Data Compilation

Financial Data

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Note: Figures have been truncated without rounding.

1. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Ordinary income	15,849,185	15,240,126	14,258,842	14,257,541	13,326,534
Net ordinary income	1,225,094	1,103,603	1,115,823	966,240	795,237
Net income (loss)	562,753	479,071	482,682	425,972	(28,976)
Comprehensive income (loss)	1,551,771	717,123	2,212,035	(177,994)	8,867
Net assets	12,448,197	13,388,650	15,301,561	15,176,088	14,954,581
Total assets	292,892,975	292,246,440	295,849,794	291,947,080	293,162,545
Consolidated capital adequacy ratio (domestic standard)	57.38%	49.23%	40.40%	27.47%	23.80%
Consolidated solvency margin ratio	1,804.8%	1,791.8%	1,621.1%	1,087.4%	922.0%

Notes:
1. 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). From the fiscal year ended March 31, 2014, the Japan Post Group has adopted a domestic standard based on Basel III.
2. The consolidated solvency margin ratio has been calculated in accordance with Articles 210-11-3 and 210-11-4 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.
3. The amount of net income (loss) attributable to Japan Post Holdings Co. has been used for net income (loss) of the Japan Post Group (Consolidated) from the fiscal year ended March 31, 2016.

Japan Post Holdings Co. (Non-consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Operating income	265,304	272,988	251,919	309,975	303,808
Net operating income	121,207	146,002	147,187	231,417	226,964
Net ordinary income	125,666	147,837	149,298	232,919	228,831
Net income	145,228	155,090	131,181	94,311	207,015
Net assets	8,602,843	8,719,384	8,744,456	8,057,703	8,057,856
Total assets	9,711,170	9,740,129	9,107,178	8,418,459	8,261,109

Japan Post Co. (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Operating income	—	—	—	3,638,847	3,758,970
Net operating income	—	—	—	39,105	53,430
Net ordinary income	—	—	—	42,336	52,221
Net income (loss)	—	—	—	47,247	(385,235)
Net assets	—	—	—	1,244,984	794,244
Total assets	—	—	—	5,651,387	5,091,375

Notes:
1. The amount of net income (loss) attributable to Japan Post Co. has been used for net income (loss) of Japan Post Co. (Consolidated).
2. Because figures have been listed on a consolidated basis from the fiscal year ended March 31, 2016, figures for the fiscal year ended March 31, 2015 and prior years, when non-consolidated figures had been listed, are expressed with the symbol「—」(same for each segment).
3. The method of presentation has been changed for Japan Post Co. from the fiscal year ended March 31, 2017, whereby rental transactions of post offices, etc., which had previously been included in other income and other expenses, are included in operating income, operating costs and sales, general and administrative costs. Accordingly, figures for the fiscal year ended March 31, 2016 have been reclassified to reflect this change in presentation.

[Postal and domestic logistics business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Operating income	—	—	—	1,929,444	1,929,928
Net operating income	—	—	—	10,323	12,053

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

[Post office business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Operating income	—	—	—	1,360,344	1,386,456
Net operating income	—	—	—	39,299	63,334

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

[International logistics business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Operating income	—	—	—	544,062	644,416
Net operating income	—	—	—	17,231	5,642

Note:
For the international logistics business segment, the amount presented in net operating income is EBIT of Toll excluding amortization of goodwill, etc.

Japan Post Bank Co. (Non-consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Ordinary income	2,125,888	2,076,397	2,078,179	1,968,987	1,897,281
Net ordinary income	593,535	565,095	569,489	481,998	442,085
Net income	373,948	354,664	369,434	325,069	312,264
Net assets	10,997,558	11,464,524	11,630,212	11,508,150	11,780,037
Total assets	199,840,681	202,512,882	208,179,309	207,056,039	209,568,820
Capital adequacy ratio (non-consolidated domestic standard)	66.04%	56.81%	38.42%	26.38%	22.22%

Note:
Capital adequacy ratio (non-consolidated, 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 Bank Co. has applied Japanese domestic Basel III capital adequacy standards since the year ended March 2014.

Japan Post Insurance Co. (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Ordinary income	—	—	—	9,605,743	8,659,444
Net ordinary income	—	—	—	411,504	279,755
Net income	—	—	—	84,897	88,596
Net assets	—	—	—	1,882,982	1,853,203
Total assets	—	—	—	81,545,182	80,336,760
Consolidated solvency margin ratio	—	—	—	1,570.3%	1,290.6%

Notes:
1. The amount of net income attributable to Japan Post Insurance Co. has been used for net income of Japan Post Insurance Co. (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.
3. Because figures have been listed on a consolidated basis from the fiscal year ended March 31, 2016, figures for the fiscal year ended March 31, 2015 and prior years, when non-consolidated figures had been listed, are expressed with the symbol 「—」.

2. JAPAN POST GROUP COMPANIES —CONSOLIDATED FINANCIAL DATA

CONSOLIDATED BALANCE SHEETS MARCH 31, 2017 AND 2016

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2017 (As of March 31, 2017)	**2016** (As of March 31, 2016)	**2017** (As of March 31, 2017)
ASSETS:			
Cash and due from banks (Notes 3, 5 and 21)	¥ 53,313,498	¥ 48,258,991	$ 475,207
Call loans (Note 21)	620,000	1,338,837	5,526
Receivables under securities borrowing transactions (Note 21)	12,239,627	10,931,820	109,097
Monetary claims bought (Note 21)	279,776	608,659	2,494
Trading account securities (Note 21)	9	187	0
Money held in trust (Notes 4 and 21)	5,944,951	5,205,658	52,990
Securities (Notes 3, 4, 5 and 21)	202,320,530	207,720,339	1,803,374
Loans (Notes 6 and 21)	12,125,022	11,520,487	108,076
Foreign exchanges	78,646	25,328	701
Other assets (Note 5)	1,792,201	1,547,434	15,975
Tangible fixed assets (Note 7)			
Buildings	1,178,216	1,175,028	10,502
Land	1,567,222	1,559,628	13,969
Construction in progress	123,214	96,393	1,098
Other tangible fixed assets	337,742	337,419	3,010
Total tangible fixed assets	3,206,394	3,168,469	28,580
Intangible assets			
Software	325,700	337,932	2,903
Goodwill (Note 26)	3,053	414,385	27
Other intangible assets	17,136	43,773	153
Total intangible assets	345,889	796,091	3,083
Asset for retirement benefits (Note 14)	35,697	27,629	318
Deferred tax assets (Note 16)	868,118	729,307	7,738
Customers' liabilities for acceptances and guarantees	—	75,000	—
Reserve for possible loan losses	(7,819)	(7,163)	(70)
Total assets	**¥ 293,162,545**	**¥ 291,947,080**	**$ 2,613,090**

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2017 (As of March 31, 2017)	2016 (As of March 31, 2016)	2017 (As of March 31, 2017)
LIABILITIES:			
Deposits (Notes 5 and 21)	¥ 178,004,318	¥ 176,090,188	$ 1,586,633
Call money (Note 21)	45,436	22,536	405
Payables under repurchase agreements (Notes 5 and 21)	960,937	554,522	8,565
Policy reserves and others			
Reserve for outstanding claims (Note 8)	577,376	635,167	5,146
Policy reserves (Notes 8 and 15)	70,175,234	72,362,503	625,503
Reserve for policyholder dividends (Note 10)	1,772,565	1,936,494	15,800
Total policy reserves and others	72,525,176	74,934,165	646,450
Payables under securities lending transactions (Notes 5 and 21)	18,583,361	16,772,037	165,642
Commercial papers (Notes 11 and 21)	40,324	—	359
Foreign exchanges	407	338	4
Other liabilities (Notes 3, 11, 12 and 13)	3,587,312	3,910,119	31,975
Reserve for bonuses	101,979	103,755	909
Liability for retirement benefits (Note 14)	2,279,156	2,281,439	20,315
Reserve for management board benefit trust	253	—	2
Reserve for reimbursement of deposits	2,096	—	19
Reserve for price fluctuations (Note 15)	788,712	782,268	7,030
Deferred tax liabilities (Note 16)	1,288,491	1,244,621	11,485
Acceptances and guarantees (Note 5)	—	75,000	—
Total liabilities	**¥ 278,207,964**	**¥ 276,770,992**	**$ 2,479,793**
NET ASSETS (Note 17):			
Capital stock	¥ 3,500,000	¥ 3,500,000	$ 31,197
Capital surplus	4,135,414	4,134,853	36,861
Retained earnings	3,294,130	3,525,932	29,362
Treasury stock	(731,992)	(730,964)	(6,525)
Total shareholders' equity	10,197,552	10,429,821	90,895
Net unrealized gains (losses) on available-for-sale securities	3,105,162	3,318,181	27,678
Net deferred gains (losses) on hedges	(103,790)	(373,232)	(925)
Foreign currency translation adjustments	(80,730)	(56,856)	(720)
Accumulated adjustments for retirement benefits	333,571	379,835	2,973
Total accumulated other comprehensive income	3,254,213	3,267,928	29,006
Non-controlling interests	1,502,815	1,478,338	13,395
Total net assets	**14,954,581**	**15,176,088**	**133,297**
Total liabilities and net assets	**¥ 293,162,545**	**¥ 291,947,080**	**$ 2,613,090**

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED MARCH 31, 2017 AND 2016

	Millions of yen		Millions of U.S. Dollars (Note 1)
	2017 (From April 1, 2016 to March 31, 2017)	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)
INCOME:			
Postal business income	¥ 2,524,315	¥ 2,423,530	$ 22,500
Banking business income	1,895,552	1,967,489	16,896
Life insurance business income	8,659,363	9,605,645	77,185
Other income (Note 18)	257,570	276,076	2,296
Total income	**13,336,802**	**14,272,742**	**118,877**
EXPENSES:			
Operating expenses	9,672,884	10,506,104	86,219
Personnel expenses	2,594,617	2,556,654	23,127
Depreciation and amortization	249,717	214,340	2,226
Other expenses (Note 19)	648,696	324,698	5,782
Total expenses	**13,165,915**	**13,601,798**	**117,354**
Income before income taxes	**170,887**	**670,943**	**1,523**
Income taxes (Note 16):			
Current	279,057	329,971	2,487
Deferred	(123,960)	(93,361)	(1,105)
Total income taxes	**155,097**	**236,610**	**1,382**
Net income	**15,790**	**434,333**	**141**
Net income attributable to non-controlling interests	44,767	8,361	399
Net income (loss) attributable to Japan Post Holdings	**¥ (28,976)**	**¥ 425,972**	**$ (258)**

	Yen		U.S. Dollars
	2017 (From April 1, 2016 to March 31, 2017)	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)
Per share of common stock (Note 28):			
Basic net income (loss)	¥ (7.04)	¥ 97.26	$ (0.06)
Diluted net income	—	—	—

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED MARCH 31, 2017 AND 2016

	Millions of yen		Millions of U.S. Dollars (Note 1)
	2017 (From April 1, 2016 to March 31, 2017)	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)
Net income	**¥ 15,790**	**¥ 434,333**	**$ 141**
Other comprehensive loss (Note 20)			
Net unrealized gains (losses) on available-for-sale securities	(239,357)	(784,319)	(2,133)
Net deferred gains (losses) on hedges	302,793	270,142	2,699
Foreign currency translation adjustments	(23,918)	(57,200)	(213)
Adjustments for retirement benefits	(46,444)	(40,940)	(414)
Share of other comprehensive income (loss) of affiliates	3	(9)	0
Total other comprehensive loss	(6,923)	(612,328)	(62)
Comprehensive income (loss)	**¥ 8,867**	**¥ (177,994)**	**$ 79**
Total comprehensive income (loss) attributable to:			
Japan Post Holdings	¥ (42,684)	¥ (196,288)	$ (380)
Non-controlling interests	51,551	18,293	459

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED MARCH 31, 2017 AND 2016

2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2016	¥ 3,500,000	¥ 4,134,853	¥ 3,525,932	¥ (730,964)	¥ 10,429,821
Changes in the fiscal year:					
Cash dividends			(205,834)		(205,834)
Net loss attributable to Japan Post Holdings			(28,976)		(28,976)
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		560			560
Purchases of treasury stock				(1,042)	(1,042)
Disposals of treasury stock				13	13
Changes in the scope of consolidation			3,009		3,009
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	560	(231,801)	(1,028)	(232,269)
BALANCE, MARCH 31, 2017	¥ 3,500,000	¥ 4,135,414	¥ 3,294,130	¥ (731,992)	¥ 10,197,552

	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, 2016	¥ 3,318,181	¥ (373,232)	¥ (56,856)	¥ 379,835	¥ 3,267,928	¥ 1,478,338	¥ 15,176,088
Changes in the fiscal year:							
Cash dividends							(205,834)
Net loss attributable to Japan Post Holdings							(28,976)
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							560
Purchases of treasury stock							(1,042)
Disposals of treasury stock							13
Changes in the scope of consolidation							3,009
Net changes in items other than shareholders' equity in the fiscal year	(213,018)	269,442	(23,873)	(46,264)	(13,714)	24,476	10,762
Net changes in the fiscal year	(213,018)	269,442	(23,873)	(46,264)	(13,714)	24,476	(221,506)
BALANCE, MARCH 31, 2017	¥ 3,105,162	¥ (103,790)	¥ (80,730)	¥ 333,571	¥ 3,254,213	¥ 1,502,815	¥ 14,954,581

See the accompanying notes to consolidated financial statements.

2016 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2015	¥ 3,500,000	¥ 4,503,856	¥ 3,149,937	¥ —	¥ 11,153,793
Changes in the fiscal year:					
Cash dividends			(50,100)		(50,100)
Net income attributable to Japan Post Holdings			425,972		425,972
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		(369,002)			(369,002)
Purchases of treasury stock				(730,964)	(730,964)
Increase due to merger between consolidated and unconsolidated subsidiaries			122		122
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	(369,002)	375,995	(730,964)	(723,971)
BALANCE, MARCH 31, 2016	¥ 3,500,000	¥ 4,134,853	¥ 3,525,932	¥ (730,964)	¥ 10,429,821

	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, 2015	¥ 4,389,261	¥ (666,430)	¥ 160	¥ 422,048	¥ 4,145,039	¥ 2,728	¥ 15,301,561
Changes in the fiscal year:							
Cash dividends							(50,100)
Net income attributable to Japan Post Holdings							425,972
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							(369,002)
Purchases of treasury stock							(730,964)
Increase due to merger between consolidated and unconsolidated subsidiaries							122
Net changes in items other than shareholders' equity in the fiscal year	(1,071,079)	293,197	(57,016)	(42,212)	(877,111)	1,475,609	598,498
Net changes in the fiscal year	(1,071,079)	293,197	(57,016)	(42,212)	(877,111)	1,475,609	(125,473)
BALANCE, MARCH 31, 2016	¥ 3,318,181	¥ (373,232)	¥ (56,856)	¥ 379,835	¥ 3,267,928	¥ 1,478,338	¥ 15,176,088

See the accompanying notes to consolidated financial statements.

2017 (From April 1, 2016 to March 31, 2017)

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

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2016	$ 31,197	$ 36,856	$ 31,428	$ (6,515)	$ 92,966
Changes in the fiscal year:					
Cash dividends			(1,835)		(1,835)
Net loss attributable to Japan Post Holdings			(258)		(258)
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		5			5
Purchases of treasury stock				(9)	(9)
Disposals of treasury stock				0	0
Changes in the scope of consolidation			27		27
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	5	(2,066)	(9)	(2,070)
BALANCE, MARCH 31, 2017	$ 31,197	$ 36,861	$ 29,362	$ (6,525)	$ 90,895

	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, 2016	$ 29,576	$ (3,327)	$ (507)	$ 3,386	$ 29,129	$ 13,177	$ 135,271
Changes in the fiscal year:							
Cash dividends							(1,835)
Net loss attributable to Japan Post Holdings							(258)
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							5
Purchases of treasury stock							(9)
Disposals of treasury stock							0
Changes in the scope of consolidation							27
Net changes in items other than shareholders' equity in the fiscal year	(1,899)	2,402	(213)	(412)	(122)	218	96
Net changes in the fiscal year	(1,899)	2,402	(213)	(412)	(122)	218	(1,974)
BALANCE, MARCH 31, 2017	$ 27,678	$ (925)	$ (720)	$ 2,973	$ 29,006	$ 13,395	$ 133,297

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2017 AND 2016

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2017 (From April 1, 2016 to March 31, 2017)	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 170,887	¥ 670,943	$ 1,523
Income taxes paid	(308,743)	(382,374)	(2,752)
Policyholder dividends paid	(316,351)	(316,246)	(2,820)
Depreciation and amortization	249,717	214,340	2,226
Losses on impairment of fixed assets	419,479	13,396	3,739
Amortization of goodwill	20,720	16,186	185
Equity in (earnings) losses of affiliates	(1,670)	(1,070)	(15)
Gains on negative goodwill	—	(849)	—
Net change in reserve for outstanding claims	(57,790)	(82,988)	(515)
Net change in policy reserves	(2,187,268)	(2,750,098)	(19,496)
Provision for interest on policyholder dividends	25	132	0
Provision for reserve for policyholder dividends	152,679	178,004	1,361
Net change in reserve for possible loan losses	599	157	5
Net change in reserve for bonuses	(1,826)	6,647	(16)
Net change in asset and liability for retirement benefits	(10,585)	(4,671)	(94)
Net change in reserve for management board benefit trust	253	—	2
Net change in reserve for reimbursement of deposits	2,096	—	19
Net change in reserve for price fluctuations	6,444	70,100	57
Interest income (accrual basis)	(1,567,512)	(1,731,217)	(13,972)
Interest expenses (accrual basis)	348,720	374,414	3,108
Net (gains) losses on securities	50,948	(15,366)	454
Net (gains) losses on money held in trust	(139,465)	(138,807)	(1,243)
Net (gains) losses on foreign exchanges	(76,337)	275,323	(680)
Net (gains) losses on sales and disposal of fixed assets	4,760	1,324	42
Net change in loans	(1,523,548)	240,481	(13,580)
Net change in deposits	1,914,130	392,991	17,062
Net change in negotiable certificates of deposit	20,000	620,000	178
Net change in call loans	433,886	923,288	3,867
Net change in receivables under securities borrowing transactions for banking business	(795,676)	450,855	(7,092)
Net change in call money	429,316	577,058	3,827
Net change in commercial papers	40,324	—	359
Net change in payables under securities lending transactions for banking business	570,736	(446,640)	5,087
Net change in foreign exchanges (assets)	(53,318)	24,003	(475)
Net change in foreign exchanges (liabilities)	68	72	1
Interest received (cash basis)	1,616,246	1,875,027	14,406
Interest paid (cash basis)	(449,749)	(234,726)	(4,009)
Other, net	46,679	(31,704)	416
Total adjustments	(1,162,011)	117,045	(10,358)
Net cash provided by (used in) operating activities	**¥ (991,123)**	**¥ 787,989**	**$ (8,834)**

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2017 (From April 1, 2016 to March 31, 2017)	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of call loans	¥ (26,495,000)	¥ (36,244,900)	$ (236,162)
Proceeds from redemption of call loans	26,705,000	36,330,328	238,034
Purchases of monetary claims bought	(1,616,999)	(2,508,852)	(14,413)
Proceeds from sale and redemption of monetary claims bought	2,018,804	2,474,034	17,995
Net change in receivables under securities borrowing transactions for life insurance business	(512,131)	(287,734)	(4,565)
Net change in payables under securities lending transactions for life insurance business	1,240,587	(10,013)	11,058
Purchases of securities	(29,585,329)	(29,499,406)	(263,707)
Proceeds from sale of securities	4,108,365	10,117,962	36,620
Proceeds from redemption of securities	30,029,745	32,128,938	267,669
Purchases of money held in trust	(229,645)	(1,250,400)	(2,047)
Proceeds from sale of money held in trust	54,947	626,748	490
Payments for loans	(1,065,652)	(1,172,737)	(9,499)
Proceeds from collection of loans	1,982,971	2,171,636	17,675
Purchases of tangible fixed assets	(239,415)	(321,182)	(2,134)
Proceeds from sale of tangible fixed assets	4,140	16,277	37
Purchases of intangible assets	(87,467)	(108,021)	(780)
Purchases of stocks of subsidiaries and affiliates	—	(964)	—
Proceeds from sale of stocks of subsidiaries and affiliates	44	—	0
Purchases of stocks of subsidiaries resulting in change in the scope of consolidation (Note 3)	—	(575,521)	—
Proceeds from purchases of stocks of subsidiaries resulting in change in the scope of consolidation	—	1,210	—
Payments for sale of stocks of subsidiaries resulting in change in the scope of consolidation	(65)	—	(1)
Proceeds from sale of stocks of subsidiaries resulting in change in the scope of consolidation	611	—	5
Other, net	(12,815)	(275,349)	(114)
Net cash provided by investing activities	**¥ 6,300,698**	**¥ 11,612,051**	**$ 56,161**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	¥ 123,633	¥ 53,235	$ 1,102
Repayment of borrowings	(80,643)	(39,730)	(719)
Redemption of bonds	(33,827)	(23,483)	(302)
Purchases of treasury stock	(1,042)	(730,964)	(9)
Purchases of treasury stock of subsidiaries	(956)	—	(9)
Proceeds from disposals of treasury stock of subsidiaries	0	—	0
Dividends paid	(205,626)	(50,100)	(1,833)
Dividends paid to non-controlling interests	(25,293)	(493)	(225)
Purchases of stocks of subsidiaries that do not result in change in the scope of consolidation	—	(39)	—
Proceeds from sale of stocks of subsidiaries that do not result in change in the scope of consolidation	—	730,964	—
Other, net	(1,443)	(1,439)	(13)
Net cash used in financing activities	**(225,199)**	**(62,051)**	**(2,007)**
Effect of exchange rate changes on cash and cash equivalents	**(1,425)**	**(2,343)**	**(13)**
Net change in cash and cash equivalents	**5,082,949**	**12,335,646**	**45,307**
Cash and cash equivalents at the beginning of the year	**48,141,158**	**35,805,379**	**429,104**
Increase in cash and cash equivalents resulting from change in the scope of consolidation	**1,567**	**—**	**14**
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	**—**	**131**	**—**
Cash and cash equivalents at the end of the year (Note 3)	**¥ 53,225,675**	**¥ 48,141,158**	**$ 474,424**

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 ¥112.19 to U.S. $1, the approximate rate of exchange as of March 31, 2017. 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 years ended March 31, 2017 and 2016 include the accounts of the Company and its significant subsidiaries (collectively, the "Group").

