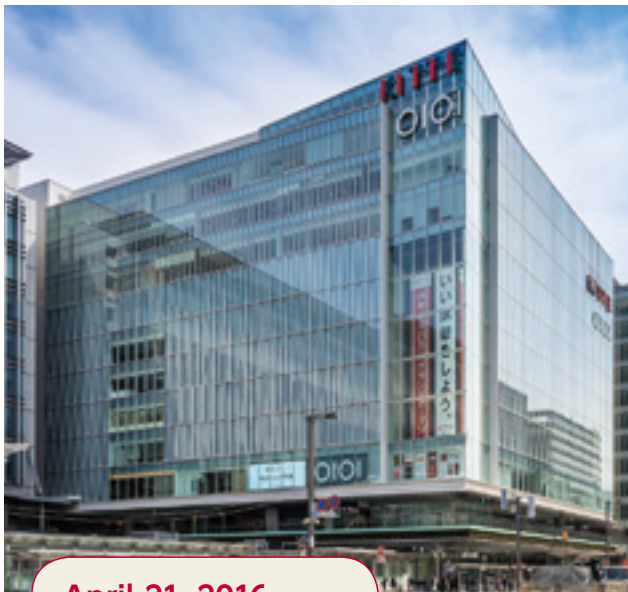


2017

JAPAN POST GROUP Annual Report

Year ended March 31, 2017

Japan Post Group Pictorial Highlights in fiscal year ended March 31, 2017



April 21, 2016
Opening of KITTE HAKATA



June 17, 2016
Opening of KITTE NAGOYA



June 13, 2016
Japan Post Bank Co. corporate ads "Yu-chan"



May 22, 2016
Commemorative event for the children's tree-planting campaign "Tohoku Regeneration Green Wave"



July 8, 2016

Collaborative promotion with the AEON Group



July 31, 2016

55th Festival of 10 Million People's Radio Exercise and Minna no Taiso ("Exercise for Everyone")



September 2016

Held "Autumn Message Festa 2016 in KITTE"



September 2016

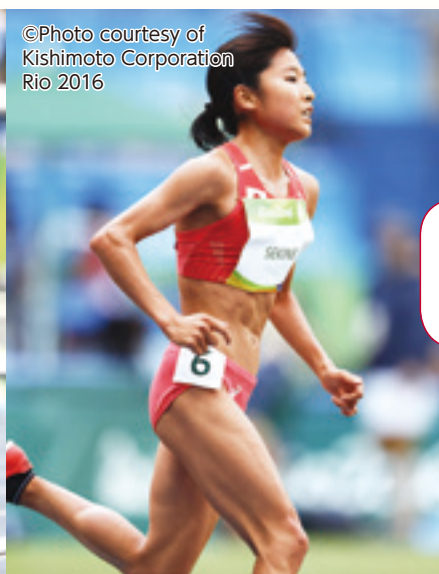
Japan Post Insurance Co. corporate ads "Life is Full of Dreams"



©Photo courtesy of
Kishimoto Corporation
Rio 2016

Women's 5000m

Ayuko Suzuki



©Photo courtesy of
Kishimoto Corporation
Rio 2016

Women's 10000m

Hanami Sekine

August 2016

Competed in the 31st Olympic Games Rio de Janeiro 2016

*Japan Post Co. is the Japan Olympic Committee's Official Partner in Postal Services



November 27, 2016

36th All Japan Industrial Teams Women's Ekiden (Queens Ekiden in Miyagi)



©Photo courtesy of
Kishimoto Corporation



November 5 to 6, 2016

Won first place in the corporate mascot
category of the Yuru-chara Grand Prix

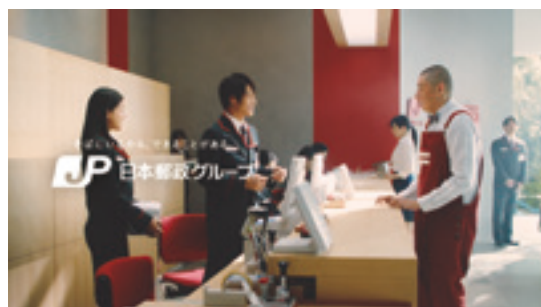


December 8 to 10, 2016

EcoPro 2016 - International Exhibition on
Environment and Energy



January 23, 2017
Started trial settlement service for "mijica"



January 18, 2017
Japan Post Group advertising campaign



January 27, 2017
Joined the Iku-Boss Corporate Alliance organized by the specified non-profit corporation Fathering Japan



March 23, 2017
Japanese Post Co. and Honda Motor Co., Ltd. started looking into collaboration toward the establishment of social infrastructure

Corporate mascot of
Japan Post Insurance Co.

Kampo-kun

March 10, 2017
Name decided for the new corporate mascot of Japan Post Insurance Co.



1. Message from the President



I am pleased to present the Japan Post Group's Annual Report for the fiscal year ended March 31, 2017.

This year the Japan Post Group marks the 10th anniversary of its privatization. On this occasion, we would like to express our deepest gratitude for your support to the present.

Toll Holdings Limited, which the Japan Post Group acquired in 2015, recorded a sudden decline in business results due to a downturn in the Australian economy that exceeded our initial expectations, a sharp decline in resource prices and other factors. Accordingly, in the fiscal year ended March 31, 2017 we recorded a ¥400.3 billion impairment loss for the entire amount of Toll's goodwill and trademark rights and a portion of its tangible fixed assets. As a result, the Japan Post Group recorded a consolidated net loss of ¥28.9 billion.

The entire management team regards this enormous impairment and net loss as an extremely serious matter. From a different perspective, however, we believe this impairment is especially significant because it also allows us to completely liquidate the negative legacy at Toll, making it easier for us to carry out forward-looking operations.

We will make our utmost efforts to achieve a recovery in business results to ensure this impairment serves as a step toward a fresh start for the Japan Post Group and a turning point for improved profits allowing us to regain the trust of our shareholders and other stakeholders. In undertaking these efforts, we ask for your understanding, ongoing patronage and support.

This report for the fiscal year ended March 31, 2017 summarizes the Japan Post Group's business conditions and results, which we sincerely hope will give you a deeper understanding of the Japan Post Group.

Priority Issues for the Year Ended March 31, 2017

As the second year of our Medium-term Management Plan, the fiscal year ended March 31, 2017 was positioned as a year for "Leaping ahead for growth and development" toward being a "Total Lifestyle Support Group." Accordingly, we strived to provide services, mainly postal, banking and insurance services through the post office network, that meet the additional needs of customers, local communities and society.

Regarding the postal and logistics business, as a

response to our ever-expanding parcel delivery business, we worked to enhance customers' convenience of receiving postal items. These efforts included expanding and promoting services that enable customers to receive products purchased via internet mail order at convenience stores and at "HAKO POST" receiving lockers. Furthermore, we upgraded our Yu-Packet service, favorably acclaimed as one of our small-package delivery services. Regarding the "MyPost" digital message service, we made efforts for collaboration with the Social Security and Tax Number System portal site, promoted by the Japanese government

and for responding to one-stop services.

Regarding the post offices business, we expanded our offering of collaborative financial products, which included increasing the number of post offices handling medical insurance with eased underwriting conditions. In real estate development, "KITTE HAKATA" started business on April 21 and "KITTE NAGOYA" on June 17, 2016. At the same time, we held numerous events such as the Christmas event "WHITE KITTE" as part of efforts to attract numerous customers.

In our international logistics business, we established management improvement measures to build a foundation for a recovery and future growth in business results. These measures centered on reforming Toll's management and lowering its costs by reducing staff and consolidating divisions under Toll's new management team.

In our banking business, Japan Post Bank Co., Ltd. upgraded its asset product lineup to meet customers' diversifying asset management needs. Additionally, Japan Post Bank Co. promoted initiatives for collaboration with regional financial institutions and for invigorating regional economies. In investments, Japan Post Bank Co. worked to diversify and sophisticate its investments by taking such measures as expanding its global allocation of assets and commencing private equity and real estate investments.

In our life insurance business, Japan Post Insurance Co., Ltd. created new characters and implemented commemoration events to celebrate the milestone of the 100th anniversary of Postal Life Insurance Services. Japan Post Insurance Co. also accelerated its business alliance with The Dai-ichi Life Insurance Company, Limited and enhanced the efficiency of its insurance claim payment examination operations utilizing the artificial intelligence, (AI) "Watson" technology.

Through the promotion of the preceding initiatives, in the fiscal year ended March 31, 2017 the Japan Post Group recorded net ordinary income of ¥795.2 billion and a net loss attributable to Japan Post Holdings of ¥28.9 billion on a consolidated basis. Once again, our management team takes this loss extremely seriously.

Priority Issues for the Year Ending March 31, 2018

The fiscal year ending March 31, 2018 will be a year for completing the Medium-term Management Plan. We also position this year as a year for drawing a roadmap for further sustainable growth and development as we aim to be a "Total Lifestyle Support Group."

Regarding the postal and logistics business, we will raise productivity and improve profit-making capabilities centering on growing e-commerce markets with our best effort to optimize and sophisticate our network, while continuing to improve profitability for Yu-Pack and other services by ensuring appropriate pricing for quality services. We will also

maintain efforts to reorganize our postal and logistics networks.

Regarding the post offices business, we will expand our revenue base by promoting total lifestyle support while also providing existing financial services.

In our international logistics business, we will continue to position Toll as the centerpiece in developing our global business. We will work to improve Toll's management through measures that include revising organizational structures by consolidating and simplifying divisions while also improving service quality.

In our banking business, Japan Post Bank Co. will strengthen its fee business by expanding sales of investment trusts, undertaking the settlement business and collaborating with regional financial institutions. Japan Post Bank Co. will also promote alternative investments as well as expand investment targets and methods to further sophisticate and diversify its investments.

In our life insurance business, Japan Post Insurance Co. will develop products that respond to customer needs and strengthen sales emphasizing coverage, promote operational and system reforms using the "Watson" technology and alongside these measures expand alternative investments and strengthen its investment structure.

As a Group-wide initiative, we will consider strategic investments such as M&A, strengthen corporate governance and promote work-style reforms.

On a different front, we appreciate the support by many people for the Japan Post Group Women's Athletics Team, which is now in its third year, and two members of the team participated in the Rio de Janeiro Olympics. The team also earned its first victory in the 36th All Japan Industrial Teams Women's Ekiden (Queens Ekiden in Miyagi). Going forward, the team is working as one toward attaining further goals, such as participation in the 2020 Tokyo Olympic Games, so we ask you to continue giving the team your full support.

In the fiscal year ending March 31, 2018 as well, we will accelerate every initiative toward the successful completion of our Medium-term Management Plan. The Japan Post Group will continue to take on challenges to achieve growth and development toward becoming a "Total Lifestyle Support Group."

In closing, we ask for your continued patronage and support for the Japan Post Group as we move ahead with our endeavors.

July 2017

Masatsugu (Mat) Nagato

President & CEO

Representative Executive Officer

Japan Post Holdings Co., Ltd.

2017 JAPAN POST GROUP Annual Report

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This Annual Report is a translation of the Disclosure Document (the written explanation in Japanese of the Company's business and financial conditions) that was prepared pursuant to Article 52-29 of the Banking Act and Article 271-25 of the Insurance Business Act. This Annual Report is not prepared for the purpose of soliciting any shares of the Company and its subsidiaries or any other marketable securities. This Annual Report contains forward-looking statements regarding future performance and other matters.

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

Figures and percentages shown in this Annual Report have been rounded off, except for financial numbers in the accounting statements, etc., that have been truncated without rounding. As a consequence, sums of figures may not match the totals presented.

Figures and percentages, with exceptions as specifically indicated, are as of March 31, 2017.

Japan Post Group Overview

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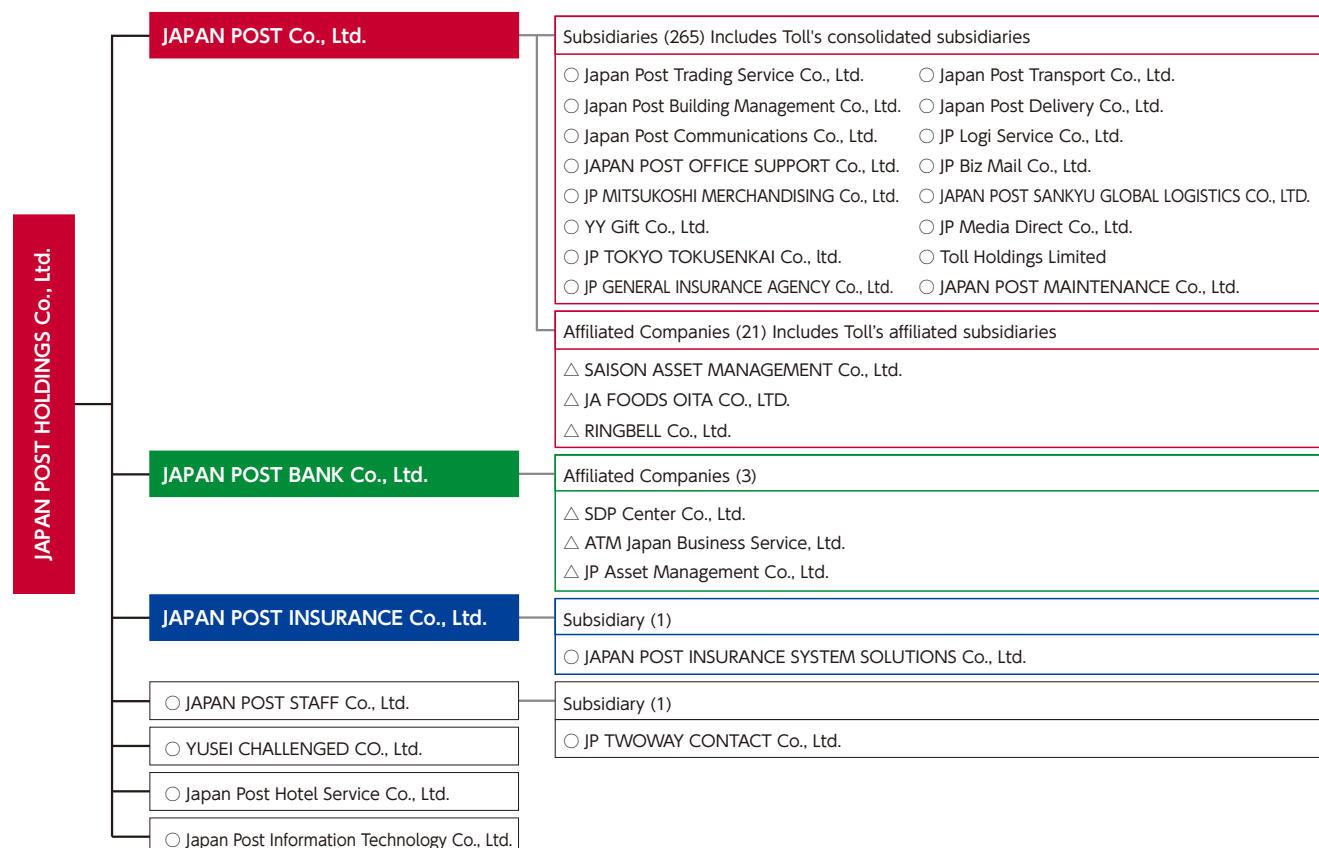
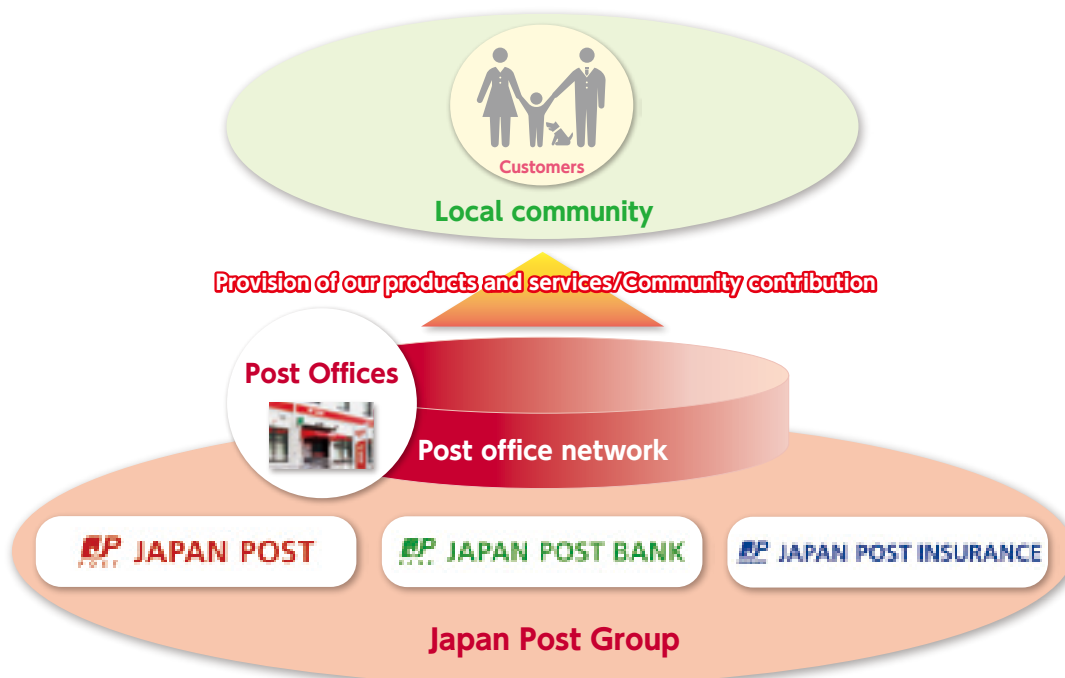
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1. The Operations of the Japan Post Group

① Japan Post Group Structure

The Japan Post Group provides a variety of products and services, mainly our postal, banking and insurance products and services, which represent our three core businesses that we operate through our nationwide post office network. In undertaking these businesses, we will strive to be a “Total Lifestyle Support Group” closely involved in the overall daily lives of our customers while continuously serving customers, local communities and society as a whole.



(Notes) ○ and △ denote consolidated subsidiaries and equity method affiliates, respectively (as of March 31, 2017)

② Nationwide Post Office Network

With 24,421 locations, our network of post offices covers all of Japan's 1,741 cities, towns, and villages*. These post offices, which serve as bases for various postal, banking, and insurance services that are offered by the Japan Post Group, have been an integral part of local communities for many years, and the Japanese public has come to greatly appreciate this extensive network.

The Group looks forward to taking advantage of these post offices to provide convenient new services to residents of the communities we serve while ensuring their ability to access postal, banking, and insurance services in a unified manner throughout Japan.

*Includes Tokyo's 23 special wards (as of April 5, 2014).

■ Post Offices in Japan (As of March 31, 2017)

Directly operated post offices (including branch offices)	20,158
Contracted post offices	4,263
Total	24,421

Note: Includes 67 directly operated post offices and 285 contracted post offices that are temporarily closed.

■ Number of Japan Post Bank branches 234

■ Number of Japan Post Insurance branches 82

Hokuriku area

Number of post offices
860

Including **188**
contracted post offices

4 Japan Post Bank branches
4 Japan Post Insurance branches

Kinki area

Number of post offices
3,458

Including **355**
contracted post offices

44 Japan Post Bank branches
10 Japan Post Insurance branches

Chugoku area

Number of post offices
2,263

Including **509**
contracted post offices

11 Japan Post Bank branches
6 Japan Post Insurance branches

Okinawa area

Number of post offices
199

Including **24**
contracted post offices

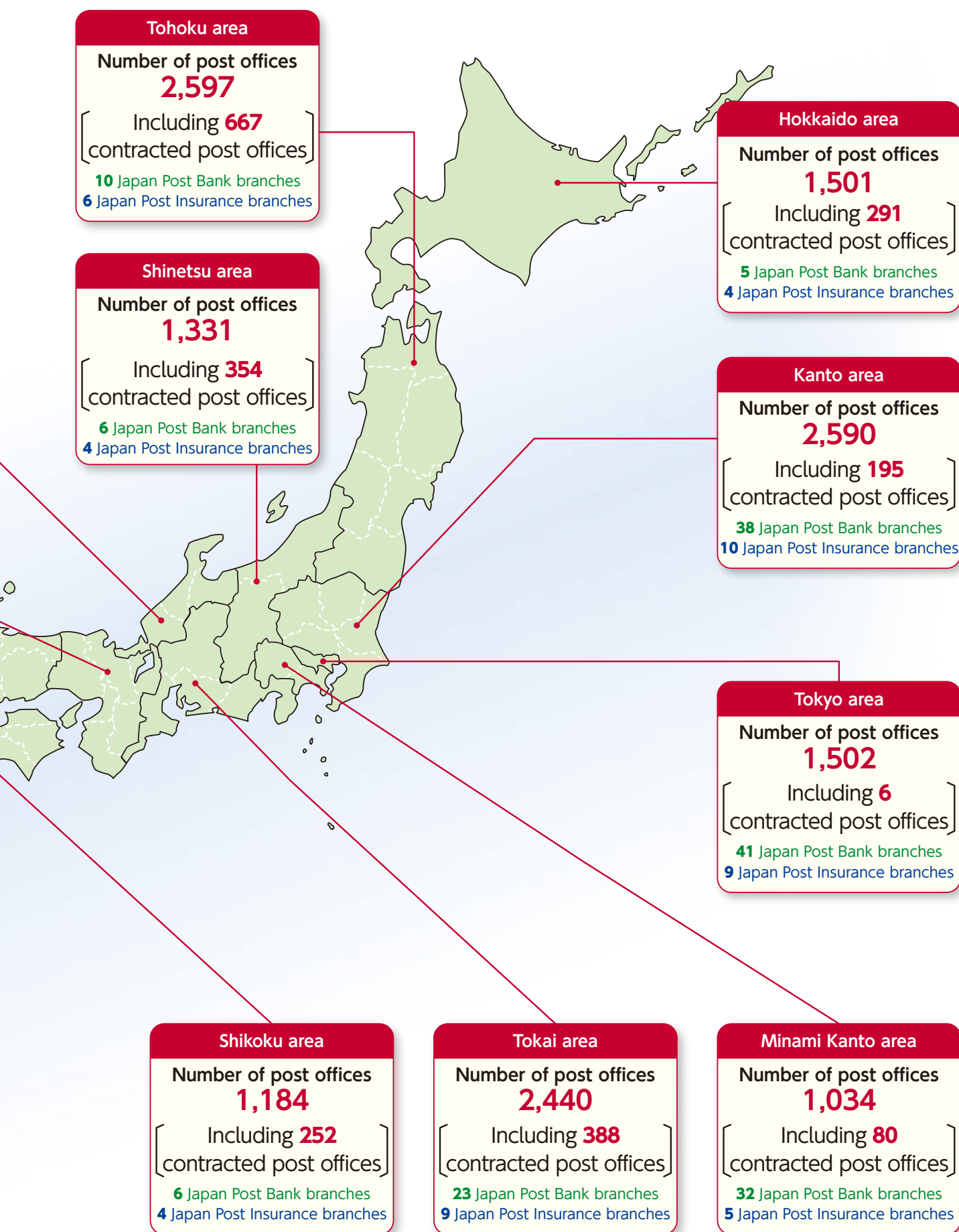
1 Japan Post Bank branch
1 Japan Post Insurance branch

Kyushu area

Number of post offices
3,462

Including **954**
contracted post offices

13 Japan Post Bank branches
10 Japan Post Insurance branches



2. Japan Post Group Financial Review

1

Consolidated Summary (April 1, 2016 to March 31, 2017)

The Japan Post Group's consolidated net ordinary income was ¥795.2 billion and net loss attributable to Japan Post Holdings Co. was ¥28.9 billion. At the end of the fiscal year, total assets amounted to ¥293,162.5 billion and net assets totaled ¥14,954.5 billion.

Consolidated Financial Highlights (April 1, 2016 to March 31, 2017)

Consolidated Results of Operations

Ordinary income (Year ended March 31, 2017) ¥13,326,534 million (Year ended March 31, 2016) ¥14,257,541 million		Net ordinary income (Year ended March 31, 2017) ¥795,237 million (Year ended March 31, 2016) ¥966,240 million		Net income (loss) attributable to Japan Post Holdings Co. (Year ended March 31, 2017) ¥(28,976) million (Year ended March 31, 2016) ¥425,972 million	
Net income (loss) per share (Note 1) (Year ended March 31, 2017) ¥(7.04) (Year ended March 31, 2016) ¥97.26		Diluted net income per share (Note 2) (Year ended March 31, 2017) — (Year ended March 31, 2016) —			
Return on equity (Year ended March 31, 2017) (0.2)% (Year ended March 31, 2016) 2.9%		Net ordinary income/Total assets (Year ended March 31, 2017) 0.3% (Year ended March 31, 2016) 0.3%		Net ordinary income/Ordinary income (Year ended March 31, 2017) 6.0% (Year ended March 31, 2016) 6.8%	

(Reference) Equity in earnings (losses) of affiliates
 Year ended March 31, 2017: ¥1,670 million
 Year ended March 31, 2016: ¥1,070 million

Notes: 1. Japan Post Holdings Co. implemented a 30-for-1 common stock split effective August 1, 2015. Net income (loss) per share has been calculated assuming the stock split was implemented on April 1, 2015.

2. Because there was no potential common stock, the amount for diluted net income per share is omitted.

Consolidated Financial Position

Consolidated total assets at the end of the fiscal year were ¥293,162.5 billion, a year-on-year increase of ¥1,215.4 billion. Assets included securities of ¥202,320.5 billion and loans of ¥12,125.0 billion.

Consolidated total liabilities at the end of the fiscal year were ¥278,207.9 billion, a year-on-year increase of ¥1,436.9 billion. Liabilities included deposits of ¥178,004.3 billion and policy

reserves of ¥72,525.1 billion.

Net assets decreased by ¥221.5 billion from the end of the previous fiscal year to ¥14,954.5 billion. Net assets included net unrealized gains (losses) on available-for-sale securities of ¥3,105.1 billion.

As of March 31, 2017, the consolidated capital adequacy ratio (domestic standard) was 23.80%.

Total assets (As of March 31, 2017) ¥293,162,545 million (As of March 31, 2016) ¥291,947,080 million		Total liabilities (As of March 31, 2017) ¥278,207,964 million (As of March 31, 2016) ¥276,770,992 million		Net assets (As of March 31, 2017) ¥14,954,581 million (As of March 31, 2016) ¥15,176,088 million	
Equity ratio (Note 1) (As of March 31, 2017) 4.6% (As of March 31, 2016) 4.7%		Net assets per share (As of March 31, 2017) ¥3,268.19 (As of March 31, 2016) ¥3,327.37		Consolidated capital adequacy ratio (domestic standard) (Note 2) (As of March 31, 2017) 23.80% (As of March 31, 2016) 27.47%	

(Reference) Equity
 As of March 31, 2017: ¥13,451,766 million
 As of March 31, 2016: ¥13,697,749 million

Notes: 1. Equity ratio = [(Net assets – Stock acquisition rights – Non-controlling interests) / Total assets] × 100

2. The consolidated capital adequacy ratio (domestic standard) has been calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006).

2 Japan Post Holdings Co. (Non-consolidated) Financial Highlights (April 1, 2016 to March 31, 2017)

In addition to serving as a holding company, Japan Post Holdings Co. operates hotel and hospital businesses and also provides group shared services. Operating income was ¥303.8 billion, net ordinary income was ¥228.8 billion and net income was ¥207.0 billion.

Results of Operations

Operating income (Year ended March 31, 2017) ¥303,808 million (Year ended March 31, 2016) ¥309,975 million	Net operating income (Year ended March 31, 2017) ¥226,964 million (Year ended March 31, 2016) ¥231,417 million	Net ordinary income (Year ended March 31, 2017) ¥228,831 million (Year ended March 31, 2016) ¥232,919 million	Net income (Year ended March 31, 2017) ¥207,015 million (Year ended March 31, 2016) ¥94,311 million
Net income per share (Note 1) (Year ended March 31, 2017) ¥50.29 (Year ended March 31, 2016) ¥21.53		Diluted net income per share (Note 2) (Year ended March 31, 2017) — (Year ended March 31, 2016) —	
Return on equity (Year ended March 31, 2017) 2.6% (Year ended March 31, 2016) 1.1%	Net ordinary income/Total assets (Year ended March 31, 2017) 2.7% (Year ended March 31, 2016) 2.7%	Net operating income/Operating income (Year ended March 31, 2017) 74.7% (Year ended March 31, 2016) 74.7%	

Notes: 1. Japan Post Holdings Co. implemented a 30-for-1 common stock split effective August 1, 2015. Net income per share has been calculated assuming the stock split was implemented on April 1, 2015.

2. Because there was no potential common stock, the amount for diluted net income per share is omitted.

Financial Position

Total assets (As of March 31, 2017) ¥8,261,109 million (As of March 31, 2016) ¥8,418,459 million	Net assets (As of March 31, 2017) ¥8,057,856 million (As of March 31, 2016) ¥8,057,703 million
Equity ratio (As of March 31, 2017) 97.5% (As of March 31, 2016) 95.7%	Net assets per share (As of March 31, 2017) ¥1,957.71 (As of March 31, 2016) ¥1,957.32

(Reference) Equity
 As of March 31, 2017: ¥8,057,856 million
 As of March 31, 2016: ¥8,057,703 million

3 Summary of Financial Results of Group Companies (April 1, 2016 to March 31, 2017)

1. Results of Operations (Year ended March 31, 2017)

	Japan Post Co. (Consolidated)	Japan Post Bank Co. (Non-consolidated)	Japan Post Insurance Co. (Consolidated)
Ordinary income	¥3,765.8 billion	¥1,897.2 billion	¥8,659.4 billion
Net ordinary income	¥52.2 billion	¥442.0 billion	¥279.7 billion
Net income (loss)	¥(385.2) billion	¥312.2 billion	¥88.5 billion

(Reference: Year ended March 31, 2016)

Ordinary income	¥3,648.4 billion	¥1,968.9 billion	¥9,605.7 billion
Net ordinary income	¥42.3 billion	¥481.9 billion	¥411.5 billion
Net income	¥47.2 billion	¥325.0 billion	¥84.8 billion

Note: Figures less than ¥0.1 billion are rounded down.

The amounts of net income (loss) attributable to Japan Post Co. and net income attributable to Japan Post Insurance Co. have been used for net income (loss) of Japan Post Co. (Consolidated) and net income of Japan Post Insurance Co. (Consolidated), respectively.

2. Financial Position (As of March 31, 2017)

	Japan Post Co. (Consolidated)	Japan Post Bank Co. (Non-consolidated)	Japan Post Insurance Co. (Consolidated)
Total assets	¥5,091.3 billion	¥209,568.8 billion	¥80,336.7 billion
Total liabilities	¥4,297.1 billion	¥197,788.7 billion	¥78,483.5 billion
Net assets	¥794.2 billion	¥11,780.0 billion	¥1,853.2 billion

(Reference: As of March 31, 2016)

Total assets	¥5,651.3 billion	¥207,056.0 billion	¥81,545.1 billion
Total liabilities	¥4,406.4 billion	¥195,547.8 billion	¥79,662.2 billion
Net assets	¥1,244.9 billion	¥11,508.1 billion	¥1,882.9 billion

Note: Figures less than ¥0.1 billion are rounded down.

Please refer to pages 28 through 29 and pages 124 through 125 for information on Japan Post Co., pages 38 through 39 and page 125 for information on Japan Post Bank Co., and pages 51 through 52 and page 125 for information on Japan Post Insurance Co.

Aiming to Be a Group to Totally Support Customers' Lifestyles

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Overview of the Japan Post Group Medium-term Management Plan

As expressed by the Group Medium-term Management Plan announced on April 1, 2015, the Japan Post Group is implementing various strategies and measures aimed at attaining development into the future as a "Total Lifestyle Support Group" that can be useful to customers, communities and society by fully leveraging the Group's management resources and further vitalizing the post office network.

Under the Medium-term Management Plan, the Japan Post Group is taking into consideration the results of various initiatives implemented in the fiscal year ended March 31, 2015 and changes in the business environment to overcome the new "Three challenges" it faces, which are "Pursuit of greater profitability," "Improvement of productivity" and "Corporate governance and redistribution of profits to our customers as appropriate for listed companies," and has formulated strategies to achieve further growth and development of the Group. These efforts are based on the three pillars

Five strategies for business growth and development (vertical growth)

- 1 **Revival of the postal and logistics business**
 - Expansion of Yu-Mail services
Approximately 680 million parcels in the fiscal year ended March 31, 2018
 - Expansion of Yu-Mail services
Approximately 4.1 billion booklet parcels in the fiscal year ended March 31, 2018
 - Counting on Toll as a platform for the expansion of the international logistics business
- 2 **Vitalization of the post office network**
 - Community contributions
Secured provision of universal services
Full-scale implementation of the Post Office Watch Service
Contribution to the Hometown Tax (Furusato Nozei) system
 - Expansion/Improvement of products and services
Affiliated financial services: ¥20.0 billion in the fiscal year ended March 31, 2018
Merchandise sales: ¥20.0 billion in the fiscal year ended March 31, 2018 (consolidated net sales of ¥150.0 billion)
Real estate businesses: Stable operating income of ¥25.0 billion
- 3 **Further increase in Japan Post Bank's revenues**
 - Increase assets under management
Aim to grow balance of deposits by ¥3 tn and net balance of investment products by ¥1 tn within three years
 - Increase in fees and commissions
Expand growth fields such as investment products and ATM alliances
- 4 **Recovering from bottoming out of Japan Post Insurance's policies in force**
 - Increase new policies
Further increase new policies to the ¥50.0 billion level in the fiscal year ended March 31, 2017
 - Strengthened sale channels and improved products and services
Develop post office sales force and strengthen sales of endowment and whole life insurance policies
Develop endowment insurance with short-term premium payments and enhance services for elderly people
- 5 **Sophisticated asset management for revenue growth**
 - Realization of a sophisticated risk management system
Japan Post Bank: Increase the satellite portfolio balance
Japan Post Insurance: Accelerate diversification of investment assets

Consolidated business targets (the fiscal year ended March 31, 2018)

Consolidated net income*

*Including minority interests (profits or losses belonging to non-controlling shareholders)

➡ **Around ¥450 billion**

2014 2015 2017

New "Three challenges"

- Pursuit of greater profitability
- Improvement of productivity
- Corporate governance and redistribution of profits to our customers as appropriate for listed companies

Promote group strategies to accomplish growth and development

New Japan Post Group Network Creation Plan 2016⇒2017

Establishment period ➡

Overcome the new **"Three challenges"** and establish Group strategies to accomplish growth and development

- Business growth and development (vertical growth)
- Implement Group strategies that support network expansion and evolving functions (horizontal evolution)

1 Sales and service strategy

- Expanded sales activities to accept middle-to-small-size orders in the postal and logistics business
- Enhancement and expansion of our customer base in the post office business
- Promoting the use of our anchor products that are suitable for each stage of our customer's life cycle in the banking business
- Enhancement of sales capabilities through the channels (post offices and directly managed sales offices) in the insurance business

Five Group strategies

serving as Group's management policies, namely "Bolstering the earning power of our three core businesses and strengthening the Group's business foundation," "Fulfilling our obligation to provide universal services" and "Enhancing our corporate value in anticipation of the Group's stock listing." Specifically, we formulated "strategies for business growth and development (vertical growth)" and "Group strategies that support network expansion and the evolution of functions (horizontal evolution)." By implementing these strategies simultaneously, we aim to create a new postal network.

In other words, we will fully leverage the Group's integrated operations centering on the post office network, which is the Group's greatest strength. Meanwhile, each Group company will fully utilize its own respective strengths by carrying out business in accordance with changes in the environment.

Ideas on the redistribution of profits to shareholders (on a consolidated basis)

We will seek for the continuous and stable redistribution of profits to our shareholders in accordance with our performance.

➔ **Targeted payout ratio target: 50% or more** (by the fiscal year ended March 31, 2018*)

* Only a year-end dividend was paid for the fiscal year ended March 31, 2016. Considering there was less than six months between the public listing and the record date for the relevant year-end dividend, we aim to pay out 25% or more of net income as the amount for year-end dividends for the concerned fiscal year.

Continue evolution and development to create the new Japan Post Group network

"Total Lifestyle Support Group"

- Sustainable development in business
- Securing a stable income
- Maximizing the utility and community-focused natures of our services

Growth and development period

2

IT strategy

- Development and operation of the Group IT bases
- Support for the promotion of business strategies in each segment
- Expansion of services and the improvement of their quality
- Improved efficiency and operational quality
- Compliance and risk management
- Cost reduction
- Improvement of system reliability

3

Investment strategy

- Implementation of an infrastructure investment (facilities, equipment and systems) to strengthen our business foundation (¥1,090.0 billion)
- Promote real estate development (¥70.0 billion)
- Strategic investment that contributes to the growth of the Group making use of income from the stock sales (¥800.0 billion)

4

Efficiency and cost control strategy

- Investment policies for business efficiency
- Productivity improvements by reviewing operational procedures
- Cost controls under appropriate manpower management
- Efficient use of expenses

5

Human resource development strategies

- Promotion of diversity management (support for women to work actively, etc.)
- Development of human resources with strong sales capabilities (enhance training, etc.)
- Development of human resources with expertise
- Development of personnel who can play their expected roles

that support network expansion and the evolution of functions (horizontal evolution)

2. Operations of Japan Post Co.



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

Message from the Company



I would like to express my appreciation to our customers for your ongoing use of our post offices.

For over 140 years since the founding of our postal operations in 1871, post offices have provided postal, banking and insurance services based on the concept of offering customers security while earning their trust.

Japan Post Co. aims to be an integrated lifestyle support corporate group that helps customers realize safe, secure, comfortable and enriched lives and lifestyles by providing each of them with a variety of products and services tailored to their diverse lifestyles and life stages.

Overview of the Year Ended March 31, 2017

In the fiscal year ended March 31, 2017, we aimed to create stable management foundations for sustainable growth by

further expanding earnings in this period of economic recovery and thoroughly enhancing cost management.

In response to expansion in the e-commerce market, we worked to expand services such as Yu-Pack and Yu-Packet primarily by enhancing the convenience of receiving parcels through increasing receipt at convenience stores and providing receiving lockers (HAKO POST) and by establishing a basic fee for Yu-Packet. We also sought to restructure the mail and logistics network, which included opening new regionalized post offices.

In terms of financial services, we enhanced the customer response capabilities of employees through training and increased the number of new contracts on the back of measures being implemented for the centenary of Japan Post Insurance Co. In the real estate business, we promoted our leasing building business in an effort to strengthen

earnings capacity, which included opening KITTE HAKATA.

Additionally, we thoroughly enhanced compliance based on our compliance program with the aim of maintaining and advancing the trust we have earned from customers.

As a result of an impairment test based on the latest financial forecasts of Toll Holdings Limited, a subsidiary, conducted following a decline in performance caused primarily by a decline in resource prices, an impairment loss was recorded on the consolidated financial statements for the fiscal year ended March 31, 2017. This led to a significant loss and played a large part in the loss posted in consolidated Group results. I take this loss extremely seriously.

As a result of the aforementioned, Japan Post Co. recorded consolidated operating income of ¥3,758.9 billion and net ordinary income of ¥52.2 billion. A net loss of ¥385.2 billion was posted due to an impairment loss of approximately ¥400.0 billion for goodwill, etc., at Toll.

Issues for the Future

The environment surrounding the company is changing every moment, characterized in particular by an increase in online selling and the diversification of customer needs related to service quality. On top of this, personnel expenses per employee are continuing to rise due mainly to tight conditions in the labor market. To ensure that we can smoothly and reliably provide customers with services in the future, we recognize the importance of responding properly to such a business environment and establishing stable management as an urgent management issue.

In light of these circumstances, in the fiscal year ended March 31, 2018, we aim to create stable management foundations to drive growth by further expanding earnings and thoroughly enhancing cost management while fulfilling our social mission.

In the e-commerce market, in particular, we will continue to promote highly efficient services for receiving items and work to build a sales structure that can respond collectively to a wide range of customer needs. Besides this, we will strive to restructure the mail and logistics network by opening new regionalized post offices.

In terms of postage fees, although we are endeavoring to boost productivity and reduce costs amid a continued decline in mail, a decline in financial performance of the mail business due mainly to rising personnel costs per unit recently prompted us to make a partial revision to postage fees in June 2017 to promote the stable provision of services. We ask for your understanding in this matter.

