the Company and its subsidiaries, and swiftly disclose it in a timely manner.

Moreover, the Company shall not only disclose information in accordance with the aforementioned laws and regulations and other relevant rules and regulations, but it shall also strive to voluntarily disclose information that will contribute to the deepening of understanding of the Company and its subsidiaries at occasions such as investor information meetings.

Establishment of internal systems

The Company shall strive to establish and reinforce its internal systems by appointing the executive officer in charge of the Corporate Planning Division to be responsible for establishing the internal system for our IR activities, so that each division works together in an organic manner to ensure appropriate information disclosure. Furthermore, the Company has established the Disclosure Committee for discussions about information disclosure.

Method of disclosing information

The Company shall make disclosure as required based on the Financial Instruments and Exchange Act of Japan, other related laws and regulations, securities listing regulations of the Tokyo Stock Exchange, etc., through prescribed means including the Electronic Disclosure for Investors' NETwork (EDINET), which is operated by the Financial Services Agency, the Timely Disclosure network (TDnet), which is operated by the Tokyo Stock Exchange, and through the Company's website.

Disclosure of information through methods other than the above shall be made through the Company's website and other means.

Future outlook

Information disclosed of the Company might include forward-looking statements. Such statements have been prepared in accordance with judgments made by the management based on the information available to the Company at the time of disclosure and on certain assumptions that the Company believes to be reasonable in making its predictions of the future, thereby containing various risks, as well as some degree of indeterminacy and uncertainty. Accordingly, actual figures and financial results may differ from the forward-looking statements included in the disclosed information depending on future business operation as well as changes in economic and other circumstances.

JAPAN POST GROUP

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