A) Consolidated subsidiaries

The Company has 274 (290 in 2016) consolidated subsidiaries. Principal consolidated subsidiaries are Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd.

During the year ended March 31, 2017, Japan Post Maintenance Co., Ltd., which was a non-consolidated subsidiary, was included in the scope of consolidation due to an increase in its materiality because of the merger with Nippan Co., Ltd. and Universal Technics Co., Ltd., which were non-consolidated subsidiaries. Japan Post Finance Co., Ltd. and 3 subsidiaries of Toll Holdings Limited (hereinafter referred to as "Toll") were excluded from the scope of consolidation due to the sale of their stocks and other 13 subsidiaries of Toll were excluded from the scope of consolidation due to the liquidation.

During the year ended March 31, 2016, Toll and its subsidiaries were included in the scope of consolidation due to the acquisition of stock of Toll. In addition, JP Twoway Contact Co., Ltd. and JP General Insurance Agency Co., Ltd. were included in the scope of consolidation due to the acquisition of their stocks.

B) Non-consolidated subsidiaries

The Company has 1 (4 in 2016) non-consolidated subsidiary, namely, Tokyo Beiyu Co., Ltd. for the year ended March 31, 2017 and Tokyo Beiyu Co., Ltd., Japan Post Maintenance Co., Ltd., Nippan Co., Ltd. and Universal Technics Co., Ltd. for the year ended March 31, 2016, respectively.

These companies are excluded from the scope of consolidation because their assets, 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.

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 24 (24 in 2016) affiliates accounted for by the equity method, namely, JA Foods-Oita Co., Ltd., Ring Bell Co., Ltd., Saison Asset Management Co., Ltd., SDP Center Co., Ltd., ATM Japan Business Service, Ltd., JP Asset Management Co., Ltd. and Toll's affiliates for the year ended March 31, 2017 and 2016.

During the year ended March 31, 2017, 1 of Toll's affiliates was included in the scope of the equity method due to the acquisition of its stock. 1 of Toll's affiliates was excluded from the scope of the equity method due to the sale of its stock.

During the year ended March 31, 2016, JP Asset Management Co., Ltd. was included in the scope of the equity method due to the establishment of that company and Toll's affiliates were included in the scope of the equity method due to the acquisition of stock of Toll.

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

The Company has 1 (4 in 2016) non-consolidated subsidiary that is not accounted for by the equity method, namely, Tokyo Beiyu Co., Ltd. for the year ended March 31, 2017 and Tokyo Beiyu Co., Ltd., Japan Post Maintenance Co., Ltd., Nippan Co., Ltd. and Universal Technics Co., Ltd. for the year ended March 31, 2016, respectively.

These companies 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 hinder a reasonable understanding of the Group's financial position and results of operations.

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

There were no affiliates not accounted for by the equity method for all periods presented.

3) Fiscal year-end dates of consolidated subsidiaries

A) The fiscal year-end dates of consolidated subsidiaries are as follows:

Years ended March 31	2017	2016
June 30	5 companies	13 companies
December 31	35 companies	26 companies
January 31	—	1 company
March 31	234 companies	250 companies

B) For the year ended March 31, 2017, subsidiaries with a fiscal year-end date of June 30 and December 31 are consolidated using the preliminary financial statements as of March 31.

For the year ended March 31, 2016, 25 subsidiaries with a fiscal year-end date of December 31 and subsidiaries with a fiscal year-end date of June 30 and January 31 are consolidated using the preliminary financial statements as of March 31. The other subsidiary with a fiscal year-end date of December 31 is consolidated using the financial statements as of and for the year ended December 31.

Appropriate adjustments were made for material transactions during the period between their fiscal year-end dates, etc. and the consolidated fiscal year-end date.

(2) Trading Account Securities

Trading account securities are carried at fair value.

(3) Securities

Held-to-maturity bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving average method. Amortization is calculated using the straight-line method.

In accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 21), policy-reserve-matching bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost and the cost of these securities sold is calculated using the moving-average method.

Available-for-sale securities are carried at average market prices during the final month of the fiscal year for stocks and stock mutual funds, and at market prices at the fiscal year end for others. Cost of securities sold is calculated using the moving-average method. Available-for-sale securities which are deemed to be extremely difficult to determine fair value are carried at cost using the moving-average method or amortized cost (the straight-line method). Net unrealized gains (losses) on available-for-sale securities (including net unrealized gains (losses) arising from fluctuations in foreign exchange, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations), net of income taxes, are included in "Net assets".

Securities included in "Money Held in Trust" 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 and held-to-maturity, net of income taxes, are included in "Net assets".

(4) Derivative Transactions
All derivative transactions are valued at fair value.

(5) Hedge Accounting

1) Hedge accounting for interest rate risks
The Company and its consolidated subsidiaries mainly apply deferred hedge accounting to account for transactions they enter into to hedge interest rate risks on financial assets and liabilities.

The Company and its consolidated subsidiaries design its hedges such that the nature of the hedged items and hedging instruments are highly correlated to ensure that the hedges are highly effective. This design is consistent with the requirements for the exceptional treatment, under which eligible interest rate swap contracts are accounted for on an accrual basis. In addition, the Company and its consolidated subsidiaries apply the exceptional treatment for certain interest swap contracts that meet the criteria for the exceptional accrual method for interest rate swaps.

2) Hedge accounting for foreign exchange risks
The Company and its consolidated subsidiaries apply deferred hedge accounting, fair value hedges, or the accounting method translating foreign currency receivables at forward rates to reduce its exposure to foreign exchange rates for available-for-sale securities denominated in foreign currencies.

In order to hedge risks arising from volatility of exchange rates for securities denominated in foreign currencies, the Company and its subsidiaries apply portfolio hedges, on the conditions that the hedged foreign securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the acquisition cost of the hedged foreign securities denominated in the same foreign currencies.

For individual hedges, the Company designs its hedges such that the nature of the hedged items and hedging instruments are highly correlated to ensure that the hedges are highly effective.

(6) Depreciation

1) Tangible fixed assets (excluding leased assets)
Depreciation of tangible fixed assets is computed using the straight-line method.

Useful lives of principal assets are as follows:
Buildings: 2-50 years
Others: 2-75 years

2) Intangible assets (excluding leased assets)
Amortization of intangible assets is computed using the straight-line method. The capitalized development costs of software intended for internal use are amortized over the expected useful lives (mainly 5 years) determined by the Company and its consolidated subsidiaries, and trademark rights are amortized over a period determined in accordance with their causes of occurrence (mainly 20 years).

3) Leased assets
Leased assets under finance lease arrangements that transfer the ownership of leased property to the lessee are depreciated using the same method applied to company-owned tangible assets. These leased assets are mainly buildings included in "Tangible fixed assets".

Leased assets under finance lease arrangements that do not transfer the ownership of leased property to the lessee are depreciated to the residual value of zero or guaranteed value using the straight-line method over the lease term. These leased assets are mainly personal properties included in "Tangible fixed assets" and software included in "Intangible assets".

(7) Amortization of Goodwill
Goodwill is amortized for a period up to 20 years using the straight-line method. Goodwill deemed immaterial, however, is expensed as incurred.

(8) Reserve for Possible Loan Losses

1) For reserve for possible loan losses of the Company and its consolidated subsidiaries other than Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd., an allowance is provided for loans other than specific loans using a rate determined based on past bad debt experience. In addition, an allowance is provided for specific loans such as loans to bankrupt or effectively/substantially bankrupt borrowers at the estimated amount considered uncollectible based on review of the respective nature of loans.

2) Reserve for possible loan losses of Japan Post Bank Co., Ltd. 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 an amount 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 for based on an amount net of amounts expected to be collected through disposal of collateral or through execution of 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 Japan Post Insurance Co., Ltd. is provided pursuant to its standards for self-assessment of asset quality and its write-off and provision standards, and a general allowance is provided using a rate determined by past bad debt experience. In addition, a specific allowance, which is determined after reviewing individual collectability of accounts, is recorded.

All loans and claims are assessed initially by the relevant departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the relevant departments, reviews these self-assessments. The above allowances are made based on the result of this assessment.

(9) Policy Reserves
Policy reserves are reserves provided in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized based on the following methodology:

1) Reserves for contracts subject to the standard policy reserve are computed 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 computed based on the net level premium method.

Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, effective from the year ended March 31, 2011, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period for a portion of reinsurance contracts from the Management Organization for Postal Savings and Postal Life Insurance (hereinafter referred to as the "Management Organization"), which is an independent administrative institution. As a result, the amounts of provision for policy reserves for the years ended March 31, 2017 and 2016 were ¥180,359 million ($1,608 million) and ¥179,558 million, respectively.

The Management Organization was established in October 2007 for the purpose of supporting the privatization of Japan Post by succeeding from Japan Post 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 Company has entered into reinsurance contracts, comprising outsourcing agreements for the administrative operation of the postal life insurance and reinsurance contracts for insurance liabilities based on former postal life insurance contracts, for postal life insurance contracts concluded by September 2007 that have been assumed by the Management Organization.

In addition, based on the master plan by the Postal Service Privatization Act, with respect to the amount equivalent to that lent to policyholders of the postal life insurance contracts and to

Japanese local governments and others succeeded from Japan Post, the Company has lent loans to the Management Organization under the same loan conditions as those of the contracts between Japan Post and its counterparties.

(10) Reserve for Bonuses
A reserve for the employee bonus payments is provided based on the amount expected to be incurred at the end of the fiscal year based on the projected obligations as of the end of the fiscal year.

(11) Reserve for 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.

(12) 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.

(13) Retirement Benefits

1) In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit to respective service period. Treatment of prior service cost and actuarial difference are accounted for as follows.
   Prior service cost is amortized using the straight-line method over a fixed period (8-14 years) within the estimated average remaining service period for employees as incurred from the fiscal year in which the difference is incurred.
   Actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (8-14 years) within the estimated average remaining service period for employees as incurred, from the fiscal year following the respective fiscal year in which the difference is incurred.

2) Charges for the pension program of national public service personnel associated with pension benefits for the service period until December 1958 for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of asset for retirement benefits. The Company has established retirement benefit trusts for the above pension program.
   The actuarial difference is amortized using the straight-line method over a fixed period (10 years) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.
   The prior service cost is amortized using the straight-line method over a fixed period (10 years) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year in which the difference is incurred.

3) Charges for the pension program of national public service personnel associated with pension benefits for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired by December 1958 (hereinafter referred to as "share of another public service pension") are recognized as part of liability for retirement benefits. The Company has established retirement benefit trusts for the above mutual aid pension program.
   The actuarial difference is amortized using the straight-line method over a fixed period (5 years) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

(14) Translation of Assets and Liabilities Denominated in Foreign Currencies
Assets and liabilities denominated in foreign currencies are mainly translated into Japanese yen at the exchange rates prevailing at the fiscal year-end.

(15) Reserve for Price Fluctuations
Reserve for price fluctuations in security investments is computed based on Article 115 of the Insurance Business Act.

(16) 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).

(17) Consumption Taxes
All figures are net of consumption taxes.

(18) Consolidated Tax Payment System
The Company and certain consolidated subsidiaries adopt the consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company.

(19) Changes in Accounting Policies
For the Year Ended March 31, 2016

Effective from the year ended March 31, 2016, the Company has adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013; hereinafter referred to as the "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereinafter referred to as the "Consolidation Accounting Standard"), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter referred to as the "Business Divestitures Accounting Standard"), and other pronouncements. Accordingly, the Company changed to the method where the Company records changes in the Company's ownership interest in a subsidiary in the case where the Company retains control over the subsidiary as capital surplus, and records acquisition-related costs as expenses in the fiscal year of incurrence. With respect to business combinations to be implemented after the beginning of the year ended March 31, 2016, the Company changed to the method where revisions to the allocation of acquisition costs due to finalizing amounts from the provisional accounting treatments are reflected in the consolidated financial statements for the period in which the business combination was carried out.

The Business Combinations Accounting Standard and other pronouncements are applied transitionally as provided for in Paragraph 58-2 (4) of the Business Combinations Accounting Standard, Paragraph 44-5 (4) of the Consolidation Accounting Standard and Paragraph 57-4 (4) of the Business Divestitures Accounting Standard, and are applied prospectively from the beginning of the year ended March 31, 2016.

As a result, income before income taxes for the year ended March 31, 2016 increased by ¥367,499 million. In addition, capital surplus decreased by ¥369,002 million as of March 31, 2016.

In the consolidated statements of cash flows for the year ended March 31, 2016, cash flows associated with purchases or sale of stocks of subsidiaries that do not result in change in the scope of consolidation are stated under "Cash flows from financing activities," and acquisition-related costs attributable to purchases of stocks of subsidiaries resulting in change in the scope of consolidation, or cash flows concerning expenses arising from purchases or sale of stocks of subsidiaries that do not result in change in the scope of consolidation are stated under "Cash flows from operating activities."

In the consolidated statements of changes in net assets for the year ended March 31, 2016, capital surplus at the end of the year decreased by ¥369,002 million.

The effects of this change on per share data are described in Note 28 "PER SHARE DATA."

(20) Additional Information
Adoption of Revised Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year ended March 31, 2017, the Company and its domestic subsidiaries have adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

Transactions granting the Company's shares, etc. through a trust to Executive Officers and other management of the Group

The Company and Japan Post Co., Ltd., a consolidated subsidiary, have introduced a performance-linked stock compensation system utilizing a trust (hereinafter the "System") for the Company's Executive Officers and Directors (excluding Directors who are not in charge of business execution) and Executive Officers of Japan Post Co., Ltd. (collectively referred to as "Executives subject to the System").

In accounting for the trust agreement, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015) has been applied.

1. Outline of the transactions

The System is a structure to provide the Company's shares, etc. to Executives subject to the System in accordance with the Stock Benefit Regulations of the Company and Japan Post Co., Ltd., and grants a certain number of points reflecting their levels of attainment of performance targets for the fiscal year. Upon retirement, Executives subject to the System shall receive from the trust the Company's shares and money in the amount equivalent to the fair value of a certain portion of the Company's shares as at the time of retirement in accordance with the number of points granted.

The shares provided for Executives subject to the System are acquired by the trust in advance using the funds set by the Company, and are managed separately as trust assets.

2. The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded under net assets as treasury stock at the book value in the trust (excluding incidental expenses). The book value of the treasury stock was ¥1,028 million ($9 million) and the number of shares of the treasury stock was 731 thousand as of March 31, 2017.

A stock compensation system utilizing a trust has also been introduced at Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd., which are consolidated subsidiaries.

3. CASH AND CASH EQUIVALENTS

(1) 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
	2017	2016	2017
Cash and due from banks	¥ 53,313,498	¥ 48,258,991	$ 475,207
Negotiable certificates of deposit of the banking subsidiary included in "Cash and due from banks"	(65,000)	(85,000)	(579)
Negotiable certificates of deposit included in "Securities"	10,000	400	89
Deposits with maturities of more than three months	(125)	(630)	(1)
Negotiable certificates of deposit with maturities of more than three months	—	(400)	—
Bank overdraft included in "Other liabilities"	(32,698)	(32,202)	(291)
Cash and cash equivalents at the end of the year	¥ 53,225,675	¥ 48,141,158	$ 474,424

(2) Breakdown of Assets and Liabilities of Newly Consolidated Subsidiaries as a Result of the Acquisition of Shares

For the Year Ended March 31, 2016

With regard to the consolidation of Toll as a result of the acquisition of shares, the breakdown of the assets and liabilities of Toll at the beginning of the consolidation, and the reconciliation of the acquisition price and cash flow (net) for the acquisition are as follows.

	Millions of Yen
March 31	2016
Assets	¥ 528,924
Of which: tangible fixed assets	230,075
Of which: trademark rights	30,433
Goodwill	474,454
Liabilities	390,940
Of which: bonds and borrowings	228,713
Non-controlling interests	1,759
Foreign currency translation adjustments	1,361
Acquisition price of Toll's shares	¥ 609,317
Cash and cash equivalents of Toll and its subsidiaries	36,922
Payable for acquisition price of Toll's shares	791
Cash flow (net) for the acquisition of Toll's shares	¥ 571,603

4. SECURITIES

(1) Securities

Securities as of March 31, 2017 and 2016 consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Stocks[1]	¥ 77,387	¥ 19,233	$ 690
Japanese government bonds[2]	111,552,469	126,449,341	994,317
Japanese local government bonds	15,309,030	15,262,003	136,456
Japanese corporate bonds	16,685,775	16,804,623	148,728
Other	58,695,867	49,185,137	523,183
Total	¥ 202,320,530	¥ 207,720,339	$ 1,803,374

Notes:
1. Stocks include investments in non-consolidated subsidiaries and affiliates of ¥16,889 million ($151 million) and ¥17,350 million as of March 31, 2017 and 2016, respectively.
2. Secured loan securities for which borrowers have the right to sell or pledge in the amount of ¥100,126 million was included in Japanese government bonds in "Securities" as of March 31, 2016. There was no such amount as of March 31, 2017.