Further, we will strive to reinforce our earnings capabilities primarily by strengthening the customer responsiveness of our employees in conjunction with Japan Post Bank Co. and Japan Post Insurance Co., and by developing our affiliated financial services such as cancer insurance and our real estate business.

Japan Post Co. will also continue working to thoroughly enhance compliance with the aim of securing even greater trust from customers. With regard to our support of disaster recovery, we will cooperate closely with the companies of the Japan Post Group to support the daily lives of those affected by disasters such as through the reopening of post offices.

With regard to Toll, we are taking steps to stimulate business recovery, including an overhaul of the management team, a reduction in headcount and elimination/consolidation of divisions. With this business positioned as a key pillar for global development, we will also implement measures to improve management so that it can contribute to enhanced corporate value for the Group.

Going forward, all of us in Japan Post Co. are united in our efforts to provide even higher quality services. We appreciate your continued use of our post offices and patronage.

Operations of Japan Post Co.

Japan Post Co. is the company in the Japan Post Group that deals with postal, domestic distribution business and post office business as well as international logistics business.

In addition to impartially providing universal postal services at the lowest possible rates, we offer customers nationwide banking counter operations under consignment from Japan Post Bank Co. and insurance counter operations under consignment from Japan Post Insurance Co. through post offices.

Going forward, efforts will be made to maintain the level of the post office network, which is a shared asset of the Japanese people, and fully ensure major public benefits and contribute to local communities while making post office services even more convenient and promoting initiatives to comprehensively support the daily lives of local customers.

① Overview of Operations and Services

Postal and Domestic Distribution Business

In addition to providing domestic postal services at the fairest possible rates across Japan, we offer international postal services (letter, parcel and EMS*) in accordance with the Universal Postal Convention and other international postal agreements.

In response to the one-stop outsourcing needs of business customers, subsidiaries such as JP Biz Mail Co., Ltd. provide contracted one-stop total services that range from mail planning and preparation (printing) to mail insertions, sealing and sending.

Japan Post Co. is also commissioned by the Japanese government to sell documentary stamps and issues donation-added New Year's postcards.

Japan Post Co. provides Yu-Pack, Yu-Mail and other logistics services as well as services that accurately meet diverse customer needs in line with growth in the e-commerce market. In terms of increasingly diversified and sophisticated logistics needs, we are deploying third party logistics (3PL) services from the design, proposal and formation to operation of an optimal logistics strategy together with such subsidiaries as JP Logi Service Co., Ltd. and JP Media Direct Co., Ltd. and led by the logistics solutions center.

*EMS: Express Mail Service

Post Office Business

We provide merchandise business, real estate business and affiliated financial services at post offices nationwide, which serve as sales hubs for providing services to customers. These services include postal counter operations related to logistics business and banking counter operations and insurance counter operations.

● Postal Counter Operations Related to Logistics Business

We accept and deliver postal items, sell postage stamps, receive Yu-Pack, among other logistics services, and sell documentary stamps.

● Banking Counter Operations and Others

Under consignment from Japan Post Bank Co., we handle ordinary deposits, TEIGAKU deposits and time deposits, provide remittance and settlement services in addition to handling public pension payments and carrying out counter sales of Japanese Government Bonds and investment trusts.

● Insurance Counter Operations and Others

Under consignment from Japan Post Insurance Co., we solicit life insurance and handle premium payments.



New Year's postcards
(Nenga Town-Mail)



Kamo-Mail (Kamome Town)



Yu-Pack package (large box)



Yu-Pack package
(large pouch)



Yu-Pack package
(small pouch)



Yu-Pack package
(small box)

● Merchandise Business

We place catalogs listing specialty products from all regions of Japan or leaflets that feature products specific to a certain area in post offices and act as sales intermediary for the products listed as part of a catalog sales business. We also develop and sell original postal-related merchandise in addition to frame stamps as part of our post office sales business.

● Real Estate Business

As part of our strategic initiatives, we intend to make more effective use of the real estate held by Japan Post Co. to improve our profitability, including the development of office and retail properties, residential leasing, nursing homes and parking spaces that we plan to operate primarily for daycare facilities.

For example, Japan Post Co. completed development of JP Tower in central Tokyo and opened.

● Affiliated Financial Services

We sell cancer insurance, medical insurance with eased underwriting conditions, individual variable annuities, life insurance for companies (for management-level personnel) and automobile insurance under consignment from life insurance companies and non-life insurance companies other than Japan Post Insurance Co.

② Initiatives of Japan Post Co.

Amid continuous changes in the environment surrounding our operations, including the expansion of Internet shopping and proliferation of smartphones and tablets, we are working to respond accurately to the environment changes and secure profits along with enhancing productivity in order to establish stable management.

We actively rolled out sales activities for Yu-Pack and Yu-Mail, mainly in the e-commerce market, and worked to enhance the convenience of receiving postal items by providing receiving lockers ("HAKO POST"), enabling receipt at convenience stores and providing receiving services at post office counters. We introduced a basic postage fee (based on size) for Yu-Packet in October 2016 and expanded delivery services for small items.

In terms of financial services, we are striving to develop human resources through training in collaboration with Japan Post Bank Co. and Japan Post Insurance Co. We also increased the number of post offices that handle medical insurance with eased underwriting conditions in October 2016.

In addition, we opened KITTE HAKATA and JRJP Hakata Building in April 2016 and held a full opening for JP Tower NAGOYA in April 2017 as part of efforts to bolster our real estate business.

Going forward, we will continue working to enhance profits while maintaining sound management by meeting the needs of a greater number of customers.

International Logistics Business

Japan Post Co. provides express freight shipping in Oceania and Asia, domestic freight shipping services in Australia and New Zealand, a full range of international freight forwarding services, mainly for exports from Asia, and transport, warehousing and other 3PL logistics services in the Asia Pacific region through our subsidiary Toll Holdings Limited, an Australia-based logistics company.

Japan Post Co. also provides comprehensive logistics solutions mainly through Japan Post Sankyu Global Logistics Co., Ltd. to meet logistics needs centered on Japan, China and other parts of Asia.

In addition, we provide U-Global Express (UGX), an international small-lot delivery service centered on cross-border e-commerce, which is provided through a capital and business alliance with Hong Kong-based Lenton Group Limited and France-based GeoPost S.A. for Asia, Oceania and the Europe area, and a business alliance with FedEx Express for the United States.

(1) Extensive Products and Services Improving the convenience of Receiving

● Home Delivery BOX

Japan Post Co. has been working to popularize the use of mailboxes with large slots since October 2014 in an initiative for housing complexes. We recommend, as standard, mailboxes with slots large enough to accept Yu-Pack parcels with a thickness of 3.5cm and introduce manufacturers that make mailboxes for housing complexes that meet this standard on the Japan Post website.

Additionally, as an initiative for detached housing, we have started to install, as standard, home delivery boxes in houses built for sale in Koshigaya Lake Town in February 2017 that can accept home delivery parcels and registered mail with the cooperation of NASTA Co., Ltd. and Daiwa House Industry Co. Ltd.

● Receiving Service at Convenience Stores and Post Office Counters

Japan Post Co. has made it easier for more e-commerce businesses to use a mail receiving service at convenience stores and post office counters by teaming up with ECBEING CORP. in April 2016 and connecting with the Qoo10 Internet shopping mall run by the joint venture company Giosis in May 2016. FamilyMart convenience stores were added as a place to receive products purchased on

Rakuten's online shopping site in May 2016. Japan Post Co. is striving to vitalize the expanding e-commerce market and enhance customer convenience for receiving parcels.



● Expanded Post Office Features on LINE

Japan Post Co. has added more post office features to its LINE account (official account: *Yubinkyoku Posukuma*). In addition to a service enabling users to make New Year's postcards, it is now also possible to track Yu-Pack parcels, request mail redelivery and apply for parcel collection. Since redelivery and parcel collection services were previously only possible via telephone, the increased functionality on LINE has greatly improved convenience for customers.



Post office top screen on LINE

Created Basic Postage Fee for Yu-Packet (Size-based) ~Expanded Yu-Packet Service~

Japan Post's Yu-Packet service delivers mail to an individual's mailbox, making it easier to receive small parcels than with a home delivery service, and has thus been well received by many customers, particularly those engaged in Internet mail-order business. In an effort to make the Yu-Packet service easier for individual customers as well, we set up a tiered fee system for packages up to a thickness of 3cm and enabled posting in a postbox without the need for any procedures to be taken in advance.

Introduction of New Sized Cool Box for Cool EMS and Partial Revision to Fees for International Mail

The Cool EMS service is provided for small temperature-sensitive parcels by way of Express Mail Service (EMS) in response to demand. We introduced a new sized cool box that is bigger than previous sizes to accommodate customer requests to deliver larger items. In addition, we increased the number of post offices handling this service to 121 in 47 prefectures as of April 1, 2017. Fees for EMS and international surface (sea) parcel post in zone one (East Asia) were revised on June 1, 2016 to maintain stable service provision amid declining profitability caused by an increase in delivery costs paid to postal businesses overseas and domestic processing costs.



Conducted Trial of Japan Post Co.'s Health Promotion Service

Japan Post Co. conducted a trial for a health promotion service in Date City, Fukushima, from May to November 2016, with the aim to roll it out as a lifestyle service for elderly citizens using the post office network and as a community-based service.

The service supports the enhancement of people's health and helps build a society in which residents can live with vitality. By doing so, we aim to help extend a healthy lifespan and contribute to the resolution of issues concerning the aging society in Japan as well as energize and revitalize the region.

Japan Post Co. intends to improve the convenience of the service with a view to viable application based on the opinions of customers gained through the trial as well as the results.

Hometown Tax

Until March 2016, we provided a service in which we helped plan and procure thank-you gifts to people who donated to the local governments through the "Hometown Tax" (*furusato nozei*) system.

Since April 2016, we have been providing one-stop service from receipt of donation to delivery of the thank-you gift by linking with an exclusive site for the hometown tax.

Expanded Countries and Regions Handling International ePacket Light

International ePacket Light is designed mainly for cross-border e-commerce sellers. It permits confirmation of shipment status and postage items are delivered to the addressee's mailbox within around two weeks, making it suitable for light, relatively inexpensive content. We started this service on October 1, 2016 and increased the number of post offices handling it to 1,084 as of November 12, 2016. We currently began this service to 32 countries and regions from April 1, 2017.



Expanded Handling of Affiliated Financial Services

Japan Post Co. is steadily expanding the number of post offices handling various affiliated financial services so that more customers can use these. We have steadily increased the number of post offices offering Sumitomo Life's medical insurance with eased underwriting conditions from 1,000 to 1,467 since October 2016 (including one temporarily closed post office).

Going forward, we will respond to even more customer needs through local post offices.

Sales of Catalog Products

In terms of sales of catalog products, we deal in local foods delivered directly to our customer from the production area via Yu-Pack. In addition, we have been delivering JP Select's catalog nationwide featuring non-food items such as clothing and fashion accessories. In this way, we are selling products that meet various customer needs.

We also sold original framed stamps with the themes of cartoons, sports, vehicles, Japanese sites and seasonal traditions, including a 30-year anniversary framed stamp featuring Dragon

Quest and a framed stamp set featuring Mao Asada and Licca-chan dolls.



A framed stamp set featuring Mao Asada and Licca-chan dolls © TOMY

Cooperative Relationships

● Outline of Collaborative Promotion with the AEON Group

The AEON Group and the Japan Post Group entered into a comprehensive business alliance in 2006 and marked the 10th anniversary of this alliance in 2016. Both groups share the same values in terms of developing and administering community-based services and the alliance continues to move forward through the opening of post offices for AEON Group stores (16 post offices as of April 30, 2017).

● Implemented a Collaborative Project Related to Improving Service Quality at Vietnam Post Corporation

Japan Post Co. signed two consulting agreements with Vietnam Post Corporation on a project to improve post office operations in the Ho Chi Minh region and a project to formulate a plan to construct a new mail-sorting center. We sent experienced postmasters and other experts to the region and helped to improve the quality of post office operations and to formulate a future plan by utilizing the know-how of Japan Post Co. Going forward, we intend to cooperate in a variety of fields.



Operations following improvement



Guidance provided by experts



Guidance provided by experts

New Year's Postcards Initiatives

● Activities for 2017 New Year's Postcards

We started issuing inkjet printing New Year's postcards that are blank on the front and have Hello Kitty on the stamp part, which were well-received by customers.

In addition, *otoshidama* (New Year's gift money) stamp sheets provided as a prize have been restyled with a touch of pop culture in which the sheet resembles a picture book and a pair of roosters adorn the stamp part in keeping with the Year of the Rooster. The background boasts a vivid design using gold and silver while a special process has been used to cut out holes for the flower petals.

With a smartphone version of the postcard design kit, customers without a printer at home can print New Year's postcards on multifunctional copy machines at certain convenience stores while shopping which has increased convenience.

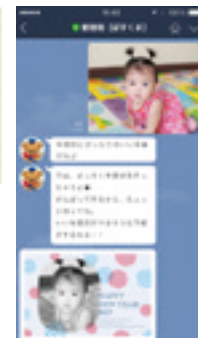
Once again this year, we provided a function allowing people to make a New Year's postcard soon after sending a photo to Japan Post's official LINE account, "Yubinkyoku Posukuma," and the service was highly popular among users.



Hello Kitty New Year's postcard
© 1976, 2017 SANRIO CO., LTD.
APPROVAL No. G580334



Otoshidama stamp sheet



Yubinkyoku Posukuma
©JAPAN POST Co., Ltd.

Real Estate Development Business

Japan Post Co.'s real estate business involves the development of office and retail properties for lease and residential properties for lease and sale. Our strategic initiatives include plans to make more effective use of our real estate and thereby improve profitability. In particular, we intend to redevelop some of our post offices, particularly those near central rail terminals in major cities.

In terms of retail building projects in our real estate business, KITTE, located in JP Tower, which opened in March 2013, has contributed to a more lively location in the Marunouchi area, Tokyo. KITTE Hakata, a large-scale retail building projects in front of Hakata Station, opened in April 2016 based on the theme "Anyone, Anytime, Every Day".

KITTE Nagoya, located in JP Tower Nagoya, has become a popular destination for local people from Nagoya thanks to a range of facilities offering exceptional convenience, including the Nagoya Central Post Office. The artwork GOLDFISH in the atrium has become a new meeting place for people and it has made a rather big splash on social network as well.

In terms of office properties, JP Tower (completed in May 2012), Sapporo Mitsui JP Building (completed in August 2014), Omiya JP Building (completed in August 2014), JP Tower Nagoya (completed in November 2015) and JRJP Hakata Building (completed in April 2016) are operating smoothly.

In terms of residential leasing, we completed and started operating the first series of rental housing JP noie Hatanodai in Shinagawa-ku, Tokyo, in May 2015, followed by JP noie Honhaneda in Ota-ku, Tokyo, in January 2016, and JP noie Nerima Nakamuraminami in Nerima-ku, Tokyo, in March 2017. Going forward, we plan push ahead with our real estate business not only for residential properties but also daycare facilities.

Our real estate business supports local communities turning shared visions into realities.



JP Tower



Event in the KITTE atrium



Event in the KITTE Nagoya atrium

(2) New Initiatives in the Fiscal Year Ended March 31, 2017 Collaborative Relationships

● Basic Agreement Related to Business Alliance with FamilyMart

In April 2016, we signed a basic agreement concerning a business alliance with FamilyMart Co., Ltd. We will make use of the infrastructure of both companies to provide even greater convenience for customers and contribute to the community.

● Started Looking into Collaboration Toward the Establishment of Social Infrastructure with Honda

Japan Post Co. and Honda Motor Co., Ltd. are pushing ahead with discussions aimed at contributing to the creation of a sustainable environment and will conduct demonstration testing on the use of environmentally responsible electric vehicles for postal delivery operations and charging stations at post offices.

Moreover, in order to maintain universally available services for postal businesses, the two companies will discuss how to secure a viable maintenance system and quality maintenance service.

Revision of Postage Fees

Aside from the period when the consumption tax was increased in the fiscal year ended March 2015, postage fees have remained unchanged for 23 years since the last revision in 1994 despite a continued decline in mail, with our efforts to enhance productivity and reduce costs through mechanization and other measures.

In recent years, however, the balance of payments in the postal business has worsened due to increasing personnel expenses per employee.

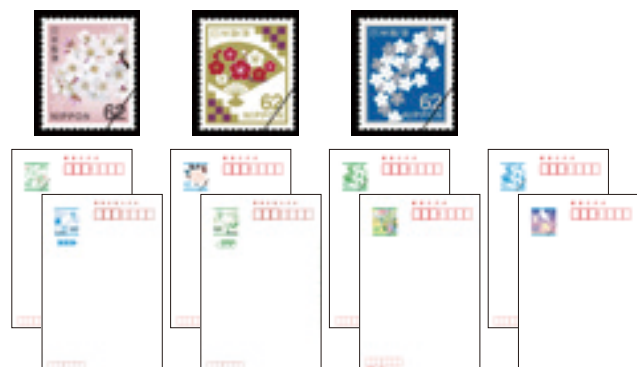
In addition, costs are increasing alongside an increase in large postal items due to the need for redelivery and to take the parcels back to the post office when residents are not at home.

In light of these circumstances, Japan Post Co. made the decision to conduct a partial revision of postage fees (fees for postcards excluding New Year's postcards and nonstandard-size items as well as freight cost for Yu-Mail) from June 2017 in order to maintain provision of stable services going forward, and in December 2016 we filed the notification of the fees with the Minister for Internal Affairs and Communications.

Announcement Related to the Issuance of Ordinary Stamps and Postcards with New Postage Fees

Japan Post Co. issued ordinary stamps and postcards at the new fee of ¥62 on May 15, 2017 in line with a revision of postage fees made on June 1, 2017.

The stamps and postcards are designed with Japan's nature as the theme.



Message Festa

We held an event called "Message Festa" in September 2016 and in February and March 2017, in which participants had the opportunity to experience the joy of letters. Over 100,000 customers had fun taking part in letter writing workshops, celebrity talk shows and commemorative photo sessions with Japan Post's *Posukuma* character and friends.



Letter Writing Workshop Program

Japan Post Co. distributed materials to elementary schools, junior high and high schools nationwide (including special support schools, etc.) that expressed interest in using the tools as part of experiential lessons in letter writing with the aim of encouraging communication between children by way of letter correspondence.

In the fiscal year ended March 31, 2017, approximately 2,780,000 elementary school students from around 12,300 schools, approximately 980,000 junior high schools students from around 4,100 schools and approximately 380,000 high school students from around 1,800 schools nationwide participated in the project.

Event Held on Letter Writing Day

Japan Post Co. held Letter Writing Day events at 27 AEON MALL locations nationwide in the fiscal year ended March 31, 2017 and at KITTE on July 23-24, 2017 with the aims of having Letter Writing Day (*Fumi no Hi*) on the 23rd of each month recognized by more people and building familiarity with writing letters.

Japan Post's character *Posukuma* and friends appeared in dance stage shows during one of the events held at AEON MALL Makuhashi Shintoshin on November 12 and 13, and mingled with the many visitors. A letter writing workshop was also conducted at the event and some of the parents, whose children participated, expressed how good it was to see their children trying hard to show their feelings through words and pictures.

Rolled Out Product Advertisements

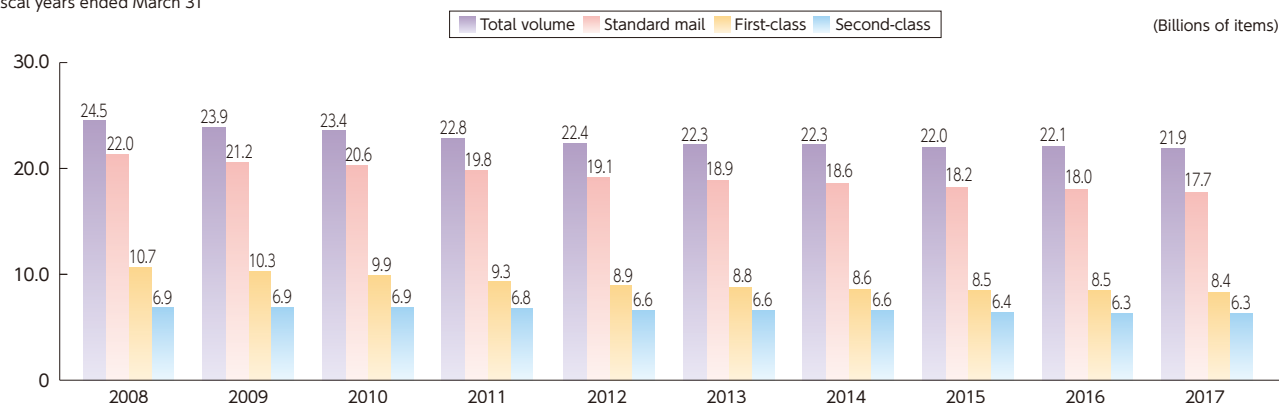
We rolled out a series of Yu-Pack advertisements (*Bakamajime na otoko*) featuring comedian Hitoshi Matsumoto and actress Tae Kimura. The advertisements have proven to be a hit, with each one featuring a different celebrity. In addition to Yu-Pack, we have also introduced advertisements for New Year's postcards and Japan Post's New Year's card printing service, for instance. Each commercial has ranked highly in likeability surveys. Our aim is to deploy advertising that makes an increasing number of people feel closer to our products and services.



③ Japan Post Co. Business Performance

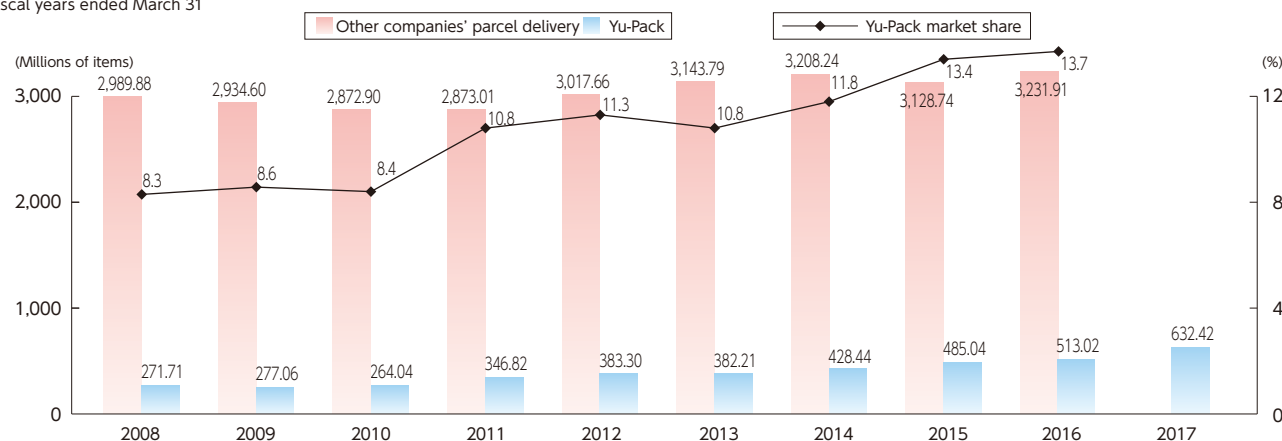
1 Total Consigned Volume of Mail

Fiscal years ended March 31



2 Yu-Pack and Other Companies' Parcel Delivery Volume and Market Share

Fiscal years ended March 31



Notes: 1. Fiscal year ended March 31, 2017 other companies' parcel delivery volume has not yet been announced (as of June 30, 2017).

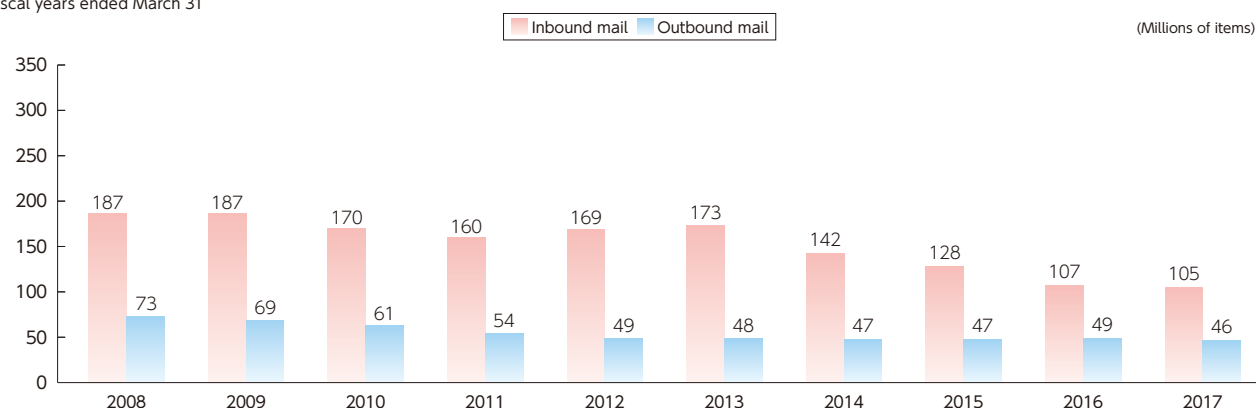
2. The number of Yu-Pack parcels includes EXPACK parcels.

3. The number of Yu-Pack parcels in fiscal year ended March 31, 2017 includes Yu-Pack parcels.

4. Data for the fiscal year ended March 31, 2008 to the fiscal year ended March 31, 2016 have been sourced from statistics published by the Ministry of Land, Infrastructure, Transport and Tourism.

3 Volume of International Mail

Fiscal years ended March 31



④ Japan Post Co. (Consolidated) Financial Highlights

In the postal and domestic logistics business, operating income was ¥1,929.9 billion and net operating income was ¥12.0 billion mainly due to an increase in income from mails handled as affected by the revision in postage fee discounts, etc., and an increase in income from Yu-Pack and Yu-Mail handled, despite negative factors such as a decline in the volumes of new year's postcards and international mails handled, as well as the impact of the distribution of mails related to the social security and tax number system in the previous fiscal year.

In the post office business, operating income was ¥1,386.4 billion and net operating income was ¥63.3 billion due to an increase in commissions for business consignment mainly because of an increase in new policy sales at Japan Post Insurance Co., and an increase in income from merchandising business, etc.

In the international logistics business, operating income was ¥644.4 billion and net operating income was ¥5.6 billion due to a poor performance in domestic business in Australia.

Consolidated Results of Operations

■ Operating income

(Year ended March 31, 2017)

¥3,758,970 million

■ Net operating income

(Year ended March 31, 2017)

¥53,430 million

■ Net ordinary income

(Year ended March 31, 2017)

¥52,221 million

■ Net loss attributable to Japan Post Co.

(Year ended March 31, 2017)

¥(385,235) million

■ Net loss per share

(Year ended March 31, 2017)

¥(38,523.56)

■ Diluted net income per share (Note)

(Year ended March 31, 2017)

—

■ Return on equity

(Year ended March 31, 2017)

(37.9)%

■ Net ordinary income / Total assets

(Year ended March 31, 2017)

1.0%

■ Net operating income / Operating income

(Year ended March 31, 2017)

1.4%

Note: Because there was no potential common stock, the amount for diluted net income per share is omitted.

Consolidated Financial Position

■ Total assets

(As of March 31, 2017)

¥5,091,375 million

■ Net assets

(As of March 31, 2017)

¥794,244 million

■ Equity ratio

(As of March 31, 2017)

15.5%

■ Net assets per share

(As of March 31, 2017)

¥79,086.81

(Reference)
Equity
As of March 31, 2017:
¥790,868 million

Results of Operations by Business Segment

Postal and domestic logistics business segment

■ Operating income

(Year ended March 31, 2017)

¥1,929,928 million

■ Net operating income

(Year ended March 31, 2017)

¥12,053 million

Post office business segment

■ Operating income

(Year ended March 31, 2017)

¥1,386,456 million

■ Net operating income

(Year ended March 31, 2017)

¥63,334 million

International logistics business segment

■ Operating income

(Year ended March 31, 2017)

¥644,416 million

■ Net operating income (Note)

(Year ended March 31, 2017)

¥5,642 million

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

3. Operations of Japan Post Bank Co.



Norito Ikeda

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

Message from the Company



I have spent one year as the head of Japan Post Bank Co. I would like to request your continued support for our endeavors to attain tangible growth, and consequently, greater corporate value.

Operating Performance for the Fiscal Year Ended March 31, 2017

For the fiscal year ended March 31, 2017, net income decreased by ¥12.8 billion year on year, to ¥312.2 billion. In the adverse business environment with yen interest rates remained at a low level, we experienced a decrease in net interest income. While net income decreased year on year, results were buoyed by such factors as an increase in net other operating income. Accordingly, net income exceeded our earnings forecasts of ¥300.0 billion by 4.0%, for the fiscal year ended March 31, 2017.

Japan Post Bank's Vision

Since having assumed the Bank's top position in April 2016, I have been steering the execution of our Medium-Term Management Plan while strongly calling for action on the part of executives and employees. I have been searching for an answer to the question of

how the Bank should look in its next stage. We have a number of competitors well-versed in business. Unless we are able to demonstrate our own unique presence, I feel a strong sense of danger about the possibility that we could become a "bank adrift," having the licenses to operate but no distinguishing characteristics. Thus, I decided to examine our strengths and weaknesses, find a future direction that ensures our sustainable growth and start moving toward that direction.

I believe the Bank's strengths are twofold. First, we have extensive operations covering locations throughout Japan and an extremely large base of account-holding customers. Second, we have in place an unparalleled financial infrastructure (backbone) to support transactions, comprising a nationwide post office network, ATM network and IT system, and back-office operations. Deliberations with the management team on how to leverage these strengths resulted in three pillars for business development: Customer-oriented financial services, Funds flow to regional communities, and Sophistication and diversification of investment management. We recognize that these three pillars represent a key driver of our business, and I believe my duty is to guide our proactive business promotion efforts based on this recognition.

Pillar 1: Customer-Oriented Financial Services

In the current low interest-rate environment, customers are calling for more sophisticated financial services and looking for greater levels of convenience, like those offered through FinTech (the fusion of financial services and technology). We will respond to these needs with two clear measures: supporting asset building and expanding settlement services.

In order to support customers' asset building efforts, we will first concentrate on offering products that are simple and easy to understand even for customers who are considering undertaking an investment for the first time and extending the target of our marketing operations to a broader group of people. Second, we will strengthen initiatives involving the Nippon Individual Savings Account (NISA) and the installment-type NISA scheduled for introduction in January 2018. Finally, we will enhance our product lineup for experienced individual investors. Amid the trend from savings toward asset-building, customers' asset building needs are clearly growing, and we have great expectations that this market will grow. We will collaborate more closely with post offices and nurture the investment trust sales business as another major source of revenue.

Looking next at settlement services, we will promote the expansion of an immediate transfer service. Simultaneously, in response to the growing needs for cashless transactions, we have also begun conducting experimental settlements of a prepaid Visa card called "mijica" in Sendai and Kumamoto with a plan to gradually expand the service area. Furthermore, aiming to enhance customer convenience, we have obtained regulatory approval of overdraft services on June 19, 2017. We intend to expand our fee businesses through these measures.

Pillar 2: Funds Flow to Regional Communities

The Bank's ongoing existence would be impossible in the absence of regional development. We need to find effective ways to circulate the deposits resulting from the careful savings of people and to contribute to the vitalization of regional economies. Thus, we have selected circulation of funds as our second pillar. We will strengthen our ongoing efforts to promote financing to local governments and PFI (private finance initiatives). As a new means of facilitating funds circulation, we have decided to participate in several regional funds, including "Kyushu Wide Area Reconstruction Assistance Investment Limited Partnership". In the future as well, we will proactively participate in funds to finance business succession and entries into new business fields by local companies. To do so, we need to uphold our philosophy of "co-work and co-sourcing" with regional financial institutions and must make efforts to deepen communications with them.

Pillar 3: Diversification and Sophistication of Investment Management

The Bank engages in asset liability management (ALM) in response to the changing market environment. In broad terms, the Bank's ALM strategy is based on the two pillars of a "base portfolio" that seeks to secure stable earnings by investing mainly in Japanese government bonds, and a "satellite portfolio" that pursues higher returns predominantly through the allocation of global assets.

Due to persistent historically low yen interest rates, investment gains from the base portfolio are tapering off, and we have aggressively shifted toward global asset allocation. As a result, the satellite portfolio balance increased from ¥61.5 trillion as of March 31, 2016, to ¥70.4 trillion as of March 31, 2017. We aim to form a portfolio that allows us to ensure stable earnings in the long term by expanding into the field of alternative investments, a new investment method targeting unconventional assets, such as private equities. Moreover, in addition to the instruments to hedge interest rate and foreign exchange risks, we have also obtained regulatory approval of methods of hedging credit risks.

Accelerating Our Expansion of ATM Installations

We initiated phased installation of our new, compact ATMs in convenience stores operated by our business partner FamilyMart. We will also push ahead with deployment of these new ATMs and redeployment of the existing ATMs to highly convenient locations. Anticipating an increase in foreign tourists, we added new functions, such as 16-language compatibility. In July 2017, we installed our compact ATM in the new headquarters of Shonai Bank in Tsuruoka City, Yamagata Prefecture, which is the first time to do so in another financial institution. We expect to respond to foreigner use, which is growing within Shonai Bank's service area.

Bolstering Our Business Foundation for Sustainable Growth

Dialogue with Shareholders

To build long-term relationships with shareholders and investors in Japan, we hold as many face-to-face meetings as can be allowed and briefings for individual investors at various locations around Japan. We also engage in bilateral communications with overseas investors at regular intervals, as we aim for overseas investors to hold our shares over the long term. We do our best to reflect the valued opinions of these shareholders and investors in our management, in an effort to further increase our corporate value.

Thorough Compliance

We conduct management based on the understanding that compliance is essential to a company's operations and work with Japan Post Co. to strengthen and enhance the internal control system. We will work to foster greater employee awareness not only of compliance but also of social common sense. We will continue to thoroughly enforce our compliance rules and establish an environment in which employees check each other for better compliance.

CSR (Corporate Social Responsibility) Initiatives

For the Bank, CSR means to attain sustainable growth by fulfilling customers' requests and society's needs. Accordingly, we undertake initiatives under the four activity themes of "reliable services," "environment," "diversity management" and "education."

Human Resource Development and Supporting Female Employees in the Workplace

Accumulating experience is the most important element of human resources development, and each employee needs to cultivate a field of expertise and establish his/her area of specialty. An important role of the management team in supporting such efforts is to foster communication in-house and provide greater motivation. Additionally, the Bank has set the numerical target of lifting the percentage of women in management employees to 14% or more by April 1, 2021. It is essential that achieving this target requires us to promote Work Style Reform. The entire Bank will work toward the target by fostering a system and corporate culture necessary to improve work efficiency.

In Conclusion

I have described a bank that leverages its strengths and outlined our vision for the future. It is crucial for us to take steady steps and unflinchingly perform each task because this is a long-term goal. We are determined to make constant and unfaltering management efforts while always keeping in mind that our stakeholders entrust the future of the Bank to us. I thank you for your continuous support and understanding.

Operations of Japan Post Bank Co.

Japan Post Bank Co. undertakes the banking business within the Japan Post Group.

The Bank provides a range of financial products and services through an extensive network of post offices and Japan Post Bank Co. branches.

Japan Post Bank Co. is dedicated to serving as “the most accessible and trustworthy bank in Japan,” with operations that are guided by the needs and wishes of our customers.

① Overview of Operations and Services

Main business lines of Japan Post Bank Co. are as listed below. At the end of March 2017, Japan Post Bank Co.'s total deposits from customers across Japan amounted to ¥179,434.6 billion.

(1) Deposits

We handle various types of deposits, including transfer deposits, ordinary deposits, ordinary savings deposits, time deposits, *TEIGAKU* deposits and separate deposits.

(2) Loans

We handle loans on deeds and overdrafts.

(3) Securities investment

We invest in Japanese government bonds, Japanese local government bonds, Japanese corporate bonds and other securities for accumulating payment reserves and for fund management.

(4) Domestic remittances

We handle remittances, fund transfers and transfers.

(5) Foreign remittances

We handle international remittances and provide foreign exchange services.

(6) Major associated services

* Agency services

- Services for the Bank of Japan as its revenue and government bond representative
- Handling public money for local governments
- Services under consignment from the Management Organization for Postal Savings and Postal Life Insurance
- Intermediary services for individual loans

* Counter sales of Japanese government bonds, investment trust products and insurance products

* Deposits for safekeeping

* Credit card services

* Operation and management of defined contribution pensions (only those related to individual annuities)

Note: The Management Organization for Postal Savings and Postal Life Insurance manages fixed-term deposits established prior to privatization. However, Japan Post Bank Co. is commissioned by that organization to handle withdrawals and other transactions.



② Initiatives of Japan Post Bank Co.

(1) Enhancing Products and Services Business Strategies (Super Regional & Super Global)

Japan Post Bank Co. employs a Super Regional & Super Global business model.

In addition to implementing regional approaches in tune with customers in every corner of Japan through the post-office network that covers the whole country, the Bank strives to ensure stable revenues through global investments as one of the largest institutional investors in Japan by increasing the level of sophistication of its investment on the basis of appropriate risk management.

● Strengthening Consultation-Based Marketing

In order to satisfy the diversifying asset management needs of customers, the Bank has been concentrating on enhancing its asset management product lineup and consultation-based marketing, and steadily expanding its asset management product balance. While doing so, we will work to establish and instill a way of business with a focus on fiduciary duty, which puts the interests of customers first, and propose asset management products, including investment trust products and variable annuity policies, matched to customers' asset management needs and investment experience.

● ATM Business Strategy

As for ATM operations, in addition to working on the strategic placement of ATMs, such as in highly convenient locations, the Bank has promoted its collaborations with regional financial institutions. As a result, ATMs of Japan Post Bank Co. now accept cash cards from all regional banks in Japan. Having also introduced in January 2017 compact ATMs with additional functions, such as 16-language compatibility, the Bank will make further progress in installing these compact ATMs in highly convenient locations, including in FamilyMart convenience stores nationwide, and aim to increase fee income going forward.

● 16 Language Options Provided by Compact ATMs

Our compact ATMs accommodate Japanese, English, Chinese (simplified characters), Chinese (traditional Chinese characters), Korean, Thai, Malay, Filipino, Indonesian, Vietnamese, French, German, Portuguese, Spanish, Russian, and Arabic.

● Revamping ATM Display

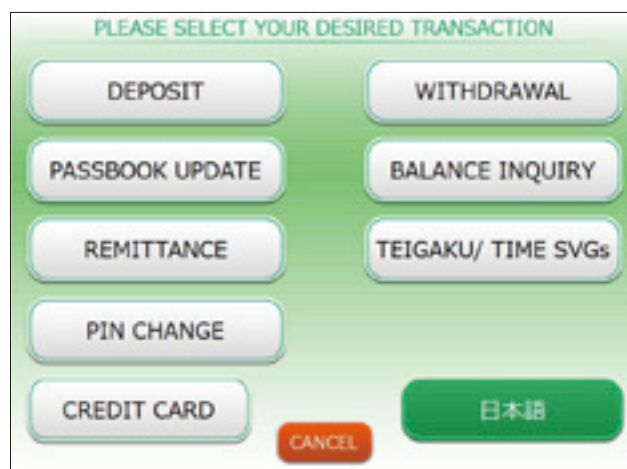
In January 2017, we adopted a color universal design*1 approach and revamped the design of the ATM display*2 accordingly. Our ATMs now ensure accessibility for many more customers, providing better readability and convenience.



Color Universal Design logo

*1 A color universal design is a design that takes into account the use of color to ensure readability for as many people as possible, regardless of individual differences in color perception.

*2 Excluding the guidance on available hours and fees



ATM display image (after revamping)

● Participating in Regional Revitalization Funds

Japan Post Bank Co. has decided to participate in the following funds*, with a view to forming an even deeper alliance with regional financial institutions and contributing to the development of the regional economy through collaboration and cooperation. By taking this opportunity, we will step up our ongoing efforts to make contributions to the regional revitalization and development.

* As of May 31, 2017

- Kyushu Wide Area Reconstruction Assistance Investment Limited Partnership
- Hokkaido Growth Companies Support Investment Limited Partnership
- KFG Regional Enterprise Support Investment Limited Partnership
- Chubu/Hokuriku Region Vitalization Investment Limited Partnership

● Further Strengthening Investment Structure

In order to increase the sophistication of our investment strategies as one of the largest institutional investors in Japan, we have been proactively recruiting external human resources with a high level of expertise in an effort to bolster our investment structure. Moreover, we are accelerating efforts to promote internationally diversified investment with consideration for risk diversification and aim to secure greater earnings by expanding our investment area to include alternative investments.

Increasing Security of Internet Banking Transactions

● One-time Password Authentication by Using One-time Tokens or E-mail

Japan Post Bank Co. is providing one-time password tokens free of charge to customers who use JAPAN POST BANK Direct.

The token is a small electronic device that displays a new one-time password every minute. The device provides an extra layer of security against cybercrimes that use malware to divert users to a fake website and steal personal identification numbers and passwords to gain illegal access to their bank accounts.

For customers who are not using the password token, we conduct user authentication by a one-time password sent via e-mail when they make an electronic fund transfer to an account of Japan Post Bank Co. or to an account of another financial institution.

We strongly recommend customers to register their cell phone and smartphone e-mail addresses in order to increase the level of security.

● Feature to Enable and Disable JAPAN POST BANK Direct

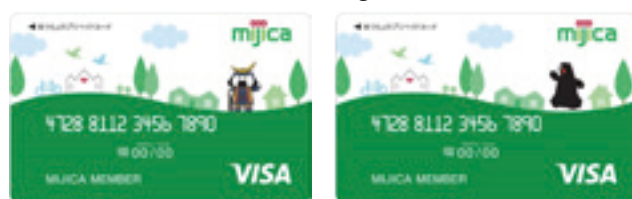
Customers can prevent illegal access by a third party to their JAPAN POST BANK Direct accounts by disabling these accounts when not in use and enable the service when conducting a transaction (excluding customers using the service from cell phones).

(2) New Initiatives in the Year Ended March 31, 2017

● Providing a Trial Settlement Service for “mijica,” a Local Version of the Visa Prepaid Card

In January 2017, Japan Post Bank Co. and Japan Post Co. started issuing “mijica,” a local version of the Visa Prepaid Card targeting a broad age group, at post offices handling this card and at the Bank’s branches in Sendai City and Kumamoto City. Through this service, we seek to contribute to the revitalization of the regional economy and promote cashless transaction settlement.

Card design



Sendai City

Kumamoto City

③ Asset Management

We implement expeditious risk management for the entire portfolio based on the economic conditions and monetary policies both in and outside Japan. In order to secure stable current profits, we continue to diversify risks and revenue sources through such measures as promotion of internationally diversified investments while performing appropriate risk control.

TOPICS

"Yu-chan" in Japan Post Bank Co.'s Corporate Advertisement

In June 2017, we launched the second nationwide corporate advertisement campaign on TV and other media, featuring Japanese actor Masahiro Motoki as our advertising character.

Masahiro Motoki once again acts as Yu-chan, a figurative character representing Japan Post Bank Co. and its aspiration to always remain by our customers' side.

The "Always Here into the Future" series is a story about a family and Yu-chan as their partner. In this series, he is too eager to remain by their side, sometimes annoying them. Yu-chan's bewildered reaction is comical but shows his caring for the family.

The "Always Here for Everyone" series depicts Yu-chan remaining by the side of everyone, regardless of nationality, gender and age. His cry from the bottom of his heart shows his wish to become a family with everyone.



"Always Here into the Future"



"Always Here for Everyone"

Providing Financial Education

We conduct school visits and provide financial lessons at elementary and junior high schools.

Utilizing proprietary teaching materials, we help nurture children the importance of financial management by giving them a sense of the value of money.

In the fiscal year ended March 31, 2017, we offered a total of 74 classes at 49 elementary and junior high schools.



Financial lesson held at a school



Student textbooks for each grade and allowance book (image)

Held the JAPAN POST BANK Piggy Bank Design Contest for Children

With the objectives of increasing children's interest in saving and fostering their artistic creativity by making piggy banks, we hold the JAPAN POST BANK Piggy Bank Design Contest for elementary school children. This contest was launched in 1975 to commemorate the 100th anniversary of the postal savings business, and we held the 41st contest in the fiscal year ended March 31, 2017.

For the 41st contest, we received 796,917 entries from 11,227 elementary schools across Japan. Among these piggy banks, which had already undergone judging at each school, 240 excellent works were picked in the primary judging using photographs. Winners of the Minister of Education, Culture, Sports, Science and Technology Award, Japan Post Bank Award, Post Office Award, Jury's Special Award and Amazing Design and Idea Award were then determined in the final judging of actual works.

Following the contest, an exhibition of the 240 award-winning works was held at seven venues across Japan in Tohoku, Kanto, Tokyo, Chubu, Kansai, Chugoku and Kyushu from December 2016 to February 2017.

Additionally, Japan Post Bank Co. donated ¥10 for every piggy bank entry received to the Japan Committee for UNICEF and the Japan International Cooperation Agency (JICA) (¥3,984,585 each, totaling ¥7,969,170). These donations are used to assist children suffering from poverty and illnesses in developing countries.



Minister of Education Award
"Wonderful World of Books"



JAPAN POST BANK Exhibition Award
"Vegetable Dinosaur"

Machiomoi® wa Hitoomoi Created Japan Post Bank Machiomoi Calendar 2017

We created our original Japan Post Bank Machiomoi Calendar 2017.

Starting with the 2013 edition, we have been creating this original series of calendars through a tie-up with the Machiomoi-cho* project. The theme, Machiomoi wa Hitoomoi (Love my hometown, love my people), represents our wish to be close to our customers and remain the most accessible and friendly financial institution in each community.

The calendar includes a section entitled "Welcome to Our Town. We are Machiomoi Post Office!" in which branch managers and postmasters of the post offices in towns featured in the calendar talk about the appeal and their feelings about their towns.

For the 2017 edition, we divided Japan into four blocks and created four calendars, one for each block. This upgraded edition covers all 47 prefectures in the country and evokes warm feelings in people seeing it, along with memories of towns that mean a lot to them.

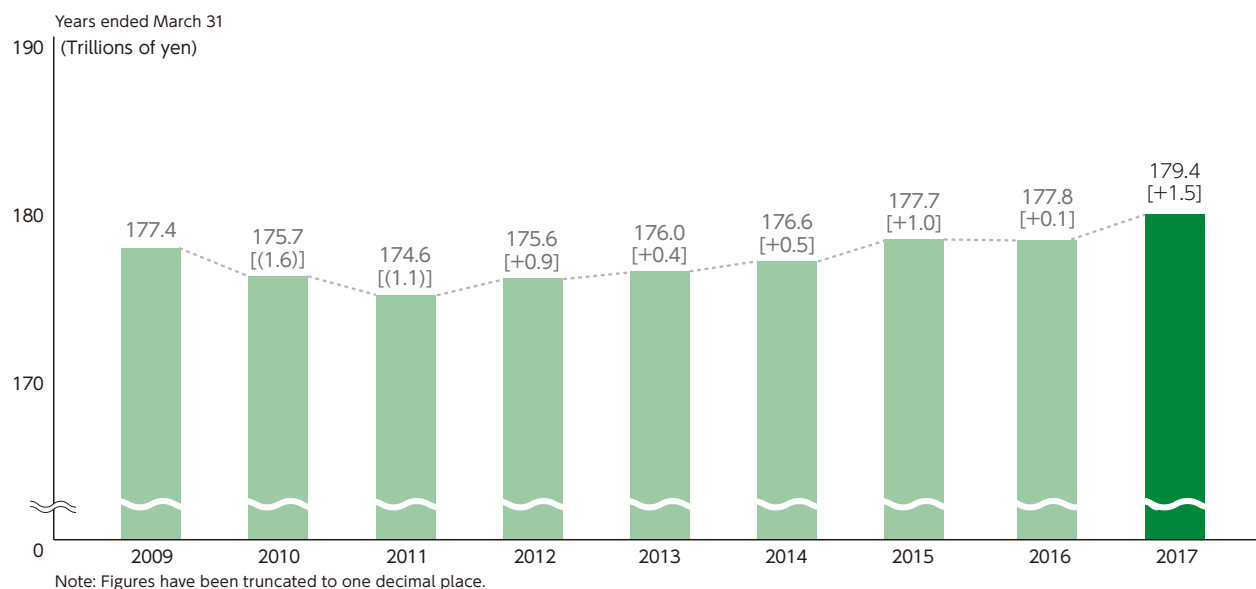
* Machiomoi-cho is a project in which creators in Japan use pictures, photographs, essays and videos to make "personal" memory books of their much-longed-for hometowns, towns in which they spent their school days or towns they now live in. These booklets and videos are displayed at exhibitions held at various locations in Japan.

Machiomoi-cho website: <http://machiomoi.net/> (in Japanese)

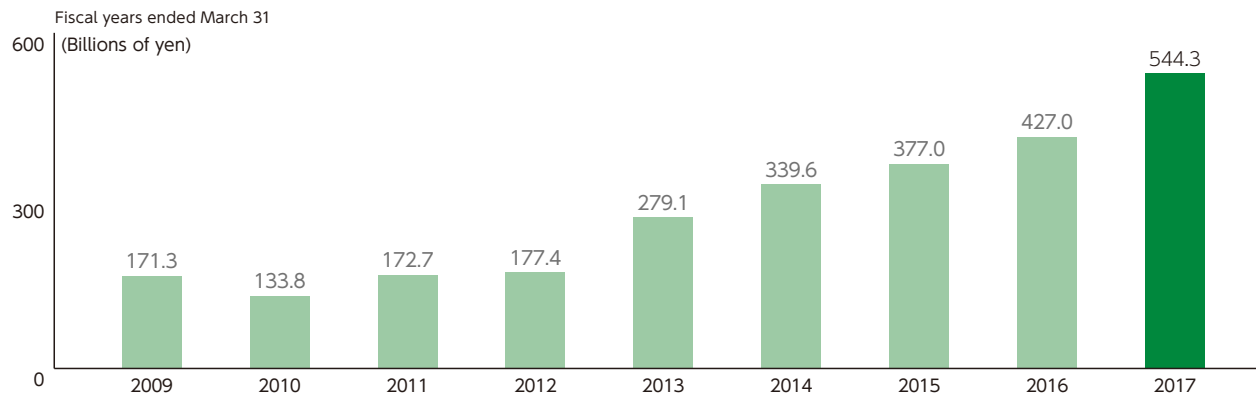


④ Japan Post Bank Co. Business Performance

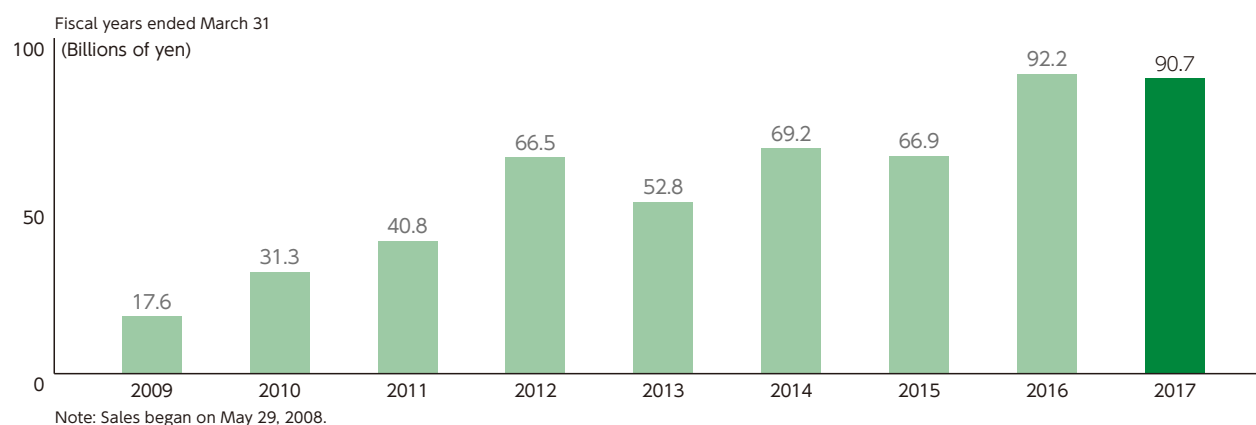
1 Deposit Balance



2 Investment Trusts Sales



3 Variable Annuity Policies Sales



⑤ Japan Post Bank Co. (Non-consolidated) Financial Highlights

As a result of efforts to strengthen its sales promotion capabilities in corporation with Japan Post Co., deposits at Japan Post Bank Co. totaled ¥179,434.6 billion. Ordinary income was ¥1,897.2 billion, net ordinary income was ¥442.0 billion and net income was ¥312.2 billion. Capital adequacy ratio (non-consolidated, domestic standard) was 22.22%.

Results of Operations

■ Ordinary income

(Year ended March 31, 2017)

¥1,897,281 million

■ Net ordinary income

(Year ended March 31, 2017)

¥442,085 million

■ Net income

(Year ended March 31, 2017)

¥312,264 million

■ Net income per share

(Year ended March 31, 2017)

¥83.28

■ Diluted net income per share (Note)

(Year ended March 31, 2017)

—

Note: Because there was no potential common stock, the amount for diluted net income per share is omitted.

■ Return on equity

(Year ended March 31, 2017)

2.6%

■ Net ordinary income/ Total assets

(Year ended March 31, 2017)

0.2%

■ Ordinary income/ Ordinary expenses

(Year ended March 31, 2017)

76.6%

Financial Position

■ Total assets

(As of March 31, 2017)

¥209,568,820 million

■ Net assets

(As of March 31, 2017)

¥11,780,037 million

■ Equity ratio (Note 1)

(As of March 31, 2017)

5.6%

■ Net assets per share

(As of March 31, 2017)

¥3,142.05

■ Capital adequacy ratio (non-consolidated, domestic standard) (Note 2)

(As of March 31, 2017)

22.22%

Notes: 1. Equity ratio = [Net assets / Total assets] × 100

2. Capital adequacy ratio (non-consolidated, domestic standard) is 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).

(Reference)

Equity

As of March 31, 2017:

¥11,780,037 million

4. Operations of Japan Post INSURANCE Co.



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

Message from the Company



We would like to express our deep appreciation for your kind support for Japan Post Insurance Co., Ltd.

Postal Life Insurance, first established in 1916, celebrated its 100th anniversary in 2016. We again would like to express our deepest gratitude to our stakeholders for the generous support that they have rendered to us over the years.

Review of the Year Ended March 2017

We are currently working on our medium-term management plan covering three years from the year ended March 31, 2016. This plan lays out the roadmap towards full-scale growth in these three years, through developing products and services that will further enhance our strengths, while establishing the financial management base which will be necessary for growth.

The fiscal year ended March 31, 2017 presented a harsh operating environment due to the effects of the prolonged low interest rate environment. However, through various campaigns and enhancement measures commemorating the 100th anniversary of Postal Life Insurance, we were able to work as one and make some concrete progress towards the achievement of this medium-term management plan.

With regards to products and services, we promoted an initiative called "Kampo Platinum Life Service" to offer elderly customer-friendly services that emphasize a sense of security and trust by improving contacts with all customers from the perspective of our customers.

Furthermore, as a response to the low interest rates in markets, we cancelled the sales of a part of our high-savings products, and amended overall insurance premiums in line with the decrease in interest rates in

markets and prolonged lifespans. The amendments included restricted increases for policies with increases in premiums, while premiums were reduced for policies mainly with enrollment at an advanced age and products primarily with death benefits.

With regard to administration and systems, we introduced the “paperless application” method in April 2016, which utilizes tablet-type portable devices for business, replacing conventional application procedures by paper. Moreover, we renewed our core IT system in January 2017. Through these changes, we have accelerated product amendments, while enhancing system quality, development productivity, and business efficiency. Furthermore, in March 2017, we officially introduced IBM Watson into our operations related to insurance claim payment examination operations in order to further enhance the quality of our claim payment operations as well as expedite our payments.

Also, alongside promoting diversity management that creates a diverse and inclusive working environment, we are also promoting reforms of the work style, in order for all employees to be highly motivated, as well as to achieve a working environment that grows together with the Company.

Aside from the above measures, we have also signed a comprehensive business alliance agreement with Dai-ichi Life Holdings, Inc. In the international life insurance business, a trilateral memorandum regarding the sales of life insurance at post offices in Vietnam was signed among the two companies and Vietnam Post Corporation, in April 2016. In the asset management business, we have implemented measures such as the shared utilization of asset management companies, and joint investments in growth areas. Furthermore, in the domestic life insurance business, we have collaborated with NTT DATA Corporation in March 2017 to organize the first business contest in Japan's life insurance industry.

Going forward, through complementing and fusing each other's strengths, we aim for sustainable increases in the corporate value of our companies.

Regarding the business results for the fiscal year ended March 31, 2017, a stronger collaboration with Japan Post Co., Ltd. led to an even higher number of new individual insurance policies compared to the previous fiscal year, which marked a record-high since privatization, and annualized premiums from new policies reached ¥507.9 billion (a 4.7% increase year on year) for individual insurance and ¥55.7 billion (a 12.4% increase year on year) for third-sector insurance; 2.44 million individual insurance policies were sold (a 1.8% increase year on year) for the total policy amount of ¥7,847.4 billion (a 9.5% increase

year on year).

Looking at consolidated profit and loss, ordinary profit amounted to ¥279.7 billion and net income attributable to Japan Post Insurance Co. amounted to ¥88.5 billion, which exceeded the previous year's level.

In addition, consolidated solvency margin ratio, an indicator of financial soundness, remains high at 1,290.6% despite being lower than the previous year due to the diversification of asset management and other areas. Internal reserves within liability, combined with contingency reserve and reserve for price fluctuations, amounted to ¥3,042.7 billion, and we thereby were able to secure a strong financial base.

We appreciate all those who supported us in the realization of these solid results.

Future Outlook

The fiscal year ending March 31, 2018 marks the final year of our medium-term management plan.

Based on our management policy of aiming for the “No. 1 Japanese insurance company selected by customers,” we strive to deliver insurance services as a means of security through the nationwide post office network to customers throughout Japan, and continue to protect the livelihood of each and every one of our customers by the power of insurance. We will continue our efforts so as to gain trust and confidence from our customers.

In April 2017, we announced a “Basic Policy for Customer-First Business Operations,” believing the continuation of efforts will lead to our goal of “customer-first business operations.” By offering easy-to-understand products and heartfelt services to all customers, thoroughly implementing heartfelt communication with a human touch and putting this into practice every day, we will work to earn an even greater sense of trust and familiarity from customers.

In addition, there have been astonishing advancements in financial technologies recently, including developments in big data utilization and AI technology. We will aim for the sophistication and the enhancement of efficiency of business processes by proactively introducing and leveraging these new technologies.

We will continue to work, with all our employees united, toward contributing to the regional societies focusing on our network of post offices and toward the corporate vision of aiming to be the “No. 1 Japanese insurance company selected by customers” to stay trusted and loved by our customers for centuries to come.

In all our endeavors, we request and appreciate your continued support.

Overview of Operations

Japan Post Insurance Co. undertakes the insurance business within the Japan Post Group.

The company provides definitive security through agents (the post offices) as well as directly managed sales offices (branches). The management philosophy of Japan Post Insurance Co. is “Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.”

① Overview of Insurance Products and Services

Provision of Insurance Products and Services

Japan Post Insurance Co. carries on the social mission of Postal Life Insurance* the same as prior to the postal privatization to “provide basic coverage for the people of Japan with insurance using simple procedures” through the provision of easy-to-understand and easy-to-use products and services developed from a customer standpoint.

Life insurance contracts with Japan Post Insurance Co. following privatization differ from those prior to privatization in that there is no payment guarantee from the government. As with other life insurance companies in Japan, however, a policyholder protection scheme provides a certain degree of protection.

● Agents

Japan Post Insurance Co. utilizes a nationwide supply network of the post offices operated by Japan Post Co. to provide simple and easy-to-understand products in small amounts and through simple procedures, along with associated services. These products and services provided via post offices primarily target individuals and households.

Japan Post Insurance Co. has also established Agency Relations Divisions for 76 directly managed sales offices (as of March 31, 2017) to support sales promotion, training and development, and administrative affairs.

In addition, leveraging our unique features, we work with Japan Post Co. to develop products that meet customers' needs, develop new markets and service channels and upgrade sales processes.

● Directly-managed wholesales channel

Whole Sales Divisions of our directly-managed offices are placed in 76 major cities nationwide (as of March 31, 2017), where they provide our products and services primarily to the corporate and worksite market including small and medium-sized companies, and also handle other life insurance companies' products for corporate customers.

In order to respond to the needs of our customers, which are becoming more diverse, we monitor market trends, accumulate extensive sales know-how and build an effective sales framework through this sales and service channel.

* The Management Organization for Postal Savings and Postal Life Insurance manages Postal Life Insurance policies taken out prior to the postal privatization. Japan Post Insurance Co. has been entrusted with administrative affairs by this organization but has outsourced some of those operations to Japan Post, allowing premiums to be paid and benefits collected through post office offsite sales personnel and counter services.

② Initiatives of Japan Post Insurance Co.

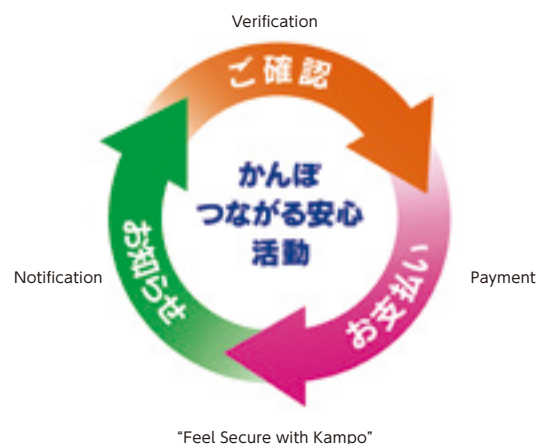
(1) Enhancing Products and Services "Feel Secure with Kampo" Activities

Japan Post Insurance Co. is engaging in "Feel Secure with Kampo" activities to meet with customers directly and provide a range of services in order to further increase customer satisfaction and trust.

In the "Feel Secure with Kampo" activities launched in the fiscal year ended March 31, 2016, we visit each customer to verify the details of policy coverage, any claimable insurance benefits and other information on the policy contracts they hold.

To ensure that customers receive insurance and/or other benefits easily and accurately, we advise them of the procedures for designating a bank account for receiving benefits and the system for payment claim by a designated proxy to enhance our customer service.

We will continue to enhance collaboration with Japan Post to bring even greater satisfaction to our customers.



Promotion of Kampo Platinum Life Service (Service Focusing on Elderly Customers)

● The Intent and Purpose of the Kampo Platinum Life Service

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

This initiative aims to provide products and services matched to the needs of elderly customers. Under the initiative, we intend to encourage improvement whenever we interact with customers and build a business model that is friendly to elderly customers.

● Main Activities

Extended the upper age limit of our endowment insurance and whole life insurance

We extended the upper age limit of our endowment insurance (*Shin Free Plan*) and whole life insurance (*Shin Nagaiki Kun*) in 2015 to encourage the enrollment of customers at older ages.

Provision of free telephone consultation service for policyholders

We offer a free telephone consultation service on health, medicine, nursing and "taxes in life" for the policyholders and insured persons of our life insurance and Postal Life Insurance policies and their families.

かんぽ プラチナライフサービス

Logo mark shared within Japan Post Insurance

かんぽ生命では、ご高齢者にやさしい商品・サービスを提供しています。

2015年4月2日から、新設老保・特別老保の加入年齢範囲を拡大しました。

「新フリープラン(普通老保)」が
「80歳」の方まで、ご加入いただけるようになりました!

加入年齢 0～75歳・0～80歳

2015年9月2日から、新設老保の加入年齢範囲を拡大しました。

「新ながいきくん(定期型)」が
「85歳」の方まで、ご加入いただけるようになりました!

加入年齢 満15～65歳・満15～85歳

お客様のくらしを応援する
電話相談
サービスのお知らせ

かんぽ 健康・医療・介護相談ダイヤル

0120-445-770 (無料)

かんぽ くらしの税 情報ダイヤル

0120-565-088 (無料)

ご利用できる方

ご相談事項

Efforts when explaining our insurance products

When explaining our products to elderly customers, we try to explain in an attentive and easy-to-understand manner. We are carrying out initiatives such as asking customers aged 70 or older to have a family member or equivalent present when listening to an explanation of our insurance and products, and sending written guidance after enrollment so that the policyholder can reconfirm the details of the insurance policy.

Publishing of videos on care skills

Aiming to prevent injuries and other accidents before they happen to elderly people, we publish videos on care skills on our website and our official "Kampo Platinum Life Service" YouTube channel.

Publishing of an information magazine for elderly customers

Twice a year, we publish an information magazine for elderly customers titled "Kampo Platinum Life Service" with tips for everyday life.

This magazine is available at post offices and on our website.

Operation of a dedicated call center for elderly customers

We operate a dedicated call center for elderly customers where operators trained on how to attend to elderly customers directly answer calls via an exclusive toll-free telephone line.

Efforts for simpler, more legible and easier notifications

We have made improvements to various notifications and guides for customers on an item-by-item basis. In addition to these improvements, we formulated the "Internal Guidelines for Preparing Guides for Elderly Customers" to be shared within our company, and made revisions in accordance with these guidelines to make those guides simpler, more legible and easier especially for elderly customers to understand.

As a brochure that is more legible and easier for elderly customers to understand, the "Insurance Policy Handbook" enclosed in the "Certificate of Premium Payment and Notice of Policy Details" delivered in October 2016 acquired the certification of Universal Design Verified by Elderly Users from JITSUKEN, a nonprofit organization certified by the Cabinet Office.

For three consecutive years from the fiscal year ended March 31, 2015, the handbook also acquired the Certificate of Color Universal Design from the Color Universal Design Organization, a nonprofit organization, as it was created to achieve the best effect in terms of coloring and lettering size.



Dedicated call center for elderly customers
 (Only available in Japanese)

0120-744-552

Service hours
 Weekdays: 9:00 to 21:00
 Saturday, Sunday and holidays: 9:00 to 17:00
 (Excluding the period from January 1 to January 3)



"FY2015 Insurance Policy Handbook" prepared in accordance with the "Internal Guidelines for Preparing Guides for Elderly Customers"



Certificate of Color Universal Design



Certificate of Universal Design Verified by Elderly Users

Encouraging employees to acquire qualifications

From the perspective of enhancing customer services, we encourage employees to acquire qualifications as a Dementia Supporter, a Carefitter, or a Gerontology Expert (persons who have passed the Gerontology Literacy Test).



Carefitter training

Holding free seminars on the use of tablet devices

For the purpose of improving the quality of life of elderly people through the acquisition of IT skills, we have held free seminars on the use of tablet devices for elderly people since 2015 in a tie-up with various regional nonprofit organizations in Sendai and other Tohoku areas as well as Tokyo and Kumamoto.



At a seminar in March 2016 in Koriyama City, Fukushima Prefecture

(2) New Initiatives in the Year Ended March 31, 2017

Renewal of the Core IT System

The core IT system which is at the center of the Japan Post Insurance system was renewed and began service successfully in January 2017. Our system is a massive system that manages approximately 20,000 post offices and approximately 35 million policies in force, and the core IT system is the central system that handles primarily the management of policy information.

Through the renewal of the core IT system, we have enabled the enhancement of system quality, development productivity and the reduction of system-related expenses and others.

Initiatives Utilizing IBM Watson

On March 21, 2017, Japan Post Insurance Co. introduced support for claims examination staff utilizing IBM Watson® ("Watson") with the aim of enhancing customer service and improving the operational efficiency of our insurance claim payment examination operations.

In the area of decision support for claims examination staff utilizing Watson, when Watson is asked about cases where claims examination staff face difficulties in making a decision, the system presents results of estimations for payment decisions based on learned results and past cases with certainty factors for reference purposes. As a result, claims examination staff are able to reach an examination decision based on the data presented by Watson. Therefore, even staff with relatively little experience will be able to make decisions over cases with a high degree of difficulty that up to now have been dealt with by highly experienced staff.

We anticipate that support for examination decisions utilizing Watson will reduce the time required to make these decisions, resulting in the prompt payment of insurance claims and improved operational efficiency. Furthermore, utilizing the experience and knowledge gained within Watson will not only lead to improved examination quality but will also lead to the promotion of work style reforms among claims examination staff by creating downtime.

Additionally, from April 2017, we introduced Watson to call center operations utilizing the expertise gained from the introduction of Watson to insurance claim payment examination operations, with the aim of further improving the quality of our services through the sophistication of our response to customers.

Business Alliance with Dai-ichi Life Holdings, Inc.

On March 29, 2016, we reached a basic agreement to form a strategic business alliance with Dai-ichi Life Holdings, Inc. (Dai-ichi Life Holdings), in the three areas of international life insurance business, asset management business, and joint research in the new product and IT fields as pillars of the alliance.

The Alliance will complement and merge each company's expertise, leading to a sustainable enhancement of corporate values of the two companies. Through an improvement in quality of products and services, it will also contribute to a development of local communities throughout Japan. Finally, it will accelerate penetration of life insurance products in overseas markets, leading to a development of society and economy in these countries.

International Life Insurance Business

On April 19, 2016, Japan Post Insurance, Dai-ichi Life Holdings, and Vietnam Post Corporation signed a memorandum with regard to their trilateral collaboration in sales of life insurance in Vietnam.

We are considering specific collaborative measures taking advantage of our knowledge in the support of post offices so as to spread and penetrate life insurance services within Vietnam as well as to contribute to the development of the Vietnamese society and economy.

We are also actively promoting the exchange of human resources, including visits and observation tours by officers and employees of the Company and Vietnam Post to each other's bases (head offices and post offices).



Asset Management Business

For the purpose of diversifying asset management strategy to secure profitability, we proceeded with the joint utilization of an asset management company that is an affiliate of The Dai-ichi Life Insurance Co., Ltd. (Dai-ichi Life), and also carried out joint investment in a photovoltaic power generation business (mega solar business) in Japan.

Furthermore, in order to strengthen asset management administration service platform, on October 20, 2016, Dai-ichi Life transferred 7% of outstanding shares in Trust & Custody Services Bank, Ltd. ("TCSB"), an affiliate of Dai-ichi Life, to Japan Post Insurance which consigns asset administration services to TCSB.

Joint Research on Domestic Life Insurance Business

Japan Post Insurance and Dai-ichi Life are undertaking joint research in view of product development and deployment of IT technologies in order to pursue future growth in domestic life insurance market and to improve quality of products and services.

As part of these efforts, Japan Post Insurance, Dai-ichi Life and NTT DATA Corporation held a business contest on March 22, 2017 for the purpose of creating new insurance products and services that will lead to an enhancement of QOL (Quality of Life) and an extension of the healthy life expectancy. By advancing initiatives to create innovations in life insurance business, we will work to resolve social issues such as extending the healthy life expectancy of Japanese citizens.



③ Investment Policies of Japan Post Insurance Co.

Japan Post Insurance's operations are based on the concept of asset liability management (ALM) in order to maintain sound management and ensure the payment of insurance claims and others.

Specifically, the approach is to match assets with liabilities, with a focus on yen-denominated interest-bearing assets with a

high affinity to the characteristics of liabilities, and investments in risk assets such as foreign securities and stocks under appropriate risk management.

Japan Post Insurance Co. aims to enhance profitability by strengthening the investment divisions and accelerating the diversification of asset management.

Life is Full of Dreams

With the tagline "Life is Full of Dreams," we put up corporate ads that encourage all people who are moving forward in their lives.

Featuring actress Mitsuki Takahata as its spokesperson, our series of corporate ads, titled "What's coming next?" and "The future of this country children are seeing" have aired nationwide on TV since September 2016 and March 2017, respectively.

"The future of this country children are seeing" corporate ad depicts a world full of dreams as seen from the viewpoint of children and conveys the message "When you become an

adult, you are bound by common sense and how things should be, and tend to forget that within everyone lies the heart of a child. If you lived like you did back then once more, the world would definitely be more fun."

The corporate ads have been extensively placed in various media, including posters at post offices nationwide, transit ads mainly in the Tokyo metropolitan and Kansai areas, as well as website ads.

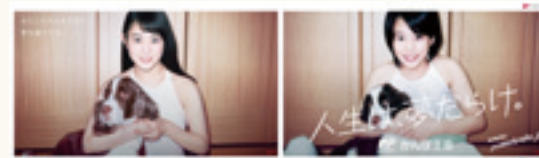
Through the corporate ads, we spread our wish to support the lives of our customers and other people living in regional societies by always being close at hand.



Poster



Corporate TV commercial "The future of this country children are seeing"



Transit ad

"Full of Dreams" Caravan

To deliver the corporate message of "encouraging those who take on the challenges toward achieving their dreams" on a continuing basis and from many angles, we have some of Japan Post Group's employees and their families who work enthusiastically toward their dreams appear in corporate ads (magazine and website ads).



*The information displayed is as of the time of filming.

TOPICS

JAPAN POST INSURANCE Presents DREAMS COME TRUE Concert Tour 2017/2018 and JAPAN POST INSURANCE Presents DREAMS COME TRUE Concert Tour 2017/2018 —Dreams Come True Evening— Special Sponsorship

We are sponsoring the special concert tour “Japan Post Insurance presents DREAMS COME TRUE Concert Tour 2017/2018” and “Japan Post Insurance presents DREAMS COME TRUE Concert Tour 2017/2018 —Dreams Come True

Evening—” by DREAMS COME TRUE, a popular J-POP group among people of all age groups.

Through this sponsorship, we would like to deliver dreams to everyone.



KAMPO DREAM THEATER, Sponsorship of the Takarazuka Revue

As one of our cultural activities, we sponsor the Takarazuka Revue's 2017 performances by the Snow troupe: Musical Comedy “The Sun in the Last Days of the Shogunate” and Show Spirit “Dramatic ‘S!’” as we did in 2015 and 2016.

Through the sponsorship of the performances of the Takarazuka Revue, we wish to deliver dreams to the audiences at these performances.



©Takarazuka Revue Company

Sponsorship Contract with Female Professional Golfer Momoko Ueda

Since March 2015, we have been under a three-year sponsorship contract with Momoko Ueda, a professional golfer. Her committed efforts to making her dreams come true led to the sponsorship. Ms. Ueda has competed in various golf tournaments armed with a cap, golf clothing and a golf bag bearing the name of Japan Post Insurance.

Special Sponsorship of Student Music Concours of Japan

To develop a music culture and support students who are taking on the challenge of pursuing their dreams, we sponsor the Student Music Concours of Japan.

This competition nurtures an appreciation of music and helps improve performance techniques. Through a fair screening process, young talents who can perform on the global stage are discovered, thereby contributing to the development of music culture.



JAPAN POST INSURANCE presents NHKSO Beethoven 9th Special Concert

With the aim of supporting cultural activities, we sponsored the NHK Symphony Orchestra (NHKSO) Beethoven 9th Special Concert (Suntory Hall, Minato-ku, Tokyo) on December 27, 2016. NHKSO was formed around 90 years ago and is highly renowned for its excellent performances across the world.



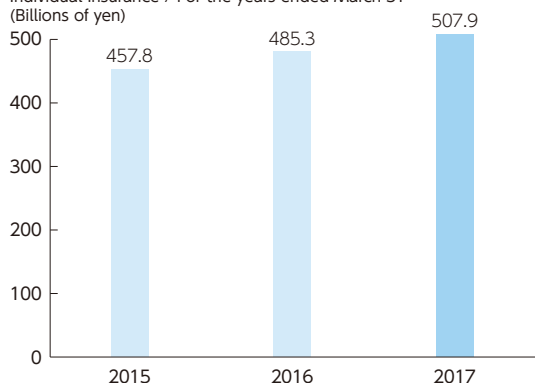
© NHK Symphony Orchestra, Tokyo
At NHKSO Beethoven 9th Special Concert

④ Japan Post Insurance Co. Business Performance (Non-Consolidated)

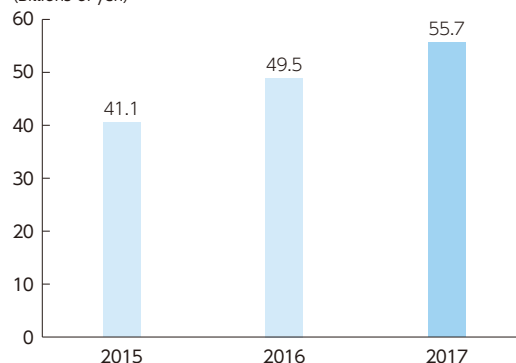
1 Insurance Policies

■ Annualized Premiums – New Policies

Individual Insurance / For the years ended March 31
(Billions of yen)



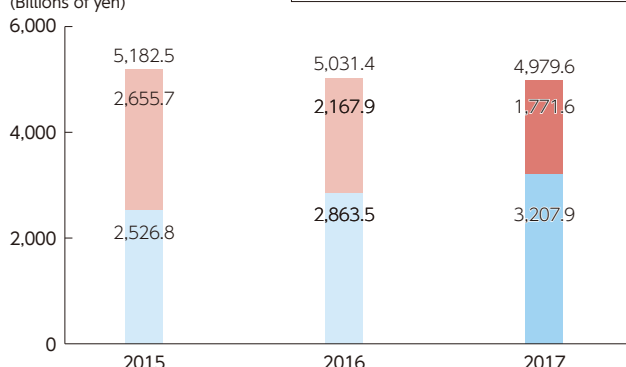
Third-Sector / For the years ended March 31
(Billions of yen)



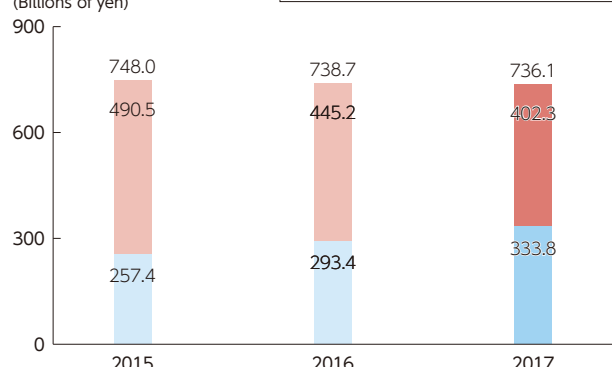
Note: "Third-sector" includes medical benefits (including hospitalization and surgery benefits).

■ Annualized Premiums – Policies in Force

Individual Insurance / As of March 31
(Billions of yen)



Third-Sector / As of March 31
(Billions of yen)



Notes: 1. "New Classification" indicates policies in force underwritten by Japan Post Insurance Co., whereas "Old Classification" indicates Postal Life Insurance Policies (individual insurance policies are limited to Postal Life Insurance Policies) which Japan Post Insurance Co. has received from the Management Organization in the form of reinsurance.

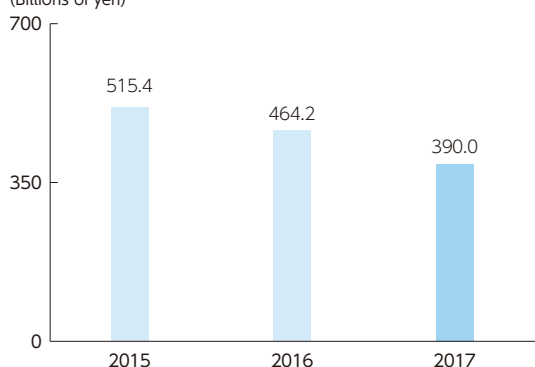
2. Regarding Postal Life Insurance Policies which Japan Post Insurance Co. has received from the Management Organization in the form of reinsurance, the annualized premiums under "Old Classification" are calculated based on the same methods used to calculate annualized premiums of individual insurance policies and individual annuities underwritten by Japan Post Insurance Co.

3. "Third-sector" includes medical benefits (including hospitalization and surgery benefits) and living benefits (including specified diseases and nursing care benefits).