Unsecured borrowed securities and securities borrowed with cash collateral for which the Group has the right to sell or pledge amounted to ¥12,415,331 million ($110,663 million) and ¥10,952,165 million as of March 31, 2017 and 2016, respectively.

(2) Policy-Reserve-Matching Bonds

The consolidated balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2017 and 2016 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Consolidated balance sheet amount	¥ 12,517,334	¥ 13,563,423	$ 111,573
Fair value	13,697,410	15,062,160	122,091

The outline of the risk management policy of policy-reserve-matching bonds was as follows:

The insurance subsidiary categorizes their 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 where the duration gap between policy-reserve-matching bonds and policy reserves by sub-groups are reconciled within a certain range and the duration gap is periodically checked.

・Postal life insurance contracts (insurance contracts with the remaining period of less than 20 years)
・Japan Post Insurance life insurance contracts (general) (all insurance contracts)
・Japan Post Insurance life insurance contracts (lump sum payment annuity) (excluding certain types of insurance)

While the sub-group of Japan Post Insurance life insurance contracts (general) consisted of insurance contracts with the remaining period of less than 20 years, due to the increase in policy reserves with the remaining period of more than 20 years, the sub-group has been changed to consist of all insurance contracts in the general category from the year ended March 31, 2017. There is no impact on profit or loss as a result of this change.

(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) Held-to-maturity bonds

Millions of Yen

March 31	2017				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 65,772,891	¥ 72,659,578	¥ 6,886,686	¥ 6,949,977	¥ (63,290)
Japanese local government bonds	7,509,348	7,924,563	415,215	420,630	(5,414)
Japanese corporate bonds	5,328,769	5,545,399	216,629	221,053	(4,424)
Other	162,911	178,028	15,117	15,117	—
Total	¥ 78,773,920	¥ 86,307,569	¥ 7,533,648	¥ 7,606,778	¥ (73,129)

Millions of Yen

March 31	2016				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 79,153,202	¥ 88,000,287	¥ 8,847,084	¥ 8,847,084	¥ —
Japanese local government bonds	8,384,896	8,918,821	533,925	533,925	(0)
Japanese corporate bonds	6,574,586	6,880,539	305,953	305,954	(1)
Other	194,744	229,801	35,057	35,057	—
Total	¥ 94,307,429	¥ 104,029,450	¥ 9,722,020	¥ 9,722,022	¥ (1)

Millions of U.S. Dollars

March 31	2017				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	$ 586,263	$ 647,648	$ 61,384	$ 61,948	$ (564)
Japanese local government bonds	66,934	70,635	3,701	3,749	(48)
Japanese corporate bonds	47,498	49,429	1,931	1,970	(39)
Other	1,452	1,587	135	135	—
Total	$ 702,147	$ 769,298	$ 67,151	$ 67,803	$ (652)

2) Policy-reserve-matching bonds

Millions of Yen

March 31	2017				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 11,869,126	¥ 13,012,106	¥ 1,142,980	¥ 1,166,866	¥ (23,886)
Japanese local government bonds	515,707	543,841	28,134	28,619	(484)
Japanese corporate bonds	132,501	141,461	8,960	8,960	—
Total	¥ 12,517,334	¥ 13,697,410	¥ 1,180,075	¥ 1,204,445	¥ (24,370)

Millions of Yen

March 31	2016				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 12,913,582	¥ 14,367,701	¥ 1,454,119	¥ 1,454,119	¥ —
Japanese local government bonds	517,065	551,080	34,015	34,015	—
Japanese corporate bonds	132,776	143,378	10,602	10,602	—
Total	¥ 13,563,423	¥ 15,062,160	¥ 1,498,737	¥ 1,498,737	¥ —

Millions of U.S. Dollars

March 31	2017				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	$ 105,795	$ 115,983	$ 10,188	$ 10,401	$ (213)
Japanese local government bonds	4,597	4,847	251	255	(4)
Japanese corporate bonds	1,181	1,261	80	80	—
Total	$ 111,573	$ 122,091	$ 10,519	$ 10,736	$ (217)

3) Available-for-sale securities

Millions of Yen

March 31	2017				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	¥ 54,097	¥ 50,208	¥ 3,888	¥ 4,220	¥ (331)
Bonds	52,418,931	50,861,999	1,556,931	1,617,057	(60,126)
Japanese government bonds	33,910,451	32,611,009	1,299,442	1,335,890	(36,447)
Japanese local government bonds	7,283,975	7,197,123	86,851	95,964	(9,112)
Japanese short-term corporate bonds	233,998	233,998	—	—	—
Japanese corporate bonds	10,990,505	10,819,868	170,637	185,203	(14,566)
Other	59,103,313	57,319,000	1,784,312	2,268,466	(484,153)
Of which: foreign bonds	24,327,289	22,963,002	1,364,287	1,820,148	(455,860)
Of which: investment trusts	34,023,386	33,599,193	424,192	445,009	(20,816)
Total	¥ 111,576,341	¥ 108,231,208	¥ 3,345,132	¥ 3,889,744	¥ (544,611)

Millions of Yen

March 31	2016				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	¥ 14	¥ 1	¥ 12	¥ 12	¥ —
Bonds	50,839,859	48,699,180	2,140,679	2,143,376	(2,697)
Japanese government bonds	34,382,555	32,637,216	1,745,339	1,745,429	(90)
Japanese local government bonds	6,360,042	6,232,342	127,700	128,301	(600)
Japanese short-term corporate bonds	204,995	204,995	—	—	—
Japanese corporate bonds	9,892,266	9,624,626	267,639	269,646	(2,006)
Other	50,313,751	48,184,411	2,129,339	2,600,877	(471,538)
Of which: foreign bonds	23,323,581	21,064,262	2,259,318	2,472,089	(212,770)
Of which: investment trusts	25,621,010	25,749,037	(128,026)	124,159	(252,186)
Total	¥ 101,153,625	¥ 96,883,594	¥ 4,270,031	¥ 4,744,266	¥ (474,235)

Millions of U.S. Dollars

March 31	2017				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	$ 482	$ 448	$ 35	$ 38	$ (3)
Bonds	467,234	453,356	13,878	14,414	(536)
Japanese government bonds	302,259	290,677	11,583	11,907	(325)
Japanese local government bonds	64,925	64,151	774	855	(81)
Japanese short-term corporate bonds	2,086	2,086	—	—	—
Japanese corporate bonds	97,963	96,442	1,521	1,651	(130)
Other	526,814	510,910	15,904	20,220	(4,315)
Of which: foreign bonds	216,840	204,680	12,161	16,224	(4,063)
Of which: investment trusts	303,266	299,485	3,781	3,967	(186)
Total	$ 994,530	$ 964,714	$ 29,817	$ 34,671	$ (4,854)

4) Held-to-maturity bonds sold for the years ended March 31, 2017 and 2016
There were no held-to-maturity bonds sold for the years ended March 31, 2017 and 2016.

5) Policy-reserve-matching bonds sold for the years ended March 31, 2017 and 2016
There were no policy-reserve-matching bonds sold for the years ended March 31, 2017 and 2016.

6) Available-for-sale securities sold for the years ended March 31, 2017 and 2016

Millions of Yen

Year ended March 31	2017		
	Sales	Gains	Losses
Stocks	¥ 4,722	¥ 359	¥ (53)
Bonds	434,705	2,518	(1,912)
Japanese government bonds	216,688	1,134	—
Japanese local government bonds	55,716	126	(138)
Japanese corporate bonds	162,301	1,258	(1,773)
Other	3,666,475	94,187	(137,049)
Of which: foreign bonds	3,664,702	94,098	(137,049)
Of which: investment trusts	1,773	88	—
Total	¥ 4,105,903	¥ 97,064	¥ (139,015)

Millions of Yen

Year ended March 31	2016		
	Sales	Gains	Losses
Stocks	¥ 25,821	¥ 11,265	¥ (1)
Bonds	8,755,351	6,365	(681)
Japanese government bonds	8,749,632	6,357	(594)
Japanese local government bonds	—	—	—
Japanese corporate bonds	5,718	8	(86)
Other	1,329,429	11,103	(12,032)
Of which: foreign bonds	1,178,847	7,829	(12,018)
Of which: investment trusts	150,109	3,232	—
Total	¥ 10,110,602	¥ 28,734	¥ (12,714)

Millions of U.S. Dollars

Year ended March 31	2017		
	Sales	Gains	Losses
Stocks	$ 42	$ 3	$ (0)
Bonds	3,875	22	(17)
Japanese government bonds	1,931	10	—
Japanese local government bonds	497	1	(1)
Japanese corporate bonds	1,447	11	(16)
Other	32,681	840	(1,222)
Of which: foreign bonds	32,665	839	(1,222)
Of which: investment trusts	16	1	—
Total	$ 36,598	$ 865	$ (1,239)

(4) Money Held in Trust

Money Held in Trust Classified as Other than Trading and Held-to-Maturity

Millions of Yen

March 31	2017				
	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 and held-to-maturity	¥ 5,930,309	¥ 4,450,932	¥ 1,479,377	¥ 1,502,853	¥ (23,476)

Millions of Yen

March 31	2016				
	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 and held-to-maturity	¥ 5,205,658	¥ 4,157,777	¥ 1,047,881	¥ 1,129,467	¥ (81,585)

Millions of U.S. Dollars

March 31	2017				
	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 and held-to-maturity	$ 52,860	$ 39,673	$ 13,186	$ 13,396	$ (209)

Note: For securities managed as trust assets included in "Money Held in Trust Classified as Other than Trading and Held-to-Maturity", and whose fair value shows a substantial decline from their acquisition cost with no prospect of recovering to their acquisition cost, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation differences as losses in the fiscal year in which they are recognized. Impairment losses amounted to ¥4,800 million ($43 million) and ¥18,336 million for the years ended March 31, 2017 and 2016, respectively.

5. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of March 31, 2017 and 2016 consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Assets pledged as collateral:			
Securities	¥ 30,128,061	¥ 34,148,969	$ 268,545
Liabilities corresponding to assets pledged as collateral:			
Deposits	11,150,781	18,983,827	99,392
Payables under repurchase agreements	960,937	554,522	8,565
Payables under securities lending transactions	18,583,361	16,772,037	165,642
Acceptances and guarantees	—	75,000	—

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, 2017 and 2016:

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Assets pledged as collateral:			
Cash and due from banks	¥ 61	¥ 30	$ 1
Securities	697,785	4,268,434	6,220

"Other assets" include margins for future transactions, guarantee deposits, margins with central counterparty and cash collateral paid for financial instruments as of March 31, 2017 and 2016 as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Other assets:			
Margins for future transactions	¥ 124,102	¥ —	$ 1,106
Guarantee deposits	15,180	15,113	135
Margins with central counterparty	125,475	—	1,118
Cash collateral paid for financial instruments	38,062	—	339

6. LOANS

There were no insolvent loans, non-accrual loans, past due loans (3 months or more), and restructured loans as of March 31, 2017 and 2016.

Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The banking subsidiary will make the loans upon the request of an obligor to draw down funds under such loan agreements based on various terms and conditions stipulated in the relevant loan agreement. The amounts of unused commitments on loans of the banking subsidiary as of March 31, 2017 and 2016 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Amount of unused commitments on loans	¥ 19,548	¥ —	$ 174
Of which: unused commitments with a term of less than one year or that may be cancelled unconditionally at any point of time	—	—	—

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows of the banking subsidiary. Conditions are included in certain loan agreements that allow the banking subsidiary to decline the request for a loan draw-down when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the banking subsidiary's credit. At the inception of contracts, the banking subsidiary has the obligor pledge collateral to the banking subsidiary in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the banking subsidiary reviews the obligor's financial condition in accordance with the banking subsidiary's established internal procedures and takes necessary measures to protect its credit.

There were no unused commitments of the insurance subsidiary as of March 31, 2017 and 2016.

7. TANGIBLE FIXED ASSETS

(1) Accumulated Depreciation

Accumulated depreciation as of March 31, 2017 and 2016 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Accumulated depreciation	¥ 1,269,215	¥ 1,150,768	$ 11,313

(2) Deferred Gains on Tangible Fixed Assets Not Recognized for Tax Purposes

Deferred gains on tangible fixed assets not recognized for tax purposes as of March 31, 2017 and 2016 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Deferred gains on tangible fixed assets not recognized for tax purposes	¥ 63,071	¥ 62,919	$ 562
Of which, recognized during the fiscal year	152	666	1

(3) Real Estate for Rent

The Company and certain consolidated subsidiaries own land and commercial buildings for rental purposes in Tokyo and other areas.

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Net rental income[1]	¥ 8,463	¥ 5,354	$ 75
Net gains on sales[2]	157	422	1
Losses on impairment[3]	2,792	7,194	25
Other gains[2]	—	28	—
Other losses[3]	467	1,184	4

Notes:
1. Majority of rental income is recorded under other income, and majority of rental expenses are recorded under depreciation and amortization for the years ended March 31, 2017 and 2016.
2. Net gains on sales and other gains are recorded under other income.
3. Losses on impairment and other losses are recorded under other expenses.

The consolidated balance sheet amount, net change during the year and fair value of real estate for rental purposes were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Consolidated balance sheet amount[1]			
Balance at the beginning of the year	¥ 483,951	¥ 412,043	$ 4,314
Net change during the year	(747)	71,908	(7)
Balance at the end of the year	¥ 483,204	¥ 483,951	$ 4,307
Fair value at the end of the year[2]	¥ 553,087	¥ 535,773	$ 4,930

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 under construction is not included in the above table since it is extremely difficult to determine its fair value. The consolidated balance sheet amounts as of March 31, 2017 and 2016 were ¥27,492 million ($245 million) and ¥28,062 million, respectively.

8. REINSURANCE

Reserve for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Enforcement Regulations of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Regulations were ¥399 million ($4 million) and ¥314 million as of March 31, 2017 and 2016, respectively.

Policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Regulations were ¥768 million ($7 million) and ¥558 million as of March 31, 2017 and 2016, respectively.

9. OBLIGATIONS TO THE LIFE INSURANCE POLICYHOLDERS PROTECTION CORPORATION OF JAPAN

The insurance subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥28,868 million ($257 million) and ¥26,866 million as of March 31, 2017 and 2016, respectively, pursuant to Article 259 of the Insurance Business Act. These obligations are recognized as operating expenses when they are made.

10. RESERVE FOR POLICYHOLDER DIVIDENDS

Changes in reserve for policyholder dividends for the years ended March 31, 2017 and 2016 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance at the beginning of the year	¥ 1,936,494	¥ 2,074,919	$ 17,261
Policyholder dividends paid	(316,351)	(316,246)	(2,820)
Interest accrual	25	132	0
Reduction due to the acquisition of additional annuity	(283)	(315)	(3)
Provision for reserve for policyholder dividends	152,679	178,004	1,361
Balance at the end of the year	¥ 1,772,565	¥ 1,936,494	$ 15,800

11. BORROWINGS, LEASE OBLIGATIONS AND COMMERCIAL PAPERS

Borrowings and lease obligations as of March 31, 2017 and 2016 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate[1]	Due
	2017	2016	2017	2017	2017
Borrowings	¥ 200,909	¥ 160,595	$ 1,791	1.23%	April 2017 - September 2020
Lease obligations	21,351	21,699	190	—[2]	April 2017 - March 2040

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. 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.
3. Borrowings and lease obligations are included in “Other liabilities” in the accompanying consolidated balance sheets.

The repayment schedule on borrowings as of March 31, 2017 was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 107,587	$ 959
Due after 1 year through 2 years	65,599	585
Due after 2 years through 3 years	22,189	198
Due after 3 years through 4 years	5,533	49
Due after 4 years through 5 years	—	—
Thereafter	—	—
Total	¥ 200,909	$ 1,791

The repayment schedule on lease obligations as of March 31, 2017 was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 1,502	$ 13
Due after 1 year through 2 years	1,410	13
Due after 2 years through 3 years	1,284	11
Due after 3 years through 4 years	1,121	10
Due after 4 years through 5 years	928	8
Thereafter	15,104	135
Total	¥ 21,351	$ 190

Commercial papers issued as of March 31, 2017 and 2016 to procure funds for operating activities were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate	Due
	2017	2016	2017	2017	2017
Commercial papers	¥ 40,324	¥ —	$ 359	1.19%	April 2017 - June 2017

12. BONDS

There were no bonds as of March 31, 2017.

Bonds as of March 31, 2016 were as follows:

Issuer	Description	Issue
Toll Holdings Limited	Straight bonds	December 2010 - December 2013
Toll Holdings Limited	Straight bonds	December 4, 2013
Toll Holdings Limited	Straight bonds	December 4, 2013

Millions of Yen[1]	Interest rate	Due
¥ 18,590 (158,000 thousands of U.S. Dollars)	3.65% - 4.37%	December 2017 - December 2023
12,498 (149,592 thousands of Singapore Dollars)	2.51% - 3.29%	December 4, 2020
5,710 (387,660 thousands of Hong Kong Dollars)	4.46%	December 4, 2023
Total ¥ 36,798		

Notes:
1. The amounts of foreign currency-denominated bonds are shown in original currencies in parentheses.
2. Bonds are included in “Other liabilities” in the accompanying consolidated balance sheets.
3. No collateral was provided for the above bonds.

13. ASSET RETIREMENT OBLIGATIONS

(1) Outline of Asset Retirement Obligations

The Group recorded asset retirement obligations with respect to asbestos removal costs during demolition of the Company’s and subsidiaries’ buildings, and restoration costs based on the real estate lease contracts of their business locations, company-owned housing and others.

The Group’s network, comprised mainly of post offices, is required under the Postal Services Privatization Act to be maintained without fail from the perspective of public services provision. Therefore, restoration costs based on the real estate lease contracts related to facilities essential to the said network maintenance are recorded as asset retirement obligations only when their settlements are clearly expected due to reasons such as planned contract termination.

(2) Calculation Method of Asset Retirement Obligations

The Group calculated the asset retirement obligations by estimating the period of service between 6 months and 47 years and applying discount rates ranging from 0.0% to 2.3%.