2 Sound Management Indicators

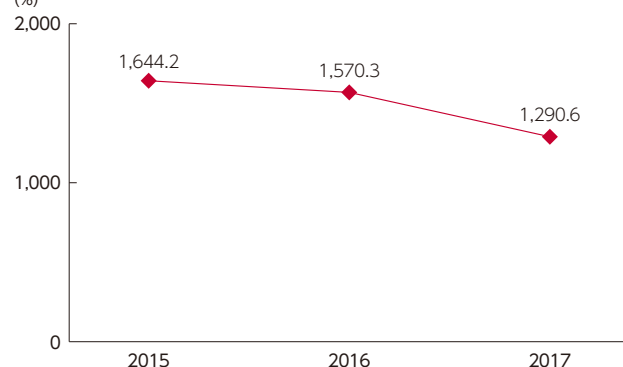
■ Core Profit

For the year ended March 31
(Billions of yen)



■ Consolidated Solvency Margin Ratio

As of March 31
(%)



⑤ Japan Post Insurance Co. Financial Highlights (Consolidated)

As a result of efforts to strengthen its sales promotion capabilities in corporation with Japan Post Co., new insurance policies for individuals totaled 2.44 million. Ordinary income was ¥8,659.4 billion, net ordinary income was ¥279.7 billion and net income attributable to Japan Post Insurance Co. was ¥88.5 billion. Insurance premiums amounted to ¥5,041.8 billion, while internal reserves (contingency reserve and reserve for price fluctuations) totaled ¥3,042.7 billion, and a consolidated solvency margin ratio was 1,290.6%.

Consolidated Results of Operations

■ Ordinary income

(Year ended March 31, 2017)

¥8,659,444 million

■ Net ordinary income

(Year ended March 31, 2017)

¥279,755 million

■ Net income attributable to Japan Post Insurance Co.

(Year ended March 31, 2017)

¥88,596 million

■ Net income per share

(Year ended March 31, 2017)

¥147.71

■ Diluted net income per share (Note)

(Year ended March 31, 2017)

—

■ Return on equity

(Year ended March 31, 2017)

4.7%

■ Net ordinary income/ Total assets

(Year ended March 31, 2017)

0.3%

■ Net ordinary income/ Ordinary income

(Year ended March 31, 2017)

3.2%

Note: Because there was no potential common stock, the amount for diluted net income per share is omitted.

Consolidated Financial Position

■ Total assets

(As of March 31, 2017)

¥80,336,760 million

■ Net assets

(As of March 31, 2017)

¥1,853,203 million

■ Equity ratio

(As of March 31, 2017)

2.3%

■ Net assets per share

(As of March 31, 2017)

¥3,089.81

(Reference)

Equity

As of March 31, 2017:

¥1,853,203 million

5. Other Businesses

① Hospital Business

Japan Post Holdings has established seven Teishin Hospitals around Japan as corporate hospitals of the Japan Post Group. Teishin Hospitals are open for the use of any member of the public, as well as Group employees and their families, and they provide medical services and medical check-up services, which contribute to the health of everyone in the community. Please refer to page 85 for details including locations.

Notably, Tokyo Teishin Hospital has 477 sickbeds and advanced medical equipment to organize a structure required for providing advanced medical care, and approximately 7,900 people utilized medical check-up services during fiscal year ended March 31, 2017. The hospital also has a palliative care unit to provide cancer patients with relief from physical and mental pain so that they can spend valuable time with their family in the most comfortable way as possible.

List of seven Teishin Hospitals nationwide



Tokyo Teishin Hospital Departments

Internal medicine, endocrinology/metabolism, hematology, neurology, infectious diseases, cardiology, nephrology, gastroenterohepatology, respiratory diseases, psychiatry, surgery, gastroenterological surgery, respiratory surgery, neurosurgery, orthopedics, gynecology, pediatrics, ophthalmology, dermatology, plastic and reconstructive surgery, urology, otolaryngology, radiology, rehabilitation, anesthesiology, palliative care, dental/oral surgery, emergency, pathology



Hiroshima Teishin Hospital Departments

Internal medicine, surgery, obstetrics and gynecology, pediatrics, ophthalmology, orthopedics



Fukuoka Teishin Hospital Departments

Internal medicine, gastroenterohepatology, cardiology, surgery, gynecology, pediatrics, ophthalmology, dermatology, otolaryngology, orthopedics, radiology, anesthesiology



Toyama Teishin Hospital Departments

Internal medicine, surgery, gynecology, ophthalmology, orthopedics



Kagoshima Teishin Hospital Departments

Internal medicine, gastroenterohepatology, gastroenterological surgery, liver internal medicine, liver surgery, surgery, gynecology, ophthalmology, proctology



Nagoya Teishin Hospital Departments

Internal medicine, respiratory diseases, geriatrics, surgery, urology, obstetrics and gynecology, pediatrics, ophthalmology, dermatology, otolaryngology, orthopedics



Kyoto Teishin Hospital Departments

Internal medicine, surgery, gynecology, pediatrics, ophthalmology, otolaryngology, orthopedics, radiology, anesthesiology

② Hotel Business

1. Kanpo no Yado Inns and Kanpo no Sato Inns

Kanpo no Yado inns are available for the use of all persons, in the same way as regular ryokan and hotels, regardless of whether guests possess insurance policies of Japan Post Insurance.

These facilities are near tourist spots, with many of them incorporating universal designs throughout bathrooms and guest rooms, thereby ensuring that guests can stay with peace of mind.

Kanpo no Sato inns are lodging facilities where people can enjoy sports and other leisure activities in a natural setting.

We opened Kazeru Otaru, a fee-paying residential-style nursing home, on the site of Kanpo no Yado inn Otaru, to ensure enriched lives for elderly people.

For details, please refer to pages 86-87.

2. Rafre Saitama and other facilitiesInns

Rafre Saitama is a lodging facility located near Saitama Shintoshin station that has conference rooms, banquet halls and a fitness center.

U-Port Recreation Center in Setagaya Ward, Tokyo, includes tennis courts, a heated indoor swimming pool, a gym, a fitness center and other sports facilities.

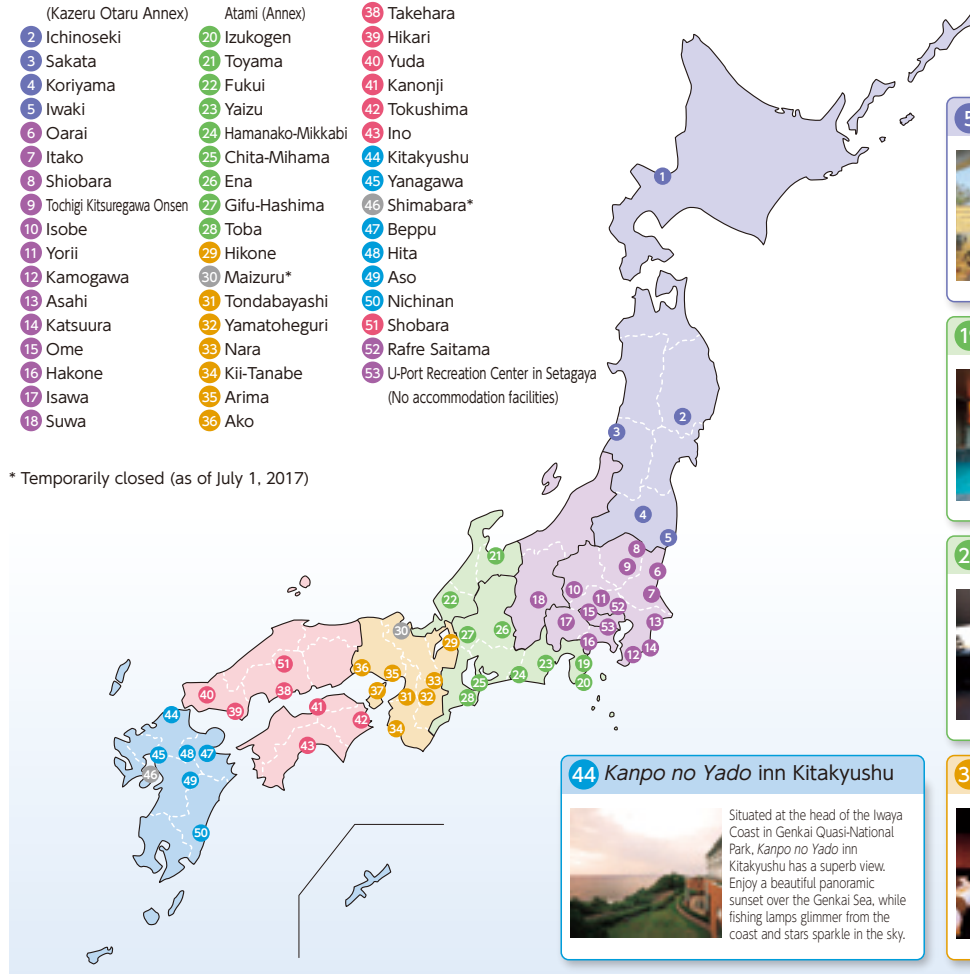
MIELPARQUE hotels provide accommodations, conference rooms, banquet and wedding halls, restaurants and other facilities.

Note: MIELPARQUE hotels have been run by a subsidiary of Watabe Wedding Corp. under a fixed-term lease agreement with Japan Post Holdings.
MIELPARQUE Kyoto does not have accommodation and wedding facilities.

List of Accommodation Facilities Nationwide

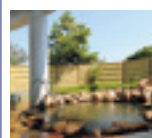
- | | | |
|---------------------------------|---|--|
| 1 Otaru
(Kazeru Otaru Annex) | 19 Atami (Main Building)
Atami (Annex) | 37 Awajishima |
| 2 Ichinoseki | 20 Izukogen | 38 Takehara |
| 3 Sakata | 21 Toyama | 39 Hikari |
| 4 Koriyama | 22 Fukui | 40 Yuda |
| 5 Iwaki | 23 Yaizu | 41 Kanonji |
| 6 Oarai | 24 Hamanako-Mikkabi | 42 Tokushima |
| 7 Itako | 25 Chita-Mihama | 43 Ino |
| 8 Shiobara | 26 Ena | 44 Kitakyushu |
| 9 Tochigi Kitsuregawa Onsen | 27 Gifu-Hashima | 45 Yanagawa |
| 10 Isobe | 28 Toba | 46 Shimabara* |
| 11 Yorii | 29 Hikone | 47 Beppu |
| 12 Kamogawa | 30 Maizuru* | 48 Hita |
| 13 Asahi | 31 Tondabayashi | 49 Aso |
| 14 Katsuura | 32 Yamatoheguri | 50 Nichinan |
| 15 Ome | 33 Nara | 51 Shobara |
| 16 Hakone | 34 Kii-Tanabe | 52 Rafre Saitama |
| 17 Isawa | 35 Arima | 53 U-Port Recreation Center in Setagaya
(No accommodation facilities) |
| 18 Suwa | 36 Ako | |

* Temporarily closed (as of July 1, 2017)



On our recommendation list:

5 Kanpo no Yado inn Iwaki



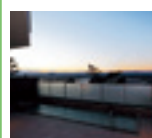
All guestrooms have a spectacular ocean view of the long white sandy beach and black pine forest of the Iwaki Kaigan Prefectural Natural Park. Watch the beautiful Pacific sunrise from your room or indulge in the outdoor hot spring under the starry sky.

19 Kanpo no Yado inn Atami (Main Building)



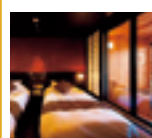
The hot spring hotel's hilltop location offers a panoramic view of Atami city and the Sagami Bay. The Main Building was renewed in December 2015 with four types of spas including outdoor, jet baths and bed baths.

25 Kanpo no Yado inn Chita-Mihama



Rejuvenate your mind and body in the skin-soothing natural hot springs while overlooking Ise Bay at Kanpo no Yado inn Chita-Mihama, which reopened in February 2016 with a new tropical resort design.

33 Kanpo no Yado inn Nara



Located just west of the Heijo Palace site and perfect for visiting the various World Heritage sites scattered throughout the ancient capital, Kanpo no Yado inn Nara reopened in March 2016 with new guestrooms, including special Japanese-Western style rooms with private panoramic view baths.

44 Kanpo no Yado inn Kitakyushu



Situated at the head of the Iwaya Coast in Genkai Quasi-National Park, Kanpo no Yado inn Kitakyushu has a superb view. Enjoy a beautiful panoramic sunset over the Genkai Sea, while fishing lamps glimmer from the coast and stars sparkle in the sky.

Dedicated to Becoming an Even More Trustworthy Group

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1. Japan Post Group Corporate Governance

(As of July 1, 2017)

① Fundamental Policy for Corporate Governance

At the Japan Post Group, all Group companies establish their own corporate governance systems, and Japan Post Holdings Co., Ltd., as the holding company, uses the following system to oversee management of the Group. The objective is to establish an appropriate corporate governance system for the entire Japan Post Group.

① Basic Views

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

1. Japan Post Holdings shall continue to create new convenience for customers and pursue the provision of high quality services, while generating consistent value by providing universal services of the Group's three core businesses through the Group's post office network.
2. Fully recognizing its fiduciary responsibility to its shareholders, Japan Post Holdings shall give consideration to appropriately secure rights and equal treatment of shareholders.
3. Japan Post Holdings shall place emphasis on dialogue with all stakeholders including customers and shareholders with an aim to ensure appropriate collaboration and sustainable

coexistence. To this end, Japan Post Holdings shall strive to secure management transparency and commit to appropriate disclosure and provision of information.

4. Japan Post Holdings shall carry out swift and decisive decision-making and business execution under the effective supervision by the Board of Directors, in order to promptly cope with changes in social and economic environment and meet the expectation of all stakeholders.

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

* Please refer to "Group Governance" on the Japan Post Holdings website (<http://www.japanpost.jp/en/group/governance/>).

② Organization Layout

Japan Post Holdings has adopted a "company with three committees structure" from the following points of view.

1. To separate the especially vital decision-making and supervision, such as the formulation of basic management policy, from the business execution based on such decisions, thereby increasing the flexibility in management and establishing the management supervision structure of the Group governed by the Board of Directors.

2. To fully utilize external views on the management of Japan Post Holdings and ensure the transparency and fairness of decision-making on the management through enabling the exercise of functions of the Board of Directors comprised mainly of Independent Directors and the three committees, namely the Nomination Committee, the Compensation Committee and the Audit Committee.

3. To realize a corporate governance structure that can appropriately fulfill its accountability to all stakeholders.

③ Internal Controls

Japan Post Holdings, in accordance with management policies for the Japan Post Group, has established "Policy Principles for the Establishment of the Internal Control System" for Japan Post Holdings Co., Ltd. for the purpose of establishing programs that ensure sound and proper business operations. The holding company has also concluded the Group agreements with Group companies for internal controls concerning such areas as compliance, internal audits, risk management and information security, requiring each company to establish their own systems based on these agreements.

Furthermore, Japan Post Holdings constantly monitors proper business operations of Group companies by requiring them to report any significant matters in their operations and provides guidance for improvement as necessary.

* Please refer to "Policy Principles for the Establishment of the Internal Control System" on the Japan Post Holdings website (http://www.japanpost.jp/en/group/governance/pdf/01_02.pdf).

④ Group Management System

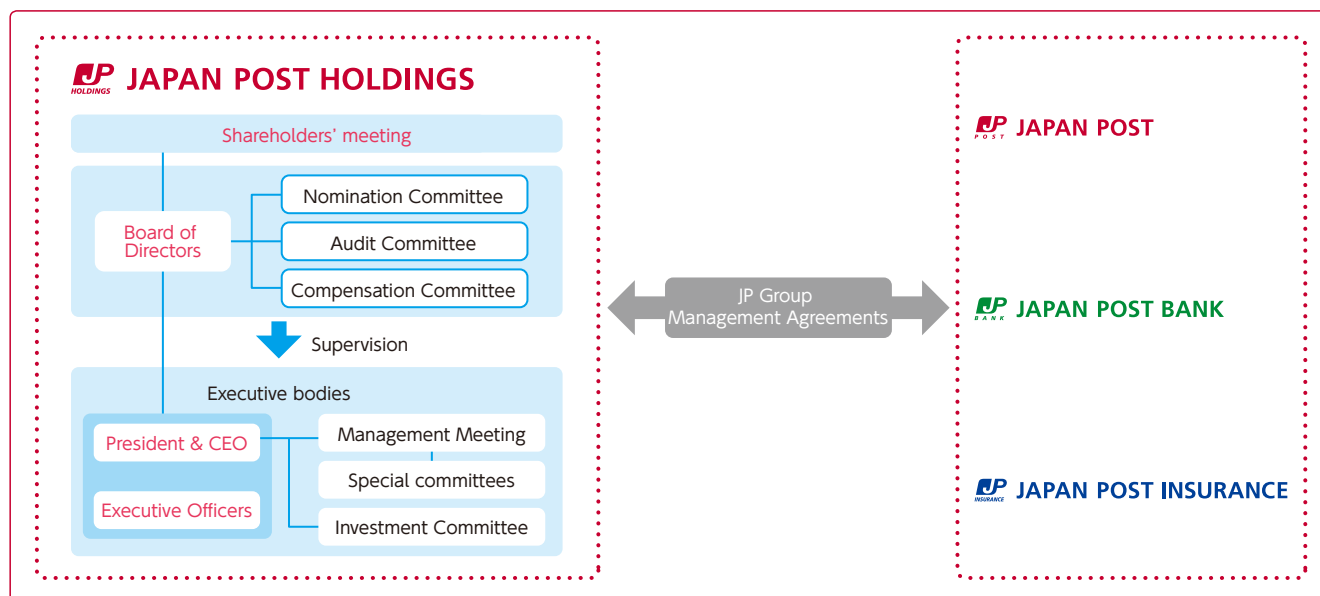
Japan Post Holdings has concluded agreements on the Group's operation and management ("JP Group Management Agreements") with and between Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. on the Group's common philosophy, policies and other basic matters concerning Group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

For matters that may have a significant effect on the entire Group and those necessary for maintaining management transparency, Group companies must receive approval from, have discussion with and report to the holding company on an individual basis. Through these activities, Japan Post Holdings ensures corporate governance of the Japan Post Group.

Group Steering Committee

In accordance with JP Group Management Agreements, the Group Steering Committee comprised of the Presidents and CEOs of Japan Post Holdings and its key subsidiaries and other members shall be established to discuss and share common understanding of important matters concerning group management among the management of the Group companies for the purpose of promoting effective and efficient operation of the Group.

■ Japan Post Group Corporate Governance System



② Corporate Governance Systems of Group Companies

Japan Post has a corporate governance system based on a Board of Corporate Auditors, a majority of which comprises outside auditors.

Japan Post Bank and Japan Post Insurance have adopted a company with three committees system of corporate governance in which more than half of their directors are outside directors. These companies also have established a Nomination Committee, Audit Committee and Compensation Committee, each with a majority of outside directors.

Japan Post, Japan Post Bank and Japan Post Insurance have a Management Meeting made up of executive officers, which serves as an advisory body to the president. This meeting discusses and reports on important matters related to business execution. Each company also has special committees, including the Compliance Committee and Risk Management Committee, which serve as advisory bodies to the Management Meeting and deliberate on specialized matters.

2. Japan Post Group Customer Satisfaction

① Listening to Customers

Each Group company's customer satisfaction department* analyzes customer feedback collected from post offices, branches, call centers and its own website with the aim of making required improvements and providing products and services that bring customer satisfaction.

- *Group companies' customer satisfaction departments:
- Japan Post Co.: General Affairs Division, Social Contribution and CSR Promotion Office
 - Japan Post Bank Co.: Customer Satisfaction Department
 - Japan Post Insurance Co.: Customer Service Department

The Customer Satisfaction Promotion Department at Japan Post Holdings Co. devises ways to utilize customer opinions gathered from Group companies in its management operations.

② Customer Service Consulting Center

Customer opinions are gathered at all post offices, branches and call centers nationwide, as well as from respective websites. Please refer to pages 202-205 for business hours at post offices and branches, and for telephone numbers and business hours of Group company call centers.

■ Japan Post Group Customer Satisfaction Flowchart



The Customer Satisfaction Promotion Department at Japan Post Holdings Co. examines these initiatives.

■ Example of improvements based on customer feedback

	Customer feedback	Improvements
Japan Post Co.	I wish there were more varieties of sticker-type postage stamps.	We have made 48 sticker-type stamps of the 85 types of special stamps issued in the year ended March 31, 2017.
Japan Post Bank Co.	The ATM displays are hard to understand.	We have redesigned the Japan Post Bank ATM displays based on Color Universal Design for better legibility and convenience.
Japan Post Insurance Co.	When applying for an Insurance Policy, the size of the letters were too small and hard to read on the Declaration Form.	We have revised the wording, design and size of the "Declaration Form" and "Additional Declaration Form" so it is easier to fill in and understand.

Results of the Japan Post Group Customer Satisfaction Survey

Japan Post Holdings Co. conducts a survey on customer satisfaction levels and intention of use at post offices (Japan Post Co., Japan Post Bank Co. and Japan Post Insurance Co.) and summarizes the results in order to accurately ascertain customer opinions on products and services and respond to new needs.

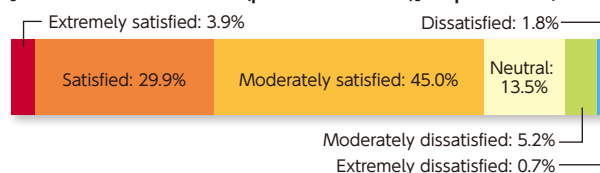
The Japan Post Group will continue to regularly conduct surveys as a means to further raise customer satisfaction and the results of analysis of issues and other aspects obtained via such research will be actively reflected in management operations.

Level of satisfaction in the post office

◇ (Satisfied: 78.8%, Dissatisfied: 7.7%)

How satisfied are you overall with the post office network and response at counters?

[Overall level of satisfaction (post office/counter)] Respondents: 4,155

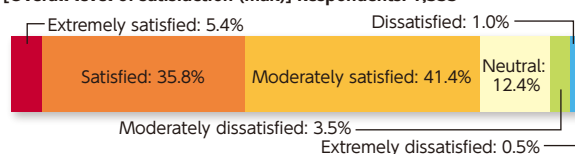


Level of satisfaction for services such as postal services, banking services and insurance services.

◇ Mail (Satisfied: 82.6% Dissatisfied: 5.0%)

How satisfied are you overall with mail delivery services at post offices for such items as letters, postcards, direct marketing and catalogs?

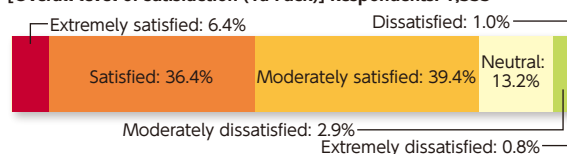
[Overall level of satisfaction (mail)] Respondents: 1,555



◇ Yu-Pack (Satisfied: 82.2% Dissatisfied: 4.7%)

How satisfied are you overall with Yu-Pack delivery services at post offices?

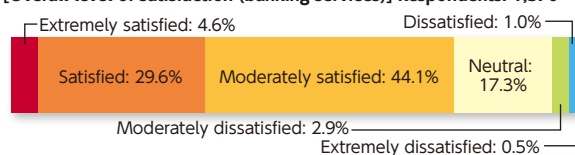
[Overall level of satisfaction (Yu-Pack)] Respondents: 1,555



◇ Banking services (Satisfied: 78.3% Dissatisfied: 4.4%)

How satisfied are you overall with banking services of post offices (Japan Post Bank)?

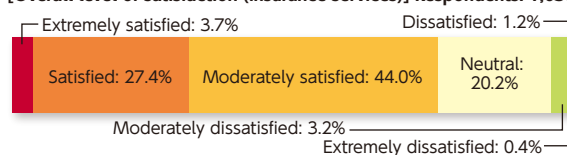
[Overall level of satisfaction (banking services)] Respondents: 1,570



◇ Insurance services (Satisfied: 75.1% Dissatisfied: 4.8%)

How satisfied are you overall with insurance services of post offices (Japan Post Insurance)?

[Overall level of satisfaction (insurance services)] Respondents: 1,030



* Level of satisfaction is evaluated based on a scale of the aggregate percentage of "extremely satisfied," "satisfied" and "moderately satisfied." Level of dissatisfaction is evaluated based on a scale of the aggregate percentage of "extremely dissatisfied," "dissatisfied" and "moderately dissatisfied."

* Graph figures have been rounded to one decimal place, so the total response rate may not add to 100.0%.

Outline of survey

■ Respondents

- (1) Individuals who use the post office (including ATMs) more than once a month
- (2) Individual males or females over 20 years old nationwide
- (3) Individuals that fit one of the following criteria
 - Used mail such as Yu-Pack or letter in the past year
 - Have an account at Japan Post Bank
 - Family subscribes to Japan Post Insurance

* Excludes mass media, sector peer companies, those affiliated with the post office, etc.

■ Period: September 9-20, 2016

■ Survey method: Internet

■ Valid responses: 4,155 people (71.7% of 5,799 solicited)

3. Japan Post Group CSR

① Japan Post Group CSR Activities

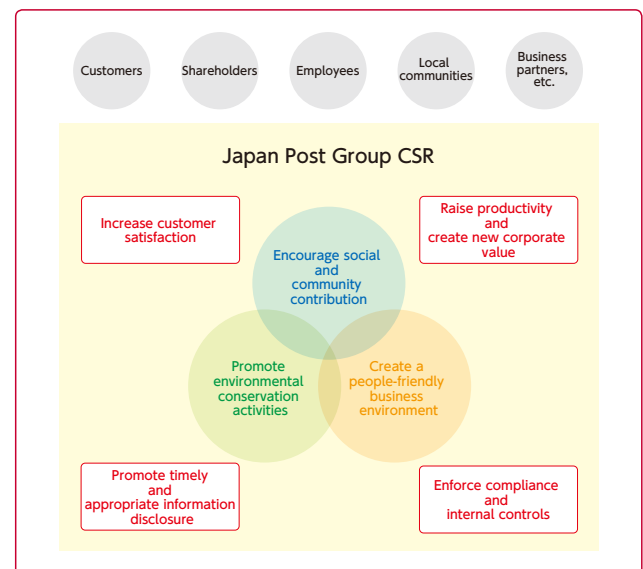
The Japan Post Group has designated seven action areas to be systematically addressed in fulfilling its corporate social responsibility (CSR). These are social and community contribution, environmental conservation, creating a people-friendly business environment, increasing customer satisfaction, compliance and internal controls, information disclosure and boosting productivity.

At the Japan Post Group, CSR activities serve as a means of achieving the Group's management philosophy and ensuring sustainable growth.

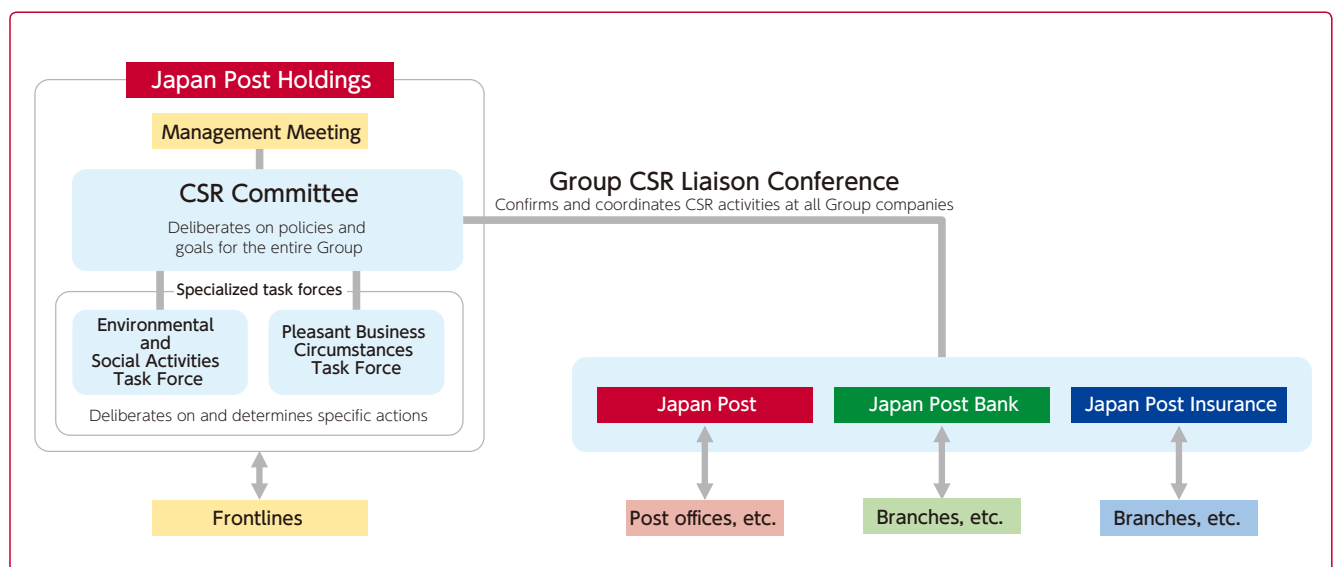
① Seven CSR Areas Including Three Priority Areas

Of the seven CSR areas, four areas are what is expected of the Japan Post Group by customers and shareholders when the Group conducts business. Specifically, these are to increase customer satisfaction; raise productivity and create new corporate value; promote timely and appropriate information disclosure; and enforce compliance and internal controls. Explicit actions are to be undertaken independently and voluntarily by each Group company with a clear understanding that these are included within the scope of the Japan Post Group's CSR.

The remaining three, namely, encourage social and community contribution, promote environmental conservation activities and create a people-friendly business environment, are CSR priority areas that should be pursued commonly by all Group companies. The Japan Post Group places particular emphasis on these areas, recognizing that these are the responsibility that the Group assumes as a provider of products and services to customers throughout the country.



② Japan Post Group CSR Organization



② Activities Related to the Three Common CSR Priority Areas

In fiscal year ended March 31, 2017, we promoted our ongoing efforts related to CSR initiatives by leveraging the distinctive strengths of the Japan Post Group, namely, its nationwide post office network, and at the same time we disseminated information on the CSR measures being undertaken by Japan Post Group companies.

① Encourage Social and Community Contribution

Utilizing the Japan Post Group's network, we cooperate with local governments to ensure the well-being of elderly people living in underpopulated areas by checking on them through the exchange of words during mail delivery as well as to provide the first line of protection for children in their daily lives. We also provide support for disaster preparedness and assistance for disaster-affected areas, such as no postal charge on mail and money transfers sent for disaster relief purposes, and conduct education and enlightenment activities within local communities based on the line of business undertaken by each Group company.

Specific Activities

1. Promotion of Community Contribution

Network of 24,000 Post Offices

Japan Post Co. has approximately 24,000 post offices in all of the cities, districts, towns and villages nationwide, including underpopulated areas, encompassing all of Japan. These serve as one-stop service centers for mail, savings deposits, insurance and other basic everyday services and are intricately connected with the local community. We will offer our local customers new, convenient services through our post offices while continuing to use them as locations for these services in the future as well.

Fostering of Dementia Supporters

Japan Post Group companies work to foster Dementia Supporters to cultivate the correct knowledge on dementia and learn appropriate ways to interact with people with dementia.

Height above Sea Level Signs on Post Boxes

Some post offices cooperate in disaster prevention efforts of local governments. As one means of mitigating tsunami-caused damage and raising awareness among community members, at post offices and on post boxes we put up signs and stickers provided by local governments that show heights above sea level and evacuation shelters of respective areas.

Neighborhood Watch Agreements

Neighborhood watch activities, led by local governments, have been expanding among local communities to safeguard children and ensure the well-being of elderly people living alone. We have concluded agreements with local governments and have been participating in these activities by being on the lookout for any

unusual occurrences while at work and notifying predetermined contact points when encountering any such incidents.

Provision of *Himawari* Service

Mail delivery personnel provide words of encouragement to elderly people who are 70 years old or older (those living alone and elderly couples) in underpopulated areas.

Promotion of Intergenerational Communication via the Exchange of Letters

As one way of nurturing ties among people and among local communities, we provide support for letter-related measures through promoting the exchange of letters between youth (20 years of age or under) and the elderly (70 or older) and through the Association of Pen Friend Clubs of Japan operated by Japan Post.

Support for Vitalization of Regional Economies (Promotion of *Furusato* (Hometown) Parcel)

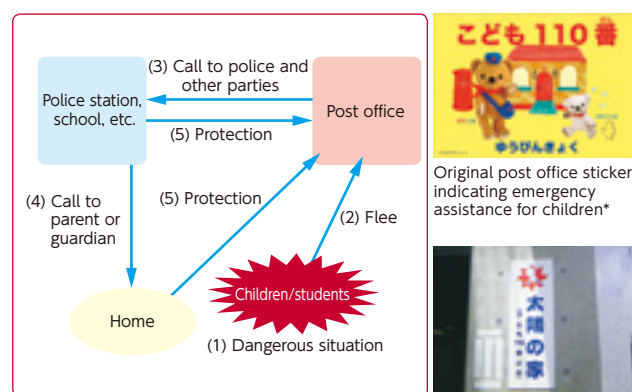
We display catalogs with products for which each locale nationwide is known and circulars with products closely related to the community at approximately 24,000 post office counters nationwide for customers to order from. We then ship these by Yu-Pack directly from the producing regions. Revenues from the sale of goods through catalogs were ¥104.6 billion in fiscal year ended March 31, 2017 (up 2.6% year-on-year).

Handling of Work for Local Governments

Designated post office counters provide administrative services, such as distribution of official family register transcripts, certificates of residency and other public certificates, and sell public bus tickets on consignment from local governments.

Emergency Assistance for Children

In order to prevent incidents and accidents involving children before they happen, post offices serve as a safe refuge for children, providing the first line of protection and making an emergency call to police.



*An original post office sticker is attached if there is no designated sticker for the area.

Education and Enlightenment Activities for the Next Generation

- Accepting children from local elementary schools for a post office tour
- Offering space within a post office lobby for community use
- Participating in local events, including Radio Exercise and other sports events
- Providing financial education to elementary and junior high school student
- JAPAN POST BANK Piggy Bank Design Contest for children
- Operating a patient library (Tokyo Teishin Hospital)

Collection of Used Ink Cartridges

We collect used ink cartridges jointly with five printer manufacturers. As of March 31, 2017, collection boxes have been installed at 3,637 post offices nationwide and certain facilities of local governments.

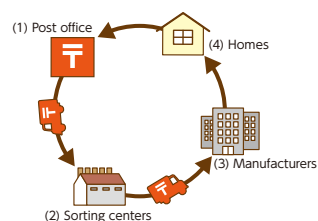
Used cartridges collected at these post offices and facilities are sent to sorting centers using our Yu-Pack service and then returned to the respective companies, which responsibly perform the recycling of these cartridges.

We also collect used or expired fire extinguishers and personal home computers at post offices or through our pickup service.

Special Collection Box



Collection Cycle



recordings intended solely for the use of the visually impaired, plants and seeds, and academic publications.

"Japan Post Bank Deposits for International Aid"

Under the "Japan Post Bank Deposits for International Aid" program, our customers donate 20% of the interest received on their savings (after-tax). By using the JICA (Japan International Cooperation Agency) Fund established by JICA, these resources are used in such activities as improving living standards in developing countries and regions through nongovernmental organizations (NGOs) and other groups.

In response to the growing importance of environmental conservation measures in recent years, we now offer an option for customers to specifically make donations for supporting international cooperation activities related to environmental conservation.

The program began in October 2008, and as of March 31, 2017 we had received about 1,040,934 applications for the program, and a total of ¥32,721,527 has been donated.

Use of Artwork by Artists with Disabilities

We have produced original clear files that use the artwork drawn by artists with disabilities who have a wonderful talent in order to assist their independence. Sales representatives in the Japan Post Bank network use the files as communication tools with customers.

Kiriko Kohayakawa, Stars / Able Art Company



2. Promotion of Social Contribution

New Year's Postcard Donations Program

Our New Year's postcard donations program celebrates its 68th anniversary in the fiscal year ending March 31, 2018. A donation of ¥5 is added to each New Year's postcard, and funds raised through sales of these postcards are allocated to organizations engaged in activities in 10 fields, including the promotion of social welfare, healthy youth development, emergency disaster aid and disaster prevention, and global environmental conservation.

Donations of ¥434.21 million raised from sales of 2017 donation-added New Year's postcards and postage stamps were distributed to 232 organizations.

Reduced Postal Rates or No Charge for Third- and Fourth-Class Mail

We apply reduced rates or no charge for periodicals that are published four or more times each year and have been approved by Japan Post Co. (third-class mail) and on materials sent for the purpose of promoting public welfare or academic research (fourth-class mail). Examples of such fourth-class mail include correspondence education materials, Braille materials, sound

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

As one of our major Radio Exercise events, Japan Post Insurance Co. holds the Festival of 10 Million People's Radio Exercise and *Minna no Taiso* every summer, aiming to get 10 million people around the country to participate together in Radio Exercise and *Minna no Taiso*. This event is broadcast live nationwide over NHK's Radio 1 and on its General TV channel and is also broadcast through its international broadcasting service to overseas viewers.



At the 55th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* (on Sunday, July 31, 2016, Matsuyama City, Ehime Prefecture)

Holding the All-Japan Elementary School Radio Exercise Competition

With the aim of increasing opportunities for numerous elementary school children to energetically participate in Radio Exercises and to contribute to health promotion, Japan Post Insurance Co. holds the All-Japan Elementary School Radio Exercise Competition for elementary school children across Japan.

For this competition, participants submit videos demonstrating their "daily efforts toward Radio Exercise" and "Radio Exercise No. 1 scene." Judging is based on whether children are correctly performing Radio Exercise with uniform motions and whether they are enthusiastically and happily participating in Radio Exercise throughout the entire program. The winning teams are then decided and announced.



Gold award winning school in the third contest (the "2nd Generation Radio Exercise *Hirome-tai*," of Yagisato Elementary School, Misato City, Saitama Prefecture)

Supporting Projects for the Promotion of Social Welfare

We do not charge postage (including handling fees) on registered mail used to send donations to corporations or organizations specialized in the promotion of social welfare, such as regional Community Chests, the Central Community Chest of Japan and the Japanese Red Cross Society, or commission fees on donations made to transfer accounts by means of money transfer.

Marathons Supported by Japan Post Insurance

In the fiscal year ended March 31, 2017, Japan Post Insurance Co. provided special sponsorship of the Fourth Nissan Stadium: Five-Hour Endurance Relay Marathon ~improvised and registered team~ (June 18) and the Fourth Challenge Relay Marathon at Kodomonokuni ~42.195 in Mid- Winter~ (January 28).



Fourth Nissan Stadium: Five-Hour Endurance Relay Marathon (on June 18, 2016, Yokohama City, Kanagawa Prefecture)

3. Support for Disaster Preparedness and Assistance for Disaster-Affected Areas

Emergency Assistance for Disaster Victims

Upon the occurrence of a natural or other emergency disaster, we provide emergency services for disaster victims, including emergency handling of deposits, at post office counters and other places.

	Major Activities
Postal	<ul style="list-style-type: none"> No postal charge on registered mail used to send relief funds to organizations engaged in disaster relief activities for disaster victims Distributing postcards free of charge to disaster victims No postal charge on mail sent by disaster victims Providing information concerning damage on roads, etc.
Deposits	<ul style="list-style-type: none"> No commission fees on donations made to transfer accounts of the Japanese Red Cross, community chest societies and local organization for the purpose of disaster relief Withdrawal of ordinary deposits for disaster victims who have lost their deposit passbooks
Insurance	<ul style="list-style-type: none"> Extending the grace period for premium payments Emergency and immediate payments of insurance and other benefits
Accommodation	<ul style="list-style-type: none"> Free bathing services by <i>Kanpo no Yado</i> inns

Disaster Prevention Agreements

For the purpose of mutual cooperation at the time of disaster, disaster prevention agreements are concluded between local governments and post offices. As an effort to cooperate in the prevention of landslides and damage in mountainous areas, we are putting up posters and handing out leaflets on soil and water conservation, and installing rain gauges and rain gauge displays.

② Promote Environmental Conservation Activities

The Japan Post Group has laid out its Environmental Vision that encompasses its basic approach to the environment and has been conducting various activities with a strong focus on three areas, namely, implementing global warming response measures, promoting the cultivation of sustainable forests and making efficient use of resources.