(3) Changes in Asset Retirement Obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance at the beginning of the year	¥ 15,216	¥ 10,608	$ 136
Obligations incurred due to acquisition of tangible fixed assets	48	100	0
Obligations increased by acquisition of consolidated subsidiaries	—	3,121	—
Time progress adjustments	41	38	0
Obligations settled	(883)	(1,645)	(8)
Other	1,154	2,993	10
Balance at the end of the year	¥ 15,576	¥ 15,216	$ 139

14. RETIREMENT BENEFITS

(1) Outline of Retirement Benefits

The Company and major consolidated subsidiaries have lump-sum severance indemnity plans as a defined benefit plan. Certain consolidated subsidiaries adopt the simplified method in calculating their retirement benefit obligations. Under the simplified method, the amount to be required for voluntary termination at the fiscal year-end is recorded as projected benefit obligations. The charges concerning share of public service pension and share of another public service pension (as defined in Note 2(13)) 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 ¥10,785 million ($96 million) and ¥6,354 million for the years ended March 31, 2017 and 2016, respectively.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance at the beginning of the year	¥ 2,846,829	¥ 2,896,921	$ 25,375
Service cost	121,143	122,445	1,080
Interest cost	17,612	17,716	157
Actuarial differences	(2,614)	10,980	(23)
Benefits paid	(203,920)	(201,660)	(1,818)
Other	229	425	2
Balance at the end of the year	¥ 2,779,280	¥ 2,846,829	$ 24,773

2) Changes in plan assets

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance at the beginning of the year	¥ 593,019	¥ 638,481	$ 5,286
Expected return on plan assets	1,358	1,460	12
Actuarial differences	(3,457)	14,802	(31)
Contributions paid by the employer	245	381	2
Benefits paid	(55,345)	(62,105)	(493)
Balance at the end of the year	¥ 535,821	¥ 593,019	$ 4,776

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Funded retirement benefit obligations	¥ 500,368	¥ 565,590	$ 4,460
Share of public service pension	491,027	555,236	4,377
Share of another public service pension	857	1,010	8
Corporate pension plan	8,483	9,343	76
Plan assets	(535,821)	(593,019)	(4,776)
Share of public service pension	(526,244)	(582,474)	(4,691)
Share of another public service pension	(614)	(810)	(5)
Corporate pension plan	(8,963)	(9,734)	(80)
	(35,453)	(27,429)	(316)
Unfunded retirement benefit obligations	2,278,912	2,281,239	20,313
Lump-sum severance indemnity	2,278,912	2,281,239	20,313
Net liability (asset) for retirement benefits	¥ 2,243,458	¥ 2,253,810	$ 19,997
Liability for retirement benefits	¥ 2,279,156	¥ 2,281,439	$ 20,315
Asset for retirement benefits	(35,697)	(27,629)	(318)
Net liability (asset) for retirement benefits	¥ 2,243,458	¥ 2,253,810	$ 19,997

4) Retirement benefit costs

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Service cost	¥ 121,143	¥ 122,445	$ 1,080
Interest cost	17,612	17,716	157
Expected return on plan assets	(1,358)	(1,460)	(12)
Amortization of actuarial differences	(19,616)	(19,176)	(175)
Amortization of prior service cost	(26,678)	(26,678)	(238)
Other	124	358	1
Total	¥ 91,226	¥ 93,205	$ 813

5) Adjustments for retirement benefits (before tax effect)

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Prior service cost	¥ (26,678)	¥ (26,678)	$ (238)
Actuarial differences	(20,458)	(15,355)	(182)
Total	¥ (47,137)	¥ (42,034)	$ (420)

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Unrecognized prior service cost	¥ 227,362	¥ 253,870	$ 2,027
Unrecognized actuarial differences	111,358	131,727	993
Total	¥ 338,720	¥ 385,597	$ 3,019

7) Plan assets

March 31	2017	2016
Bonds	89%	91%
Stocks	0	0
Loans	0	0
Other	11	9
Total	100%	100%

Note: Total plan assets as of March 31, 2017 and 2016 are comprised 98% of retirement benefit trusts, respectively, which were set up for share of public service pension and share of another public service pension.

Current and target asset allocations, historical and expected returns on various categories of plan assets have been taken into consideration in determining the long-term expected rate of return.

8) Actuarial assumptions

The principal actuarial assumptions used for the years ended March 31, 2017 and 2016 were as follows:

Years ended March 31	2017	2016
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 ¥13,536 million ($121 million) and ¥10,118 million for the years ended March 31, 2017 and 2016, respectively.

15. RESERVES RELATED TO REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to reinsurance contracts with Management Organization for Postal Savings and Postal Life Insurance, are provided at amounts calculated based on the statement of calculation procedures for the insurance subsidiary's insurance premiums and policy reserves. The amounts calculated based on the foregoing procedures are not less than the amounts calculated based on the statement of calculation procedures for the postal life insurance policy reserves in accordance with the Act on Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005). In addition, contingency reserve and reserve for price fluctuation are provided for the category of insurance.

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations provided for the category of reinsurance as of March 31, 2017 and 2016 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Policy reserves (excluding contingency reserve)	¥ 42,010,637	¥ 46,712,164	$ 374,460
Contingency reserve	1,838,804	2,011,685	16,390
Reserve for price fluctuations	648,432	635,806	5,780

16. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Liability for retirement benefits	¥ 844,310	¥ 864,142	$ 7,526
Policy reserves	736,401	640,360	6,564
Reserve for outstanding claims	42,646	45,603	380
Reserve for bonuses	31,403	31,940	280
Reserve for price fluctuations	165,422	157,340	1,474
Deferred losses on hedges	51,993	185,840	463
Tax losses carried forward	258,493	243,725	2,304
Other	184,703	142,736	1,646
Subtotal	2,315,375	2,311,690	20,638
Valuation allowance	(1,117,849)	(1,124,680)	(9,964)
Total deferred tax assets	1,197,526	1,187,010	10,674
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(1,580,927)	(1,652,076)	(14,092)
Unrealized gains on assets and liabilities of subsidiaries	(9,971)	(20,249)	(89)
Other	(27,000)	(29,998)	(241)
Total deferred tax liabilities	(1,617,899)	(1,702,323)	(14,421)
Net deferred tax assets (liabilities)	¥ (420,372)	¥ (515,313)	$ (3,747)

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 30.9% for the year ended March 31, 2017 and 33.1% for the year ended March 31, 2016.

Reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of operations to the statutory tax rate for the years ended March 31, 2017 and 2016 was as follows:

Years ended March 31	2017	2016
Statutory tax rate	30.9%	33.1%
Income not taxable for income tax purposes (e.g. non-taxable dividend income)	(1.5)	(0.4)
Changes in valuation allowance	(7.2)	23.9
Reduction in net deferred tax assets and liabilities resulting from tax rate changes	—	4.3
Adjustment of book value of stocks of subsidiaries for consolidated tax	—	(24.4)
Impairment loss on goodwill	66.5	—
Other	2.2	(1.2)
Effective income tax rate	90.8%	35.3%

During the year ended March 31, 2016, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 15 of 2016) and Act for Partial Amendment of the Local Tax Act, etc. (Act No. 13 of 2016) were enacted by the Diet on March 29, 2016 and, as a result, income tax rate, etc. were reduced effective from the year beginning on or after April 1, 2016. In accordance with this, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from the previous 32.3%, to 30.9% for the temporary differences likely to be eliminated in the consolidated fiscal year beginning on April 1, 2016 and the consolidated fiscal year beginning on April 1, 2017, and to 30.6% for the temporary differences likely to be eliminated in the consolidated fiscal year beginning on April 1, 2018 and onwards.

As a result, deferred tax assets and liabilities decreased by ¥21,165 million and ¥64,004 million, respectively. In addition, net unrealized gains (losses) on available-for-sale securities increased by ¥81,582 million and net deferred gains (losses) on hedges decreased by ¥9,901 million, and deferred income taxes increased by ¥29,138 million.

17. NET ASSETS

(1) Type and Number of Shares Authorized and Issued

Year ended March 31, 2017	Thousands of shares			
	April 1, 2016	Increase	Decrease	March 31, 2017
Shares authorized:				
Common stock	18,000,000	—	—	18,000,000
Shares issued:				
Common stock	4,500,000	—	—	4,500,000

Year ended March 31, 2016	Thousands of shares			
	April 1, 2015	Increase[1]	Decrease	March 31, 2016
Shares authorized:				
Common stock	600,000	17,400,000	—	18,000,000

Note: 1. An increase of 17,400,000 thousand shares of common stock is due to the 30-for-1 common stock split effective August 1, 2015.

Year ended March 31, 2016	Thousands of shares			
	April 1, 2015	Increase[1]	Decrease	March 31, 2016
Shares issued:				
Common stock	150,000	4,350,000	—	4,500,000

Note: 1. An increase of 4,350,000 thousand shares of common stock is due to the 30-for-1 common stock split effective August 1, 2015.

(2) Type and Number of Treasury Stock

Year ended March 31, 2017	Thousands of shares			
	April 1, 2016[1]	Increase[2]	Decrease[2]	March 31, 2017[1]
Treasury stock:				
Common stock	383,306	741	9	384,037

Notes:
1. The number of treasury stock at the beginning of the fiscal year does not include the shares of the Company held by the management board benefit trust. The number of treasury stock at the end of the fiscal year includes the shares of the Company held by the management board benefit trust of 731 thousand shares.
2. An increase of 741 thousand shares of treasury stock is due to the purchases of the shares of the Company by the management board benefit trust. A decrease of 9 thousand shares of treasury stock is due to the benefits paid of the shares of the Company by the management board benefit trust.

Year ended March 31, 2016	Thousands of shares			
	April 1, 2015	Increase[1]	Decrease	March 31, 2016
Treasury stock:				
Common stock	—	383,306	—	383,306

Note: 1. An increase of 383,306 thousand shares of treasury stock is due to the purchases of the shares of the Company based on the resolution of the Board of Directors' meeting held on October 19, 2015.

(3) Information on Dividends

Dividends from retained earnings require approval from the Minister of Internal Affairs and Communications pursuant to the provisions of Article 11 of the Act on Japan Post Holdings Co., Ltd.

1) Dividends paid

Dividend paid for the year ended March 31, 2017

Resolution	Class of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 13, 2016	Common stock	¥ 102,917	$ 917	¥ 25.00	$ 0.22	March 31, 2016	June 24, 2016
Board of Directors' meeting held on November 14, 2016[1]	Common stock	¥ 102,917	$ 917	¥ 25.00	$ 0.22	September 30, 2016	December 6, 2016

Note: 1. The total amount of dividends resolved by the Board of Directors' meeting held on November 14, 2016 includes dividends of ¥18 million ($0 million) for the Company's shares held by the management board benefit trust.

Dividend paid for the year ended March 31, 2016

Resolution	Class of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2015	Common stock	¥ 50,100	¥ 334.00	March 31, 2015	June 26, 2015

2) Dividends whose effective date falls after the end of the fiscal year

Dividends whose effective date falls after the end of the year ended March 31, 2017

Resolution	Class of shares	Total amount (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, 2017	Common stock	¥ 102,917	$ 917	Retained earnings	¥ 25.00	$ 0.22	March 31, 2017	June 23, 2017

Note: The total amount of dividends includes dividends of ¥18 million ($0 million) for the Company's shares held by the management board benefit trust.

18. OTHER INCOME

Other income for the years ended March 31, 2017 and 2016 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Gains on sales of fixed assets	¥ 958	¥ 5,529	$ 9
Gains on negative goodwill	—	849	—
Compensation for transfer	1,329	2,675	12
Compensation income	66	215	1
Settlement received	4,041	2,825	36
Gains on transfer of business	3,653	2,315	33
Other	247,521	261,664	2,206
Total	¥ 257,570	¥ 276,076	$ 2,296

19. OTHER EXPENSES

Other expenses for the years ended March 31, 2017 and 2016 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Losses on sales and disposal of fixed assets	¥ 5,757	¥ 7,044	$ 51
Losses on impairment of fixed assets[1]	419,479	13,396	3,739
Provision for reserve for price fluctuations	6,444	70,100	57
Post office refurbishment expenses[2]	20,309	36,066	181
Provision for reserve for policyholder dividends[3]	152,679	178,004	1,361
Other	44,025	20,085	392
Total	¥ 648,696	¥ 324,698	$ 5,782

Notes:

1. For the year ended March 31, 2017, "Losses on impairment of fixed assets" include impairment losses of ¥400,328 million ($3,568 million) (¥368,213 million ($3,282 million) for goodwill, ¥24,113 million ($215 million) for trademark rights, and ¥8,002 million ($71 million) for tangible fixed assets) related to Toll, a consolidated subsidiary. The Group conducts the grouping of assets based on units whose business performance is separately reported for internal management purposes.
   Due to the slowdown in the Australian economy and other reasons, Toll's financial results have declined below the level of the previous fiscal year. Under such circumstances, as a result of a review of the financial results forecast, future cash flows are expected to decrease sharply. Therefore, the book values of goodwill, trademark rights and part of tangible fixed assets were reduced to their recoverable value, and the reduced amount was recognized as losses on impairment of fixed assets in "Other expenses".
   The recoverable value is determined based on the net realizable value, as the value in use calculated by discounting future cash flows at 8.2-19.3% is less than the net realizable value. The net realizable value is calculated based on the appraisal value.
2. In order to prevent further deterioration of facilities and other assets, the Group has invested in construction work and prioritized spending on assets exceeding their economical useful lives.
3. Provision for reserve for policyholder dividends, which is provided for Management Organization for Postal Savings and Postal Life Insurance based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with Management Organization for Postal Savings and Postal Life Insurance, was ¥137,061 million ($1,222 million) and ¥170,458 million for the years ended March 31, 2017 and 2016, respectively.

20. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ (34,968)	¥ (752,968)	$ (312)
Reclassification adjustments	(308,439)	(341,195)	(2,749)
Before tax effect adjustments	(343,407)	(1,094,163)	(3,061)
Tax effect	104,050	309,843	927
Net unrealized gains (losses) on available-for-sale securities	(239,357)	(784,319)	(2,133)
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	275,011	(9,979)	2,451
Reclassification adjustments	161,112	379,860	1,436
Adjustments of assets' acquisition costs	44	7,498	0
Before tax effect adjustments	436,168	377,379	3,888
Tax effect	(133,374)	(107,237)	(1,189)
Net deferred gains (losses) on hedges	302,793	270,142	2,699
Foreign currency translation adjustments:			
Amount arising during the fiscal year	(23,918)	(57,200)	(213)
Adjustments for retirement benefits:			
Amount arising during the fiscal year	(842)	3,821	(8)
Reclassification adjustments	(46,294)	(45,855)	(413)
Before tax effect adjustments	(47,137)	(42,034)	(420)
Tax effect	693	1,093	6
Adjustments for retirement benefits	(46,444)	(40,940)	(414)
Share of other comprehensive income (loss) of affiliates:			
Amount arising during the fiscal year	3	(9)	0
Total other comprehensive income (loss)	¥ (6,923)	¥ (612,328)	$ (62)

21. FINANCIAL INSTRUMENTS

(1) Policy for Handling Financial Instruments

The Group is required to manage financial assets and liabilities owned by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. in order to avoid volatility due to future interest rate risk and foreign exchange risk, since these assets and liabilities are generally subject to changes in value due to fluctuations in interest.

For this purpose, both companies endeavor to properly manage income 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 foreign exchange futures.

Derivative transactions are identified as a key hedging method against interest rate risk and foreign exchange risk to our investment assets, and principally these are not used for speculative purposes.

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 Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. consist mainly of securities such as domestic and overseas securities, 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 risk and market price fluctuation risk.

From an ALM viewpoint, interest rate swaps are used as a means of hedging future price volatility 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 foreign exchange contracts are used as a means of hedging foreign exchange risk in connection with the translation of foreign currency-denominated assets held by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. and related 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 accounting.

(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 current status of Group company risk management is periodically reported to the management meeting at which the Group's risk management policies and risk management systems 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 suitable in relation to each company's equity capital.

1) Credit risk management

Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use the VaR method to quantify 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 and stocks and others based on the policy of ALM as a banking operation, 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 market risk is within an appropriate amount of capital allocation, as determined by taking into account corporate financial strength such as 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. From the year ended March 31, 2017, with the negative yen interest rates becoming the norm, in order to better reflect the actual conditions in the calculation, the method for calculation has been changed to one that is more compatible with negative interest rates. The amount of the market risk (estimated loss) as a whole was ¥2,413,737 million ($21,515 million) and ¥1,790,459 million as of March 31, 2017 and 2016, respectively. The VaR calculates the market risk quantity at a fixed probability calculated statistically based on past market fluctuations, and accordingly, it may not be able to capture the risk under certain abnormal market fluctuations. In order to provide for such risk, sensitivity testing is implemented using various scenarios.

Matters related to the design and operation of market risk management systems, 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 market operation (Japanese government bonds) and liabilities with mainly fixed amount of postal savings, 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 of 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 checks and balances function, 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 in managing market risk. The insurance subsidiary manages interest rate risk by promoting cash flow matching of interest-bearing assets and liabilities denominated in yen and other measures. For market price fluctuation risk, risk of foreign bonds, stocks and others is managed by setting a reference value (market price fluctuation risk is categorized by aggregating credit risk and real estate investment risk) so that each risk quantity does not exceed it.

The risk control supervisory department measures the quantity of market risk, credit risk and real estate investment risk using VaR, and reports to the risk management committee regularly.

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. in accordance with their respective rules.

(4) Additional Notes Concerning the Fair Value of Financial Instruments

The fair value of a financial instrument includes prices based on market quotations as well as rationally calculated prices. In calculating prices, certain premises and assumptions are adopted, and the use of different premises and assumptions may lead to changes in pricing.

(5) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the difference between them as of March 31, 2017 and 2016 are as follows. Unlisted stocks and others for which fair values are extremely difficult to determine are not included in the table below.

Millions of Yen

March 31	2017		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	¥ 53,313,498	¥ 53,313,498	¥ —
2) Call loans	620,000	620,000	—
3) Receivables under securities borrowing transactions	12,239,627	12,239,627	—
4) Monetary claims bought	279,776	279,776	—
5) Trading account securities			
Trading securities	9	9	—
6) Money held in trust	5,930,309	5,930,309	—
7) Securities			
Held-to-maturity bonds	78,773,920	86,295,819	7,521,898
Policy-reserve-matching bonds	12,517,334	13,697,410	1,180,075
Available-for-sale securities	110,881,565	110,881,565	—
8) Loans	12,125,022		
Reserve for possible loan losses[1]	(174)		
	12,124,848	12,877,313	752,464
Total assets	¥ 286,680,892	¥ 296,135,330	¥ 9,454,438
1) Deposits	178,004,318	178,301,521	297,203
2) Call money	45,436	45,436	—
3) Payables under repurchase agreements	960,937	960,937	—
4) Payables under securities lending transactions	18,583,361	18,583,361	—
5) Commercial papers	40,324	40,324	—
Total liabilities	¥ 197,634,378	¥ 197,931,581	¥ 297,203
Derivative transactions[2]			
Hedge accounting not applied	¥ 3,728	¥ 3,728	¥ —
Hedge accounting applied	(223,448)	(223,448)	—
Total derivative transactions	¥ (219,719)	¥ (219,719)	¥ —

Millions of Yen

March 31	2016		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	¥ 48,258,991	¥ 48,258,991	¥ —
2) Call loans	1,338,837	1,338,837	—
3) Receivables under securities borrowing transactions	10,931,820	10,931,820	—
4) Monetary claims bought	608,659	608,659	—
5) Trading account securities			
Trading securities	187	187	—
6) Money held in trust	5,205,658	5,205,658	—
7) Securities			
Held-to-maturity bonds	94,307,429	104,001,352	9,693,922
Policy-reserve-matching bonds	13,563,423	15,062,160	1,498,737
Available-for-sale securities	99,829,966	99,829,966	—
8) Loans	11,520,487		
Reserve for possible loan losses[1]	(183)		
	11,520,303	12,463,004	942,701
Total assets	¥ 285,565,277	¥ 297,700,638	¥ 12,135,360
1) Deposits	176,090,188	176,544,347	454,159
2) Call money	22,536	22,536	—
3) Payables under repurchase agreements	554,522	554,522	—
4) Payables under securities lending transactions	16,772,037	16,772,037	—
5) Commercial papers	—	—	—
Total liabilities	¥ 193,439,283	¥ 193,893,443	¥ 454,159
Derivative transactions[2]			
Hedge accounting not applied	¥ (45)	¥ (45)	¥ —
Hedge accounting applied	(611,032)	(611,032)	—
Total derivative transactions	¥ (611,078)	¥ (611,078)	¥ —

Millions of U.S. Dollars

March 31	2017		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	$ 475,207	$ 475,207	$ —
2) Call loans	5,526	5,526	—
3) Receivables under securities borrowing transactions	109,097	109,097	—
4) Monetary claims bought	2,494	2,494	—
5) Trading account securities			
Trading securities	0	0	—
6) Money held in trust	52,860	52,860	—
7) Securities			
Held-to-maturity bonds	702,147	769,194	67,046
Policy-reserve-matching bonds	111,573	122,091	10,519
Available-for-sale securities	988,337	988,337	—
8) Loans	108,076		
Reserve for possible loan losses[1]	(2)		
	108,074	114,781	6,707
Total assets	$ 2,555,316	$ 2,639,588	$ 84,272
1) Deposits	1,586,633	1,589,282	2,649
2) Call money	405	405	—
3) Payables under repurchase agreements	8,565	8,565	—
4) Payables under securities lending transactions	165,642	165,642	—
5) Commercial papers	359	359	—
Total liabilities	$ 1,761,604	$ 1,764,253	$ 2,649
Derivative transactions[2]			
Hedge accounting not applied	$ 33	$ 33	$ —
Hedge accounting applied	(1,992)	(1,992)	—
Total derivative transactions	$ (1,958)	$ (1,958)	$ —

Notes:
1. General reserve for possible loan losses corresponding to loans has been deducted.
2. Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums. Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses. Additionally, those subject to exceptional treatment for interest rate swaps and the allocation method for forward exchange contracts which requires recognized foreign currency assets or liabilities to be translated using the corresponding foreign exchange contract rates are jointly disclosed with hedged loans and securities. Therefore, their fair values are included in the relevant loans and securities.