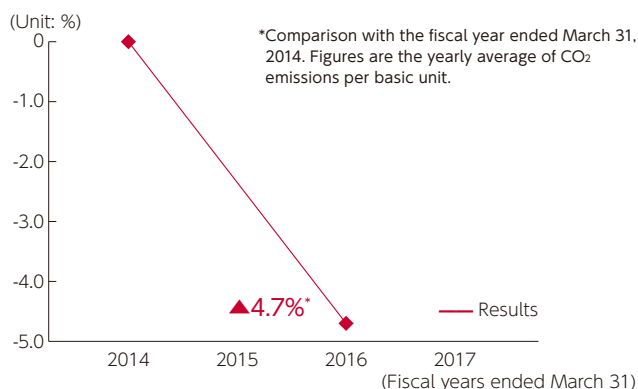
(For details, please refer to "Japan Post Group Environmental Vision" on page 67.)

(1) Implementing Global Warming Response Measures

The Japan Post Group aims to reduce CO₂ emissions basic unit by 1% on average (from fiscal year ended March 31, 2014 level) over three years from fiscal year ended March 31, 2015 to fiscal year ended March 31, 2017.

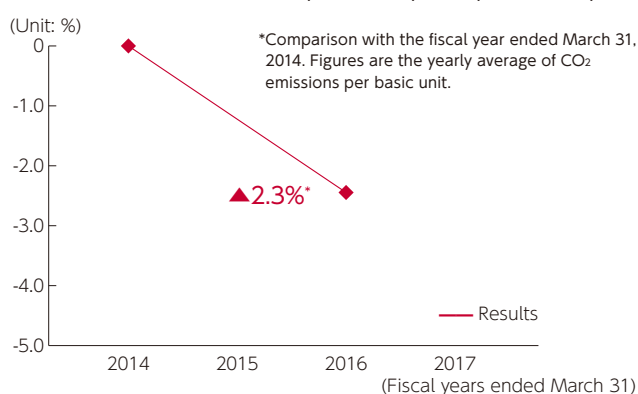
Basic Unit Per Facility

$$\text{Basic unit per facility} = \frac{\text{CO}_2 \text{ emissions from facilities of the entire Group (t-CO}_2\text{)}}{\text{Total floor area of the entire Group (m}^2\text{)}}$$



Basic Unit Per Vehicle

$$\text{Basic unit per vehicle} = \frac{\text{CO}_2 \text{ emissions from vehicles operated by the entire Group (t-CO}_2\text{)}}{\text{Distance traveled by the vehicles operated by the entire Group (km)}}$$



(2) Promoting the Cultivation of Sustainable Forests

Employees and their families from each of the Japan Post Group companies volunteer to undertake tree silvicultural activities at the JP-no-Mori. We also provide support to a children's tree-planting campaign, which is designed to engender sound environmental awareness in children and help them to be strong and bold in their lives by taking part in this comprehensive forest cultivation program.

We promote the cultivation of sustainable forests both through our business activities and social contribution activities.



Employee volunteer activities at the JP-no-Mori (Kururi Donguri-no-Mori) (Kimitsu City, Chiba Prefecture)



Children's tree-planting
"Tohoku Regeneration Green
Wave" (Yamada-town, Iwate
Prefecture)

Specific Activities

Implementation of "Cool Biz" Campaign and Other Measures

As part of efforts to save power during summertime, the Japan Post Group conducted a "Cool Biz" campaign during the period from May 1 to October 31, 2016 and a "Super Cool Biz" campaign, which is a step beyond the Cool Biz practice, at the height of summer from June 1 to September 30, 2016. The latter encourages even more casual attire in the workplace, and post office and branch personnel were allowed to wear polo shirts at work during that period.

In addition, the temperature of air conditioners was set at 28°C during that period.

Promotion of Environmentally Friendly Facilities

We introduce environmentally friendly energy-saving measures when constructing new or additional facilities for post offices or conducting large-scale renovations.

We have also conducted energy conservation evaluations at post offices with high levels of CO₂ emissions and energy usage and are introducing ESCO (Energy Service Companies) businesses at some of these post offices as part of our efforts to introduce energy-saving facilities.

Introducing Electric and Other Eco-friendly Vehicles at Post Offices and Other Locations

At Japan Post Co., we are deploying eco-friendly vehicles, namely, electric vehicles (EVs) and hybrid vehicles (HVs), to achieve a reduction in the amount of CO₂ emitted from vehicles.

At post offices, we have deployed 4 EVs for commercial use, 50 EVs (four-wheeled mini-vehicles) for collection and delivery services and 20 EVs for cargo transportation (as of March 31, 2017).

Eco-friendly Driving

The Japan Post Group encourages well-mannered, eco-friendly driving to reduce the number of traffic accidents and lower CO₂ emissions through lower fuel consumption.

Japan Post Co. strives to raise "Safe Eco-Driving" awareness among mail delivery and sales personnel nationwide through various initiatives, such as holding an in-house driving contest.

Cutting CO₂ Emissions Through the Use of HAKO POST Receiving Lockers

As an initiative to reduce redeliveries when customers are absent, Japan Post Co. has started a service in April 2015 in which customers can pick up items they have purchased on Internet mail-order sites and others from receiving lockers ("HAKO POST") installed in various places such as post offices, train stations, supermarkets and convenience stores.

With HAKO POST, customers can pick up items at a place and time that is convenient for them in an easy manner.

Going forward, we will further contribute to the solution for social losses associated with redeliveries including CO₂ emissions and labor shortage.



Indoor-type receiving locker
(Nishiogi Myroad Shopping Street
in Suginami-ku, Tokyo)

Contributions to Environmental Preservation through Providing Online Versions of Contract Guidelines and Policy Conditions

On October 2, 2014, Japan Post Insurance Co. began offering online contract guidelines and policy conditions.

Previously, we provided contract guidelines and policy conditions to all customers in a paper booklet format. By selecting "web viewing," policyholders now have the option of confirming their contract guidelines and policy conditions in PDF format on our website rather than by receiving a paper brochure.

Online contract guidelines and policy conditions will eliminate the need for conventional brochures, thereby enabling a reduction in the amount of paper used. In June 2017, we donated a total of ¥32.0 million to 32 environmental groups that are active in growing forests based on the number of customers who made use of the online contract guidelines and policy conditions in the year from October 2015 to September 2016.



Tree-planting volunteering by
citizens

③ Create a People-Friendly Business Environment

As an operator with a nationwide network of business and service bases, the Japan Post Group has been adopting a comprehensive barrier-free approach to planning and designing its facilities, equipment and services to ensure usability and friendliness for the widest group of customers, including elderly people and persons with disabilities.

We have also been making efforts to create a better working

environment for our employees who play a crucial role in supporting our business operations.

Specific Activities

Transitioning to Barrier-Free Facilities

We have been installing ramps and handrails at the entrances of post offices and laying Braille blocks for visually impaired customers mainly in new post offices.

In addition, personnel at older post offices are on hand to help customers in need of assistance so that all customers can use our services with peace of mind.



Braille blocks



Ramp and handrails installed at the
entrance

Services Available in Braille

We provide a range of services in Braille for visually impaired customers.

	Services
Postal	<ul style="list-style-type: none"> • Displaying mail pickup times in Braille • Undeliverable Item Notice in Braille to recipients during their absence
Deposits	<ul style="list-style-type: none"> • Braille notices of the service content of deposits and money transfers, etc. • Equipping ATMs with Braille instructions • Issuing Braille ATM cards • Product and service brochure in Braille
Insurance	<ul style="list-style-type: none"> • Braille notices of the content of insurance agreements • Various notices in Braille (e.g., insurance maturity dates, pension payments and loan contents, etc.)

Pension Delivery Service

We provide a service to deliver pension and other benefits to advanced-age or physically challenged pensioners who have difficulty in coming to the counter to receive payments. This home delivery service is conducted periodically as the payment of these benefits is made by the government.

Braille Yu-Pack, Yu-Pack for the Hearing Impaired and Yu-Mail for Persons with Disabilities

Lower shipping fees are applied for Yu-Pack for sending large Braille books and other Braille materials; Yu-Pack used to send videotapes and other recorded materials between hearing-impaired persons and facilities approved by Japan Post Co.; and Yu-Mail used to send books between persons with disabilities and libraries registered with Japan Post Co.

Offering Blue Bird Postcards Free of Charge (Conducted Annually since 1976)

We provide 20 standard postcards (plain, inkjet printing or dimpled postcards) or standard postcards with the postage mark featuring a moth orchid (plain or inkjet printing) free of charge to severely physically challenged individuals (class 1 or 2) or severely mentally

challenged individuals (level 1 or 2, or holding grade A intellectual disability certificates), who have requested this service. These 20 postcards are provided in a special envelope.

Postcards with Indentations (Dimpled Postcards) for the Visually Impaired

These are postcards with a semi-circular indentation in the lower left corner on the front side of the postcard, which makes it easy to distinguish the front or back and the top or bottom of the postcard.



Postcards with indentations (dimpled postcards)

New Welfare Time Deposits

This one-year time deposit with preferential interest rates is designed for persons receiving disability, survivor and other similar public pensions and other eligible person. Up to ¥3 million can be deposited per person.

Kampo Eat & Smile Project

For the purpose of promoting sound health through food, Japan Post Insurance Co. carried out the Kampo Eat & Smile Project. In this project, donations collected through charitable menus served at a café that is open for a limited period were matched with a donation from Japan Post Insurance and contributed to Second Harvest Japan.



Eat & Smile café

④ Others

With a view to widely communicating to the public our efforts concerning the common CSR priority areas that should be pursued by all Group companies, the Japan Post Group seeks various opportunities and strives to disclose information on a range of CSR activities undertaken by each Group company. In addition, our social and environmental report now includes a third-party opinion.

Publication of Social and Environmental Report

In December 2016, we published the Japan Post Group Social and Environmental Report 2016, which describes the Group's community and social contribution activities in an easy-to-understand format. We handed out this report at the Eco-Products 2016 exhibition and other occasions.

Participation in Eco Life Fair 2016

A Japan Post Group booth was run at Eco Life Fair 2016 held in Yoyogi Park on June 4-5, 2016. We presented a display of panels concerning the Group's environmental activities and also held workshops.

Participation in Eco-Products 2016

At the Eco-Products 2016 exhibition held at Tokyo Big Sight from December 8-10, 2016, we ran a Japan Post Group booth and presented various environmental conservation activities undertaken by each Group company. During the event, we also held a workshop using postcards made from thinned trees.



Japan Post Group booth at Eco-Products 2016

Recovering From Disasters

The Japan Post Group extends its heartfelt sympathy to the people who have suffered from the Great East Japan Earthquake and the Kumamoto earthquakes.

The Japan Post Group has implemented a series of initiatives aimed at supporting the swiftest recovery possible of people affected by the disasters. We are also gradually resuming operations of post offices that became out-of-service due to the disasters.

[Reference] Number of Out-of-Service Post Offices due to the Great East Japan Earthquake and the Kumamoto Earthquakes

	Great East Japan Earthquake (Three prefectures in the Tohoku region)		Kumamoto earthquakes (Kumamoto Prefecture)	
	Directly operated post offices	Contracted post offices	Directly operated post offices	Contracted post offices
Total	1,103	319	387	180
Post offices that became out of service at the time of disaster	583	100	12	12
Out-of-service post offices as of March 31, 2017	42*	14*	1	0

*Figures include five directly operated post offices and three contracted post offices, which are unable to operate due to the government's designation of "difficult-to-return" zones associated with the Fukushima Daiichi Nuclear Power Plant accident.

■ Japan Post Group Environmental Vision

- The Japan Post Group recognizes its responsibility to pass on to future generations the beautiful and livable Earth and will seek to conserve the global and regional environment as one of the important Group management issues. We will observe laws, regulations and other agreements and endeavor to prevent pollution or other environmental issues that may arise from our execution of business.
- The Japan Post Group will monitor the status of the global and regional environment and the environmental impact of our business operations, define specific targets and constantly refine our activities by reviewing these targets on a regular basis. We will designate the following three items as the highest priority among the environmental activities and undertake initiatives in each field.
 - (1) Implementing Global Warming Response Measures
We will define numerical targets for reduction in CO₂ emissions* from our business operations and appropriately manage CO₂ emissions.
 - (2) Promoting the Cultivation of Sustainable Forests
We will contribute to the cultivation of sustainable forests both through our business activities and social contribution activities.
 - (3) Making Efficient Use of Resources
We will work to reduce paper usage and at the same time introduce eco-friendly practices, such as drastically increasing the use of recycled paper. We will also strive to save resources by encouraging the recycling of office supplies used in our business activities.
- Each company and employee in the Japan Post Group will share this Environmental Vision, and the Japan Post Group proactively discloses environment-related information.

*Our Environmental Vision only covers energy-derived CO₂ emissions.

4. Japan Post Group Women's Athletics Team

The Japan Post Group established the Japan Post Group Women's Athletics Team in April 2014, making it the first company sports team since its founding, with the aims of fostering a sense of unity among Group employees and contributing to the community and society through sports.

The team enters various middle- and long-distance running competitions, mainly road relay races (*ekiden*), and strives to take top positions, keeping in mind the affinity between our postal service that connects people by mail and the *ekiden* that connects runners by a sash. In the fiscal year ended March 31, 2017 which

marks the third year since its establishment, Ayuko Suzuki and Hanami Sekine competed in the 31st Olympic Games Rio de Janeiro 2016 representing Japan in the 5000 m and 10000 m races, respectively, and the Japan Post Group team achieved its first win in the 36th All Japan Industrial Teams Women's Ekiden (Queens *Ekiden* in Miyagi). In fiscal year ending March 31, 2018, the team, comprising 14 members with the addition of four new members, will work as one to achieve an even greater leap forward, including entry in the 2020 Tokyo Olympics.

■ Major Activities and Results in fiscal year ended March 31, 2017

Month/Year	Activity/Competition	Athlete	Result	Record
May 2016	Payton Jordan Invitational 2016 (women's 10000 m)	Ayuko Suzuki Hanami Sekine	3rd in Section 1 12th in Section 1	31.18.16 31.48.90
June 2016	100th Japan National Championships (women's 10000 m finals)	Ayuko Suzuki Hanami Sekine	1st 2nd	31.18.73 31.22.92
June 2016	100th Japan National Championships (women's 5000 m finals)	Ayuko Suzuki Hanami Sekine	2nd 3rd	15.24.47 15.24.74
August 2016	Olympic Games Rio de Janeiro 2016 (women's 10000 m finals)	Hanami Sekine	20th	31.44.44
August 2016	Olympic Games Rio de Janeiro 2016 (women's 5000 m preliminary round)	Ayuko Suzuki	24th	15.41.81
November 2016	36th All Japan Industrial Teams Women's Ekiden (Queens <i>Ekiden</i> in Miyagi)	Japan Post Group Leg 1: Kyoka Nakagawa Leg 2: Ayuko Suzuki Leg 3: Hanami Sekine Leg 4: Rina Iwataka Leg 5: Rina Nabeshima Leg 6: Nozomi Terauchi	1st 4th Leg record 5th 2nd Most Impression Runner (MIR) award 11th 1st Best athlete award, leg winner 4th	2:15:08 22.01 (7.0 km) 12.15 (3.9 km) 34.50 (10.9 km) 11.51 (3.6 km) 32.39 (10.0 km) 21.32 (6.795 km)

The Japan Post Group Women's Athletics Team won the 36th All Japan Industrial Teams Women's Ekiden (Queens *Ekiden* in Miyagi) for the first time. We thank you for your warm support.



Members of the Japan Post Group Women's Athletics Team as of April 1, 2017



36th All Japan Industrial Teams Women's Ekiden (Queens *Ekiden* in Miyagi)
(Leg 1: Kyoka Nakagawa, Leg 2: Ayuko Suzuki, Leg 3: Hanami Sekine, Leg 4: Rina Iwataka, Leg 5: Rina Nabeshima, Leg 6: Nozomi Terauchi)

Photos courtesy of Photo Kishimoto Corporation

5. Initiatives to Promote Diversity

The Japan Post Group recognizes that having a diverse perspective and set of values that reflect the different experiences, skills and attributes within the Group is an important strength that will help secure sustainable growth for the organization. Based on this recognition, we actively embrace diversity, which includes promoting the active participation of women and persons with disabilities.

Promotion of the Active Participation of Women

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

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

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

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

Employment of Persons with Disabilities

Cognizant of the fact that providing suitable employment opportunities to persons with disabilities is our social responsibility as a corporation, we are working proactively to promote such employment and there are currently around 6,200 persons with disabilities working in active roles throughout the Japan Post Group.



Packing candy into bags

Empowerment of the Elderly

The Japan Post Group re-employs permanent staffs who have reached retirement age but want to keep working up until the age of 65 in line with the Act on Stabilization of Employment of Elderly Persons. Approximately 8,900 employees are currently working throughout the Japan Post Group.

Promotion of Work-Life Balance

The Japan Post Group is working to create a system and workplace culture that enables each employee to choose diverse work styles depending on his or her stage in life. We use systems that support the realization of work-life balance, including leave systems that go beyond legal requirements and subsidy systems for such things as childcare costs with the aim of ensuring harmony between work and child/nursing care. We are committed to ensuring that all employees find this balance, both female and male.

In addition, the Japan Post Group has received the "KURUMIN" mark, a certification issued by the Ministry of Health, Labour and Welfare for companies supporting child-rearing.

Training in Diversity

The Japan Post Group conducts training across the Group through the Postal College for the purposes of fostering a sense of unity and enhancing synergistic effects. Within the training programs, we provide training on diversity, as well as training on the active participation of women at respective Group companies, with the primary aims of promoting understanding of employee diversity and increasing productivity.

Advocacy of the "Declaration on Action" by a Group of Male Leaders Who Will Create "A Society in which Women Shine"

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



Participation in the Iku-Boss Corporate Alliance

The four Japan Post Group companies have joined the Iku-Boss Corporate Alliance organized by the specified non-profit corporation Fathering Japan. Based on the idea that "It is important that all employees are healthy and happy," we are striving to nurture Iku-Bosses* who are considerate of the work-life balance of their subordinates while also achieving business performance and also enjoying both work and their own private lives as well.

*Iku-Bosses are supervisors who are considerate of the work-life balance of their subordinates and other staff in their workplace, supporting their careers and lifestyles while also achieving organizational performance and enjoying both work and their own private lives as well.



Signing ceremony

6. Cooperation with Japan Post and Two Financial Institutions

In the Japan Post Group, post offices serve as points of contact with customers in which they can make use of a variety of services.

Japan Post, Japan Post Bank and Japan Post Insurance cooperate to provide these services at post offices, the hubs of the Japan Post Group, and work together to implement different initiatives and provide training.

Sales Training Related to Japan Post Bank Products

Japan Post Co., in conjunction with Japan Post Bank, provides training to employees handling Japan Post Bank's financial products at post offices such as deposits and investment trusts.

In addition, we are providing individual support for investment trusts through sales instructors from Japan Post Bank. Through this one-on-one training at each post office, we are working to enhance the sales skills of Japan Post employees.

Sales Training Related to Japan Post Insurance Products

Japan Post Co. works with Japan Post Insurance to provide training to employees on insurance-related products handled at post offices. Employees of Japan Post and Japan Post Insurance nationwide support personnel who have completed the training.

Pension Consulting Sessions Provided in Cooperation with Japan Post Bank

Japan Post Co. and Japan Post Bank Co. have teamed up to conduct pension consulting sessions to provide guidance on required documentation and advice on life after retirement for customers who will receive their pensions in the near future.

Life Plan Consulting Sessions Conducted with Japan Post Insurance

In addition to normal post office service hours, we hold life plan consulting sessions after hours on weekdays and on holidays for customers who cannot visit the post office during the day and provide guidance on the details of coverage in line with life events.

(Please confirm the dates for life plan consulting sessions at a nearby post office or on our website.)



Training in progress



Training in progress



Life plan consulting session

7. Japan Post Group Compliance Framework

We conduct rigorous compliance activities as one of the highest management priorities of the Japan Post Group. With the guidance and support of Japan Post Holdings, all Group companies build an effective compliance framework giving due consideration to the public characteristics of the business.

① Japan Post Group Compliance Framework

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

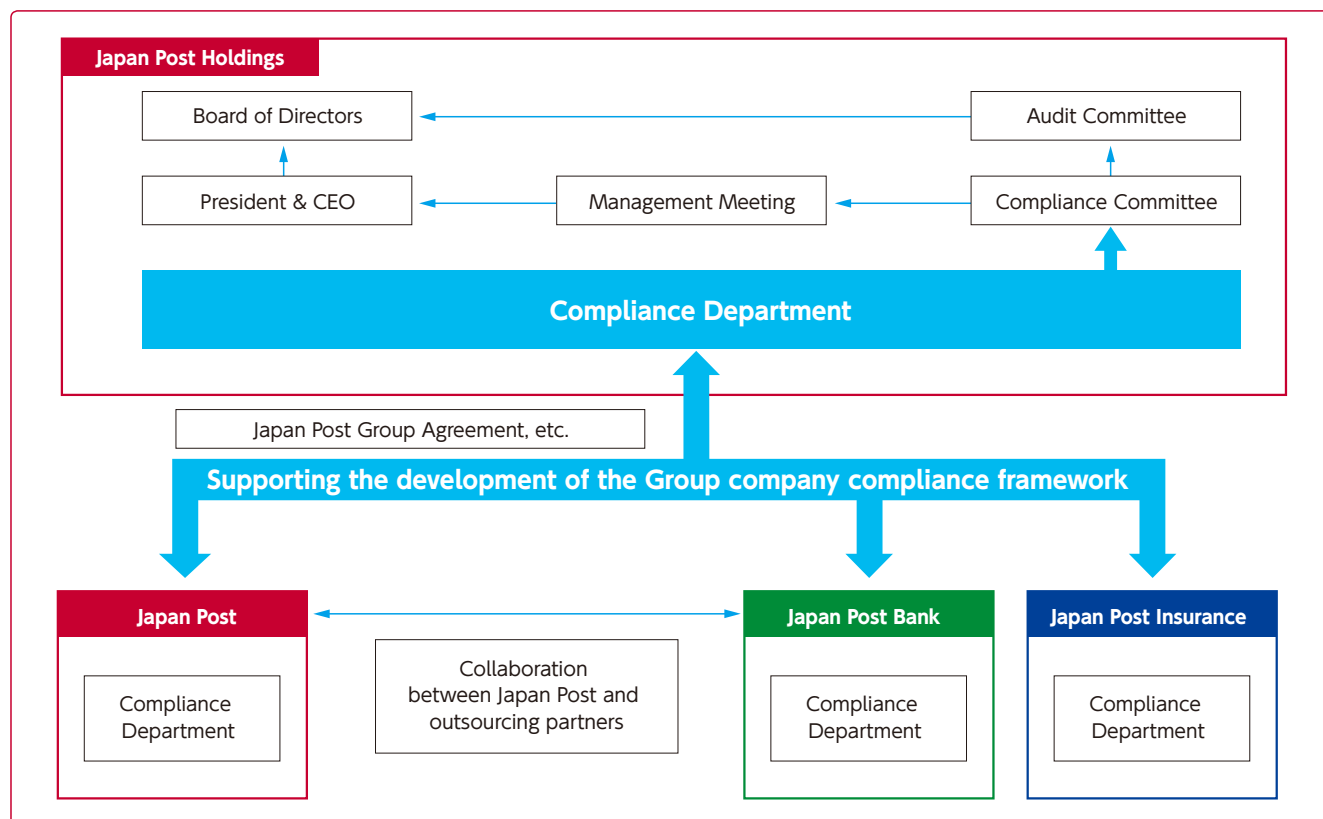
In addition, each Group company has a Compliance Committee that provides advice to its Management Meeting to review the compliance policy, framework, specific activities and associated issues.

A Compliance Department has been set up and placed under the control of a director in charge of compliance to propose

measures to promote compliance and manage the progress of each measure.

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

■ Japan Post Group Compliance Framework



② Group Company Compliance Framework

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

1. Compliance Framework

(a) Line of responsibility for compliance activities

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

(b) Internal reporting system

In each Group company, the Compliance Department has a compliance hotline that can be used by employees and others. In addition, reports of compliance infringement at any Group company can be submitted at a designated law firm, which provides an external reporting channel. This reporting system makes it possible to quickly deal with compliance violations and prevent such violations from spreading while maintaining a structure to resolve issues at the earliest stage.

2. Promotion of Compliance

(a) Establishment of compliance program

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

(b) Activities related to compliance items

At Group companies, specific compliance items have been selected and departments have been assigned to take responsibility for individual compliance items in order to promote compliance in a focused manner. The Compliance Department oversees the compliance promotion activities undertaken by these units and conducts integrated management of compliance-related issues across the board.

(c) Preparation and distribution of compliance manual

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

(d) Implementation of compliance-related training

Each Group company conducts a variety of training activities to promote a better understanding of legal matters and other areas, and to raise awareness of compliance.

8. Japan Post Group Internal Audit System

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

① Japan Post Group Internal Audit System Framework

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

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

The Internal Audit Department of Japan Post Holdings monitors the audit regulations, audit plans and progress of audits of the

Internal Audit Departments of Japan Post, Japan Post Bank and Japan Post Insurance from the perspective of enhancing the internal audit system framework of the entire Group.

This Internal Audit Department also evaluates and examines the internal audit systems of Group companies and provides guidance and advice, as well as makes recommendations for improvements and directly undertakes audits when required.

② Internal Audit System at Group Companies

1. Overview

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

In addition, the scope of the internal audits extends to all business sites and administrative affairs, so each Group company

has set up an Internal Audit Department at its head office. Besides this, Japan Post, which has approximately 24,000 post offices, has established audit offices at 50 locations nationwide. This ensures that internal audits are carried out at a sufficient frequency and in appropriate detail.

2. Implementation of Effective Internal Audits

The Internal Audit Department of each Group company conducts risk-based internal audits, in which audit frequency and audit items are determined by evaluating specific types and extent of risks in the branches and departments or operations within the scope of the internal audit.

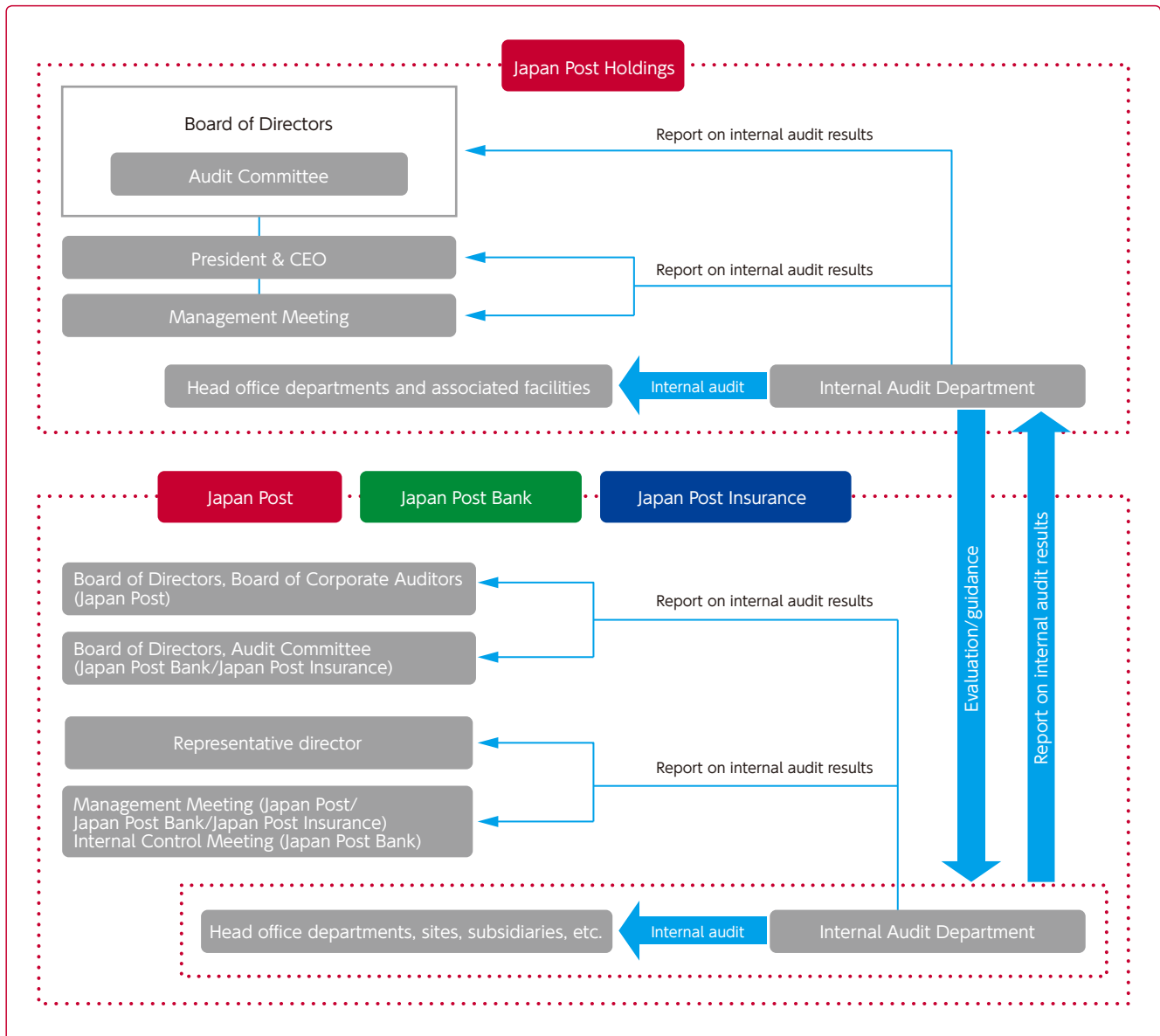
In addition, efforts are made to ensure efficient and effective internal audits through off-site monitoring that includes routinely attending various meetings and gathering relevant internally managed materials.

3. Reporting on Results of Internal Audits and Making Improvements

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

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

■ Japan Post Group Internal Audit Framework



9. Japan Post Group Risk and Crisis Management

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

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

To ensure an appropriate response to crisis situations, including earthquakes and other natural disasters, each Group company in the Japan Post Group has established its own crisis management system in accordance with the Group agreements.

① Group Risk Management Framework

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

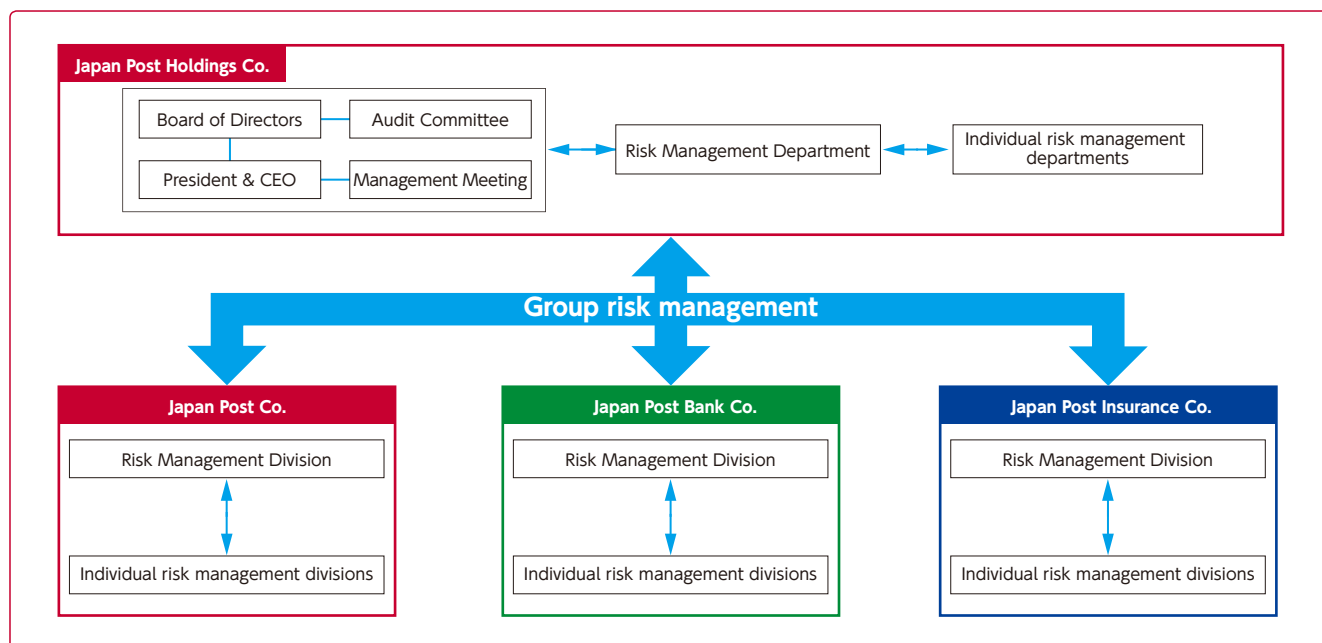
In addition, Japan Post Holdings Co. has a Risk Management Department for the purpose of monitoring risk for the entire Japan Post Group. The Risk Management Department receives reports from and has discussions with Group companies on matters related to their risk management, thereby setting up a system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

properly identify and monitor risk for the Group as a whole.

The Risk Management Department periodically submits Group company risk management reports to the Management Meeting in which the Group's risk management policies and risk management systems are discussed.

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

■ Risk Management Framework for Japan Post Group



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

Japan Post Holdings Co. manages risk by confirming that the

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

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

② Japan Post Group Risk Management System

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

management and manages those risks autonomously.

A department responsible for managing risk has been set up at each Group company and a system for checks and warnings has been created together with the individual risk management departments.

■ Risk Categories and Definitions

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

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

③ Crisis Management for Disasters

Based on the Group agreements, each Group company in the Japan Post Group has established a system to ensure appropriate response to crisis situations, including earthquakes and other natural disasters, large-scale accidents and major failures in information systems.

Group companies prepare manuals and establish plans that

facilitate the required initial response and rescue measures immediately after a crisis occurs. In the event of a major crisis, a joint task force on-scene comprising representatives of Group companies will be quickly established in an affected area to review and implement methods to enable the smooth provision of services to customers.

Corporate Data

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Japan Post Group Management Philosophy

Stressing the security and confidence of the Japan Post Group network, the Group, as a private corporation, is demonstrating creativity and efficiency to the greatest extent possible and will provide customer-oriented services, support the lives of customers

in local communities and aim for the happiness of customers and employees. The Group will also pursue managerial transparency on its own, observe rules and contribute to the development of society and the region.

Group Management Policy

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

Japan Post Group Charter of Corporate Conduct

- (1) Earn the trust of customers
 - We earn the trust of customers by adopting their perspective and meeting their expectations.
 - We protect and manage information strictly so that customers can use our services with peace of mind.
 - We fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner.
- (2) Observe ethical standards
 - We continue to conduct business activities with sincerity by complying with laws, regulations, social standards and internal rules.
 - We stand firmly against antisocial forces and organizations that threaten the order and safety of civil society.
 - We maintain workplace discipline by clearly defining responsibilities and authority and fairly evaluating performance and results.
- (3) Place priority on coexistence
 - We actively promote environmental conservation and make a significant contribution to society through business activities.
 - We aim for sustainable coexistence by placing importance on maintaining dialogues with diverse stakeholders.
 - We respect human rights and provide safe and pleasant workplaces.
- (4) Create value
 - We will create new convenience for customers and provide them with high-quality services.
 - We will create stable value by providing universal services in our three core businesses through the Japan Post Group network.
 - We will utilize teamwork and create corporate value for the Japan Post Group by promoting mutual understanding and cooperation among employees and encouraging each and every employee to fulfill their roles and responsibilities.
- (5) Be a source of change
 - We will apply technological innovation and continually make innovative changes internally to provide stable services to our customers.
 - We exercise our creativity from a broad viewpoint and lofty perspective to promote the Group's development.
 - We aggressively take on the challenge of conducting global business activities.

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

1 Company Outline

Company name (in Japanese):	Nippon Yusei Kabushiki Kaisha
Company name:	JAPAN POST HOLDINGS Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥3,500 billion
Date of establishment:	January 23, 2006
Legal basis:	Established under the Japan Post Holdings Co., Ltd. Act (Law No. 98 of October 21, 2005)
Lines of business:	Strategy formulation of Group management

2 Information on Shares

(As of March 31, 2017)

1. Number of Shares

Total number of authorized shares	18,000,000,000
Total number of issued shares	4,500,000,000
Total number of Shareholders	503,636

2. Major Shareholders

	Capital contribution to the company	
	Number of shares held	Shareholding ratio
Minister of Finance	3,622,098,300	80.49%
Japan Post Holdings Employee Shareholding Association	46,506,000	1.03%
Japan Trustee Services Bank, Ltd. (Trust Account)	21,521,300	0.47%
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,629,900	0.39%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	10,016,800	0.22%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	9,669,700	0.21%
Japan Trustee Services Bank, Ltd. (Trust Account 1)	7,490,500	0.16%
Japan Trustee Services Bank, Ltd. (Trust Account 2)	7,328,200	0.16%
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	6,743,514	0.14%
STATE STREET BANK WEST CLIENT - TREATY 505234	6,572,867	0.14%

*The Company holds 383,306,000 shares (8.52%) of treasury stock, which are not included in the above list of major shareholders.

3. Matters Concerning Stock Acquisition Rights

None.

3 Number of Employees

2,761 (as of March 31, 2017)

* The number of employees excludes employees assigned to other companies by Japan Post Holdings Co., Ltd. but includes employees assigned to Japan Post Holdings Co., Ltd. by other companies. The figures do not include part-time employees.