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

Assets

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

2) Call loans and 3) Receivables under securities borrowing transactions
These are settled within a short-term (one year), and their fair values approximate book value, which is therefore used as fair value.

4) Monetary claims bought
Pricing offered by the broker and other third parties serves as fair value.

5) Trading account securities
The purchase price of the Bank of Japan serves as fair value.

6) Money held in trust
The fair value of securities invested in money held in trust, which is solely entrusted for security trading purposes, is based on the price quoted by the exchange for shares and on the price quoted by the exchange, price of over-the-counter transactions, or prices rationally calculated on the basis of market quotations for bonds.
Notes to money held in trust by categories based on holding purposes are provided in Note 4 (4) "Money Held in Trust".

7) Securities
The fair value of bonds is based on the price quoted by the exchange, the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, the price calculated using the comparable price method, or the price provided by a broker, etc. The fair value of stocks is based primarily on the price on the stock exchange, and the fair value of investment trusts is based primarily on the fund's unit price.
Notes to securities by categories based on holding purposes are provided in Note 4 (3) "Fair Value Information on Securities and Policy-Reserve-Matching Bonds".

8) Loans
For loans with variable interest rates, which follow market interest rates only over the short-term, fair value approximates book value unless the obligor's credit standing does not significantly differ after the transaction. In such cases, book value serves as fair value. For loans with fixed interest rates, fair value is based on a net discounted present value of future cash flows.
For loans where amounts are limited to the values of corresponding collateral and which have no fixed date of repayments, book values are used as fair values, because their fair values approximate book value considering the loan terms and conditions.

Liabilities

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

2) Call money, 3) Payables under repurchase agreements, 4) Payables under securities lending transactions and 5) Commercial papers
These are settled within a short-term (one year), and their fair values approximate book value, which is therefore used as fair value.

Derivatives

Derivatives consist of interest rate-related transactions (interest rate futures and interest rate swaps), currency-related transactions (exchange contracts and currency swaps) and bond-related transactions (bond futures). Fair value is based on the price quoted by the exchange or values obtained from net present value calculations.

The consolidated balance sheet amounts of financial instruments for which fair values are deemed extremely difficult to determine are as shown below; they are not included in "Assets 6) Money held in trust" and "Assets 7) Securities" under information concerning fair values of financial instruments.

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Money held in trust[1]	¥ 14,641	¥ —	$ 131
Securities			
Unlisted stocks[2]	23,289	19,520	208
Investment trusts[3]	122,477	—	1,092
Investments in partnerships[4]	1,942	—	17
Total	¥ 162,350	¥ 19,520	$ 1,447

Notes:
1. Money held in trust, for which underlying assets held by the trust such as investment in private REIT are extremely difficult to determine their fair values, is not included in the scope of fair value disclosures.
2. Unlisted stocks are not included in the scope of fair value disclosures because there are no available market prices and it is extremely difficult to determine their fair values.
3. Investment trusts, for which underlying assets held by the trust such as unlisted stocks are extremely difficult to determine their fair values, are not included in the scope of the fair value disclosures.
4. Investments in partnerships are not included in the scope of fair value disclosures because they consist of partnership asset components such as unlisted stocks which are extremely difficult to determine their fair values.

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

Millions of Yen

March 31	2017					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 52,339,927	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	620,000	—	—	—	—	—
Receivables under securities borrowing transactions	12,239,627	—	—	—	—	—
Monetary claims bought	22,437	59,793	45,683	10,706	25,310	112,829
Securities	22,117,940	33,997,924	30,708,943	29,378,530	13,624,335	35,467,021
Held-to-maturity bonds	10,305,359	14,840,900	12,022,926	13,509,462	3,213,436	24,331,730
Japanese government bonds	8,062,330	11,170,045	9,369,700	11,130,800	2,720,900	22,776,200
Japanese local government bonds	833,436	1,762,530	2,060,555	1,395,134	413,322	1,037,670
Japanese corporate bonds	1,377,114	1,875,892	494,671	983,528	79,214	517,860
Other	32,478	32,433	98,000	—	—	—
Policy-reserve-matching bonds	2,863,055	1,762,786	1,444,146	1,732,837	947,316	3,638,100
Japanese government bonds	2,844,400	1,653,400	1,355,800	1,507,200	848,800	3,533,100
Japanese local government bonds	18,655	86,149	64,313	189,515	77,899	77,200
Japanese corporate bonds	—	23,237	24,033	36,122	20,617	27,800
Available-for-sale securities with maturities	8,949,524	17,394,238	17,241,869	14,136,230	9,463,583	7,497,191
Japanese government bonds	3,672,816	5,847,002	7,084,521	9,395,284	3,673,622	2,828,700
Japanese local government bonds	664,118	2,072,610	1,988,059	993,006	1,377,562	27,412
Japanese short-term corporate bonds	234,000	—	—	—	—	—
Japanese corporate bonds	1,351,965	3,133,882	2,344,062	872,763	1,244,381	1,835,087
Other	3,026,624	6,340,742	5,825,226	2,875,176	3,168,017	2,805,992
Loans	3,394,340	2,751,707	1,834,316	1,406,407	1,417,208	1,318,884
Total	¥ 90,734,274	¥ 36,809,426	¥ 32,588,942	¥ 30,795,645	¥ 15,066,854	¥ 36,898,735

Millions of Yen

March 31	2016					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 47,285,776	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	1,338,837	—	—	—	—	—
Receivables under securities borrowing transactions	10,931,820	—	—	—	—	—
Monetary claims bought	400,231	59,492	58,419	13,967	4,127	67,636
Securities	25,658,034	39,460,763	31,782,170	31,463,838	17,582,874	32,207,084
Held-to-maturity bonds	16,869,781	19,516,035	9,832,998	17,851,271	5,440,581	24,218,660
Japanese government bonds	14,544,540	14,895,575	7,139,400	15,435,000	3,751,100	22,816,000
Japanese local government bonds	964,355	1,878,440	1,830,429	1,639,609	1,098,602	967,710
Japanese corporate bonds	1,329,052	2,709,542	732,736	776,662	590,879	434,950
Other	31,833	32,478	130,433	—	—	—
Policy-reserve-matching bonds	1,425,492	3,447,125	1,595,580	1,832,354	1,477,381	3,696,200
Japanese government bonds	1,417,700	3,377,900	1,496,900	1,664,200	1,273,200	3,598,100
Japanese local government bonds	7,792	50,394	79,500	122,873	183,464	70,300
Japanese corporate bonds	—	18,831	19,180	45,281	20,717	27,800
Available-for-sale securities with maturities	7,362,760	16,497,601	20,353,592	11,780,213	10,664,911	4,292,224
Japanese government bonds	3,302,183	5,773,061	8,608,120	7,337,310	5,732,365	1,779,800
Japanese local government bonds	389,779	1,574,274	2,384,226	911,776	864,509	29,510
Japanese short-term corporate bonds	205,000	—	—	—	—	—
Japanese corporate bonds	808,226	2,912,353	2,695,895	723,023	737,313	1,712,340
Other	2,657,571	6,237,910	6,665,349	2,808,102	3,330,723	770,573
Loans	2,210,499	2,368,547	2,069,594	1,586,822	1,659,332	1,622,590
Total	¥ 87,825,199	¥ 41,888,802	¥ 33,910,184	¥ 33,064,629	¥ 19,246,334	¥ 33,897,311

Millions of U.S. Dollars

March 31	2017					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	$ 466,529	$ —	$ —	$ —	$ —	$ —
Call loans	5,526	—	—	—	—	—
Receivables under securities borrowing transactions	109,097	—	—	—	—	—
Monetary claims bought	200	533	407	95	226	1,006
Securities	197,147	303,039	273,723	261,864	121,440	316,134
Held-to-maturity bonds	91,856	132,284	107,166	120,416	28,643	216,880
Japanese government bonds	71,863	99,564	83,516	99,214	24,253	203,015
Japanese local government bonds	7,429	15,710	18,367	12,435	3,684	9,249
Japanese corporate bonds	12,275	16,721	4,409	8,767	706	4,616
Other	289	289	874	—	—	—
Policy-reserve-matching bonds	25,520	15,713	12,872	15,446	8,444	32,428
Japanese government bonds	25,353	14,737	12,085	13,434	7,566	31,492
Japanese local government bonds	166	768	573	1,689	694	688
Japanese corporate bonds	—	207	214	322	184	248
Available-for-sale securities with maturities	79,771	155,043	153,685	126,003	84,353	66,826
Japanese government bonds	32,737	52,117	63,148	83,744	32,745	25,213
Japanese local government bonds	5,920	18,474	17,720	8,851	12,279	244
Japanese short-term corporate bonds	2,086	—	—	—	—	—
Japanese corporate bonds	12,051	27,934	20,894	7,779	11,092	16,357
Other	26,978	56,518	51,923	25,628	28,238	25,011
Loans	30,255	24,527	16,350	12,536	12,632	11,756
Total	$ 808,755	$ 328,099	$ 290,480	$ 274,495	$ 134,298	$ 328,895

Redemption schedule of deposits, call money, payables under repurchase agreements, payables under securities lending transactions and commercial papers were as follows:

Millions of Yen

March 31	2017					
	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]	¥ 90,622,931	¥ 19,724,134	¥ 25,644,654	¥ 13,861,706	¥ 28,150,891	¥ —
Call money	45,436	—	—	—	—	—
Payables under repurchase agreements	960,937	—	—	—	—	—
Payables under securities lending transactions	18,583,361	—	—	—	—	—
Commercial papers	40,388	—	—	—	—	—
Total	¥ 110,253,055	¥ 19,724,134	¥ 25,644,654	¥ 13,861,706	¥ 28,150,891	¥ —

Millions of Yen

March 31	2016					
	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]	¥ 80,020,236	¥ 30,948,556	¥ 20,184,082	¥ 18,310,254	¥ 26,627,057	¥ —
Call money	22,536	—	—	—	—	—
Payables under repurchase agreements	554,522	—	—	—	—	—
Payables under securities lending transactions	16,772,037	—	—	—	—	—
Commercial papers	—	—	—	—	—	—
Total	¥ 97,369,332	¥ 30,948,556	¥ 20,184,082	¥ 18,310,254	¥ 26,627,057	¥ —

Millions of U.S. Dollars

March 31	2017					
	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]	$ 807,763	$ 175,810	$ 228,582	$ 123,556	$ 250,922	$ —
Call money	405	—	—	—	—	—
Payables under repurchase agreements	8,565	—	—	—	—	—
Payables under securities lending transactions	165,642	—	—	—	—	—
Commercial papers	360	—	—	—	—	—
Total	$ 982,735	$ 175,810	$ 228,582	$ 123,556	$ 250,922	$ —

Note:
1. Demand deposits are included in "Within 1 year."

22. DERIVATIVE TRANSACTIONS
(1) Derivative Transactions to Which the Hedge Accounting Method Is Not Applied
The following tables set forth the contract amount or the amount equivalent to the principal, fair value and valuation gains (losses) at the end of the fiscal year by transaction type, and calculation method of fair value with respect to derivative transactions to which the hedge accounting method is not applied. Contract amount does not indicate the market risk related to derivative transactions.

1) Interest rate-related derivatives

Millions of Yen

March 31	2017			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Interest rate futures:				
Sold	¥ 561,510	¥ 561,510	¥ 33	¥ 33
Bought	561,510	—	(80)	(80)
Over-the-counter transactions				
Interest rate swaps:				
Receivable fixed rate / Payable floating rate	22,438	22,438	(1,787)	(1,787)
Receivable floating rate / Payable fixed rate	9,199	9,199	1,621	1,621
Total			¥ (212)	¥ (212)

Millions of U.S. Dollars

March 31	2017			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Interest rate futures:				
Sold	$ 5,005	$ 5,005	$ 0	$ 0
Bought	5,005	—	(1)	(1)
Over-the-counter transactions				
Interest rate swaps:				
Receivable fixed rate / Payable floating rate	200	200	(16)	(16)
Receivable floating rate / Payable fixed rate	82	82	14	14
Total			$ (2)	$ (2)

Notes:
1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of operations.
2. Fair value of financial instruments exchange transactions is based on the final price on Chicago Mercantile Exchange.
Fair value of over-the counter transactions is calculated using discounted present value.

There were no interest rate-related derivatives as of March 31, 2016.

2) Currency-related derivatives

Millions of Yen

March 31	2017			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Sold	¥ 626,128	¥ —	¥ 6,994	¥ 6,994
Bought	631,509	—	(3,087)	(3,087)
Total			¥ 3,906	¥ 3,906

Millions of Yen

March 31	2016			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Bought	¥ 120,712	¥ —	¥ (45)	¥ (45)
Total			¥ (45)	¥ (45)

Millions of U.S. Dollars

March 31	2017			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Sold	$ 5,581	$ —	$ 62	$ 62
Bought	5,629	—	(28)	(28)
Total			$ 35	$ 35

Notes:
1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of operations.
2. Fair value is calculated using discounted present value.

3) Bond-related derivatives

Millions of Yen

March 31	2017			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Sold	¥ 16,262	¥ —	¥ 50	¥ 50
Bought	5,989	—	(16)	(16)
Total			¥ 34	¥ 34

Millions of U.S. Dollars

March 31	2017			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Sold	$ 145	$ —	$ 0	$ 0
Bought	53	—	(0)	(0)
Total			$ 0	$ 0

Notes:
1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of operations.
2. Fair value is based on the final price on Chicago Board of Trade, etc.

There were no bond-related derivatives as of March 31, 2016.

(2) Derivative Transactions to Which the Hedge Accounting Method Is Applied
The following tables set forth the contract amount or the amount equivalent to the principal and fair value at the end of the fiscal year by transaction type and hedge accounting method, and calculation method of fair value with respect to derivative transactions to which the hedge accounting method is applied. Contract amount does not indicate the market risk related to derivative transactions.

1) Interest rate-related derivatives

Millions of Yen

March 31	Type of derivative	Major hedged item	2017		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method	Interest rate swaps:	Securities Loans			
	Receivable fixed rate / Payable floating rate		¥ 11,750	¥ 11,750	¥ 71
	Receivable floating rate / Payable fixed rate		4,514,557	4,502,531	(250,430)
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		46,050	39,750	—[3]
Total					¥ (250,359)

Millions of Yen

March 31	Type of derivative	Major hedged item	2016		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method	Interest rate swaps:	Securities Loans			
	Receivable fixed rate / Payable floating rate		¥ 13,750	¥ 13,750	¥ 197
	Receivable floating rate / Payable fixed rate		4,032,491	4,010,326	(417,946)
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		65,500	46,050	—[3]
Total					¥ (417,748)

Millions of U.S. Dollars

March 31	Type of derivative	Major hedged item	2017		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method	Interest rate swaps:	Securities Loans			
	Receivable fixed rate / Payable floating rate		$ 105	$ 105	$ 1
	Receivable floating rate / Payable fixed rate		40,240	40,133	(2,232)
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		410	354	—[3]
Total					$ (2,232)

Notes:
1. In principle, these derivatives are accounted for using deferred hedge accounting.
2. Fair value of over-the-counter transactions is calculated using discounted present value, option pricing models and other methods.
3. Interest rate swap amounts measured by the exceptional treatment for interest rate swaps are disclosed with the loans that are subject to the hedge. Therefore such fair value is included in the fair value of the relevant loans in Note 21 "FINANCIAL INSTRUMENTS."

2) Currency-related derivatives

Millions of Yen

March 31 Hedge accounting method	Type of derivative	Major hedged item	2017 Contract amount	2017 Contract amount due after 1 year	2017 Fair value[2]
Deferral hedge method	Currency swaps	Securities	¥ 2,981,597	¥ 2,432,382	¥ (10,409)
	Forward foreign exchange	Foreign currency-denominated forecasted transactions	82,803	13,123	(22,330)
	Cross currency interest rate swaps		5,613	—	11
Allocation method	Currency swaps	Securities	59,220	32,433	
	Forward foreign exchange		5,863	—	—[3]
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	6,957,458	—	59,639
Total					¥ 26,910

Millions of Yen

March 31 Hedge accounting method	Type of derivative	Major hedged item	2016 Contract amount	2016 Contract amount due after 1 year	2016 Fair value[2]
Deferral hedge method	Currency swaps	Securities	¥ 3,651,466	¥ 2,989,550	¥ (200,332)
	Forward foreign exchange	Foreign currency-denominated forecasted transactions	80,993	58,775	(28,005)
	Cross currency interest rate swaps		17,164	17,164	1,709
Allocation method	Currency swaps	Securities	59,220	59,220	
	Forward foreign exchange		39,121	5,863	—[3]
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	4,380,014	—	33,344
Total					¥ (193,283)

Millions of U.S. Dollars

March 31 Hedge accounting method	Type of derivative	Major hedged item	2017 Contract amount	2017 Contract amount due after 1 year	2017 Fair value[2]
Deferral hedge method	Currency swaps	Securities	$ 26,576	$ 21,681	$ (93)
	Forward foreign exchange	Foreign currency-denominated forecasted transactions	738	117	(199)
	Cross currency interest rate swaps		50	—	0
Allocation method	Currency swaps	Securities	528	289	
	Forward foreign exchange		52	—	—[3]
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	62,015	—	532
Total					$ 240

Notes:
1. In principle, these derivatives are accounted for using deferred hedge accounting.
2. Fair value is calculated using discounted present value and other methods.
3. Forward foreign exchange amounts measured by the allocation method are disclosed with the available-for-sale securities that are subject to the hedge. Therefore such fair value is included in the fair value of the relevant available-for-sale securities in Note 21 "FINANCIAL INSTRUMENTS."

23. CONTRACTS

Future payments under system service contracts, which are compound contracts combining hardware, software, communication services, and maintenance, as of March 31, 2017 and 2016 were as follows:

March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Due within 1 year	¥ 589	¥ 2,173	$ 5
Due after 1 year	624	139	6

24. LEASE TRANSACTIONS

Operating Leases

(1) As lessee

Future lease payments under non-cancelable operating leases as of March 31, 2017 and 2016 were as follows:

March 31	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars 2017
Due within 1 year	¥ 29,895	¥ 27,517	$ 266
Due after 1 year	123,289	114,572	1,099
Total	¥ 153,185	¥ 142,089	$ 1,365

(2) As lessor

Future lease receivables under non-cancelable operating leases as of March 31, 2017 and 2016 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Due within 1 year	¥ 14,451	¥ 16,548	$ 129
Due after 1 year	47,346	56,225	422
Total	¥ 61,798	¥ 72,773	$ 551

25. CONTINGENT LIABILITIES

In the event that the Company's consolidated subsidiary cancels all or part of its lease contracts for post offices, the lessors shall be entitled to seek compensation for the cancellation. The amounts of compensation are calculated based on the amounts of uncollectible investment. The possible amounts of compensation as of March 31, 2017 and 2016 were ¥87,418 million ($779 million) and ¥95,561 million, respectively.