(As of July 1, 2017)

1. Directors

President & CEO (Representative Executive Officer).....	Masatsugu Nagato (Concurrently holds the positions of Director of Japan Post Co., Ltd., Director of Japan Post Bank Co., Ltd., and Director of Japan Post Insurance Co., Ltd.)
Senior Executive Vice President (Representative Executive Officer) ...	Yasuo Suzuki (Concurrently holds the position of Director of Japan Post Co., Ltd.)
Director	Norito Ikeda (Concurrently holds the position of President & CEO of Japan Post Bank Co., Ltd.)
Director	Kunio Yokoyama (Concurrently holds the position of President & CEO of Japan Post Co., Ltd.)
Director	Mitsuhiko Uehira (Concurrently holds the position of President & CEO of Japan Post Insurance Co., Ltd.)
Director	Riki Mukai
Director (Outside)	Miwako Noma (Concurrently holds the position of Representative Director of Nippon Gurashi Co., Ltd.)
Director (Outside)	Akio Mimura (Concurrently holds the position of Senior Adviser to the Board and Chairman Emeritus of Nippon Steel & Sumitomo Metal Corp.)
Director (Outside)	Tadashi Yagi (Concurrently holds the position of Adviser to the Board of K. K. Kyodo News)
Director (Outside)	Satoshi Seino (Concurrently holds the position of Chairman and Director of East Japan Railway Company)
Director (Outside)	Kunio Ishihara (Concurrently holds the position of Senior Adviser to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.)
Director (Outside)	Yasuo Inubushi (Concurrently holds the position of Emeritus Adviser to the Board of Kobe Steel, Ltd.)
Director (Outside)	Charles Ditmars Lake II (Concurrently holds the position of Representative Chairman in Japan of American Family Life Assurance Company of Columbus)
Director (Outside)	Michiko Hirono (Concurrently holds the position of Representative Director and President of 21 Lady Co., Ltd.)
Director (Outside)	Norio Munakata (Attorney-at-Law)

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

Executive Vice President (Representative Executive Officer)	Toshihide Komatsu	Executive Officer	Makoto Sakurai
Executive Vice President (Representative Executive Officer)	Yoshifumi Iwasaki	Executive Officer	Hidetake Kikuhara
Senior Managing Executive Officer	Ryosuke Haraguchi	Executive Officer	Katsuyuki Takahashi
Senior Managing Executive Officer	Noboru Ichikura	Executive Officer	Tsutomu Shomura
Senior Managing Executive Officer	Kazuhide Kinugawa	Executive Officer	Mamiko Izumi
Senior Managing Executive Officer	Atsuhiko Ikeda	Executive Officer	Katsumi Amano
Senior Managing Executive Officer	Toru Inasawa	Executive Officer	Shinji Denishi
Managing Executive Officer	Kenji Fukumoto	Executive Officer	Noriko Kinoshita
Managing Executive Officer	Kimihiko Oku	Executive Officer	Kenji Ogata
Managing Executive Officer	Yoshiharu Miyazaki	Executive Officer	Toshiyuki Yazaki
Managing Executive Officer	Chikashi Isayama	Executive Officer	Katsuhiko Sato
Managing Executive Officer	Satoru Tatebayashi	Executive Officer	Hiroshi Shiraishi
Managing Executive Officer	Susumu Tanaka	Executive Officer	Seiji Yukino
Managing Executive Officer	Nobuyasu Kato	Executive Officer	Toshitaka Shima

3. Nomination Committee

Chairperson	Akio Mimura
Member	Kunio Ishihara
Member	Masatsugu Nagato

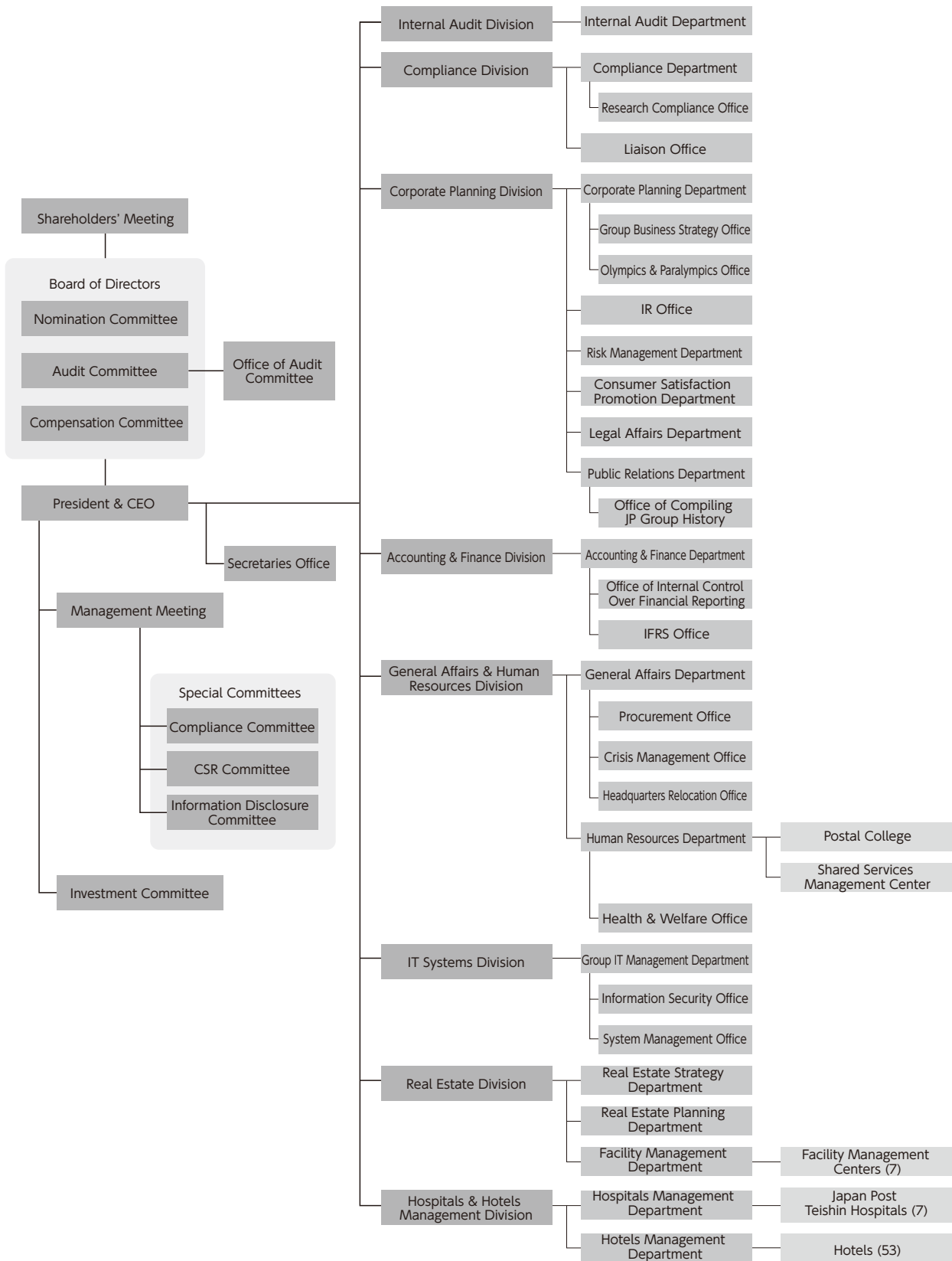
4. Audit Committee

Chairperson	Tadashi Yagi
Member	Miwako Noma
Member	Norio Munakata
Member	Riki Mukai

5. Compensation Committee

Chairperson	Satoshi Seino
Member	Tadashi Yagi
Member	Masatsugu Nagato

(As of July 1, 2017)



(As of March 31, 2017)

Affiliation	Company name	Location	Issued capital (millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000	Postal and logistics business, financial services counter sales business	October 1, 2007	100.0%
	JAPAN POST BANK Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000	Banking business	September 1, 2006	89.0%
	JAPAN POST INSURANCE Co., Ltd.	Chiyoda-ku, Tokyo	¥500,000	Life insurance business	September 1, 2006	89.0%
	JAPAN POST STAFF Co., Ltd.	Minato-ku, Tokyo	¥640	Others (temporary staffing service, contracted business)	July 3, 2007	100.0%
	YUSEI CHALLENGED CO., Ltd.	Setagaya-ku, Tokyo	¥5	Other businesses (office cleaning)	November 20, 2007	100.0%
	Japan Post Hotel Service Co., Ltd.	Chuo-ku, Saitama-shi, Saitama	¥39	Other businesses (contracted hotel management)	December 25, 1996	100.0%
	Japan Post Information Technology Co., Ltd.	Shinjuku-ku, Tokyo	¥3,150	Other businesses (communication network maintenance and management)	January 30, 1987	100.0%
	Japan Post Trading Service Co., Ltd.	Koto-ku, Tokyo	¥100	Merchandise business, contracting business for merchandise operations	September 11, 2007	100.0% (100.0%)
	Japan Post Building Management Co., Ltd.	Chiyoda-ku, Tokyo	¥150	Property management for commercial buildings	April 1, 2011	100.0% (100.0%)
	Japan Post Communications Co., Ltd.	Minato-ku, Tokyo	¥350	Operations related to posting advertisements in post offices	August 8, 2014	100.0% (100.0%)
	JAPAN POST OFFICE SUPPORT Co., Ltd.	Minato-ku, Tokyo	¥100	Merchandise sales, facilities management and contracting business	March 16, 1971	100.0% (100.0%)
	JP TWOWAY CONTACT Co., Ltd.	Nishi-ku, Osaka-shi, Osaka	¥182	Others (telemarketing services)	April 18, 1988	82.87% (82.87%)
	JP MITSUKOSHI MERCHANDISING Co., Ltd.	Koto-ku, Tokyo	¥50	Mail-order business, wholesale, others	April 1, 2014	60.0% (60.0%)
	YY Gift Co., Ltd.	Nishi-ku, Yokohama-shi, Kanagawa	¥20	Sales of catalog products, mail-order business, agency business for sales of alcohol	April 23, 1996	51.0% (51.0%)
	JP TOKYO TOKUSENKAI Co., Ltd.	Taito-ku, Tokyo	¥30	Sales of catalog products, mail-order business, agency business for sales of alcohol	March 2, 2015	51.0% (51.0%)
	JAPAN POST MAINTENANCE Co., Ltd.	Koto-ku, Tokyo	¥50	Automobile maintenance and machinery maintenance business, product sales business, vehicle maintenance and management business	March 1, 2003	100.0% (100.0%)
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Truck cargo transportation	November 30, 2007	100.0% (100.0%)
	Japan Post Delivery Co., Ltd.	Chuo-ku, Tokyo	¥400	Collection and delivery of Yu-Pack and other items	April 1, 2014	100.0% (100.0%)
	Toll Holdings Limited	Melbourne, Australia	AUD2,978	Forwarding business, 3PL business, express business	June 20, 1986	100.0% (100.0%)
	JP GENERAL INSURANCE AGENCY Co., Ltd.	Chiyoda-ku, Tokyo	¥20	Non-life insurance and automobile liability insurance agency business	August 7, 1950	70.0% (70.0%)
	JP Logi Service Co., Ltd.	Chuo-ku, Osaka-shi, Osaka	¥34	Preparation and posting of postal items, parcels and mail items	October 15, 1968	67.6% (67.6%)
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Preparation and posting of postal items	February 1, 2006	58.5% (58.5%)
	JAPAN POST SANKYU GLOBAL LOGISTICS CO., LTD.	Chuo-ku, Tokyo	¥300	International air freight forwarding	July 1, 2008	60.0% (60.0%)
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥300	Planning, development and sales of direct mail and contracted shipment of merchandise	February 29, 2008	51.0% (51.0%)
	JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.	Shinagawa-ku, Tokyo	¥500	Life insurance businesses (commissioning of design, development, maintenance and operation of information systems)	March 8, 1985	100.0% (100.0%)

Affiliation	Company name	Location	Issued capital (millions)	Main business	Date of establishment	Percentage ownership of voting rights
Affiliated companies accounted for under the equity method	JP Asset Management Co., Ltd.	Chuo-ku, Tokyo	¥500	Type II financial instruments business operation and investment management business (investment trust management business)	August 18, 2015	50.0% (50.0%)
	SDP Center Co., Ltd.	Chuo-ku, Tokyo	¥2,000	Banking business (bank agency operations)	May 28, 1980	45.0% (45.0%)
	SAISON ASSET MANAGEMENT Co., Ltd.	Toshima-ku, Tokyo	¥1,000	Type II financial instruments business operation and investment trust management business, others	June 12, 2006	40.0% (40.0%)
	ATM Japan Business Service, Ltd.	Minato-ku, Tokyo	¥100	Banking business (ATM cash loading and collection as well as ATM management)	August 30, 2012	35.0% (35.0%)
	JA FOODS OITA CO., LTD.	Kitsuki-shi, Oita	¥493	Processing and sales of agricultural products, fruits and vegetables	December 2, 1991	20.0% (20.0%)
	RINGBELL Co., Ltd.	Chuo-ku, Tokyo	¥354	Planning, production and sales of gift catalogs, others	July 3, 1987	20.0% (20.0%)

Note: The figures in parentheses in the column showing percentage ownership of voting rights indicate the percentage of indirect ownership through consolidated subsidiaries.

7

Teishin Hospitals

(As of April 1, 2017)

Name of facility	Location	Telephone number
Tokyo Teishin Hospital	14-23, Fujimi 2-chome, Chiyoda-ku, Tokyo 102-8798	03-5214-7111
Toyama Teishin Hospital	2-29, Kashima-machi 2-chome, Toyama, Toyama 930-8798	076-423-7727
Nagoya Teishin Hospital	2-5, Izumi 2-chome, Higashi-ku, Nagoya, Aichi 461-8798	052-932-7151
Kyoto Teishin Hospital	109, Nishi Rokkakuchō, Shinmachi Nishiiru, Rokkakutori, Nakagyo-ku, Kyoto, Kyoto 604-8798	075-241-7167
Hiroshima Teishin Hospital	19-16, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8798	082-224-5355
Fukuoka Teishin Hospital	6-11, Yakuin 2-chome, Chuo-ku, Fukuoka, Fukuoka 810-8798	092-741-0300
Kagoshima Teishin Hospital	12-1, Shimo Ishiki 1-chome, Kagoshima, Kagoshima 890-8798	099-223-6013

(As of July 1, 2017)

1. Kanpo no Yado Inns

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
1	Otaru	2-670, Asarigawa Onsen, Otaru, Hokkaido 047-0154	0134-54-8511	21	Kazeru Otaru Annex
2	Ichinoseki	147-5, Horyu, Genbi-cho, Ichinoseki, Iwate 021-0101	0191-29-2131	55	
3	Sakata	17-26, Iimoriyama 3-chome, Sakata, Yamagata 998-8588	0234-31-4126	39	
4	Koriyama	3-198, Atami, Atami-machi, Koriyama, Fukushima 963-1380	024-984-3511	36	
5	Iwaki	60, Shibazaki, Tairafujima, Iwaki, Fukushima 970-0103	0246-39-2670	59	
6	Oarai	7986-2, Isohama-cho, Oarai-machi, Higashi-Ibaraki-gun, Ibaraki 311-1301	029-267-3191	52	
7	Itako	1830-1, Mizuhara, Itako, Ibaraki 311-2404	0299-67-5611	56	
8	Shiobara	1256, Shiobara, Nasushiobara, Tochigi 329-2921	0287-32-2845	39	
9	Tochigi Kitsuregawa Onsen	5296-1, Kitsuregawa, Sakura, Tochigi 329-1412	028-686-2822	53	
10	Isobe	22, Gobara, Annaka, Gunma 379-0135	027-385-6321	51	
11	Yorii	2267, Sueno, Yorii-machi, Osato-gun, Saitama 369-1205	048-581-1165	51	
12	Kamogawa	1137, Nishi-cho, Kamogawa, Chiba 296-0043	04-7092-1231	101	
13	Asahi	2280-1, Nittama, Asahi, Chiba 289-2525	0479-63-2161	61	
14	Katsuura	2183-5, Ubara, Katsuura, Chiba 299-5243	0470-76-3011	50	
15	Ome	668-2, Komaki-cho 3-chome, Ome, Tokyo 198-0053	0428-23-1171	56	
16	Hakone	159, Motohakone, Hakone-machi, Ashigarashimo-gun, Kanagawa 250-0522	0460-84-9126	29	
17	Isawa	348-1, Matsumoto, Isawa-cho, Fuefuki, Yamanashi 406-0021	055-262-3755	54	
18	Suwa	15-16, Owa 2-chome, Suwa, Nagano 392-0001	0266-52-1551	36	
19	Atami (Main Building)	12-3, Minaguchi-cho 2-chome, Atami, Shizuoka 413-0016	0557-83-6111	159	
	Atami (Annex)	13-77, Minaguchi-cho 2-chome, Atami, Shizuoka 413-0016	0557-83-6111	45	
20	Izukogen	1104-5, Yawatano, Ito, Shizuoka 413-0232	0557-51-4400	59	
21	Toyama	5691-2, Hane, Fuchu-machi, Toyama, Toyama 939-2694	076-469-3135	40	
22	Fukui	43-17, Fuchi-machi, Fukui, Fukui 918-8026	0776-36-5793	33	
23	Yaizu	1375-2, Hamatome, Yaizu, Shizuoka 425-8533	054-627-0661	40	
24	Hamanako-Mikkabi	2977-2, Tsuzuki, Mikkabi-cho, Kita-ku, Hamamatsu, Shizuoka 431-1496	053-526-1201	41	
25	Chita-Mihama	39, Suhara, Okuda, Mihama-cho, Chita-gun, Aichi 470-3233	0569-87-1511	45	
26	Ena	2709, Oi-cho, Ena, Gifu 509-7201	0573-26-4600	54	
27	Gifu-Hashima	1041, Umaminami, Kuwabara-cho, Hashima, Gifu 501-6323	058-398-2631	40	
28	Toba	1200-7, Arashima-cho, Toba, Mie 517-0021	0599-25-4101	58	
29	Hikone	3759, Matsubara-cho, Hikone, Shiga 522-0002	0749-22-8090	41	
30	Maizuru	224-5, Ueyasu, Maizuru, Kyoto 624-0912	—	—	Temporarily closed
31	Tondabayashi	880-1, Ryusen, Tondabayashi, Osaka 584-0053	0721-33-0700	43	

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
32	Yamatoheguri	16-1, Kamisho 2-chome, Heguri-cho, Ikoma-gun, Nara 636-0905	0745-45-0351	34	
33	Nara	9-1, Nijo-cho 3-chome, Nara, Nara 630-8002	0742-33-2351	42	
34	Kii-Tanabe	24-1, Mera, Tanabe, Wakayama 646-8501	0739-24-2900	52	
35	Arima	1617-1, Arima-cho, Kita-ku, Kobe, Hyogo 651-1401	078-904-0951	53	
36	Ako	883-1, Misaki, Ako, Hyogo 678-0215	0791-43-7501	50	
37	Awajishima	824, Toshima, Awaji, Hyogo 656-1711	0799-82-1073	40	
38	Takehara	442-2, Nishino-cho, Takehara, Hiroshima 725-0002	0846-29-0141	40	
39	Hikari	31-1, Murozumi-Higashinosho, Hikari, Yamaguchi 743-0005	0833-78-1515	40	
40	Yuda	1-42, Kanda-cho, Yamaguchi, Yamaguchi 753-0064	083-922-5226	40	
41	Kanonji	1101-4, Ikenoshiri-cho, Kanonji, Kagawa 768-0031	0875-27-6161	55	
42	Tokushima	3-70, Nakatsuyama, Hachiman-cho, Tokushima, Tokushima 770-8071	088-625-1255	46	
43	Ino	1569, Hakawa, Ino-cho, Agawa-gun, Kochi 781-2128	088-892-1580	52	
44	Kitakyushu	2829, Arige, Wakamatsu-ku, Kitakyushu, Fukuoka 808-0123	093-741-1335	50	
45	Yanagawa	10-1, Yashiro-machi, Yanagawa, Fukuoka 832-0057	0944-72-6295	40	
46	Shimabara	8362-3, Hakusan-machi, Shimabara, Nagasaki 855-0824	—	—	Temporarily closed
47	Beppu	457, Tsurumi, Beppu, Oita 874-0844	0977-66-1271	49	
48	Hita	685-6, Nakanoshima-machi, Hita, Oita 877-0074	0973-24-0811	53	
49	Aso	5936, Miyaji, Ichinomiya-machi, Aso, Kumamoto 869-2612	0967-22-1122	66	
50	Nichinan	2228-1, Hoshikura, Nichinan, Miyazaki 889-2533	0987-22-5171	46	

2. Kanpo no Sato Inns

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
51	Shobara	281-1, Shinjo-cho, Shobara, Hiroshima 727-0004	0824-73-1800	62	

3. Rafre Saitama and Other Facilities

Number	Name of facility	Location	Telephone number	Number of rooms	Notes
52	Rafre Saitama	3-2, Shintoshin, Chuo-ku, Saitama, Saitama 330-0081	048-601-1111	186	
53	U-Port Recreation Center in Setagaya	17-1, Kamata 2-chome, Setagaya, Tokyo 157-0077	03-3709-0161	—	No accommodation facilities

Notes 1: For more details, contact the hotels directly or call the customer service center of *Kanpo no Yado* inns at 0120-715294 (weekdays: 9:30 to 17:30).

2: Each accommodation facility has formed a disaster agreement beforehand with local municipalities to provide evacuation areas, bathing facilities and food in accordance with requests from these municipalities (except Koriyama).

Year	Major Event
1871	Modern postal service established (new postal system set up between Tokyo and Kyoto and Tokyo and Osaka)
1872	Registered mail service launched Nationwide postal network completed
1873	Nationwide flat-rate system introduced Issuance of postcards begun
1875	Government mail offices and mail handling offices renamed post offices Postal money order service established International mail service launched Postal savings service established
1877	Joined the Universal Postal Union
1880	Foreign postal money order service launched
1885	Issuance of reply-paid postcards begun Ministry of Communications established
1887	The 〒 mark adopted as the logo for the Ministry of Communications
1892	Parcel post service begun
1894	First commemorative stamps (two types; celebrating the 25th royal wedding anniversary of the Meiji Emperor) issued
1899	Special New Year's postcards delivery service launched (suspended in 1923, when the Great Kanto Earthquake occurred, and in the pre- and post-war periods from 1940 to 1947)
1901	Red post boxes introduced
1906	Money Transfer service established
1910	Governmental pensions payment receiving service launched
1911	Express mail service launched
1916	Postal life insurance service established
1926	Postal life annuity service established
1928	<i>Kokumin Hoken Taiso</i> (radio exercise) program launched
1931	Foreign Money Transfer service launched
1941	<i>TEIGAKU</i> deposits introduced
1944	System allowing payment of postage in arrears introduced
1949	The Ministry of Posts and Telecommunications established Law Concerning Contracted Post Offices went into effect Issuance of New Year's lottery postcards begun
1950	Issuance of summer greeting postcards begun
1951	New radio exercise program launched
1961	Postal orders (<i>TEIGAKU KOGAWASE</i>) service introduced
1968	Three- or five-digit postal code system introduced
1973	Depositor loan service introduced
1975	Express mail service (EMS) launched

Year	Major Event
1977	Online postal life insurance service launched
1978	Online postal savings service launched
1980	Cash dispensers (CDs) for postal savings introduced
1981	Automatic teller machines (ATMs) for postal savings introduced Trial service for electronic postal mail launched
1983	<i>Furusato</i> parcel service launched
1986	Automatic insurance premiums transfer service launched
1988	Sales of Japanese Government Bonds etc. begun
1989	Issuance of regional stamps (later renamed <i>Furusato</i> stamps) and New Year's lottery stamps begun The passbook with remittance service launched
1991	Issuance of <i>Furusato</i> picture postcards and donation-added New Year's lottery stamps begun Foreign exchange service launched
1998	Seven-digit postal code system introduced
1999	ATM/CD alliance service with private-sector financial institutions launched <i>Minna no Taiso</i> ("Exercise for Everyone") program developed Sales of lotteries begun
2000	Mutual remittance services between post offices and private-sector financial institutions begun
2001	Postal Services Agency established
2002	Defined contribution pensions (individual annuities) service begun
2003	Japan Post established
2005	Sales of investment trusts begun
2007	Japan Post Group established Agent sales of automobile insurance begun
2008	Issuance of JP BANK CARD begun Intermediary service for individual loans launched Sales of Variable Annuities Policies begun A new hospitalization rider, <i>Sono hi kara</i> , launched Sales of third-sector insurance begun Sales of life insurance for corporate clients (for management-level personnel) begun
2009	Online connection to the Zengin Data Telecommunication System (Zengin System) established
2010	Letter Pack service launched
2012	The "Act for Partial Revision of the Postal Service Privatization Act and others" went into effect and Japan Post Co., Ltd. established Japan Post Group Vision 2021 announced
2013	Grand opening of JP Tower
2014	"Japan Post Group Medium-term Management Plan—New Japan Post Group Network Creation Plan 2016" announced Japan Post Group Women's Athletics Team established Sales of <i>Hajime no Kampo</i> Educational Endowment Insurance begun
2015	"Japan Post Group Medium-term Management Plan—New Japan Post Group Network Creation Plan 2017" announced Japan Post Holdings Co., Ltd. acquired 100% ownership of Toll Holdings Limited, an Australian logistics company. Japan Post Holdings Co., Ltd. listed on the First Section of the Tokyo Stock Exchange Japan Post Bank Co., Ltd. listed on the First Section of the Tokyo Stock Exchange Japan Post Insurance Co., Ltd. listed on the First Section of the Tokyo Stock Exchange

2. Outline of Japan Post Co., Ltd.

1 Company Outline

Company name (in Japanese):	Nippon Yubin Kabushiki Kaisha
Company name:	JAPAN POST Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥400 billion
Date of establishment:	October 1, 2007
Legal basis:	Established under the Japan Post Co., Ltd. Act (Law No. 100 of October 21, 2005)
Lines of business:	Postal operations; banking counter operations; insurance counter operations; sales of documentary stamps; operations consigned by local government entities; bank and life and non-life insurance agency services other than those mentioned previously; domestic distribution and delivery business and international cargo transport and agency services for air cargo business; logistics business; real estate business; and merchandise sales

2 Management Philosophy

Management Philosophy

"Japan Post Co., Ltd. will fully utilize its resources that include its post office and delivery networks covering every corner of the country to provide safe, reliable and fast services tailored to the needs of each community while contributing to the realization of a society with an abundance of human contact by supporting people's lifestyles throughout their entire lives."

- We will provide the basic postal services of postal, banking and insurance services extensively across the country into the future.
- We will take on the challenge of providing innovative services that respond accurately to changes in society and enrich people's lives.
- We will fulfill our responsibilities as a corporate citizen by establishing corporate governance systems and strictly implementing compliance.
- Each and every employee will continue to grow to ensure we are appreciated by our customers and trusted and respected by local communities.

3 Information on Shares

(as of March 31, 2017)

1. Number of Shares

Total shares issued	10,000,000
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2. Shareholder

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

4 Number of Employees

195,242* (as of March 31, 2017)

* The number of employees excludes employees assigned to other companies by Japan Post Co., Ltd. but includes employees assigned to Japan Post Co., Ltd. by other companies. The figures do not include part-time employees.

(As of July 1, 2017)

1. Directors

Chairman	Toru Takahashi
President & CEO (Representative Executive Officer)	Kunio Yokoyama (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Senior Executive Vice President (Representative Director)	Tomohiro Yonezawa
Executive Vice President (Representative Director)	Seiki Fukuda
Director	Yasuo Suzuki (Concurrently holds the position of Representative Director and Senior Executive Vice President of Japan Post Holdings Co., Ltd.)
Director	Masatsugu Nagato (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director (Outside)	Kenji Kitahara (Former member of the NHK Management Committee)
Director (Outside)	Risa Tanaka (Concurrently holds the position of President of The Graduate School of Project Design and Director of Media and Information of Sendenkaigi Co., Ltd.)
Director (Outside)	Kaori Sasaki (Concurrently holds the position of President and CEO of ewoman, Inc.)
Director (Outside)	Toyohiko Takabe (Concurrently holds the position of Adviser of Nippon Telegraph and Telephone Corporation)
Director (Outside)	Akira Nokina (Concurrently holds the position of Chairman of Nikko Systems Solutions, Ltd.)

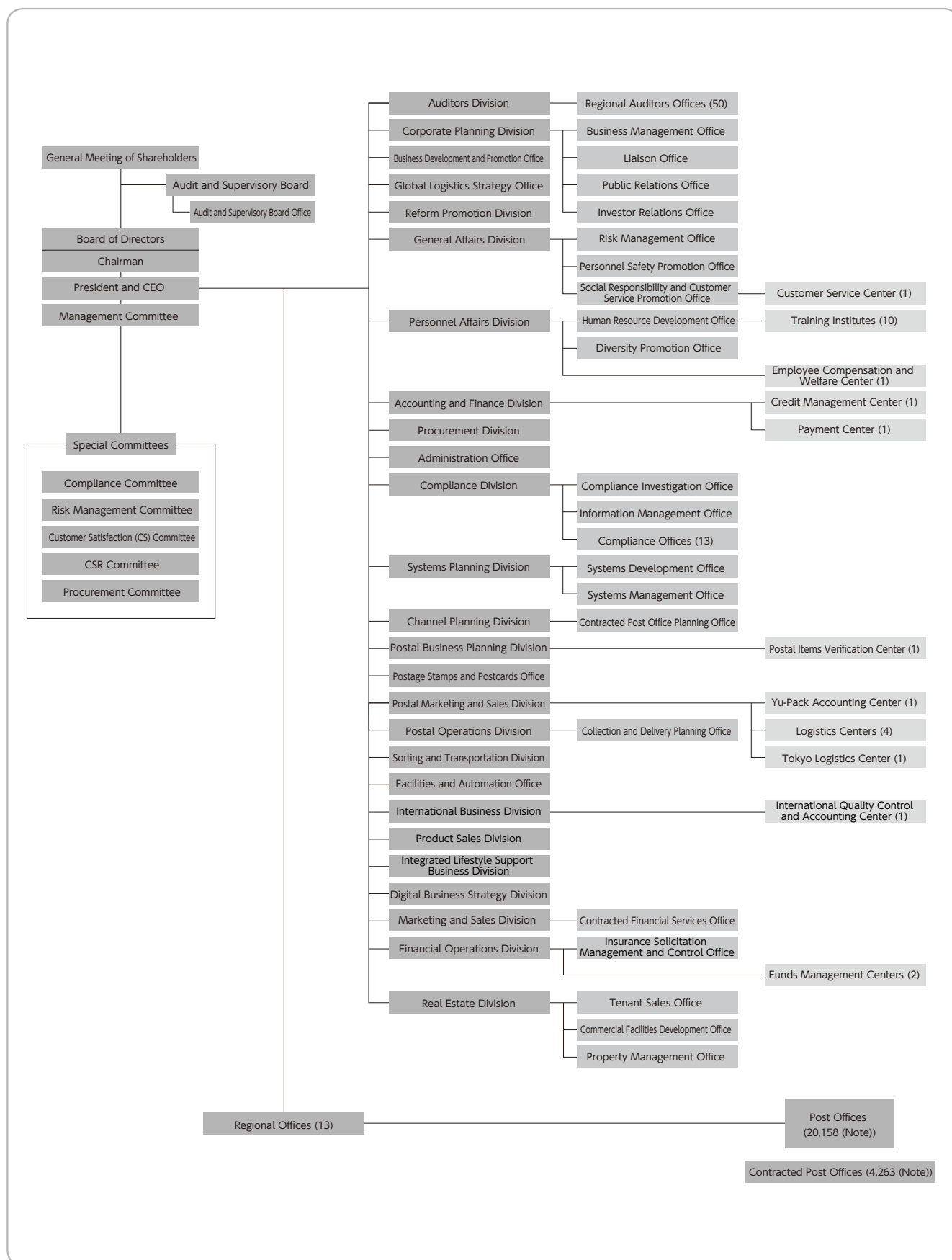
2. Audit and Supervisory Board Member

Mitsuyuki Yamamoto
Toshiyuki Takano
Hiroshi Shidehara
Masayasu Oguro

3. Executive Officers

Vice President (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Chikashi Isayama	Executive Officer	Hitoshi Arawaka
Vice President	Kunio Tanigaki	Executive Officer (Concurrently holds the position of Executive Officer of Japan Post Holdings Co., Ltd.)	Toshiyuki Yazaki
First Executive Officer	Makoto Osawa	Executive Officer	Nobuo Tsuruda
First Executive Officer	Taneki Ono	Executive Officer	Masahiko Metoki
First Executive Officer	Yoshinori Suzuki	Executive Officer	Atsushi Fuchie
Senior Executive Officer	Tsunehiko Matsuyama	Executive Officer	Satoshi Higashikozono
Senior Executive Officer	Ryutaro Yamamoto	Executive Officer	Kimikazu Sano
Senior Executive Officer	Yoshiyuki Higuchi	Executive Officer	Kanako Asami
Senior Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Satoru Tatebayashi	Executive Officer	Koji Kamiozaki
Senior Executive Officer	Norio Wakasa	Executive Officer	Katsuyo Yamazaki
Senior Executive Officer	Hiroaki Kawamoto	Executive Officer (Concurrently holds the position of Executive Officer of Japan Post Holdings Co., Ltd.)	Katsuyuki Takahashi
Senior Executive Officer	Katsuhiko Tsuyama	Executive Officer	Akihito Nishiguchi
Senior Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Yoshiharu Miyazaki	Executive Officer	Hiroaki Yasuda
		Executive Officer	Yasuhiro Takahashi
		Executive Officer	Atsushi Hasegawa
		Executive Officer	Kazuyuki Negishi

(As of July 1, 2017)



Note: The number of directly managed post offices and contracted post offices is as of March 31, 2017.

(As of July 1, 2017)

Name of regional office	Location
Hokkaido	4-3, Kita Nijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-8797
Tohoku	1-34, Ichiban-cho 1-chome, Aoba-ku, Sendai, Miyagi 980-8797
Kanto	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797
Tokyo	6-19, Azabudai 1-chome, Minato-ku, Tokyo 106-8797
Minami Kanto	1-2, Enoki-cho, Kawasaki-ku, Kawasaki, Kanagawa 210-8797
Shinetsu	801, Kurita, Nagano, Nagano 380-8797
Hokuriku	1-15, Kamitsutsumi-cho, Kanazawa, Ishikawa 920-8797
Tokai	1-1, Meieki 1-chome, Nakamura-ku, Nagoya, Aichi 469-8797
Kinki	3-9, Kitahama Higashi, Chuo-ku, Osaka, Osaka 530-8797
Chugoku	19-8, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-8797
Shikoku	8-5, Miyata-cho, Matsuyama, Ehime 790-8797
Kyushu	1-1, Joto-machi, Chuo-ku, Kumamoto, Kumamoto 860-8797
Okinawa	26-29, Higashi-machi, Naha, Okinawa 900-8797

(As of March 31, 2017)

Prefecture	Post offices in service				Post offices out of service				Grand total
	Directly managed post offices		Contracted post offices	Total	Directly managed post offices		Contracted post offices	Total	
	Regular post offices	Post office branches			Regular post offices	Post office branches			
Hokkaido	1,208	1	278	1,487	1	0	13	14	1,501
Aomori	267	0	92	359	0	0	3	3	362
Iwate	300	1	115	416	7	0	10	17	433
Miyagi	346	0	76	422	17	0	17	34	456
Akita	273	0	125	398	0	0	3	3	401
Yamagata	288	0	106	394	1	0	3	4	398
Fukushima	412	0	105	517	18	0	12	30	547
Ibaraki	465	0	49	514	0	0	7	7	521
Tochigi	312	0	41	353	0	0	6	6	359
Gunma	301	0	39	340	0	0	0	0	340
Saitama	628	0	19	647	0	0	0	0	647
Chiba	688	0	31	719	1	0	3	4	723
Kanagawa	753	0	14	767	0	0	0	0	767
Yamanashi	201	0	64	265	0	0	2	2	267
Tokyo	1,478	0	6	1,484	18	0	0	18	1,502
Niigata	534	0	133	667	0	0	13	13	680
Nagano	443	0	196	639	0	0	12	12	651
Toyama	211	0	77	288	0	0	3	3	291
Ishikawa	254	0	69	323	0	0	5	5	328
Fukui	207	0	32	239	0	0	2	2	241
Gifu	355	0	87	442	0	0	12	12	454
Shizuoka	484	0	93	577	0	0	15	15	592
Aichi	839	2	72	913	0	0	17	17	930
Mie	372	0	76	448	0	0	16	16	464
Shiga	230	0	29	259	0	0	2	2	261
Kyoto	441	0	31	472	1	0	3	4	476
Osaka	1,083	4	27	1,114	0	0	3	3	1,117
Hyogo	838	2	118	958	0	0	6	6	964
Nara	241	0	77	318	0	0	5	5	323
Wakayama	263	0	52	315	0	0	2	2	317
Tottori	147	0	95	242	0	0	4	4	246
Shimane	257	0	112	369	0	0	8	8	377
Okayama	417	2	101	520	0	0	8	8	528
Hiroshima	580	0	111	691	0	0	7	7	698

Prefecture	Post offices in service				Post offices out of service				Grand total
	Directly managed post offices		Contracted post offices	Total	Directly managed post offices		Contracted post offices	Total	
	Regular post offices	Post office branches			Regular post offices	Post office branches			
Yamaguchi	351	0	57	408	0	0	6	6	414
Tokushima	201	0	30	231	0	0	7	7	238
Kagawa	187	0	28	215	0	0	9	9	224
Ehime	317	0	75	392	0	0	8	8	400
Kochi	227	0	91	318	0	0	4	4	322
Fukuoka	713	0	95	808	1	0	1	2	810
Saga	166	0	39	205	0	0	2	2	207
Nagasaki	309	0	134	443	0	0	5	5	448
Kumamoto	385	0	173	558	2	0	7	9	567
Oita	302	0	98	400	0	0	2	2	402
Miyazaki	195	0	110	305	0	0	3	3	308
Kagoshima	433	2	276	711	0	0	9	9	720
Okinawa	175	0	24	199	0	0	0	0	199
Nationwide total	20,077	14	3,978	24,069	67	0	285	352	24,421

Note: Contracted post offices operate under consignment contracts.

"Post offices out of service" are post offices for which customers have been informed of a temporary closure and postal counter operations have been ceased.

Other emergency services are as follows.

Number of instances where services are provided by personnel dispatched to the location	Number of instances where services are provided by 1 mobile post office
0	3

Post offices out of service are as follows.

	Closed due to the Great East Japan Earthquake	Closed for reasons other than the Great East Japan Earthquake	Total
Directly managed post offices	42	25	67
Contracted post offices	14	271	285

(As of March 31, 2017)

Affiliation	Company name	Location	Paid-in capital (millions)	Line of business	Date of establishment	Japan Post ownership	Ownership of voting shares
Consolidated Subsidiaries	JAPAN POST OFFICE SUPPORT Co., Ltd.	Minato-ku, Tokyo	¥100	Merchandise sales Facilities management and contracting business	March 16, 1971	100.0%	100.0%
	JP GENERAL INSURANCE AGENCY Co., Ltd.	Chiyoda-ku, Tokyo	¥20	Non-life insurance and automobile liability insurance agency business	August 7, 1950	70.0%	70.0%
	JAPAN POST SANKYU GLOBAL LOGISTICS CO., LTD.	Chuo-ku, Tokyo	¥300	International air freight forwarding	July 1, 2008	60.0%	60.0%
	Toll Holdings Limited	Melbourne, Australia	AUD2,978	Forwarding business, 3PL business, express business	June 20, 1986	100.0%	100.0%
	Japan Post Trading Service Co., Ltd.	Koto-ku, Tokyo	¥100	Merchandise business, contracting business for merchandise operations	September 11, 2007	100.0%	100.0%
	Japan Post Communications Co., Ltd.	Minato-ku, Tokyo	¥350	Operations related to posting advertisements in post offices	August 8, 2014	100.0%	100.0%
	JP Logi Service Co., Ltd.	Osaka-shi, Osaka	¥34	Preparation and posting of postal items, parcels and mail items	October 15, 1968	67.6%	67.6%
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥300	Planning, development and sales of direct media and contracted shipment of merchandise	February 29, 2008	51.0%	51.0%
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Preparation and posting of postal items	February 1, 2006	51.0%	58.5%
	Japan Post Delivery Co., Ltd.	Chuo-ku, Tokyo	¥400	Collection and delivery of Yu-Pack and other items	April 1, 2014	100.0%	100.0%
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Truck cargo transportation	November 30, 2007	100.0%	100.0%
	JAPAN POST MAINTENANCE Co., Ltd.	Koto-ku, Tokyo	¥50	Automobile maintenance and machinery maintenance business, product sales business, vehicle maintenance and management business	March 1, 1991	100.0%	100.0%
	Japan Post Building Management Co., Ltd.	Chiyoda-ku, Tokyo	¥150	Property management for commercial buildings	April 1, 2011	100.0%	100.0%

Postal Services

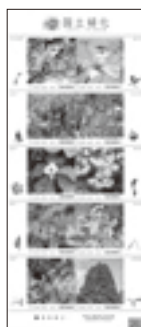
1. Stamps and Postcards

(As of April 1, 2017)

Products	Description/Features
Ordinary stamps	Standard lineup of postage stamps.
Special stamps	Stamps issued for a special purpose, such as to commemorate an important national event in Japan or a significant campaign in Japan or other countries. We also provide greeting postage stamps with designs suitable for use with greeting cards for celebrations and various other occasions.
Furusato stamps	Stamps issued to stimulate interest in specific regions of Japan using regional themes.
Donation-added New Year's postage stamps	These lottery stamps allow individuals who use their own New Year's postcards and letters to participate in the New Year's postcard lottery. There are two types: one for postcards and one for letters.
Frame stamps	An original postage stamp that is designed to look like a photo frame, with its inner blank space available for printing photographs, etc. Frame stamps can be ordered via the Internet or at a post office.
Standard postcards	In addition to the postage mark featuring a house sparrow, other postcards are available featuring a moth orchid, suitable for use for winter greetings or announcing a period of mourning.
New Year's postcards (New Year's lottery postcards)	These postcards are available in a standard format and with a donation added. A service called <i>Nenga Town-Mail</i> is also available to deliver no name specified New Year's postcards to all households and offices within a particular town neighborhood, where there is a delivery of New Year's postcards on January 1.
Summer greeting postcards (Kamo-Mail)	Kamo-Mail is lottery postcards for summer greetings. A service called <i>Kamome Town</i> is also available to deliver no name specified Kamo-Mail postcards, which are accepted during a specified period, to all households and offices within a particular town neighborhood.
Echo-postcards	Part of the postcard is used for advertising and the advertising income is used to reduce the price by ¥5.
Inkjet printing standard postcards	Postcards with a special coating permitting the postcards to be used for printing photographs, pictures and other colorful images. The postage mark is in the design of mountain cherry blossoms. Other postcards are available featuring a moth orchid, suitable for use for winter greetings or announcing a period of mourning.
Reply-paid postcards	This is two attached postcards, one to be used by the sender and the other by the recipient to send a reply back to the sender. The absence of a fold in the middle allows these postcards to be easily used with a printer or copier. These postcards are useful for printing large numbers of invitations to parties, sales events, exhibitions and other events.
Four-surface printing postcards	With four postcards in a single sheet, these postcards are useful for situations where a large number of postcards need to be printed.
Postcards with indentations	These postcards have a semicircular indentation on the lower left corner of the front so that visually impaired individuals can tell the front and back and top and bottom of a postcard.
Picture postcards	Picture postcards featuring famous scenery and other sights from all over Japan.
International postcards	These postcards are used for international air mail and have the same rate (¥70) for every foreign country.
Mini-letters (Postal envelopes)	These sheets, in which writing space is three times the size of a postcard, are a combined letter and an envelope. Postage is printed on the front just as with a postcard. Flat items can be enclosed up to the limit of 25 g.
Letter Pack Plus (Specified postage-paid envelope, with recorded delivery service)	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items can be sent nationwide for a flat rate (¥510). As the package is hand delivered to the recipient in exchange of his or her signature or seal, it offers a secure way to send items by post. A tracking service is available to check delivery status.
Letter Pack Light (Specified postage-paid envelope)	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items that do not exceed 3 cm in depth can be sent nationwide for a flat rate (¥360). This item is placed in the recipient's mail box and is therefore useful for persons who are not often at home to receive mail items. A tracking service is available to check delivery status.
Aerogrammes	The international mail version of the "mini-letter." Items can be enclosed up to a limit of 25 g. Space is three times the size of a postcard and postage is printed on the front. Air-mail postage is cheaper (¥90 for anywhere in the world).
Stamp booklets	Stamp booklets have a cover and contain several stamps or several dozen stamps, with an accompanying explanation of each stamp.