Compensation shall not be made in full in the case where the offices are used for purposes other than originally intended, regardless of whether the contracts were cancelled on the side of the Company's subsidiary.

26. BUSINESS COMBINATIONS

For the Year Ended March 31, 2016

(1) Business Combination by Acquisition

On May 28, 2015 (business combination date), Japan Post Co., Ltd., a consolidated subsidiary of the Company, acquired in exchange of cash 100% of the shares issued of Toll, which is an Australian leading logistics company engaged in forwarding business, 3PL business, and express business, among others.

Japan Post Co., Ltd. is aiming to grow as a general logistics company which undertakes global logistics business, comprised mainly of business development in the fast-growing Asian market, as well as strengthening domestic business. Through the share acquisition of Toll, Japan Post Co., Ltd. aims to enhance its global business development while firmly establishing its position in the Asian market in the future.

Pursuant to the business combination, the business results of Toll are included in the consolidated statements of operations of the Company during the period from July 1, 2015 to March 31, 2016 for the year ended March 31, 2016.

The acquisition cost of Toll was ¥609,317 million, and the advisory fees, etc. for the business combination was ¥1,646 million.

The business combination resulted in goodwill of ¥474,454 million since the acquisition cost exceeded the net amount of acquired assets and assumed liabilities. The goodwill recognized is amortized over a period of 20 years using the straight-line method.

The primary items of acquired assets and assumed liabilities on the date of the business combination consisted of total assets of ¥528,924 million (of which, tangible fixed assets of ¥230,075 million and trademark rights of ¥30,433 million), and total liabilities of ¥390,940 million (of which, bonds and borrowings of ¥228,713 million.)

In addition, the estimated effect on the consolidated statements of operations for the year ended March 31, 2016 assuming the business combination was completed on the beginning date of the consolidated fiscal year was income of ¥199,324 million and net income attributable to Japan Post Holdings of ¥(15,647) million. The aforementioned amounts were calculated by reflecting the amount of business results recorded by Toll and its subsidiaries during April 1, 2015 to June 30, 2015, that includes temporary business reorganization expenses (¥10,260 million), etc., which arose as a result of the acquisition of their shares by the Company and the amount of amortization of goodwill (¥5,841 million), etc. during the comparable period. The aforementioned amounts have not been audited.

(2) Transactions under common control

Sale of a portion of equity interests in subsidiaries

On November 4, 2015, the Company sold in exchange of cash a portion of its equity interests in Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. which are consolidated subsidiaries (hereinafter referred to as "two financial companies").

Japan Post Bank Co., Ltd. is engaged in the banking business and Japan Post Insurance Co., Ltd. is engaged in the life insurance business.

The Company sold approximately 11% of outstanding shares it held in the two financial companies (with regard to Japan Post Bank Co., Ltd., treasury stock is excluded). As a result, the Company holds approximately 74% (ratio of voting rights accounts for approximately 89% when treasury stock is excluded) and 89% of outstanding shares of Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. respectively, as of March 31, 2016.

In accordance with the Postal Service Privatization Act, the Company is required to dispose its entire equity interests in the two financial companies as early as possible, upon consideration of the condition of business of both companies, impact on fulfilling its obligation to secure universal services and other factors. In compliance with the above effects, the Company plans to start by selling its equity interests in the two financial companies in stages to the extent that its holding ratio is lowered to around 50%.

In addition, in accordance with "Business Combinations Accounting Standard," etc., the transaction is processed as a transaction with non-controlling shareholders of transactions under common control.

The changes in equity of the Company due to transactions with non-controlling shareholders resulted in a decrease in capital surplus of ¥351,922 million for Japan Post Bank Co., Ltd. and a decrease in capital surplus of ¥17,754 million for Japan Post Insurance Co., Ltd.

27. SEGMENT INFORMATION

(1) Outline of Reportable Segments

The Group's reportable segments are categorized based on certain criteria for which discrete financial information is available and reviewed regularly by the management in order to make decisions about resources to be allocated to the segment and assess its performance.

The Group assesses business performance primarily by assessing the performance of each individual consolidated subsidiary and as such recognizes each consolidated subsidiary as an identifiable business segment unit except for Japan Post Co., Ltd. which is classified into postal and domestic logistics business segment and post office business segment. The Group determines its reportable segments by aggregating business segment units with similar economic characteristics, market selling products and services, customer type and other factors.

The Group's reportable segments are (1) postal and domestic logistics business and (2) post office business operated mainly by Japan Post Co., Ltd., (3) international logistics business operated mainly by Toll, (4) banking business operated mainly by Japan Post Bank Co., Ltd., and (5) life insurance business operated mainly by Japan Post Insurance Co., Ltd.

(2) Method of Calculating Income, Profit and Loss, and Assets and Other Items by Reportable Segment

Accounting policies applied to the reportable segments are the same as those described in Note 2 "SIGNIFICANT ACCOUNTING POLICIES." Intersegment income is determined based on market prices or total cost.

(3) Selected Financial Information on Reportable Segment

Millions of Yen

Year ended March 31	2017							
	Reportable segment						Other[2]	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income[1]:								
Income from third parties	¥ 1,882,228	¥ 185,445	¥ 644,979	¥ 1,895,552	¥ 8,659,363	¥ 13,267,570	¥ 56,135	¥ 13,323,706
Intersegment income	50,858	1,202,511	—	1,739	80	1,255,190	298,849	1,554,039
Total	¥ 1,933,087	¥ 1,387,957	¥ 644,979	¥ 1,897,292	¥ 8,659,444	¥ 14,522,761	¥ 354,984	¥ 14,877,746
Segment profit (loss)	¥ 14,324	¥ 64,167	¥ (414)	¥ 442,117	¥ 279,777	¥ 799,973	¥ 229,137	¥ 1,029,111
Segment assets	1,967,968	2,708,531	421,513	209,568,904	80,336,760	295,003,678	8,322,668	303,326,346
Other items:								
Depreciation and amortization	80,791	43,875	26,391	35,306	46,819	233,184	16,674	249,859
Amortization of goodwill	—	—	20,552	—	—	20,552	168	20,720
Interest and dividend income	59	282	566	1,567,512	1,226,193	2,794,614	7	2,794,621
Interest expenses	636	12	6,399	348,746	2,218	358,013	0	358,013
Equity in earnings (losses) of affiliates	—	166	1,492	10	—	1,670	—	1,670
Gains on sales of fixed assets	48	128	651	—	—	828	129	958
Gains on negative goodwill	—	—	—	—	—	—	—	—
Losses on sales and disposal of fixed assets	3,525	1,171	61	529	448	5,736	26	5,762
Losses on impairment of fixed assets	244	2,384	413,556	958	—	417,143	2,337	419,481
Provision for reserve for price fluctuations	—	—	—	—	6,444	6,444	—	6,444
Post office refurbishment expenses	—	—	—	—	—	—	20,309	20,309
Provision for reserve for policyholder dividends	—	—	—	—	152,679	152,679	—	152,679
Income taxes	(5,100)	11,475	(6,721)	128,332	31,586	159,571	(4,473)	155,097
Investments in affiliates accounted for by the equity method	—	1,501	13,900	1,468	—	16,871	—	16,871
Increase in tangible fixed assets and intangible assets	134,392	48,875	40,465	30,809	43,376	297,920	10,063	307,983

Millions of Yen

Year ended March 31	2016							
	Reportable segment						Other[2]	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income[1]:								
Income from third parties	¥ 1,894,635	¥ 182,785	¥ 544,491	¥ 1,967,489	¥ 9,605,645	¥ 14,195,048	¥ 58,321	¥ 14,253,369
Intersegment income	57,061	1,188,453	—	1,497	98	1,247,110	304,247	1,551,358
Total	¥ 1,951,696	¥ 1,371,239	¥ 544,491	¥ 1,968,987	¥ 9,605,743	¥ 15,442,158	¥ 362,569	¥ 15,804,727
Segment profit	¥ 23,724	¥ 40,561	¥ 13,796	¥ 481,974	¥ 411,504	¥ 971,561	¥ 233,511	¥ 1,205,073
Segment assets	1,959,853	2,811,319	883,830	207,056,112	81,545,182	294,256,298	8,472,605	302,728,904
Other items:								
Depreciation and amortization	66,409	37,293	20,904	36,666	36,700	197,973	16,491	214,465
Amortization of goodwill	—	—	16,060	—	—	16,060	126	16,186
Interest and dividend income	615	559	429	1,731,217	1,308,679	3,041,500	538	3,042,039
Interest expenses	666	8	3,864	374,928	4,370	383,838	0	383,838
Equity in earnings (losses) of affiliates	—	125	969	(23)	—	1,070	—	1,070
Gains on sales of fixed assets	96	441	3,258	—	341	4,138	1,391	5,529
Gains on negative goodwill	—	849	—	—	—	849	—	849
Losses on sales and disposal of fixed assets	2,314	1,647	98	1,103	1,747	6,911	147	7,059
Losses on impairment of fixed assets	237	3,330	—	5	—	3,573	9,827	13,401
Provision for reserve for price fluctuations	—	—	—	—	70,100	70,100	—	70,100
Post office refurbishment expenses	—	—	—	—	—	—	36,066	36,066
Provision for reserve for policyholder dividends	—	—	—	—	178,004	178,004	—	178,004
Income taxes	2,314	2,914	1,728	155,819	77,096	239,873	(3,263)	236,610
Investments in affiliates accounted for by the equity method	—	1,332	14,029	1,457	—	16,820	—	16,820
Increase in tangible fixed assets and intangible assets	169,983	78,715	24,925	36,609	82,136	392,369	45,471	437,841

Millions of U.S. Dollars

Year ended March 31	2017							
	Reportable segment						Other[2]	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income[1]:								
Income from third parties	$ 16,777	$ 1,653	$ 5,749	$ 16,896	$ 77,185	$ 118,260	$ 500	$ 118,760
Intersegment income	453	10,719	—	16	1	11,188	2,664	13,852
Total	$ 17,230	$ 12,371	$ 5,749	$ 16,911	$ 77,186	$ 129,448	$ 3,164	$ 132,612
Segment profit (loss)	$ 128	$ 572	$ (4)	$ 3,941	$ 2,494	$ 7,131	$ 2,042	$ 9,173
Segment assets	17,541	24,142	3,757	1,867,982	716,078	2,629,501	74,184	2,703,684
Other items:								
Depreciation and amortization	720	391	235	315	417	2,078	149	2,227
Amortization of goodwill	—	—	183	—	—	183	1	185
Interest and dividend income	1	3	5	13,972	10,930	24,910	0	24,910
Interest expenses	6	0	57	3,109	20	3,191	0	3,191
Equity in earnings (losses) of affiliates	—	1	13	0	—	15	—	15
Gains on sales of fixed assets	0	1	6	—	—	7	1	9
Gains on negative goodwill	—	—	—	—	—	—	—	—
Losses on sales and disposal of fixed assets	31	10	1	5	4	51	0	51
Losses on impairment of fixed assets	2	21	3,686	9	—	3,718	21	3,739
Provision for reserve for price fluctuations	—	—	—	—	57	57	—	57
Post office refurbishment expenses	—	—	—	—	—	—	181	181
Provision for reserve for policyholder dividends	—	—	—	—	1,361	1,361	—	1,361
Income taxes	(45)	102	(60)	1,144	282	1,422	(40)	1,382
Investments in affiliates accounted for by the equity method	—	13	124	13	—	150	—	150
Increase in tangible fixed assets and intangible assets	1,198	436	361	275	387	2,655	90	2,745

Notes:
1. Income is presented instead of net sales which is the typical method of presentation for companies in other industries.
2. Other business includes the hotel business and the hospital business. Segment profit in other business includes dividend income from subsidiaries and affiliates recorded by the Company in the amount of ¥208,657 million ($1,860 million) and ¥209,245 million for the years ended March 31, 2017 and 2016, respectively.

(4) Reconciliation of Amounts Reported on Reportable Segments and Consolidated Financial Statements

1) Reconciliation of amounts reported on reportable segments and on the consolidated statements of operations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Total income of reportable segments[1]	¥ 14,522,761	¥ 15,442,158	$ 129,448
Income of other business[1]	354,984	362,569	3,164
Eliminations of intersegment transactions	(1,554,039)	(1,551,358)	(13,852)
Adjustments[2]	2,828	4,171	25
Gains on sales of fixed assets	958	5,529	9
Gains on negative goodwill	—	849	—
Compensation for transfer	1,329	2,675	12
Compensation income	66	215	1
Settlement received	4,041	2,825	36
Gains on transfer of business	3,653	2,315	33
Other	219	789	2
Total income on the consolidated statements of operations	¥ 13,336,802	¥ 14,272,742	$ 118,877

Notes:
1. Income is presented instead of net sales which is the typical method of presentation for companies in other industries.
2. "Adjustments" are due to differences in the calculation methods used for income for the international logistics business segment and the consolidated statements of operations, etc.

2) Reconciliation between total segment profit (loss) of reportable segments and income before income taxes on the consolidated statements of operations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Total segment profit (loss) of reportable segments	¥ 799,973	¥ 971,561	$ 7,131
Segment profit in other business	229,137	233,511	2,042
Eliminations of intersegment transactions	(209,522)	(216,058)	(1,868)
Adjustments[1]	(24,351)	(22,773)	(217)
Subtotal	¥ 795,237	¥ 966,240	$ 7,088
Gains on sales of fixed assets	958	5,529	9
Gains on negative goodwill	—	849	—
Compensation for transfer	1,329	2,675	12
Compensation income	66	215	1
Settlement received	4,041	2,825	36
Gains on transfer of business	3,653	2,315	33
Losses on sales and disposal of fixed assets	(5,757)	(7,044)	(51)
Losses on impairment of fixed assets	(419,479)	(13,396)	(3,739)
Provision for reserve for price fluctuations	(6,444)	(70,100)	(57)
Post office refurbishment expenses	(20,309)	(36,066)	(181)
Provision for reserve for policyholder dividends	(152,679)	(178,004)	(1,361)
Other	(29,728)	(5,095)	(265)
Income before income taxes on the consolidated statements of operations	¥ 170,887	¥ 670,943	$ 1,523

Note: 1. "Adjustments" are due to amortization of goodwill of ¥(21,874) million ($(195 million)) and ¥(17,110) million, etc. for the years ended March 31, 2017 and 2016, respectively recognized in the international logistics business segment and other items.

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
	2017	2016	2017
Total segment assets of reportable segments	¥ 295,003,678	¥ 294,256,298	$ 2,629,501
Segment assets in other business	8,322,668	8,472,605	74,184
Eliminations of intersegment transactions	(10,163,800)	(10,781,823)	(90,595)
Total assets on the consolidated balance sheets	¥ 293,162,545	¥ 291,947,080	$ 2,613,090

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	2017			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 233,184	¥ 16,674	¥ (141)	¥ 249,717
Amortization of goodwill	20,552	168	—	20,720
Interest and dividend income	2,794,614	7	(25)	2,794,596
Interest expenses	358,013	0	(25)	357,987
Equity in earnings (losses) of affiliates	1,670	—	—	1,670
Gains on sales of fixed assets	828	129	—	958
Gains on negative goodwill	—	—	—	—
Losses on sales and disposal of fixed assets	5,736	26	(5)	5,757
Losses on impairment of fixed assets	417,143	2,337	(2)	419,479
Provision for reserve for price fluctuations	6,444	—	—	6,444
Post office refurbishment expenses	—	20,309	—	20,309
Provision for reserve for policyholder dividends	152,679	—	—	152,679
Income taxes	159,571	(4,473)	—	155,097
Investments in affiliates accounted for by the equity method	16,871	—	—	16,871
Increase in tangible fixed assets and intangible assets	297,920	10,063	6,431	314,415

Millions of Yen

Year ended March 31	2016			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 197,973	¥ 16,491	¥ (125)	¥ 214,340
Amortization of goodwill	16,060	126	—	16,186
Interest and dividend income	3,041,500	538	(514)	3,041,524
Interest expenses	383,838	0	(514)	383,324
Equity in earnings (losses) of affiliates	1,070	—	—	1,070
Gains on sales of fixed assets	4,138	1,391	—	5,529
Gains on negative goodwill	849	—	—	849
Losses on sales and disposal of fixed assets	6,911	147	(14)	7,044
Losses on impairment of fixed assets	3,573	9,827	(4)	13,396
Provision for reserve for price fluctuations	70,100	—	—	70,100
Post office refurbishment expenses	—	36,066	—	36,066
Provision for reserve for policyholder dividends	178,004	—	—	178,004
Income taxes	239,873	(3,263)	—	236,610
Investments in affiliates accounted for by the equity method	16,820	—	—	16,820
Increase in tangible fixed assets and intangible assets	392,369	45,471	(701)	437,139

Millions of U.S. Dollars

Year ended March 31	2017			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	$ 2,078	$ 149	$ (1)	$ 2,226
Amortization of goodwill	183	1	—	185
Interest and dividend income	24,910	0	(0)	24,909
Interest expenses	3,191	0	(0)	3,191
Equity in earnings (losses) of affiliates	15	—	—	15
Gains on sales of fixed assets	7	1	—	9
Gains on negative goodwill	—	—	—	—
Losses on sales and disposal of fixed assets	51	0	(0)	51
Losses on impairment of fixed assets	3,718	21	(0)	3,739
Provision for reserve for price fluctuations	57	—	—	57
Post office refurbishment expenses	—	181	—	181
Provision for reserve for policyholder dividends	1,361	—	—	1,361
Income taxes	1,422	(40)	—	1,382
Investments in affiliates accounted for by the equity method	150	—	—	150
Increase in tangible fixed assets and intangible assets	2,655	90	57	2,803

(5) Information on Amortization and Unamortized Balance of Goodwill by Reportable Segment

Millions of Yen

Year ended March 31	2017							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	¥ —	¥ —	¥ 20,552	¥ —	¥ —	¥ 20,552	¥ 168	¥ 20,720
Unamortized balance of goodwill	—	—	—	—	—	—	3,053	3,053

Millions of Yen

Year ended March 31	2016							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	¥ —	¥ —	¥ 16,060	¥ —	¥ —	¥ 16,060	¥ 126	¥ 16,186
Unamortized balance of goodwill	—	—	411,164	—	—	411,164	3,221	414,385

Millions of U.S. Dollars

Year ended March 31	2017							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	$ —	$ —	$ 183	$ —	$ —	$ 183	$ 1	$ 185
Unamortized balance of goodwill	—	—	—	—	—	—	27	27

(6) Information on Gains on Negative Goodwill by Reportable Segment

There were no gains on negative goodwill for the year ended March 31, 2017.

The post office business segment recorded gains on negative goodwill of ¥849 million for the year ended March 31, 2016 due to the acquisition of the stock of JP General Insurance Agency Co., Ltd.

(7) Supplemental Information

1) Information by services

This information is omitted because similar information has been presented above for the years ended March 31, 2017 and 2016.

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 operations for the years ended March 31, 2017 and 2016.

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 years ended March 31, 2017 and 2016.

3) Information by major customer

This information is omitted because no customer accounted for 10% or more of income in the consolidated statements of operations for the years ended March 31, 2017 and 2016.