Special stamps



Furusato stamps



Stamp booklets



Frame stamps

2. Standard Mail Services

Category	Description/Features
First-class mail (<i>Dailishu yubin</i>)	This category includes letters and is divided into standard-size items of a certain size and weight and nonstandard-size items. This category also includes "mini-letters."
Second-class mail (<i>Dainishu yubin</i>)	This is the category for postcards. There are two categories: standard postcards and reply-paid postcards.
Third-class mail (<i>Daisanshu yubin</i>)	Newspapers, magazines and other periodicals issued at least four times each year and that have been approved by Japan Post. This includes third-class mail, which has discounted rates, and covers a portion of newspapers published three or more times monthly or publications containing one-day's content that are mailed by a publisher, seller or organization. Third-class mail at a discounted rate is also available for organizations for persons with disabilities that have the aim of promoting the welfare of persons with disabilities.
Fourth-class mail (<i>Daiyonshu yubin</i>)	A reduced-rate or free postage category for materials associated with public service or welfare. Examples include correspondence education materials, Braille materials, sound recordings intended solely for the use of the visually impaired, plants and seeds, and academic publications.

3. Yu-Pack, Yu-Mail and Other Services

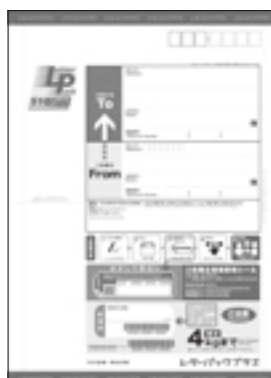
Products	Description/Features
Yu-Pack	Yu-Pack is a domestic delivery service for sending parcels having the sum total of length, width and thickness of less than 170 cm and weighing less than 30 kg, with the receiver's address listed on an attached invoice. The Yu-Pack service offers a host of benefits and conveniences. These include discounts for parcels brought to post offices, discounts for the same destination, discounts for multiple parcels to the same destination simultaneously, volume discounts for 10 or more parcels, service that allows the user to specify the nearest post office to home or work for receipt of the package, forwarding to a second address when no one is at the primary address, notice of completed delivery service, same-day redelivery, specified time delivery service and same-day delivery (certain post offices and regions).
Airport Yu-Pack	An easy and inexpensive way for travelers to ship their luggage to and from an airport. Luggage can be picked up at a designated counter at the airport. There is a reduction available for using the service on both outbound and inbound journeys.
Golf and Ski Yu-Pack	Golf and ski equipment is delivered to a hotel or other location by the day prior to the customer's arrival or back to the customer's home. There is a reduction available for using the service on both outbound and inbound journeys.
Yu-Packet	A convenient service for sending small and light items with shipping fees set according to the thickness of the package. Delivery confirmation is available online. No prior procedure is needed. Simply drop Yu-Packet in a post box.
Yu-Mail (booklet parcels)	A service for sending books and other publications. No prior procedure is needed. Simply drop Yu-Mail in a post box.
Town Plus	A service to deliver Yu-Mail to all deliverable addresses within a particular town neighborhood without the name of receivers.
Yu-Mail for persons with disabilities	Yu-Mail for materials sent between libraries and persons with severe physical or mental disabilities.
Braille Yu-Pack	Used to send Braille materials.
Yu-Pack for the hearing impaired	Used to send videotapes for hearing-impaired individuals. Available for tapes sent between facilities approved by Japan Post and eligible recipients.



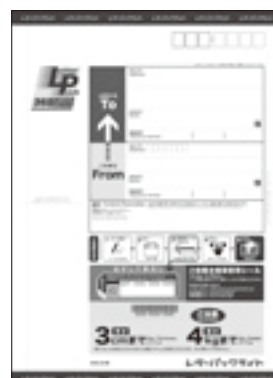
New Year's postcard
(Nenga Town-Mail)



Kamo-Mail (Kamome Town)



Letter Pack Plus



Letter Pack Light



Yu-Pack package (large box)



Yu-Pack package
(large pouch)






Yu-Pack package
(small pouch)



Yu-Pack package (small box)

4. Major Supplementary Services

(As of April 1, 2017)





Services	Description/Features
Express mail (<i>Sokutatsu</i>)	The fastest form of delivery, in which mail receives priority over other letters and parcels in the same class.
New special express mail (<i>Shin tokkyu yubin</i>)	Delivers mail received around morning time by approximately 17:00 the same day.
Delivery time-specified mail (<i>Haitatsu-jikantai shitei yubin</i>)	This service enables delivery time to be delivered within the three specified timeframes of morning (8:00 to 12:00), afternoon (12:00 to 17:00) and evening (17:00 to 21:00) starting from the earliest possible delivery slot.
Registered mail (<i>Kakitome</i>)	Letters and parcels are tracked from acceptance to delivery. If the item is damaged or lost, the sender will be reimbursed for the actual loss based on the amount submitted when the item was sent. There are three types: cash registered mail, ordinary registered mail and simplified registered mail (discounted postage).
Security service	This service provides compensation for loss up to ¥500,000 in the event that a Yu-Pack is damaged or lost.
Acceptance-recorded mail (<i>Tokutei kiroku</i>)	A service for registering the acceptance and delivery of letters and parcels.
Recorded delivery mail (<i>Kofu kiroku yubin</i>)	This is a service provided for a flat rate of ¥510, using a specified postage-paid envelope, which records the delivery of the items in the specified envelope.
ID confirmation delivery service (<i>Honnin gentei uketori</i>)	This service provides delivery of letters and parcels only to a person whose name is listed on the letter or parcel. There are three types of service: basic, special-case and conveying specific details.
Cash on Delivery (<i>Daikin hikikae</i>)	The recipient pays the designated amount upon receipt of the letter or parcel. The amount due is remitted to the sender's bank account. For cash on delivery Yu-Pack parcels, we also offer Cash on Delivery and Remittance Service (<i>Daikin hikikae matome sokin</i>), a service to collect payments and make a lump-sum transfer of money in five-day increments to the sender, and Yu-Pack Collection Service.
Refrigerated delivery service	A safe and reliable refrigerated delivery service for fresh produce and other goods to keep their freshness while in transport.
Delivery date-specified mail (<i>Haitatsu-bi shitei</i>)	The letter or parcel is delivered on the day specified by the sender.
Letax 	A service to deliver messages to recipients, such as congratulatory messages for weddings and condolence messages for funerals, using mat boards and designs specified by senders. It is possible to apply online via the Internet (Web Letax, Web <i>Sokutatsu</i>), by telephone (Telephone Letax), or at post office.
Computer mail 	The sender submits the recipient's name, address, electronic message and other data. Japan Post Co. performs everything from printing to placing the messages in envelopes so they can be delivered using standard mail. It is possible to apply online via the Internet (Web Letter).
e-content certificate 	A service for using the Internet to conveniently send mail that requires certification of the contents; available on a 24-hour basis.
Certification service	Receipt time certification is for certifying the time a letter or parcel sent as registered mail was received. Delivery certification certifies the delivery of a letter or parcel sent as registered mail. Certification forms (which are verified by postal certification officers) state the date, sender and recipient, and contents of the letter or parcel, with certification by Japan Post.

* These services may not be available depending on the type of letter or parcel.

5. Other Services


Services	Description/Features
Forwarding service	When an individual relocates, mail is forwarded to the new address for one year from the date of submission at no charge. In addition to submitting an application using relocation forms, which are available at post offices, a service is available for submitting applications via the Internet. For online service, access http://welcometown.post.japanpost.jp and fill in required items according to the instructions. Additionally, the status of applications can be checked online after submittal.
Requests for alteration of address and withdrawal of mail	When a sender realizes there was a mistaken entry for the sender or address after sending a letter or parcel, a request for change of recipient or return of the item can be submitted (a fee may be required).
Stamp and postcard exchanges	Postage stamps, non-usable postcards due to mistaken entries and other unneeded stamps and postcards can be exchanged for new ordinary stamps and postcards by paying the prescribed fee. Exchanges are not possible for postcards and postal envelopes, etc. where the printed postage stamp rate is soiled or damaged, and for soiled or damaged stamps.
Free exchange of lottery number postcards, etc.	New Year's postcards and stamps with lottery numbers that cannot be used due to the death of a close relative can be exchanged for ordinary postcards at no cost. Lottery postcards purchased by mistake and that can be resold can be exchanged at no cost for another type of lottery postcard for the same year. (This service may not be available for certain postcards or stamps.)
Sales of documentary stamps	Revenue stamps, automobile weight tax documentary stamps, unemployment insurance documentary stamps, health insurance documentary stamps and patent documentary stamps are sold at sales outlets designated by the Ministry of Internal Affairs and Communications on behalf of the Japanese national government.

6. International Mail

Services	Description/Features
EMS (Express Mail Service)	Letters and parcels are given the highest priority from the time of receipt through delivery. Status of delivery can be confirmed. (Note)
EMS delivery time guaranteed service (time certain service)	Provides a guarantee for delivery time for EMS mail sent from Tokyo or Osaka to five countries/regions (China, Hong Kong, Singapore, South Korea, Taiwan)
Cool EMS	A speed post service for small-lot, temperature-sensitive parcels by way of Express Mail Service (EMS) being provided for addresses in Taiwan, Hong Kong, Singapore, Malaysia, Vietnam and France.
International parcels	Available in three types: air parcels where speed is the priority, surface (sea) parcels where low cost is the priority and economy air mail (SAL) parcels that combine speed and low cost. (Note)
International letter-post mail	
International registered mail 	A service to record acceptance and delivery of a mail item and to compensate for actual damage incurred when it gets damaged or lost, to the extent insured by the sender.
International e-Packet 	A service to apply a special rate, which is lower than normal fees, to a small packet when customers use special labels issued online to send these parcels by air as registered mail.
International e-Packet Light 	A service that delivers to the addressee's mailbox in approximately two weeks with a tracking service to confirm status of delivery. Provided for 32 countries and regions.
International insured mail 	A service to record acceptance and delivery. If the item is damaged or does not reach its destination, the sender or the addressee will be reimbursed for the actual loss based on the amount submitted when the item was sent.
Letters	A frequently-used service to deliver letters to overseas addresses. Letters are divided into two categories: standard-size mail having specific weights and sizes and other nonstandard-size mail. This service is available to send letters or documents weighing up to 2 kg by air mail or surface mail. "Letters" include aerogrammes and greeting cards.
Postcards	A service to deliver postcards worldwide at a flat rate of ¥60 for surface mail and ¥70 for air mail.
Printed matter	A low-cost international mail service for periodicals, catalogs, direct marketing materials, business documents and other printed materials. Can be sent as air mail, surface mail or economy air mail (SAL).
Small packet	A service for sending parcels up to 2 kg to overseas destinations. Less expensive than EMS or international small parcels. Can be sent as air mail, surface mail or economy air mail (SAL).
D-mail, P-mail	A service to apply a special rate, when a single sender mails a large quantity of pre-sorted items at once at the specified post office (300 or more for printed matters and 50 or more for small packets).

Note: Tracking availability, maximum size and weights depend on each country.

7. International Parcel Delivery

Services	Description/Features
UGX (U-Global Express) 	An international parcel delivery service that adds a diversity of functions and complements our conventional international mail service. This service collaborates with overseas logistics operators to provide reliable delivery of parcels and strongly support the cross-border business of customers.



Shipping labels for EMS (Merchandise)



International registered mail label



International e-Packet label

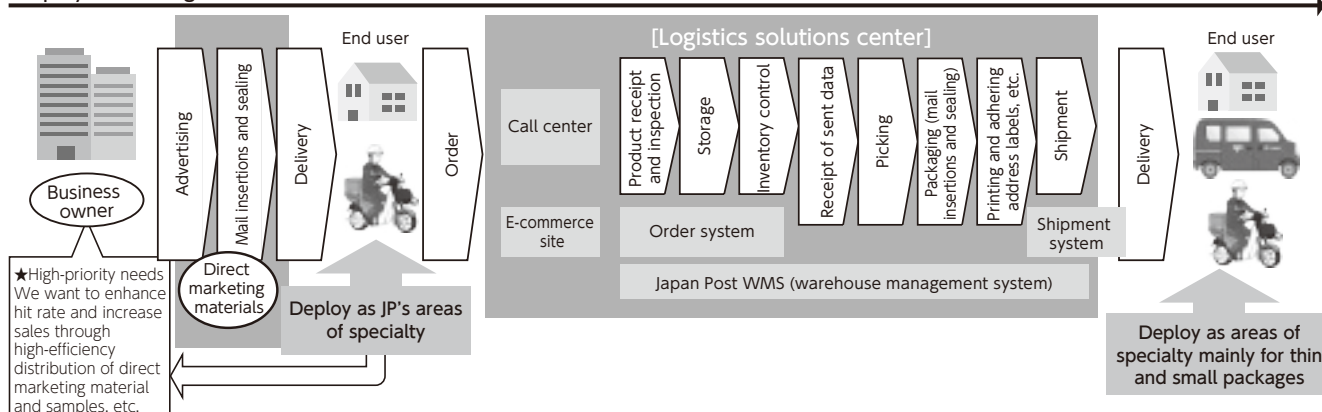


UGX label

8. Logistics Solutions

We provide from the delivery of direct marketing materials and samples to the ordering, shipment management and delivery of products in a one-stop package.

(Deployment of logistics solutions)



Banking

We handle ordinary deposits, TEIGAKU deposits and time deposits, provide remittance and settlement services in addition to handling public pension payments and carrying out counter sales of Japanese Government Bonds and investment trusts. (For details, please refer to pages 111-115.)

Insurance






We solicit life insurance and handle premium payments of Japan Post Insurance. (For details, please refer to pages 120-121.)

Other Insurance Products

(As of April 1, 2017)

Products	Description/Features
Cancer insurance	<p>Cancer insurance is sold at 20,063 post offices nationwide in order to meet the growing need to guard against the possibility of cancer, which is becoming more prevalent.</p> <p>[Products handled]</p> <ul style="list-style-type: none"> • New Days - Cancer insurance for daily living [underwriter: Aflac] <p>A cancer insurance product providing hospitalization coverage and a lump-sum payment when a policyholder is diagnosed with cancer. Hospitalization and treatment include surgery, radiation therapy and anti-cancer drugs. Also provided are benefits for outpatient cancer treatment, which has been increasing, coverage for advanced medical treatment, not usually covered under public health insurance, and treatment for female-specific cancer. Coverage of treatment for female-specific cancer (female cancer rider) can be added as an option.</p> <p>Yoriso Days - Cancer insurance for daily living [underwriter: Aflac]</p> <p>A cancer insurance product for persons aged 20 to 85 who have received treatment for cancer (malignant neoplasm) and more than five years have passed since the final treatment. It provides coverage for when the past cancer (malignant neoplasm) recurs or metastasizes, providing benefits for hospitalization and outpatient treatment including surgery, radiation therapy and anti-cancer drugs, as well as coverage for advanced medical treatment.</p>
Medical insurance with eased underwriting conditions	<p>In order to respond to needs for healthcare coverage, which have been rising in years, we sell medical insurance with eased underwriting conditions at 1,467 post offices.</p> <p>[Products handled]</p> <ul style="list-style-type: none"> • Tayoreru YOU Plus [underwriter: Sumitomo Life Insurance Company] <p>This whole life medical insurance (medical insurance with eased underwriting conditions) allows for the enrollment of persons with pre-existing conditions (diabetes, hypertension, etc.) who are not accepted under traditional health insurance*.</p> <p>* Insurance products providing benefits for hospitalization or injury or when undergoing prescribed surgery</p>
Variable annuity	<p>In order to further enhance our life planning and asset accumulation consulting-related products, we sell variable annuities at 1,079 post offices.</p> <p>[Products handled]</p> <ul style="list-style-type: none"> • Happy Road [underwriter: Mitsui Sumitomo Primary Life Insurance Co., Ltd.] • Shiawase no Tayori [underwriter: Mitsui Sumitomo Primary Life Insurance Co., Ltd.]
Life insurance for companies (for management-level personnel)	<p>In order to respond to a variety of needs of executives, such as needs for retirement benefit-related measures, business insurance, business succession and inheritance countermeasures, we sell life insurance for companies (for management-level personnel) at 200 post offices.</p> <p>[Products handled]</p> <ul style="list-style-type: none"> • Level term life insurance • Increasing term life insurance <p>[underwriters: NN Life Insurance Company, Ltd., Sumitomo Life Insurance Company, Tokio Marine & Nichido Life Insurance Co., Ltd., Nippon Life Insurance Company, Mitsui Sumitomo Aioi Life Insurance Co., Ltd., Meiji Yasuda Life Insurance Company, MetLife Life Insurance K.K.]</p> <p>* Sumitomo Life Insurance Company and MetLife Life Insurance K.K. only underwrite level term life insurance.</p>
Automobile insurance	<p>As a non-life insurance agency, we have been handling post office automobile insurance in cooperation with five non-life insurance companies at 1,495 post offices.</p> <p>[Products handled]</p> <ul style="list-style-type: none"> • Post Office Automobile Insurance <p>[five underwriters: Aioi Nissay Dowa Insurance Co., Ltd., Sompo Japan Nipponkoa Insurance Inc., Tokio Marine & Nichido Fire Insurance Co., Ltd., The Fuji Fire and Marine Insurance Co., Ltd. and Mitsui Sumitomo Insurance Co., Ltd.]</p> <p>This insurance provides three types of basic coverage, namely, compensation and liability coverage, personal coverage of the insured and vehicle coverage in addition to combining seven types of support services ranging from accident-prevention support to support after an accident. Premium rates are set depending on the purpose of the vehicle usage and the category (color) of the driver's license held.</p>

Merchandise

Products	Description/Features
Sales of catalog products	<p>We offer a number of catalog services, including the <i>furusato</i> parcel service, which allows customers to order desired products from catalogs listing specialty products from all regions of Japan or leaflets that feature products specific to a certain area, and to have these products delivered by Yu-Pack service. There is also a regular order service that lets customers enjoy the flavors and tastes of the regions of Japan once a month.</p> 
Sales at post offices	<p>We have been selling mail-related items such as letter paper, envelopes and pens at post offices nationwide (excluding certain outlets).</p> <p>In addition, we are also selling <i>Gotochi</i> Form Cards, which are sent as non-standard sized mail items and limited-time original frame stamps.</p>  <p>Gotochi Form Card</p>  <p>Frame stamp</p>
Post Office Internet Shop	<p>The Post Office Internet Shop is an online shopping site opened on Japan Post's website.</p> <p>The shop offers a variety of products including gifts, frame stamps and local specialty products provided under our <i>furusato</i> parcel service as well as medicines and daily necessities.</p> <p>We also offer a Total Printing Service via our Post Office Internet Shop for New Year's postcards, greeting cards and business cards.</p>  

Post Office Advertising

We implement an advertising business by deploying extra space at post offices and using our nationwide network of post offices to place advertisements by companies and local governments at around 20,000 sites.

Services	Description/Features
Posters	Posters can be displayed on poster boards designed exclusively for post office advertising or on clear wall space inside post office lobbies.
Flyers, pamphlets	Pamphlets and flyers can be placed in pamphlet racks designed exclusively for post office advertising or in clear space inside post office lobbies.
Advertising rack	A single company can have exclusive use of an advertising rack with space for a poster and four slots for pamphlets and flyers.
Film-coated posters	Posters coated with special film can be displayed on the glass area of the post office. The color of the poster does not fade even after prolonged display, making it a highly cost-effective form of advertising.
Event space	Space inside post office lobbies and outside post offices can be used for product PR and sales and to introduce services.
Sampling	Flyers and samples, etc. are handed to customers at post office counters.
Monitor showing fees at post office counters	Still-image advertisements are displayed on monitors showing postal fees at post offices nationwide. It is possible to present an advertisement on approximately 20,000 post office monitor screens at the same time by making use of the post office network.
Advertising outside post offices and vertical banners, etc.	Advertisements can be displayed on the walls, glass areas and vertical banners at post offices. It is possible to designate post offices in line with target area.
Post code book	It is possible to advertise in the post code book provided nationwide.
Digital signage	Community information and corporate advertisements can be displayed.



Flyers and pamphlets



Advertising rack



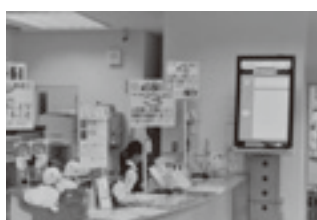
Event space



Sampling



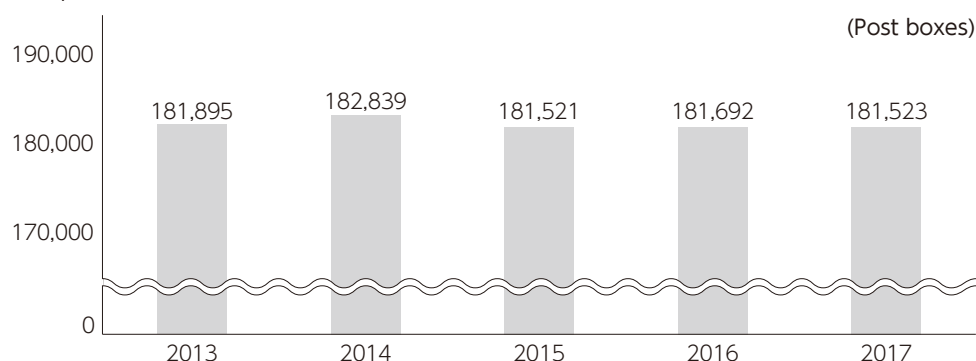
Monitor showing fees



Digital Signage

11 Number of Post Boxes

Fiscal years ended March 31



12 Outsourcing

Japan Post outsources some of its business activities as prescribed by law.

■ Outsourcing of Transport of Postal Materials or others

The following table shows the status for the outsourcing of the collection, transport and delivery operations to transport companies and other parties as prescribed in the Law for Outsourcing Postal Material Transport (1949 Law No. 284).

Fiscal years ended March 31

(Millions of yen)

Category	2015	2016	2017
Collection, delivery and transport outsourcing expenses	187,701	193,431	195,505

■ Outsourcing of Sale of Postage Stamps or others

The following table shows the status of outsourcing of the sale of postage stamps, etc., as prescribed in the Law Concerning Locations for the Sale of Postage Stamps (1949 Law No. 91).

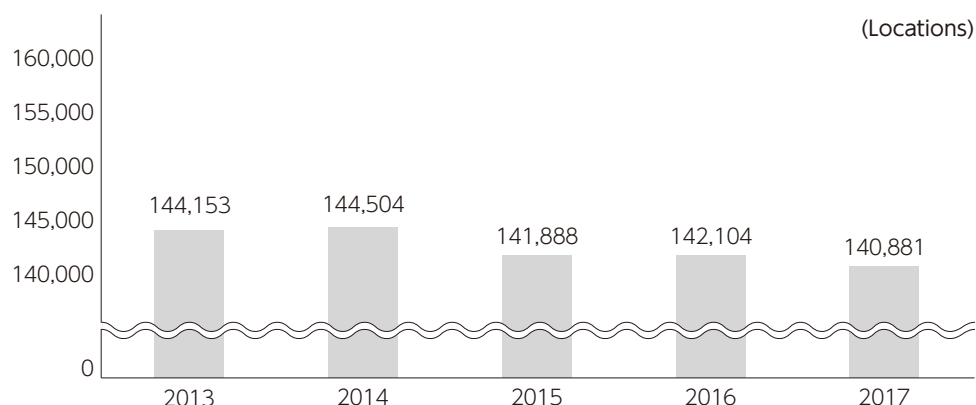
Fiscal years ended March 31

(Millions of yen)

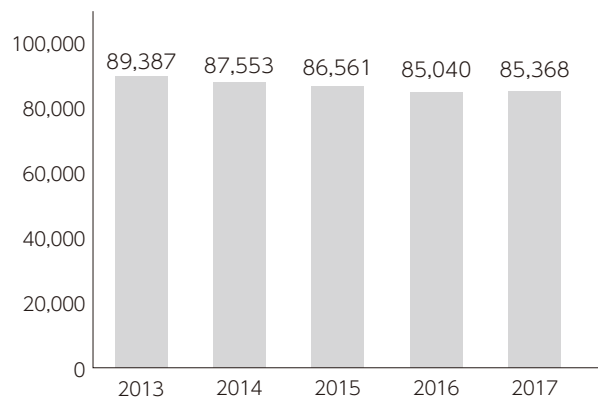
Category	2015	2016	2017
Fees paid to locations selling postage stamps	17,443	17,291	16,998

13 Number of Locations Selling Postage Stamps and Documentary Stamps

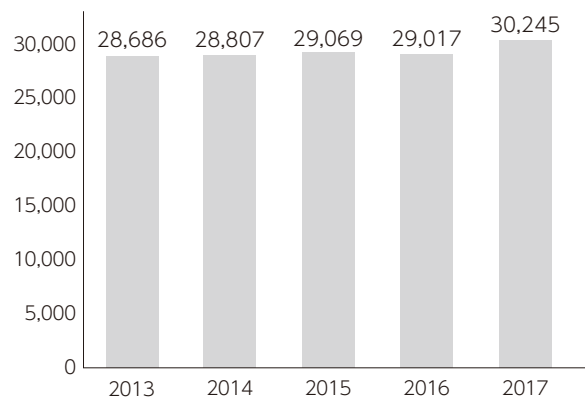
Fiscal years ended March 31



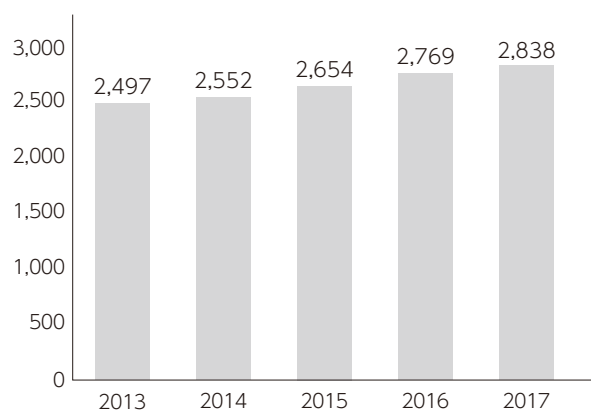
■ Two-wheeled vehicles (including small motor vehicles)
Fiscal years ended March 31 (Number of vehicles)



■ Four-wheeled mini vehicles
Fiscal years ended March 31 (Number of vehicles)



■ Small cargo vehicles
Fiscal years ended March 31 (Number of vehicles)



3. Outline of Japan Post Bank Co., Ltd.

1

Company Outline

Company name (in Japanese):	Kabushiki Kaisha Yucho Ginko
Company name:	JAPAN POST BANK Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥3,500 billion
Date of establishment:	September 1, 2006 (On October 1, 2007, the name was changed from Yucho Co., Ltd. to Japan Post Bank Co., Ltd.)
Line of business:	Banking
Financial institution code number:	9900

2

Management Philosophy

Management Philosophy

Japan Post Bank Co. is dedicated to serving as "the most accessible and trustworthy bank in Japan," with operations that are guided by the needs and wishes of our customers.

Trustworthy:	We will comply with laws regulations and other standards of behavior in order to earn the trust of markets, shareholders and employees and consistently serve as a responsible corporate citizen.
Innovation:	We will constantly use innovative ideas to improve our management and business activities in response to input from customers and changes in market conditions.
Efficiency:	We will pursue improvements in speed and efficiency in order to be a source of products and services that match our customers' requirements.
Expertise:	We will work continually on upgrading expertise in specialized fields with the aim of meeting the high expectations of our customers.

3

Information on Shares

(as of March 31, 2017)

1. Number of Shares

Total shares issued	4,500,000,000
---------------------	---------------

2. Major Shareholders

		Shares owned	Percentage of total issued
1	Japan Post Holdings Co., Ltd.	3,337,032,700	74.15%
2	Japan Trustee Services Bank, Ltd. (Trust Account)	21,617,900	0.48%
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	15,971,600	0.35%
4	Japan Trustee Services Bank, Ltd. (Trust Account 5)	10,269,500	0.22%
5	Japan Trustee Services Bank, Ltd. (Trust Account 1)	7,740,500	0.17%
6	Japan Trustee Services Bank, Ltd. (Trust Account 2)	7,533,700	0.16%
7	Japan Trustee Services Bank, Ltd. (Trust Account 9)	7,405,900	0.16%
8	Japan Post Bank Employee Shareholding Association	6,395,700	0.14%
9	STATE STREET BANK WEST CLIENT - TREATY 505234	5,920,580	0.13%
10	JP MORGAN CHASE BANK 385151	5,101,596	0.11%

Note 1: Japan Post Bank Co. holds 750,524,950 shares of treasury stock (16.67% of total issued), which are not included in the above list of major shareholders.

Note 2: The number of treasury stock does not include shares owned by the employee stock ownership trust (323,900 shares).

Note 3: Percentage of total issued has been rounded down to the second decimal place.

4

Number of Employees

12,965* (as of March 31, 2017)

* The number of employees excludes employees assigned to other companies by Japan Post Bank Co., Ltd. but includes employees assigned to Japan Post Bank Co., Ltd. by other companies. The figures do not include part-time employees.

(As of July 1, 2017)

1. Board of Directors

President and Representative Executive Officer.....	Norito Ikeda (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Representative Executive Vice President.....	Susumu Tanaka (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Representative Executive Vice President.....	Katsunori Sago
Director	Masatsugu Nagato (Concurrently holds the position of Director and Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director	Ryoichi Nakazato
Outside Director	Tomoyoshi Arita (Attorney-at-Law)
Outside Director	Sawako Nohara (Concurrently holds the position of President and CEO of IPSe Marketing, Inc.)
Outside Director	Tetsu Machida (Independent Economic Journalist)
Outside Director	Nobuko Akashi (Concurrently holds the position of Board chairman of a non-profit organization, Japan Manners & Protocol Association)
Outside Director	Toshihiro Tsuboi (Formerly held the position of Representative Director, Vice President & Executive Vice President of Japan Post Co., Ltd.)
Outside Director	Katsuaki Ikeda (Formerly held the position of Corporate Auditor of MS&AD Insurance Group Holdings, Inc.)
Outside Director	Tsuyoshi Okamoto (Concurrently holds the position of Director and Chairman of TOKYO GAS CO., LTD.)
Outside Director	Hirofumi Nomoto (Concurrently holds the position of President & Representative Director of Tokyu Corporation)

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

Executive Vice President	Yoshinori Hagino	Executive Officer	Yoko Makino
Senior Managing Executive Officer	Masahiro Murashima	Executive Officer	Kunihiko Amaha
Senior Managing Executive Officer	Shigeki Matsushima	Executive Officer	Makoto Shinmura
Senior Managing Executive Officer	Hiroichi Shishimi	Executive Officer	Satoru Ogata
Managing Executive Officer	Yasuyuki Hori	Executive Officer	Minoru Kotouda
Managing Executive Officer	Masahiro Nishimori	Executive Officer	Toshiharu Ono
Managing Executive Officer	Masaya Aida	Executive Officer	Shigeyuki Sakurai
Managing Executive Officer	Harumi Yano	Executive Officer	Masatoshi Ishii
Managing Executive Officer	Suzunori Hayashi	Executive Officer	Masato Tamaki
Managing Executive Officer	Atsuko Onodera	Executive Officer	Takayuki Tanaka
		Executive Officer	Shinobu Nagura
		Executive Officer	Kenichi Kozuka
		Executive Officer	Ikuyo Kondo

3. Nomination Committee

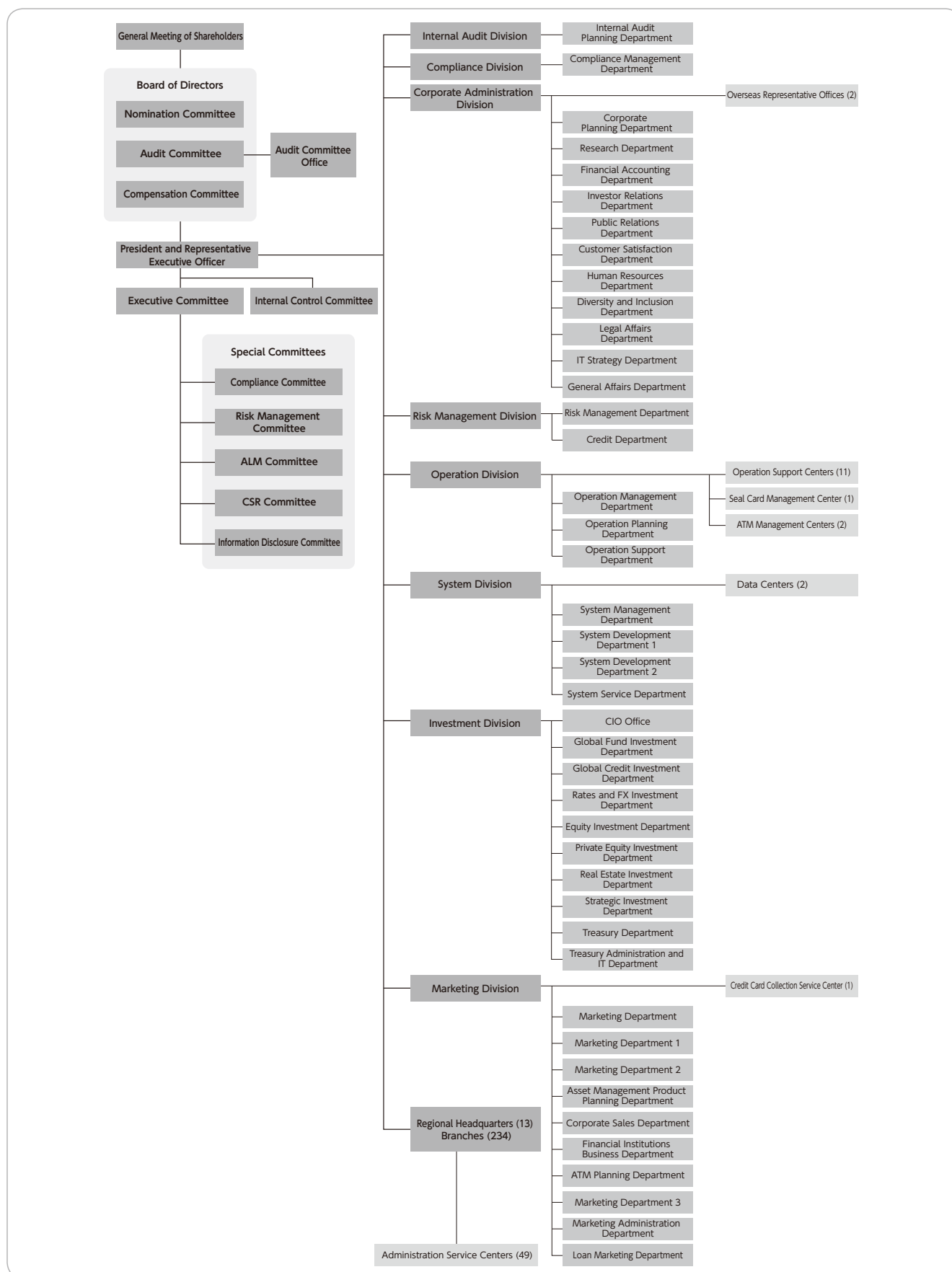
Chairman	Masatsugu Nagato
Member	Tomoyoshi Arita
Member	Tsuyoshi Okamoto
Member	Hirofumi Nomoto

4. Audit Committee

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

5. Compensation Committee

Chairman	Tsuyoshi Okamoto
Member	Masatsugu Nagato
Member	Katsuaki Ikeda
Member	Hirofumi Nomoto



Head Office and 234 Branches

(As of March 31, 2017)

Name of branch	Location	Telephone number
Sapporo Branch	4-3, Kita Nijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-0002	011-214-4300
Sendai Branch	1-3-3, Ichibancho, Aoba-ku, Sendai, Miyagi 980-8711	022-267-8275
Saitama Branch	7-1-12, Bessho, Minami-ku, Saitama, Saitama 336-8799	048-864-7317
Central Branch	2-7-2, Marunouchi, Chiyoda-ku, Tokyo 100-8996	03-3284-9618
Nagano Branch	1085-4, Minami Agata-machi, Nagano, Nagano 380-8799	026-226-2550
Kanazawa Branch	1-1, Sanja-machi, Kanazawa, Ishikawa 920-8799	076-224-3844
Nagoya Branch	3-1-10, Osu, Naka-ku, Nagoya, Aichi 460-8799	052-261-6728
Osaka Branch	1-3-1, Umeda, Kita-ku, Osaka, Osaka 530-0001	06-6347-8112
Hiroshima Branch	6-36, Moto-machi, Naka-ku, Hiroshima, Hiroshima 730-0011	082-222-1315
Matsuyama Branch	3-5-2, Sanban-cho, Matsuyama, Ehime 790-8799	089-941-0820
Kumamoto Branch	1-1, Joto-machi, Chuo-ku, Kumamoto, Kumamoto 860-0846	096-328-5163
Naha Branch	1-1-1, Kumoji, Naha, Okinawa 900-0015	098-867-8802

(As of March 31, 2017) (Branches/Post offices)

Prefecture	Head Office/Principal prefectural offices	Sub-branches	Japan Post Bank agents		Total
			Post offices	Contracted post offices	
Hokkaido	1	4	1,203	276	1,484
Aomori	0	2	265	92	359
Iwate	0	1	306	116	423
Miyagi	1	1	360	76	438
Akita	0	1	273	125	399
Yamagata	0	1	288	106	395
Fukushima	0	3	428	109	540
Ibaraki	0	3	462	50	515
Tochigi	0	2	309	42	353
Gunma	0	3	298	39	340
Saitama	1	16	610	18	645
Chiba	0	13	675	31	719
Kanagawa	0	31	720	14	765
Yamanashi	0	1	199	64	264
Tokyo	1	40	1,434	6	1,481
Niigata	0	3	531	133	667
Nagano	1	2	439	194	636
Toyama	0	2	208	76	286
Ishikawa	1	0	251	69	321
Fukui	0	1	206	31	238
Gifu	0	2	353	82	437
Shizuoka	0	5	478	84	567
Aichi	1	13	824	72	910
Mie	0	2	370	75	447
Shiga	0	1	229	29	259
Kyoto	0	4	437	31	472
Osaka	1	23	1,057	27	1,108
Hyogo	0	12	826	118	956
Nara	0	2	239	77	318

Prefecture	Head Office/Principal prefectural offices	Sub-branches	Japan Post Bank agents		Total
			Post offices	Contracted post offices	
Wakayama	0	1	262	52	315
Tottori	0	1	146	95	242
Shimane	0	1	256	112	369
Okayama	0	2	415	101	518
Hiroshima	1	3	576	112	692
Yamaguchi	0	3	348	57	408
Tokushima	0	1	200	30	231
Kagawa	0	2	185	26	213
Ehime	1	1	314	75	391
Kochi	0	1	226	89	316
Fukuoka	0	4	707	94	805
Saga	0	1	165	37	203
Nagasaki	0	2	307	135	444
Kumamoto	1	1	384	173	559
Oita	0	2	300	98	400
Miyazaki	0	1	194	110	305
Kagoshima	0	1	434	276	711
Okinawa	1	0	172	23	196
Total	12	222	19,869	3,957	24,060

Note 1: The number of post offices refers to the number of sales offices and branches handling bank agency services (including sub-offices).