28. PER SHARE DATA

March 31	Yen		U.S. Dollars
	2017	2016	2017
Net assets per share[3]	¥ 3,268.19	¥ 3,327.37	$ 29.13

Years ended March 31	Yen		U.S. Dollars
	2017	2016[2]	2017
Net income (loss) per share[5]	¥ (7.04)	¥ 97.26	$ (0.06)

Notes:
1. Diluted net income per share is not presented for the years ended March 31, 2017 and 2016 as potential common stock did not exist.
2. The Company implemented a 30:1 stock split effective August 1, 2015, and net income (loss) per share for the year ended March 31, 2016 has been calculated assuming the stock split was implemented on April 1, 2015.
3. Net assets per share is calculated based on the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Net assets	¥ 14,954,581	¥ 15,176,088	$ 133,297
Amount deducted from net assets:			
Non-controlling interests	1,502,815	1,478,338	13,395
Net assets attributable to common stock at the fiscal year-end	¥ 13,451,766	¥ 13,697,749	$ 119,902

Thousands of shares

March 31	2017	2016
Number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share[4]	4,115,962	4,116,694

4. The number of treasury stock excluded from the number of common stock 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 at the fiscal year-end was 731,500 as of March 31, 2017. There were no such shares as of March 31, 2016.
5. Net income (loss) per share is calculated based on the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Net income (loss) attributable to Japan Post Holdings	¥ (28,976)	¥ 425,972	$ (258)
Amount not attributable to common stockholders	—	—	—
Net income (loss) attributable to common stock	¥ (28,976)	¥ 425,972	$ (258)

Thousands of shares

Years ended March 31	2017	2016
Average number of common stock outstanding during the year[6]	4,116,057	4,379,562

6. The number of treasury stock excluded from the average number of common stock outstanding during the year used for the calculation of net income (loss) 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 outstanding during the year was 636,063 for the year ended March 31, 2017. There were no such shares for the year ended March 31, 2016.

Effective from the year ended March 31, 2016, with respect to the application of the Business Combinations Accounting Standard and other pronouncements, the Company has made transitional provisions in accordance with these accounting standards.

As a result, net income per share increased by ¥83.91 for the year ended March 31, 2016. The effect on net assets per share as of March 31, 2016 is immaterial.

29. SUBSEQUENT EVENTS

None.

KPMG

Independent Auditor's Report

To the Board of Directors of JAPAN POST HOLDINGS Co., Ltd.:

We have audited the accompanying consolidated financial statements of JAPAN POST HOLDINGS Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and 2016, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JAPAN POST HOLDINGS Co., Ltd. and its consolidated subsidiaries as at March 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 22, 2017
Tokyo, Japan

Matters for Disclosure Concerning Composition of Capital

Capital structure
Consolidated capital adequacy ratio (domestic standard)

(Millions of yen)

Item	2017 (As of March 31, 2017)	Amounts excluded under transitional arrangements	2016 (As of March 31, 2016)	Amounts excluded under transitional arrangements
Core Capital: Instruments and reserves				
Directly issued qualifying common stock or preferred stock mandatorily converted into common stock capital plus related capital surplus and retained earnings	¥ 9,619,083		¥ 9,899,641	
of which: capital and capital surplus	7,653,104		7,652,655	
of which: retained earnings	2,811,200		3,091,178	
of which: treasury stock (deduction)	731,992		730,964	
of which: cash dividends to be paid (deduction)	113,228		113,228	
of which: other than those above	—		—	
Accumulated other comprehensive income (amount allowed to be included in Core Capital)	117,083		93,265	
of which: foreign currency translation adjustments	(80,730)		(56,856)	
of which: remeasurements of defined benefit plans	197,813		150,121	
Subscription rights to common stock and preferred stock with a compulsory conversion clause	—		—	
Adjusted non controlling interests (amount allowed to be included in Core Capital)	166,761		137,529	
Reserves included in Core Capital: Instruments and reserves	316		386	
of which: general reserve for possible loan losses	316		386	
of which: eligible provisions to expected losses	—		—	
Eligible noncumulative perpetual preferred stock subject to transitional arrangements (amount allowed to be included in Core Capital)	—		—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core Capital)	—		—	
Capital instruments issued through the measures for capital enhancement by public institutions (amount allowed to be included in Core Capital)	—		—	
45% of land revaluation defferences (amount allowed to be included in Core Capital)	—		—	
Non controlling interests included in Core Capital subject to transitional arrangements	785,050		802,458	
Core Capital: instruments and reserves (A)	10,688,296		10,933,281	
Core Capital: regulatory adjustments				
Total intangible assets (excluding those relating to mortgage servicing rights)	68,574	43,681	468,990	81,906
of which: goodwill (including those equivalent)	3,053	—	414,385	—
of which: other intangible assets other than mortgage servicing rights	65,521	43,681	54,604	81,906
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	234	156	1,413	2,119
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	—	—	—	—
Defined-benefit pension fund net assets	14,859	9,906	7,667	11,500
Investments in own shares (excluding those reported in the Net Assets section)	1	0	45	68
Reciprocal cross-holdings in common equity	—	—	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (hereinafter referred to as “Other Financial Institutions”), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—	—	—

(Millions of yen)

Item		2017 (As of March 31, 2017)	Amounts excluded under transitional arrangements	2016 (As of March 31, 2016)	Amounts excluded under transitional arrangements
Amount exceeding the 10% threshold on specified items		—	—	—	—
of which: significant investments in the common stock of Other Financial Institutions		—	—	—	—
of which: mortgage servicing rights		—	—	—	—
of which: deferred tax assets arising from temporary differences		—	—	—	—
Amount exceeding the 15% threshold on specified items		—	—	—	—
of which: significant investments in the common stock of Other Financial Institutions		—	—	—	—
of which: mortgage servicing rights		—	—	—	—
of which: deferred tax assets arising from temporary differences		—	—	—	—
Core Capital: regulatory adjustments	(B)	83,669		478,116	
Total core capital					
Total core capital ((A) - (B))	(C)	10,604,626		10,455,164	
Risk weighted assets					
Total credit risk-weighted assets		40,728,318		33,958,181	
of which: total amount included in risk-weighted assets subject to transitional arrangements		17,184		(87,041)	
of which: intangible assets other than goodwill and mortgage servicing rights		43,681		81,906	
of which: deferred tax assets		156		2,119	
of which: Defined-benefit pension fund net assets		9,906		11,500	
of which: significant investments in the capital instruments (excluding common stock) of Other Financial Institutions		(36,560)		(182,637)	
of which: other than those above		0		68	
Market risk equivalent divided by 8%		—		—	
Operational risk equivalent divided by 8%		3,822,628		4,100,795	
Credit risk-weighted assets adjustments		—		—	
Operational risk equivalent adjustments		—		—	
Total amount of risk-weighted assets	(D)	44,550,947		38,058,976	
Capital adequacy ratio (consolidated)					
Capital adequacy ratio (consolidated) ((C)/(D))		23.80%		27.47%	

Note 1: The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006, hereinafter referred to as Holding Company Capital Adequacy Ratio Notice).
The data is calculated on a consolidated basis and according to the domestic standard.

Note 2: In accordance with Article 15, Paragraph 2 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd. is not included in the scope of consolidation.

Qualitative Disclosure

1. Scope of consolidation

(1) Differences and the causes of the relevant differences between companies belonging to 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 page 84 for the names of principal subsidiaries. In accordance with Article 15, the Group is comprised of the following 273 companies (hereafter the "Group") for the purpose of the calculation of the consolidated capital ratio. In accordance with the provisions of Article 15, Paragraph 2 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 274 companies, comprising 273 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 40 through 52 and 116 through 121.

(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 273 companies under the Holding Company Capital Adequacy Ratio Notice.

Principal consolidated subsidiaries are Japan Post Co., Ltd. and Japan Post Bank Co., Ltd. For details of business activities of the principal consolidated subsidiaries, refer to pages 18 through 39 and 90 through 115 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 125 of this report for details on the total amount of assets and total amount of net assets for Japan Post Insurance Co., Ltd. and to pages 40 – 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, 2017 calculated in accordance with the Holding Company Capital Adequacy Ratio Notice was 23.80%. This level is substantially higher than the 4% capital adequacy ratio of the domestic standard as the Group maintains adequate management soundness and safety. When calculating the consolidated capital adequacy ratio, the standardized approach is used for credit risk and the basic indicator approach is used for operational risk. A figure for market risk is not included.

*Japan Post Bank holds most of the assets with risk exposure concerning risk categories for companies belonging to the holding company's group with regard to Holding Company Capital Adequacy Ratio Notice. Consequently, the following section covers primarily risk management at Japan Post Bank.

As a bank holding company, Japan Post Holdings monitors the overall risk management framework at Japan Post Bank. In addition, the holding company supervises risk management for the entire Group in accordance with the Basic Policy for Group Risk Management. Please refer to "9. Japan Post Group Risk and Crisis Management" on pages 76 through 77 for more information about risk management for the Japan Post Group.

4. Credit risk

(1) Summary of risk management policy and procedures

Credit risk is the risk of incurring a loss due to a decline in the value of assets (including off-balance-sheet assets), or total loss of value due to the deteriorating financial condition of an obligor or to other factors.

Japan Post Bank uses a statistical method called value at risk (VaR) to quantify credit risk exposure. Japan Post Bank monitors its credit risk limit amounts on an ongoing basis in order to ensure that VaR does not exceed allocated risk capital. Japan Post Bank also carries out stress testing to consider the possibility of credit risk due to large-scale economic fluctuations outside those in the VaR model.

Japan Post Bank sets credit limits for individual companies and corporate groups, and credit guidelines for countries and areas 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 is responsible for the internal credit rating system, self-assessments of assets and other credit risk activities. The Credit Department is responsible for monitoring individual credit accounts, including the assignment of internal credit ratings, monitoring of status of borrowers and overseeing of large borrowers and screening of loans.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions on matters concerning the establishment and operation of credit risk management programs and on credit risk management.

Moreover, Japan Post Bank conducts credit business with the basic principles of public welfare, financial soundness and profitability. The Bank establishes the credit code to underpin sound and appropriate credit business activities by all executives and employees, in which the Bank has defined in writing its basic philosophy, action guidelines and other items of credit business.

Reserve for possible loan losses is provided for in accordance with the write-off and provision standards from the "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc. Report No. 4). In accordance with self-assessment standards for assets, all loans are categorized by marketing departments and then audited by independent credit assessment departments.

Japan Post Bank continuously monitors obligors' 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.

(2) Portfolios where the standardized approach is applied

1) Qualified rating agencies, etc. used in making judgments on risk weights

When making judgments on risk weight, Japan Post Bank uses the credit ratings of four rating agencies and the Organisation for Economic Co-operation and Development (OECD). The four credit rating agencies are Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); and S&P Global Ratings (S&P).

For the calculation of the consolidated capital adequacy ratio, Japan Post Holdings also uses the ratings of Fitch Ratings Limited.

2) Qualified rating agencies, etc. used to determine risk weight for each category of exposure

Japan Post Bank uses the following qualified rating agencies for each of the following credit risk exposure categories.

In the case where multiple credit rating agencies provide ratings, the Bank selects the credit rating that yields the second smallest risk weight in accordance with Ministerial Notification of Capital Adequacy Ratio of the FSA's Notice No. 19, March 27, 2006 (hereinafter referred to as "Capital Adequacy Ratio Notice").

Exposure		Rating agencies
Central governments and central banks	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Non-central government public sector entities		R&I, JCR, Moody's, S&P
Foreign non-central government public sector entities		Moody's, S&P, OECD
Multilateral Development Banks		Moody's, S&P
Japan Finance Organization for Municipalities		R&I, JCR, Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
Three regional public corporations under Japanese local governments		R&I, JCR, Moody's, S&P
Financial institutions and Type I Financial Instruments Business Operators	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Corporates	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P
Securitization transactions		R&I, JCR, Moody's, S&P

5. Summary of risk management policy and procedures for credit risk mitigation methods

In calculating the capital adequacy ratio, Japan Post Bank applies "credit risk mitigation methods" prescribed in the Capital Adequacy Ratio Notice. These methods are used to incorporate the risk mitigation effects of collateral, guarantees and other items in the capital adequacy ratio. These methods include qualified financial collateral, the netting of loans and self deposits, and guaranties and credit derivatives.

■ Types of qualified financial collateral

Japan Post Bank accepts cash, self deposits and securities as qualified financial collateral.

■ Summary of policy and procedures for valuation and management of collateral

Japan Post Bank uses "the Simple Method" prescribed in the Capital Adequacy Ratio Notice for application of the qualified financial collateral.

The Bank has established internal bank procedures to permit the timely disposal or acquisition of qualified financial collateral based on contracts concerning collateral as prescribed in loan agreements, etc.

■ Summary of policy and procedures for offsetting loans and self deposits and types and scope of applicable transactions

For the use of the netting of loans and self deposits, as prescribed in the special terms for netting in the bank transaction agreement, etc., the remaining amount after netting loans and self deposits is used as the amount of exposure for calculating the capital adequacy ratio.

As of the end of March 2017, 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 are the central governments, etc. to which lower risk weightings than the guaranteed obligations are applied.

Japan Post Bank does not handle credit derivatives that use credit risk mitigation methods.

■ 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 are qualified financial collateral that use cash and self deposits and there is no concentration of credit risk and market risk.

6. Summary of risk management policy and procedures for counterparty risk concerning derivative transactions and transactions with long term settlements

(1) Policy on collateral security and reserve calculation, impact in the event of need for provision of additional collateral due to downturn in credit standing of Japan Post Bank

As required, Japan Post Bank enters into contracts for the mitigation of credit risk in which collateral is periodically submitted or received with the derivative transaction counterparty in order to cover rebuilding and other costs. Under the provision of these contracts, a decline in the financial condition of Japan Post Bank may require the provision of additional collateral to the counterparty. However, the Bank believes that the impact would be negligible.

The policy for calculating the allowance for derivative transaction losses is the same as for ordinary balance sheet assets.

(2) Policy for credit limits and allocation of capital for risk exposure

When conducting derivative transactions, Japan Post Bank assigns obligor ratings to all counterparties and provides credit limits in accordance with the rating of each counterparty. These limits are monitored on a daily basis. In addition, to manage credit risk, the balance of credit extended is calculated using the current exposure method, which takes into account the market value of derivatives and future price volatility risk.

The allocation of capital for taking on risk for derivative transactions is almost the same as other transactions.

7. Securitization exposure

(1) Summary of risk management policy and risk characteristics

As an investor, Japan Post Bank is exposed to risks associated with securitization. Just as with investments in other securities, for purchasing, the Bank provides credit limits based on obligor ratings assigned in accordance with the Bank's own thorough examination of underlying assets, the senior/subordinate rights structure, the nature of securitization scheme and other factors. Following a purchase, the Bank monitors any decline in the quality of and changes in the composition of the underlying assets as well as other factors. Also, credit risk with securitization exposure is included in the calculation of credit risk and interest rate risk is included in the calculation of market risk. In addition, the Bank is also aware of market liquidity risk and reports on the state of these risks to the Management Meeting 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 -6 of Holding Company Capital Adequacy Ratio Notice (includes cases of application pursuant to Article 232, Paragraph 2 and Article 280-4, Paragraph 1) of Holding Company Capital Adequacy Ratio Notice.

For securitization exposure risk, Japan Post Bank operates a structure that ascertains on a timely basis information concerning comprehensive risk characteristics and performance. Specifically, in addition to the Bank periodically reviewing obligor ratings in the event that a decline in the quality of or change in the structure of underlying assets has an impact on obligor ratings, the Bank provisionally reviews the obligor ratings.

The procedures concerning re-securitization exposure are the same as for securitization exposure.

(3) Policies on using securitization transactions as a credit risk mitigation method
Japan Post Bank does not use securitization transactions as a credit risk mitigation method.

(4) Name of method used to calculate amount of credit risk assets for securitization exposure
Japan Post Bank uses the standardized 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); and 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. Through RCSA, areas in which risk management needs to be improved and areas in which risk management needs to be reinforced are identified.

(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 in banking account

Japan Post Bank, which is a company engaged in the banking business that belongs to the Group as prescribed in Holding Company Capital Adequacy Ratio Notice, monitors and manages exposure to investments, stock, and other assets as owned by the bank 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 in the banking account

(1) Summary of risk management policy and procedures
Interest rate risk is the risk of incurring a loss due to interest rate fluctuations and the risk of a decline in earnings or loss resulting from interest rate fluctuations when there is an interest rate or maturity mismatch between assets and liabilities.

At Japan Post Bank, market investments account for the majority of assets and TEIGAKU deposits account for the majority of liabilities. The Bank has a market risk management system that reflects the characteristics and risk profile of these operations.

Japan Post Bank uses a statistical method called VaR to quantify the amount of market risk. Risk is monitored and managed 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.

In addition, Japan Post Bank performs stress tests to be prepared for extreme market volatility that exceeds the range that can be statistically foreseen.

To provide a system of checks and balances for market risk management, Japan Post Bank has established the Risk Management Department, which is positioned as a middle office unit that is independent of front office and back office units.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions concerning matters involving the establishment and operation of the market risk management system and the execution of market risk management.

For reaching proper decisions quickly, daily reports are submitted to senior management concerning the volume of market risk (VaR), compliance with limits for market risk exposure and loss limits for market risk and other items. In addition, Japan Post Bank analyzes risk on a regular basis by using back testing and stress testing and reports the results of these tests to the Executive Committee. These activities are aimed at consistently generating earnings while properly controlling market risk.

(2) Summary of method for calculating banking account interest rate risk for internal management
Japan Post Bank adopts the historical simulation method for the internal model used to measure market risk (VaR). The VaR model is based on a one-tailed confidence level of 99%, a holding period of 240 business days (i.e., one year) and an observation period of 1,200 business days (i.e., five years).

To measure market risk relating to liquid deposits, 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 and calculates the interest rate risk amount for them. Market risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow model.

Since October 2016, negative interest rates have become the norm for yen interest rates. To perform calculations that more closely reflect current conditions, Japan Post Bank changed their methodologies to accommodate negative interest rates.

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.

   Not applicable as of March 31, 2017 and 2016.

2. Capital adequacy

(1) Amount of required capital for credit risk (On-balance-sheet items)

(Millions of yen)

	Item	2017 (As of March 31, 2017)	2016 (As of March 31, 2016)
1	Cash	¥ —	¥ —
2	Japanese government and the Bank of Japan	—	—
3	Foreign central governments and central banks	15,672	21,632
4	Bank for International Settlements, etc.	—	—
5	Non-central government public sector entities	—	—
6	Foreign non-central government public sector entities	9,390	14,597
7	Multilateral Development Banks	14	14
8	Japan Finance Organization for Municipalities	3,283	2,987
9	Japanese government agencies	12,099	12,983
10	Three regional public corporations under Japanese local governments	318	275
11	Financial Institutions and Type I Financial Instruments Business Operators	194,756	166,817
12	Corporates	714,594	588,473
13	Small and medium-sized enterprises and individuals	4	3
14	Mortgage loans	—	—
15	Project finance (acquisition of real estate)	34,679	22,587
16	Past-due loans (three months or more)	146,451	120,128
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	46,099	50,495
	of which, exposure to investments	46,099	50,495
	of which, exposure to significant investments	—	—
21	Other than above	333,958	318,175
	of which. exposure to capital instruments other than those corresponding to subject common shares among capital instruments of Other Financial Institutions	105,743	83,586
	of which, exposure related to portions not included in adjustment items among specified items	102,852	101,790
	of which, other exposure	125,362	132,799
22	Securitization transactions (as originator)	—	—
	Re-securitization transactions	—	—
23	Securitization transactions (as investor and other)	7,414	3,601
	Re-securitization transactions	32	43
24	Assets (assets comprised of pooled assets such as funds, etc.) difficult to identify specifically	30,735	—
25	Amount of items included in risk weighted assets through transitional arrangements	2,149	3,823
26	Amount of items not included in risk weighted assets through transitional arrangements pertaining to exposure concerning capital instruments of Other Financial Institutions	(1,462)	(7,305)
	Total	¥1,550,160	¥1,319,293

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	2017 (As of March 31, 2017)	2016 (As of March 31, 2016)
1	Commitment lines that can be cancelled automatically or unconditionally at any time	¥ —	¥ —
2	Commitment lines with original contracts of one year or less	—	—
3	Short-term trade contingent liabilities	—	—
4	Contingent liabilities arising from specific transactions	—	—
	(principal reimbursement trust deeds with restructuring)	—	—
5	NIF or RUF	—	—
6	Commitment lines with an original duration of one year or longer	14,496	—
7	Contingent liabilities arising from directly substituted credit	16,779	11,832
	(of which secured with loan guarantees)	897	1,801
	(of which secured with securities)	—	—
	(of which secured with drafts)	—	—
	(of which principal reimbursement trust deeds without restructuring)	—	—
	(of which secured with credit derivative protection)	12,242	8,031
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	7,389	—
10	Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement	9,056	10,114
11	Derivative transactions and long-term settlements transactions	12,492	6,827
	Current exposure method	12,492	6,827
	Derivative transactions	12,491	6,823
	Foreign exchange related transactions	9,737	7,832
	Interest rate related transactions	4,445	1,112
	Gold related transactions	0	—
	Equity security related transactions	108	—
	Precious metal related transactions (excluding gold)	0	—
	Other commodity related transactions	28	—
	Credit derivative transactions (counterparty risk)	20	29
	Netting effect on credit equivalent amount under close-out netting agreement (deduction)	1,849	2,150
	Long-term settlements transactions	0	3
12	Outstanding transaction	19	23
13	Providing adequate liquidity related to securitization exposure and adequate servicer cash advance	—	—
14	Off-balance-sheet securitization exposure other than the above	—	—
	Total	¥ 60,233	¥ 28,797

Note: Required capital is calculated using the following formula:
Credit risk-weighted assets × 4%

(3) Total amount of consolidated required capital

(Millions of yen)

Item	2017 (As of March 31, 2017)	2016 (As of March 31, 2016)
Total amount of consolidated required capital	¥ 1,782,037	¥ 1,522,359
Amount of required capital for credit risk	1,629,132	1,358,327
Assets (on-balance-sheet items)	1,550,160	1,319,293
Off-balance-sheet transactions, etc.	60,233	28,797
CVA risk equivalent amount	18,737	10,235
Central Counterparty risk exposure	0	0
Amount of required capital for market risk equivalent amount	—	—
Amount of required capital for operational risk equivalent amount	152,905	164,031
Basic indicator approach	152,905	164,031

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 market risk equivalent amount is not applicable since the Group, based on Article 16 of Holding Company Capital Adequacy Ratio Notice, does not include market risk equivalent amounts in the calculation formulae prescribed under Article 14 of the Notice.
Note 4: 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		2017 (As of March 31, 2017)				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	¥ 54,303,682	¥ 81,039,459	¥ —	¥ 74,002	¥ 135,417,144
	Financial institutions	37,109,409	10,896,066	336,236	918,580	49,260,291
	Corporates	462,513	6,425,822	—	333,416	7,221,751
	Small and medium-sized enterprises and individuals	—	—	—	206	206
	Others	7,425,820	4,728,209	3,051	3,034,000	15,191,081
	Domestic total	99,301,424	103,089,558	339,287	4,360,205	207,090,476
Overseas total		60,059	—	—	339,892	399,951
Investment trust, etc.		52,318	—	—	35,144,534	35,196,853
Total		¥ 99,413,802	¥ 103,089,558	¥ 339,287	¥ 39,844,632	¥ 242,687,281

(Millions of yen)

Counterparts		2016 (As of March 31, 2016)				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	¥ 50,464,496	¥ 93,143,723	¥ —	¥ 172,394	¥ 143,780,614
	Financial institutions	42,761,633	11,219,803	150,802	920,721	55,052,960
	Corporates	478,985	5,848,849	—	344,409	6,672,244
	Small and medium-sized enterprises and individuals	—	—	—	202	202
	Others	6,359,408	4,369,868	165	2,963,769	13,693,212
	Domestic total	100,064,523	114,582,245	150,967	4,401,497	219,199,233
Overseas total		72,167	—	—	345,996	418,164
Investment trust, etc.		—	—	—	27,384,429	27,384,429
Total		¥ 100,136,690	¥ 114,582,245	¥ 150,967	¥ 32,131,923	¥ 247,001,826

Note 1: All subsidiaries other than Japan Post Bank do not engage in loan operations, in principle, and therefore do not categorize credit by industry sector. Accordingly, a breakdown by customer is presented in the above table.
Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (head office).
Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 4: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 5: "Derivatives" include forward foreign exchange and interest rate 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: The intangible assets and investments in own common shares that are subject to calculation of credit risk asset are not included due to transitional arrangements.
Note 11: Investment trusts and other funds are recorded in investment trust, etc.

(2) Credit risk exposure by maturity

(Millions of yen)

Remaining period	2017 (As of March 31, 2017)				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	¥ 38,954,700	¥ 15,323,450	¥ 26,971	¥ 454,459	¥ 54,759,581
Over 1 year to 3 years	779,317	26,292,702	72,826	36	27,144,883
Over 3 years to 5 years	625,463	25,194,671	193,899	30	26,014,064
Over 5 years to 7 years	585,030	24,615,900	45,191	—	25,246,122
Over 7 years to 10 years	964,815	7,539,844	399	—	8,505,060
Over 10 years	271,404	4,122,988	—	—	4,394,392
No due date or perpetual	57,180,750	—	—	4,245,571	61,426,321
Investment trust, etc.	52,318	—	—	35,144,534	35,196,853
Total	¥ 99,413,802	¥ 103,089,558	¥ 339,287	¥ 39,844,632	¥ 242,687,281

(Millions of yen)

Remaining period	2016 (As of March 31, 2016)				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	¥ 45,565,575	¥ 20,541,970	¥ 13,085	¥ 574,989	¥ 66,695,620
Over 1 year to 3 years	1,026,751	27,551,550	62,927	116	28,641,346
Over 3 years to 5 years	685,517	26,158,300	72,841	29	26,916,688
Over 5 years to 7 years	309,755	26,152,995	2,036	—	26,464,787
Over 7 years to 10 years	1,336,136	11,043,425	75	—	12,379,637
Over 10 years	451,860	3,134,003	—	—	3,585,864
No due date or perpetual	50,761,093	—	—	4,172,358	54,933,451
Investment trust, etc.	—	—	—	27,384,429	27,384,429
Total	¥ 100,136,690	¥ 114,582,245	¥ 150,967	¥ 32,131,923	¥ 247,001,826

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: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 3: "Derivatives" include forward foreign exchange and interest rate 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: The exposure amount does not include in intangible assets and investments in own common shares that are subject to calculation of credit risk assets due to transitional arrangements.
Note 6: 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		2017 (As of March 31, 2017)					2016 (As of March 31, 2016)				
		Loans and deposits	Bonds	Derivatives	Others	Total	Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Financial institutions	—	—	—	—	—	—	—	—	0	0
	Corporates	—	—	—	10	10	—	—	—	6	6
	Small and medium-sized enterprises and individuals	—	—	—	63	63	—	—	—	72	72
	Others	—	—	—	2,652	2,652	—	—	—	3,252	3,252
	Domestic total	—	—	—	2,725	2,725	—	—	—	3,330	3,330
Overseas total		—	—	—	—	—	—	—	—	—	—
Investment trust, etc.		—	—	—	—	—	—	—	—	—	—
Total		¥ —	¥ —	¥ —	¥ 2,725	¥ 2,725	¥ —	¥ —	¥ —	¥ 3,330	¥ 3,330

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: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 5: "Derivatives" include forward foreign exchange and interest rate swaps, etc.
Note 6: "Sovereigns" includes central governments, central banks, local governments, etc.
Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type I financial instruments business operators.
Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations, etc.
Note 9: Exposures of certain subsidiaries are included in "Others" (exposure) under "Others" (counterparts).
Note 10: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 11: Investment trusts and other funds are recorded in investment trust, etc.

(4) Year-end balances and changes during the period of general reserve for possible loan losses, specific reserve for possible loan losses, and loan loss reserve for specific overseas countries.

Year-end balance

(Millions of yen)

	2017 (As of March 31, 2017)	2016 (As of March 31, 2016)
General reserve for possible loan losses	¥ 127	¥ 127
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Change during the period

(Millions of yen)

	2017 (From April 1, 2016 to March 31, 2017)	2016 (From April 1, 2015 to March 31, 2016)
General reserve for possible loan losses	¥ (0)	¥ (18)
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Note 1: Reserve for loan losses related to loans disclosed under the Financial Revitalization Law is listed.
Note 2: General reserve for loan losses is not classified by region, industry and customer.

(5) The amount of write-off of loans by industry and customer
There were no write-offs.

(6) Amount of exposure by risk weight category

(Millions of yen)

Risk weight	2017 (As of March 31, 2017)		2016 (As of March 31, 2016)	
	Rated	Not rated	Rated	Not rated
0%	¥ 141,134,120	¥ 35,672,977	¥ 148,661,890	¥ 41,687,954
2%	—	399	—	600
4%	—	—	—	—
10%	216,551	5,203,685	40,635	4,299,343
20%	12,434,627	39,828	12,883,682	34,469
35%	—	—	—	—
50%	5,160,403	2,554	4,696,386	3,023
75%	—	142	—	130
100%	1,245,928	5,064,968	1,061,656	5,039,019
150%	16	170	29,642	305
250%	135,284	1,178,769	90,350	1,088,304
1,250%	—	—	—	—
Others	—	—	—	—
Investment trust, etc.	—	35,196,853	—	27,384,429
Total	¥ 160,326,931	¥ 82,360,349	¥ 167,464,245	¥ 79,537,580

Note 1: Ratings are used for those rated by qualified rating agencies in principle.
Note 2: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 3: Regarding assets to which the Company applies credit risk mitigation techniques for a portion of its exposure, the Group records exposure amounts in weighted categories after the application of credit risk mitigation techniques.
Note 4: Regarding assets to which the Company applied transitional arrangements, the Company records these assets in risk weighted categories in case of that transitional arrangements are not applied.
Note 5: Investment trusts and other funds are recorded in investment trust, etc. The weighted average of risk weights was 71.43% as of March 31, 2017 (compares with 71.05% as of March 31, 2016)

4. Credit risk mitigation methods
Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	2017 (As of March 31, 2017)		2016 (As of March 31, 2016)	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Eligible financial collateral	¥ 36,923,897	90.99%	¥ 41,378,182	90.80%
Guarantees	3,655,089	9.01%	4,192,827	9.20%
Total	¥ 40,578,986	100.00%	¥ 45,571,010	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: 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		2017 (As of March 31, 2017)	2016 (As of March 31, 2016)
Aggregate sum of amounts of gross reconstruction costs		¥ 324,943	¥ 165,476
Aggregate sum of gross add-on amounts		246,089	255,296
Gross credit equivalents		571,032	420,773
	Foreign exchange related transactions	430,018	385,614
	Interest rate related transactions	141,014	35,146
	Long-term settlements transactions	—	12
Reduction in credit equivalents through netting (deduction)		231,744	269,793
Net credit equivalents		339,287	150,979
Collateral amount		217,350	44,694
	Marketable securities	186,935	44,694
	Cash	30,415	—
Net credit equivalents (after consideration of effectiveness of risks mitigated by collateral)		¥ 339,287	¥ 150,979

Note 1: Credit equivalents are calculated by the "current exposure method."
Note 2: Regarding derivative transactions and transactions with long-term settlements, only those transactions requiring the calculation of credit equivalents are included.
Note 3: Derivative transactions and transactions with long-term settlements included in Investment trusts and other funds are not included herein.
Note 4: Limited to transactions on which gross reconstruction costs are not less than zero.
Note 5: Consideration is being given to the effectiveness of the amount of netting effect on credit equivalents under close-out netting agreements.
Note 6: Credit risk mitigation through collateral is considered through risk weighting, and credit equivalent amounts are not considered.
Note 7: Neither credit derivatives subject to credit equivalent amount calculations nor credit derivatives used to consider the effect of credit risk mitigation methods are available.
Note 8: The amount of netting effect on credit equivalents through netting is equal to an amount that subtracts credit equivalents prior to considerations of credit risk mitigation using collateral from the aggregate sum of amounts of gross reconstruction costs and aggregate sum of gross add-on amounts.

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	2017 (As of March 31, 2017)	2016 (As of March 31, 2016)
Mortgage loans	¥ 347,321	¥ 325,379
Auto loans	94,576	69,926
Leases	5,322	—
Accounts receivable	1,357	2,038
Corporate loans	263,924 (12,228)	94,575 (—)
Others	—	37
Total	¥ 712,502 (¥ 12,228)	¥ 491,957 (—)

Note 1: Amounts within parentheses are off balance sheet transaction amounts.
Note 2: Excludes securitization exposure included in investment trust, etc.
Note 3: Corporate loans are the underlying type of assets in securitization exposure to which the 1,250% risk weight is applied.

(2) Re-securitization exposure and breakdown by type of main underlying assets

(Millions of yen)

Type of underlying assets	2017 (As of March 31, 2017)	2016 (As of March 31, 2016)
Mortgage loans	¥ 2,056	¥ 2,743
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	— (—)	— (—)
Others	—	—
Total	¥ 2,056 (—)	¥ 2,743 (—)

Note 1: Amounts within parentheses are off balance sheet transaction amounts.
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	2017 (As of March 31, 2017)		2016 (As of March 31, 2016)	
	Balance	Required capital	Balance	Required capital
Less than 20%	94,464	377	¥ 94,612	¥ 378
20%	605,809	4,846	397,345	3,178
50%	—	—	—	—
100%	—	—	—	—
350%	—	—	—	—
1,250%	12,228 (12,228)	6,114 (6,114)	— (—)	— (—)
Total	¥ 712,502 (¥ 12,228)	¥ 11,338 (¥ 6,114)	¥ 491,957 (—)	¥ 3,557 (—)

Note 1: Amounts within parentheses are off balance sheet transaction amounts.
Note 2: Excludes securitization exposure included in investment trust, etc.
Note 3: Required capital is the amount of credit risk assets × 4%.

(4) Balance by risk weight of re-securitization exposure and amount of required capital

(Millions of yen)

Risk weight	2017 (As of March 31, 2017)		2016 (As of March 31, 2016)	
	Balance	Required capital	Balance	Required capital
Less than 40%	¥ —	¥ —	¥ —	¥ —
40%	2,056	32	2,743	43
100%	—	—	—	—
225%	—	—	—	—
650%	—	—	—	—
1,250%	— (—)	— (—)	— (—)	— (—)
Total	¥ 2,056 (—)	¥ 32 (—)	¥ 2,743 (—)	¥ 43 (—)

Note 1: Amounts within parentheses are off balance sheet transaction amounts.
Note 2: Excludes re-securitization exposure included in investment trust, etc.
Note 3: There are no credit risk mitigation methods applied to re-securitization exposures.
Note 4: Required capital is the amount of credit risk assets × 4%.

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 in the banking account

(1) Amount carried on the consolidated balance sheet and fair value

(Millions of yen)

	2017 (As of March 31, 2017)		2016 (As of March 31, 2016)	
	Amount carried on the consolidated balance sheet	Fair value	Amount carried on the consolidated balance sheet	Fair value
Listed equities exposure	¥ —	¥ —	¥ —	¥ —
Investment or equities exposure not corresponding to listed equities exposure	1,474		1,463	
Total	¥ 1,474		¥ 1,463	

Note 1: Exposures for which it is deemed extremely difficult to identify fair value without market quotations are included and therefore these are not disclosed at fair value as well as the method of calculating the fair value of financial instruments.

Note 2: 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)

	2017 (From April 1, 2016 to March 31, 2017)	2016 (From April 1, 2015 to March 31, 2016)
Gains/Losses	¥ —	¥ —
Gains	—	—
Losses	—	—
Write-off	—	—

Note: Gains and losses on the sale of stock are listed in the Consolidated Statements of Income.

(3) Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income

(Millions of yen)

	2017 (As of March 31, 2017)	2016 (As of March 31, 2016)
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)

	2017 (As of March 31, 2017)	2016 (As of March 31, 2016)
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. Exposures calculated by credit risk asset supervisory formulae

Not applicable, since the standardized approach is used.

10. Interest rate risk in the banking account

Gains and losses related to interest rate shock or changes in economic value used for management purposes in the Group for managing interest rate risk in the banking account

(Billions of yen)

	2017 (As of March 31, 2017)	2016 (As of March 31, 2016)
Losses in economic value	¥ 961.8	¥ 598.0

Note 1: Interest rate shock range uses 1st and 99th percentiles for interest rate fluctuations based on a holding period of one year and an observation period of five years.

Note 2: Of liquid deposits, for those deposits that will not be withdrawn and will remain at the Bank over the long term (so-called core deposits), the Group uses an internal model for estimating outstanding balances and allocation to settlement dates and calculates interest risk volume.

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 ¥24 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 2016 to March 2017)
Japan Post Holdings	Compensation Committee	4 times
Japan Post	Shareholders' meeting	1 time
	Board of Directors	4 times
	Board of Corporate Auditors	1 time
Japan Post Bank	Compensation Committee	4 times
	Evaluation Committee	5 times
Japan Post Insurance	Compensation Committee	7 times

Note: The total amount of compensation is not listed because this amount cannot be calculated separating only the portion corresponding to compensation for the execution of duties of the Compensation Committee.

2. Matters concerning evaluation of the appropriateness of the design and operation of the compensation system for subject executives and employees of the Company (Group)

Corporate Data
Financial Data
Performance Data
Others

(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, 2016 to March 31, 2017)

Classification	Number of persons	Total amount of compensation (Millions of yen)			
			Base compensation	Stock compensation	Other
Subject executives (excluding outside executives)	40	1,017	891	125	0
Subject employees, etc.	47	1,417	1,248	168	0

Note 1: Compensation for subject executives is listed including compensation as executives of principal consolidated subsidiaries.
Note 2: Variable compensation (including bonuses) is not applicable.
Note 3: Stock-compensation type stock options are not applicable.
Note 4: 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.

Insurance Claims and Other Payment Abilities of Insurance Holding Companies (Consolidated Solvency Margin Ratio)

(Millions of yen)

Item		2017 (As of March 31, 2017)	2016 (As of March 31, 2016)
Total amount of consolidated solvency margin	(A)	¥ 19,375,176	¥ 19,247,504
Capital stock, etc.		11,580,137	11,376,850
Reserve for price fluctuations		788,712	782,268
Contingency reserve		2,254,027	2,374,846
Catastrophe loss reserve		—	—
General reserve for possible loan losses		376	458
Net unrealized gains (losses) on available-for-sale securities, net deferred gains (losses) on hedges (before taxes) × 90% (if negative, × 100%)		3,817,559	3,803,168
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		108,968	81,516
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)		338,720	385,417
Capital raised through debt financing, Excess of continued Zillmerised reserve		486,674	442,977
Excess of continued Zillmerised reserve		486,674	442,977
Capital raised through debt financing		—	—
Amounts within “excess of continued Zillmerised reserve” and “capital raised through debt financing” not calculated into the margin		—	—
Solvency margin concerning small-amount, short-term insurers		—	—
Deductions		—	—
Others		—	—
Total amount of consolidated risk $[\{(R_1^2+R_5^2)^{1/2}+R_8+R_9\}^2+(R_2+R_3+R_7)^2]^{1/2}+R_4+R_6$	(B)	¥ 4,202,494	¥ 3,539,898
Insurance risk	R_1	153,070	159,046
General insurance risk	R_5	—	—
Catastrophe risk	R_6	—	—
Underwriting risk of third-sector insurance	R_8	69,104	78,262
Small amount and short-term insurance risk	R_9	—	—
Anticipated yield risk	R_2	158,838	170,717
Minimum guarantee risk	R_7	—	—
Investment risk	R_3	3,711,234	3,014,609
Business management risk	R_4	326,050	345,743
Consolidated solvency margin ratio (A)/{(1/2) x (B)}		922.0%	1,087.4%

Note: The consolidated solvency margin ratio is calculated in accordance with Articles 210-11-3 and 210-11-4 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.