2: The number of contracted post offices refers to the number of sales offices or branches commissioned to handle bank agency services by Japan Post Co., Ltd. on behalf of Japan Post Bank Co., Ltd.

3: The number of mobile post office in Tokushima Prefecture is not included in the above totals.

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Number of ATMs by Prefecture

(As of March 31, 2017)

Prefecture	Number of ATMs
Hokkaido	1,670
Aomori	323
Iwate	355
Miyagi	528
Akita	315
Yamagata	323
Fukushima	504
Ibaraki	589
Tochigi	371
Gunma	360
Saitama	1,017
Chiba	1,022
Kanagawa	1,276
Yamanashi	224
Tokyo	2,867
Niigata	650

Prefecture	Number of ATMs
Nagano	538
Toyama	254
Ishikawa	327
Fukui	246
Gifu	412
Shizuoka	593
Aichi	1,184
Mie	430
Shiga	297
Kyoto	602
Osaka	1,688
Hyogo	1,165
Nara	303
Wakayama	301
Tottori	169
Shimane	290

Prefecture	Number of ATMs
Okayama	515
Hiroshima	793
Yamaguchi	435
Tokushima	234
Kagawa	243
Ehime	407
Kochi	273
Fukuoka	1,036
Saga	215
Nagasaki	381
Kumamoto	467
Oita	354
Miyazaki	241
Kagoshima	507
Okinawa	267
Total	27,561

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Outline of Affiliated Companies

(As of March 31, 2017)

Company name	Location	Paid-in capital (Millions of yen)	Line of business	Date of establishment	Japan Post Bank ownership	Ownership of voting shares
SDP Center Co., Ltd.	Chuo-ku, Tokyo	2,000	Clerical agency services	May 28, 1980	45.0%	45.0%
ATM Japan Business Service, Ltd.	Minato-ku, Tokyo	100	ATM cash loading and collection as well as ATM management	August 30, 2012	35.0%	35.0%
JP Asset Management Co., Ltd.	Chuo-ku, Tokyo	500	Investment management business, type II financial instruments business	August 18, 2015	45.0%	45.0%

1. Deposits

Liquid deposits

Ordinary deposits

These deposits are useful for ATM card withdrawals, automatic deductions for utility and other bills, the receipt of salaries and automatic receipt of pension payments, and many other purposes.

- Unlimited deposits and withdrawals
- Deposit amount: ¥1 or more, ¥1 unit

Ordinary savings deposits

These deposits provide more beneficial interest rates than ordinary deposits for balances of ¥100,000 or higher. (Interest rates may be the same as the one for ordinary deposits depending on the interest rate trends.)

- Unlimited deposits and withdrawals
- Deposit amount: ¥1 or more, ¥1 unit

Fixed-term deposits

TEIGAKU deposits

These deposits can be withdrawn at any time after six months and held for up to ten years, with interest compounded semiannually. The initial interest rate is applicable until withdrawal.

- Deferment period: Six months (unlimited withdrawals after this period)
- Deposit amount: ¥1,000 or more, ¥1,000 unit
(Eight types: Deposits of ¥1,000, ¥5,000, ¥10,000, ¥50,000, ¥100,000, ¥500,000, ¥1 million, and ¥3 million)

Time deposits

These deposits have maturities that can be selected based on short-term and medium-term requirements for funds and personal needs. The extension procedure is simplified if automatic extensions are selected, making this deposit convenient for people with busy schedules.

- Deposit periods: One month, three months, six months, one year, two years, three years, four years, and five years (excluding one month deposits kept in deposit combined accounts)
- Deposit amount: ¥1,000 or more, ¥1,000 unit

Automatic-accumulation TEIGAKU deposits/time deposits (Accumulation-type deposits)

For these accumulation-type deposits, each month a fixed amount or an amount depending on the balance of an ordinary deposit account is transferred to a TEIGAKU deposit or time deposit. These automatic-accumulation deposits also allow funds to be deposited only in specifically designated months up to six times per year. Funds deposited in specifically designated months can also be combined with funds deposited regularly every month.

- Accumulation period: Six years or less
- Deposit amount: ¥1,000 or more, ¥1,000 unit

Time deposits with lump-sum payment at maturity (Accumulation-type deposits)

For these accumulation-type deposits, each month a fixed amount or an amount depending on the balance of an ordinary deposit account is transferred to a time deposit. At a pre-designated date (date for receiving a lump-sum payment at maturity), the accumulated deposits are transferred to an ordinary deposit. This type of deposit allows systematic accumulations in accordance with a person's future goals.

- Accumulation period: From one year up to three years
- Deposit amount: ¥1,000 or more, ¥1,000 unit

Asset accumulation TEIGAKU deposits (Asset accumulation)

This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for three years or longer to help working people build assets.

- Duration: Three years or more
- Deposit amount: ¥1,000 or more, ¥1,000 unit

Asset accumulation pension TEIGAKU deposits (Asset accumulation)

This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for five years or longer to help working people live comfortable lives in retirement. Interest is tax exempt and can be received from age 60 based on a pension-type payout method.

- Duration: Five years or more
- Deposit amount: ¥1,000 or more, ¥1,000 unit

Asset accumulation home TEIGAKU deposits (Asset accumulation)

This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for five years or longer to accumulate funds for building, purchasing or renovating a home. Interest is tax exempt.

- Duration: Five years or more
- Deposit amount: ¥1,000 or more, ¥1,000 unit

New welfare time deposits (Others)

This one-year time deposit with preferential interest rates is designed for persons receiving disability, survivor and other similar public pensions and other eligible persons. Up to ¥3 million can be deposited.

- Deposit period: One year
- Deposit amount: From ¥1,000 or more, ¥1,000 unit, up to ¥3 million per depositor

Also Convenient

● All-in-one general accounts useful in daily lives

General accounts allow customers to manage ordinary, *TEIGAKU*, time and other deposits in one account and serve as customers' personal wallets that are conveniently available at post offices as well as Japan Post Bank branches and ATMs nationwide.

● Also convenient as accounts to receive salaries

A nationwide network of Japan Post Bank branches and post offices ensures convenience and security for customers at every opportunity, including when they are on a business trip.

Japan Post Bank ATMs are available 365 days a year*¹ with no withdrawal fees*².

● Automatic deduction feature for quick and easy payment of utility and other bills

A worry-free automatic and continuous deduction feature is available to pay utility bills, mobile phone charges, rent and other expenses from ordinary deposits.

● Japan Post Bank ATMs of Japan Post Bank conveniently located throughout Japan

We operate approximately 27,600 ATMs throughout Japan. These ATMs charge no fees for deposits and withdrawals to and from Japan Post Bank accounts 365 days a year*¹ *³.

*¹ Operating hours and days of the week differ depending on each ATM.

*² Only when using Japan Post Bank ATM cards or passbooks.

*³ ATMs in FamilyMart convenience stores do not handle passbooks.

2. Domestic Remittances

Remittances

Remittances provide a simple and low-cost method for sending money anywhere in Japan. There are two types: ordinary remittances and postal orders (*TEIGAKU KOGAWASE*).

Ordinary remittances

Ordinary remittances allow cash to be exchanged for a money order that is sent to the recipient payee. The payee can then bring the certificate to a nearby Japan Post Bank branch or post office postal deposit counter and exchange the money order for cash.

Postal orders

The mechanisms for these remittances are the same as for ordinary remittances. However, postal orders offer lower fees and convenience when remitting small amounts. There are 12 types of money orders for postal orders in denominations of ¥50, ¥100, ¥150, ¥200, ¥250, ¥300, ¥350, ¥400, ¥450, ¥500, ¥750 and ¥1,000.

Fund transfers

Fund transfers provide an easy and reliable means of sending money by using a transfer account. In-payment and out-payment can be handled normally or by electronic transfer for urgent transfers.

In-payment

In-payment remittances by persons not holding a transfer account can be sent to persons holding transfer accounts (account holders).

Electronic transfers

Persons holding a transfer account (account holders) can send deposits in the transfer account to a transfer account held by another person.

Transfers

Persons holding a transfer account (account holders) can transfer funds to persons holding a savings account at another financial institution.

Out-payment

Persons holding a transfer account (account holders) can send funds to persons not holding a transfer account.

3. International Remittances

Account transfer

The remittance amount and fee is withdrawn from the remitter's integrated account or giro account and deposited to an overseas-payee's bank or postal giro account.

Payment to account

The remittance amount and fee is paid in cash and deposited to an overseas-payee's bank or postal giro account.

Payment to address

The remittance amount and fee is paid in cash, and the money order is delivered to the payee's address. The payee can then cash the money order at their local post office. Only in the case of remittances to the United States, a money order is issued to the remitter, and the remitter will personally send the money order to the payee by international mail, etc.

4. Individual Loans

Loan intermediary service

Japan Post Bank serves as an agent for mortgage loans, specific-purpose loans and card loans offered by Suruga Bank Ltd. based on an alliance with this bank. Customers can apply for these loans at selected Japan Post Bank branches as well as by telephone or on the Internet.

Yume Butai home loan

This line features 15 types of home loans matched to the lifestyle of each individual, including persons operating sole proprietorships, working women and seniors thinking ahead to the retirement stage of their lives. These home loans can be used for building a new home, expanding and renovating an existing home, moving to a new home and refinancing.

Yume Koro free loan

This line of loans is available in two types: a "purpose" type and a "parental-devotion" type. The "purpose" type is offered in eight plans that are matched to the particular life stage of each person, including education, automobile and renovation plans. The "parental-devotion" type can be used for such expenses as family members' nursing care. Both types are available in amounts of up to ¥10 million.

Shitaku Card Loan

Borrowing and repayment can be made directly from ATMs with this card loan. No collateral is needed, and loans of up to ¥5 million are available (¥3 million for the first application).

5. Investment Products

Japanese Government Bonds (JGBs)

Sales of JGBs to be sold (two-, five- and ten-year maturities) and nonmarketable JGBs for individual investors (three- and five-year fixed rate and ten-year variable rate) to purchase and loans secured by these bonds

Investment Trusts

Sale and repurchase of investment trusts and payments of income distributions and amounts due for fund maturities and redemptions

Variable Annuities Policies

Intermediary services for sales of insurance products such as variable annuities policies

Defined Contribution Pensions

Defined contribution pensions (individual annuities) for self-employed or salary-earning individuals
Material requests and inquiries regarding enrollment of defined contribution pensions (individual annuities) can be made via the Defined Contribution Pension Call Center.

6. Credit and Debit Card Services

Credit Cards (JP BANK CARD)

Japan Post Bank issues the JP BANK CARD, which is both an ATM card and a credit card (available in three types: Visa, MasterCard and JCB).

In addition to another combo card lineup, JP BANK VISA Card ALente and JP BANK JCB Card EXTAGE, for young generation customers aged 18 to 29 (excluding high school students), we provide the JP BANK VISA Card Gold, JP BANK MasterCard Gold and JP BANK JCB Card Gold with an extensive range of privileges.

We also offer family cards, ETC cards, Plus EX cards, WAON cards*1, PiTaPa cards*1, iD (cell phone)*1 and QUICPay*2 (card and mobile).

*1 Visa and MasterCard only

*2 JCB only

Debit Card Services

After customers scan their ATM cards using dedicated terminals and enter their personal identification numbers at locations such as retail electronics stores and supermarkets, purchase amounts are immediately debited from their general accounts (subject to an upper limit).

7. Internet Banking Services

JAPAN POST BANK Direct

This service allows customers to use a PC, smartphone, mobile phone, telephone or facsimile machine to make deposits to *TEIGAKU* deposits and time deposits used as collateral, to initiate transfers to Japan Post Bank accounts (wire transfers), transfer funds to another financial institution, to perform investment trust transactions and to verify account deposit and withdrawal transactions.

* Some services may not be available depending on the device used.



JAPAN POST BANK Direct (Smartphones, mobile phones, PCs)

8. Other Services

"Japan Post Bank Deposits for International Aid"

"Japan Post Bank Deposits for International Aid" sets aside 20% of interest received on ordinary deposits and ordinary savings (after-tax) for use as contributions toward reducing poverty, improving daily living and protecting the environment in developing countries and regions. These contributions are made via the Japan International Cooperation Agency (JICA) Donation Fund for the People of the World.

ATM/CD alliance

ATM cards and other eligible cards issued by affiliated financial institutions can be used at Japan Post Bank ATMs, and vice versa.

JAPAN POST BANK Pay-easy Service

This service enables taxes and various types of fees to be paid through ATMs and JAPAN POST BANK Direct (PCs, smartphones and mobile phones). The service also immediately reports data concerning completed payments to the recipient financial institution.

Immediate Transfer Service and Interactive Immediate Transfer Service

By using a PC or smartphone and registering account information beforehand from the Website of the recipient financial institution, this service enables immediate deposits from the customer's account into an account at the recipient financial institution or refunds into the customer's account (Interactive Instant Transfer Service only) without having to enter account information at the time of the settlement.

Foreign currency exchange

Exchange services are provided for eight currencies: U.S. dollar, Euro, South Korean won, British pound, Australian dollar, Canadian dollar, Chinese yuan and Swiss franc.

Foreign Currency Home Delivery Service

Customers can receive free-of-charge home delivery of foreign currencies by submitting a foreign currency exchange application via the Internet using a PC or smartphone. Exchange services are provided for a total of 15 currencies, including the U.S. dollar, Euro, and the Chinese yuan.

Payment of benefits from pensions and other types of assistance

Japan Post Bank Co. handles the payment of benefits from various pensions and assistance schemes that include the payment of benefits from pensions, senior welfare pensions, national pensions, employees' pensions, mariners' insurance pensions, workers' compensation pension insurance, cover pensions, child-rearing allowances, special child-rearing allowances and mutual aid pensions. Japan Post Bank Co. also provides payments from registered bonds, disbursement of treasury funds and national tax refunds.

Collection of fees for public utility and other service payments

Japan Post Bank Co. collects various types of payments. These include payments for national taxes (personal income and corporate taxes); local taxes (local inhabitant taxes and fixed-property taxes); various types of health insurance; pensions (national health insurance, employee's pensions); public housing fees; public utility and service fees such as electricity, gas, water, and NHK public televisions fees; traffic violation fines; and radio utilization fees.

Notes: 1. Payments received from various types of pensions are paid by automatic deposit into the customer's ordinary deposit account.
2. Some payments and public utility fees are paid automatically through withdrawals from the customer's ordinary deposit account.

4. Outline of Japan Post Insurance Co., Ltd.

1

Company Outline

Company name (in Japanese) : Kabushiki Kaisha Kanpo Seimei Hoken
Company name: JAPAN POST INSURANCE Co., Ltd.
Head office location: 3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone: 03-3504-4411 (Japan Post Group main number)
Paid-in capital: ¥500 billion
Date of establishment: September 1, 2006
(The name of the company was changed from Kampo Co., Ltd. to Japan Post Insurance Co., Ltd., on October 1, 2007.)
Line of business: Life insurance

2

Management Philosophy and Management Policy

Management Philosophy

Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.

Management Policy

We aim to become the No.1 Japanese insurance company selected by customers.

1. We are always close to people's lives, offering easy-to-understand products and high-quality services.
2. We always ensure that employees who have contact with our customers make full use of their strengths to offer better customer services.
3. We create a working environment in which all employees can develop their talents and work with energy and vitality.
4. We practice sound management based on strong corporate governance, constantly creating new value to achieve sustainable growth.
5. We actively contribute to health promotion, environmental protection, and the development of local communities and society as a whole.
6. We work to communicate closely with all stakeholders.

3

Information on Stocks

(as of March 31, 2017)

1. Number of Shares

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

2. Major Shareholders

	Investments in Japan Post Insurance Co., Ltd.	
	Number of stocks held (thousands of shares)	Ratio of number of stocks held
Japan Post Holdings Co., Ltd.	534,000	89.00%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,194	0.37%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,744	0.29%
JAPAN POST INSURANCE EMPLOYEE SHAREHOLDING ASSOCIATION	1,736	0.29%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,370	0.23%
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1,075	0.18%
Japan Trustee Services Bank, Ltd. (Trust Account 2)	1,038	0.17%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	970	0.16%
JP MORGAN CHASE BANK 385151	853	0.14%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	822	0.14%

4

Number of Employees

7,424* (as of March 31, 2017)

* The number of employees excludes employees assigned to other companies by Japan Post Insurance Co., Ltd. but includes employees assigned to Japan Post Insurance Co., Ltd. by other companies. The figures do not include part-time employees.

5

List of Directors, Executive Officers and Management Committees

1. Directors

(As of July 1, 2017)

Director and President, CEO, Representative Executive Officer	Mitsuhiro Uehira (Concurrently holds the position of Director, Japan Post Holdings Co., Ltd.)
Director and Deputy President, Representative Executive Officer	Masaaki Horigane
Director	Yasuhiro Sadayuki
Director	Masatsugu Nagato (Concurrently holds the position of Representative Executive Officer, President & CEO, Japan Post Holdings Co., Ltd.)
Outside Director	Shinji Hattori (Concurrently holds the position of Chairman & Group CEO, Seiko Holdings Corporation)
Outside Director	Michiko Matsuda (Concurrently holds the position of Visiting Professor of Faculty of Applied Sociology, Kindai University)
Outside Director	Nobuhiro Endo (Concurrently holds the position of Chairman of the Board (Representative Director), NEC Corporation)
Outside Director	Masako Suzuki (Concurrently holds the position of Director, Vice President, Benefit One Inc.)
Outside Director	Tamotsu Saito (Concurrently holds the position of Chairman of the Board of IHI Corporation)
Outside Director	Michiaki Ozaki (Attorney-at-law)
Outside Director	Meyumi Yamada (Concurrently holds the position of Executive Director of istyle Inc.)
Outside Director	Yoshie Komuro (Concurrently holds the position of President of Work-Life Balance Co., Ltd.)

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

Senior Managing Executive Officer	Yoshito Horie	Executive Officer	Kieko Onoki
Senior Managing Executive Officer	Tetsuya Senda	Executive Officer	Toru Onishi
Senior Managing Executive Officer	Yoshihiko Ido	Executive Officer	Keiki Ikejiri
Managing Executive Officer	Yoshio Inoue	Executive Officer	Hidekazu Sakamoto
Managing Executive Officer	Hiromichi Udagawa	Executive Officer	Junko Koie
Managing Executive Officer	Hiroshi Nagaso	Executive Officer	Masamichi Yokoyama
Managing Executive Officer	Hisao Nishikawa	Executive Officer	Motonori Tanaka
Managing Executive Officer	Atsushi Tachibana	Executive Officer	Masato Hashiba
Managing Executive Officer	Shinji Ando	Executive Officer	Takashi Iida
Managing Executive Officer	Nobuyasu Kato (Concurrently holds the position of Managing Executive Officer, Japan Post Holdings Co., Ltd.)		
Managing Executive Officer	Yasuaki Hironaka		
Managing Executive Officer	Tomoaki Nara		
Managing Executive Officer	Nobuatsu Uchikoba		
Managing Executive Officer	Yasumi Suzukawa		

3. Nomination Committee

Chairman	Masatsugu Nagato
Member	Shinji Hattori
Member	Nobuhiro Endo

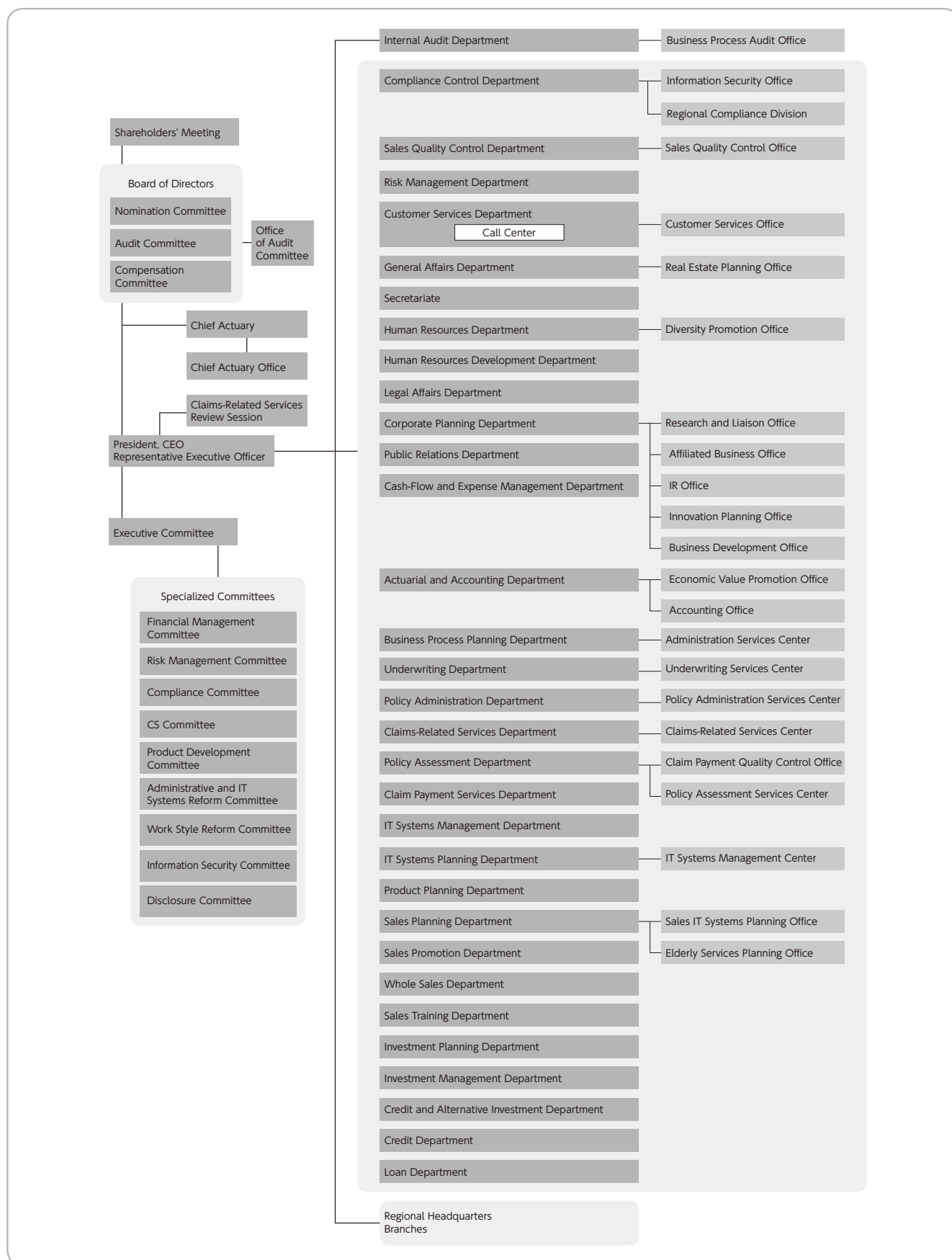
4. Audit Committee

Chairman	Michiaki Ozaki
Member	Yasuhiro Sadayuki
Member	Michiko Matsuda
Member	Masako Suzuki
Member	Meyumi Yamada

5. Compensation Committee

Chairman	Tamotsu Saito
Member	Masatsugu Nagato
Member	Shinji Hattori

(As of July 1, 2017)



7

Principal Branches

(As of July 1, 2017)

Name of branch	Location	Telephone number
Sapporo	4-1, Kita Nijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-8534	011-221-6375
Sendai	1-1-34, Ichibancho, Aoba-ku, Sendai, Miyagi 980-8797	022-267-7851
Saitama	3-1, Shintoshin, Chuo-ku, Saitama, Saitama 330-9797	048-600-2073
Tokyo Central Corporate	3-17-1, Toranomom, Minato-ku, Tokyo 105-0001	03-6402-6515
Tokyo-Shintoshin Corporate	1-26-2, Nishishinjuku, Shinjuku-ku, Tokyo 163-0513	03-5990-5348
East Tokyo Corporate	1-10-14, Kitaueno, Taito-ku, Tokyo 110-0014	03-6802-8353
South Tokyo Corporate	6-7-29, Kitashinagawa, Shinagawa-ku, Tokyo 141-0001	03-5422-7654
Yokohama	5-3, Nihon Odori, Naka-ku, Yokohama, Kanagawa 231-8799	045-212-3967
Nagano	801, Kurita, Nagano, Nagano 380-8797	026-231-2348
Kanazawa	1-15, Kamitsutsumi-cho, Kanazawa, Ishikawa 920-8797	076-220-3177
Nagoya Corporate	3-20-27, Nishiki, Naka-ku, Nagoya, Aichi 460-0003	052-228-6742
Osaka Corporate	1-7-31, Otemae, Chuo-ku, Osaka, Osaka 540-6591	06-6948-8062
Hiroshima	14-15, Higashi Hakushima-cho, Naka-ku, Hiroshima, Hiroshima 730-0004	082-224-5165
Matsuyama	8-5, Miyata-machi, Matsuyama, Ehime 790-8797	089-936-5274
Kumamoto	12-28, Hanabata-cho, Chuo-ku, Kumamoto, Kumamoto 860-0806	096-328-5419
Naha	3-3-8, Tsubogawa, Naha, Okinawa 900-8799	098-833-5516

In addition to the above, there are 66 other branches.

8

Subsidiaries

(As of March 31, 2017)



Name	Location	Amount of capital stock	Description of business	Date of establishment	Ratio of the voting rights in the subsidiary held by the Company against the voting rights held by all shareholders or equity holders	Ratio of the voting rights in the subsidiary held by the Subsidiaries of the Company against the voting rights held by all shareholders or equity holders
JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.	Shinagawa-ku, Tokyo	¥500 million	Commissioning of design, development, maintenance and operation of information systems	March 8, 1985	100%	—

1. Major Types of Insurance

(As of March 31, 2017)

Purpose of Policy	Product Name	Nickname・Age Limit Range									
		0	10	20	30	40	50	60	70	80	
For lifetime coverage	Fixed amount type whole life insurance				Shin Nagaiki Kun (flat-type) 15*- 85 years old						
For balanced lifetime coverage	Double-type whole life insurance				Shin Nagaiki Kun (balance-type, double) 15*- 65 years old						
	Fivefold-type whole life insurance				Shin Nagaiki Kun (balance-type, fivefold) 15*- 60 years old						
For lifetime coverage with perks	Special whole life insurance				Shin Nagaiki Kun (special-type) 15*- 70 years old						
For large coverage with lower burden	Ordinary term insurance				Shin Ordinary Term Insurance 15 - 50 years old						
For coverage and benefits at maturity	Ordinary endowment insurance		Shin Free Plan 0 - 80 years old								
			Shin Free Plan (short-term premium payment) 0 - 75 years old								
For full coverage and benefits at maturity	Double-type special endowment insurance				Shin Free Plan (double benefit) 15 - 70 years old						
	Fivefold-type special endowment insurance				Shin Free Plan (fivefold benefit) 15 - 65 years old						
	Tenfold-type special endowment insurance				Shin Free Plan (tenfold benefit) 15 - 60 years old						
For those who are spending life with a disease	Designated endowment insurance						Shin Ichibyō Soken Plan 40 - 65 years old				
For preparing for educational funds	Educational endowment insurance (H24)	Hajime no Kampo 0 - 12 years old									
					18 - 65 years old (male)						
					16 - 65 years old (female)						
For working people who want to form assets	Asset-formation savings insurance				15*- 65 years old						
	Asset-formation housing funding insurance				15*- 54 years old						
	Asset-formation whole life annuities						36 - 54 years old				

Notes:

- For educational endowment insurance (H24),  shows the age range of insured persons, whereas  shows that of policyholders.
- Depending on the interest-rate situation, the sale of some products could be suspended.
- Ages denoted with an asterisk (*) show the applicant's attained age. All ages shown without an asterisk represent subscription age as insurance age.

2. Major Riders and Special Provisions

(As of July 1, 2017)

Name	Outline
Accidental rider	Offers provision for death or disability due to an unexpected accident
Non-participating accident hospitalization rider	Offers provision for hospitalization, surgery and/or long-term hospitalization as prescribed in the rider due to an unexpected accident
Non-participating illness and accident hospitalization rider	Offers provision for hospitalization, surgery and/or long-term hospitalization as prescribed in the rider due to illness or an unexpected accident
Special provision for payment claim by the designated proxy	If the beneficiary of insurance benefits is the insured person for benefits such as hospitalization benefits, and he/she cannot make a claim for payment for any special reason, the payment claim can be made by the designated proxy (such as the beneficiary's family member) on behalf of the beneficiary.

Note: For details of the riders, such as the reasons for and limitation on payment of benefits, please refer to the respective Contract Guidelines and Policy Conditions.

●Non-participating accident hospitalization rider and Non-participating illness and accident hospitalization rider



The Japan Post Insurance *Sono hi kara* hospitalization riders offer basic coverage in a simple and easy-to-understand manner, such as in that they insure hospitalization for a period of one day or more,

and the payment of surgery benefits is in line with the public health insurance system.

■Details of the Japan Post Insurance *Sono hi kara* Hospitalization Riders

A non-participating illness and accident hospitalization rider with a hospitalization benefit of ¥15,000 per day (standard insured amount of the rider: ¥10 million) insures the following:

Hospitalization due to illness or injury [hospitalization benefit] This benefit is paid for hospitalization for one day or more (including day case*1).	¥15,000 (hospitalization benefit per day) × days of hospitalization (up to 120 days)
Surgery due to illness or injury [surgery benefit] This benefit is paid for a surgery requiring hospitalization.*2	Depending on the type of surgery, ¥15,000 (hospitalization benefit per day) × 5, 10, 20 or 40
Long-term hospitalization due to illness or injury [lump-sum benefit for long-term hospitalization] This benefit is paid when the consecutive days of hospitalization reach 120 days.	¥300,000 (3% of the standard insured amount of the rider)

*1 The day case refers to the case where the patient enters and leaves the hospital on the same day, and whether it falls under the category of hospitalization depends on whether the basic fee for hospitalization was charged, etc.

*2 The range of insured surgeries has been expanded to include certain surgeries covered by the public health insurance system, such as the removal of tonsils requiring hospitalization.

Note: For details of the riders, such as the reasons for and limitation on payment of benefits, please refer to the respective Contract Guidelines and Policy conditions.

Financial Data

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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:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2017 AND 2016

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:

- 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.
- 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	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:

- The amounts of foreign currency-denominated bonds are shown in original currencies in parentheses.
- Bonds are included in "Other liabilities" in the accompanying consolidated balance sheets.
- 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:

- 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.
- 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:

- General reserve for possible loan losses corresponding to loans has been deducted.
- Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums. Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses. Additionally, those subject to exceptional treatment for interest rate swaps and the allocation method for forward 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

- Cash and due from banks
For funds due from banks with no maturity date, fair value approximates book value, which is therefore used as fair value. For funds due from banks with a maturity date where the contract period is short (within a year), fair value approximates book value, which is therefore used as fair value.
- Call loans 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.
- Monetary claims bought
Pricing offered by the broker and other third parties serves as fair value.
- Trading account securities
The purchase price of the Bank of Japan serves as fair value.
- Money held in trust
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".
- 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".
- 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

- 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.
- 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		
			Contract amount	Contract amount due after 1 year	Fair value ²
Deferral hedge method	Interest rate swaps: Receivable fixed rate / Payable floating rate Receivable floating rate / Payable fixed rate	Securities Loans	¥ 11,750 4,514,557	¥ 11,750 4,502,531	¥ 71 (250,430)
Exceptional treatment for interest rate swaps	Interest rate swaps: Receivable fixed rate / Payable floating rate	Loans	46,050	39,750	— ³
Total					¥ (250,359)

Millions of Yen

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

Millions of U.S. Dollars

March 31	Type of derivative	Major hedged item	2017		
			Contract amount	Contract amount due after 1 year	Fair value ²
Deferral hedge method	Interest rate swaps: Receivable fixed rate / Payable floating rate Receivable floating rate / Payable fixed rate	Securities Loans	\$ 105 40,240	\$ 105 40,133	\$ 1 (2,232)
Exceptional treatment for interest rate swaps	Interest rate swaps: Receivable fixed rate / Payable floating rate	Loans	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	Type of derivative	Major hedged item	2017		
Hedge accounting method			Contract amount	Contract amount due after 1 year	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	Type of derivative	Major hedged item	2016		
Hedge accounting method			Contract amount	Contract amount due after 1 year	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	Type of derivative	Major hedged item	2017		
Hedge accounting method			Contract amount	Contract amount due after 1 year	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:

- In principle, these derivatives are accounted for using deferred hedge accounting.
- Fair value is calculated using discounted present value and other methods.
- 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		Millions of U.S. Dollars
	2017	2016	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		Millions of U.S. Dollars
	2017	2016	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

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

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:

- Income is presented instead of net sales which is the typical method of presentation for companies in other industries.
- Other business includes the hotel business and the hospital business. Segment profit in other business includes dividend income from subsidiaries and affiliates recorded by the Company in the amount of ¥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

Millions of yen									
Year ended March 31	2017							Other	Total
	Reportable segment								
	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							Other	Total
	Reportable segment								
	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

Millions of U.S. Dollars

Year ended March 31	2017							Other	Total
	Reportable segment								
	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.



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

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Capital Adequacy

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 differences (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 ar- rangements	2016 (As of March 31, 2016)	Amounts excluded under transitional ar- rangements
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 ar- rangements	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.

(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.

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.

(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.

(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.

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 to 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 to 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)

(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) × (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.

Performance Data

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1. Japan Post Business Performance

I Postal and Logistics Business Performance

1 Consigned Volume of Mail in fiscal year ended March 31, 2017

Fiscal years ended March 31

(Unit: 1,000 items)

Category	2015		2016		2017	
	Volume	Year-on-year change	Volume	Year-on-year change	Volume	Year-on-year change
Total	22,035,617	(1.3)%	22,082,281	0.2%	21,925,689	(0.7)%
Mail	18,188,628	(2.1)%	18,029,855	(0.9)%	17,730,418	(1.7)%
Domestic	18,142,041	(2.1)%	17,980,998	(0.9)%	17,683,959	(1.7)%
Standard mail	17,661,265	(2.2)%	17,426,341	(1.3)%	17,193,956	(1.3)%
First-class	8,531,556	(0.4)%	8,463,874	(0.8)%	8,411,787	(0.6)%
Second-class	6,398,122	(3.7)%	6,315,097	(1.3)%	6,276,453	(0.6)%
Third-class	230,229	(4.7)%	220,464	(4.2)%	211,316	(4.1)%
Fourth-class	19,931	(7.2)%	18,802	(5.7)%	17,728	(5.7)%
New Year's postcards	2,431,779	(4.0)%	2,351,237	(3.3)%	2,236,551	(4.9)%
Election mail	49,648	1.1%	56,866	14.5%	40,121	(29.4)%
Special mail	480,777	2.4%	554,657	15.4%	490,003	(11.7)%
International (dispatched)	46,587	(1.2)%	48,857	4.9%	46,459	(4.9)%
Standard mail	29,503	(14.6)%	24,913	(15.6)%	26,942	8.1%
Parcels	3,038	69.0%	4,758	56.6%	4,116	(13.5)%
EMS	14,047	29.9%	19,187	36.6%	15,400	(19.7)%
Parcels	3,846,989	2.5%	4,052,425	5.3%	4,195,272	3.5%
Yu-Pack	527,209	23.1%	579,877	10.0%	632,421	9.1%
Yu-Mail	3,319,780	(0.1)%	3,472,549	4.6%	3,562,851	2.6%

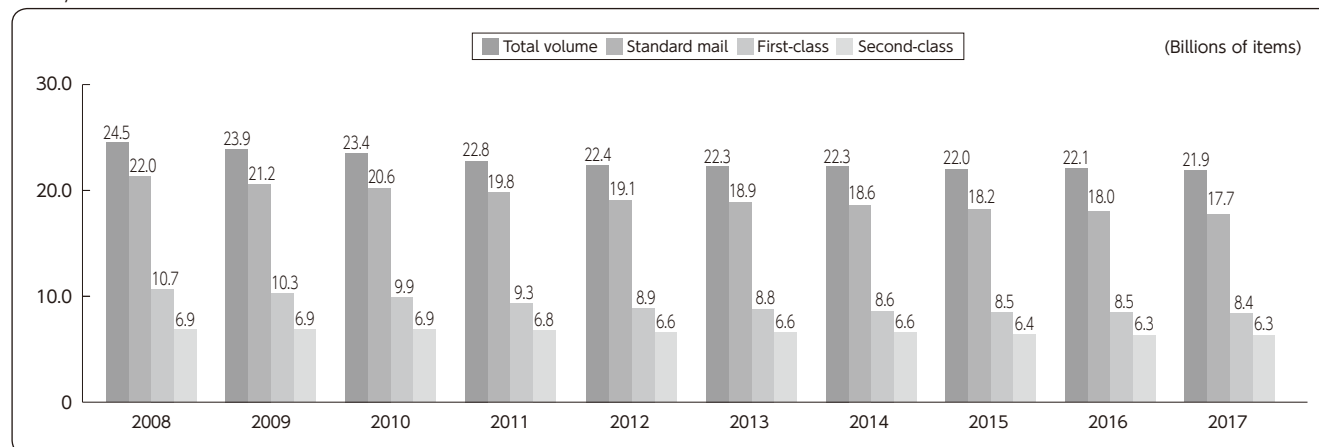
Notes: 1. Sums of individual items may not match totals due to rounding.

2. The number of Yu-Pack parcels includes EXPACK parcels. EXPACK service was discontinued at the end of March 2010.

3. From the fiscal year ended March 31, 2014, the number of Yu-Pack parcels in the second half of the year includes Yu-Packet parcels.

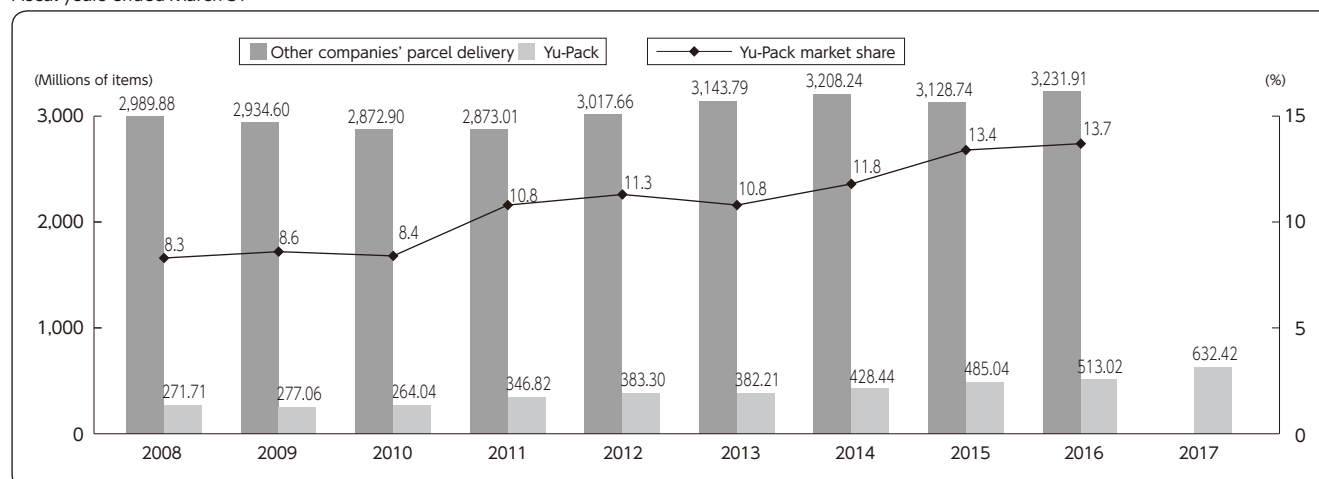
2 Total Consigned Volume of Mail

Fiscal years ended March 31



3 Yu-Pack and Other Companies' Parcel Delivery Volume and Market Share

Fiscal years ended March 31



Notes: 1. For fiscal year ended March 31, 2017, other companies' parcel delivery volume has not yet been announced (as of June 30, 2017).

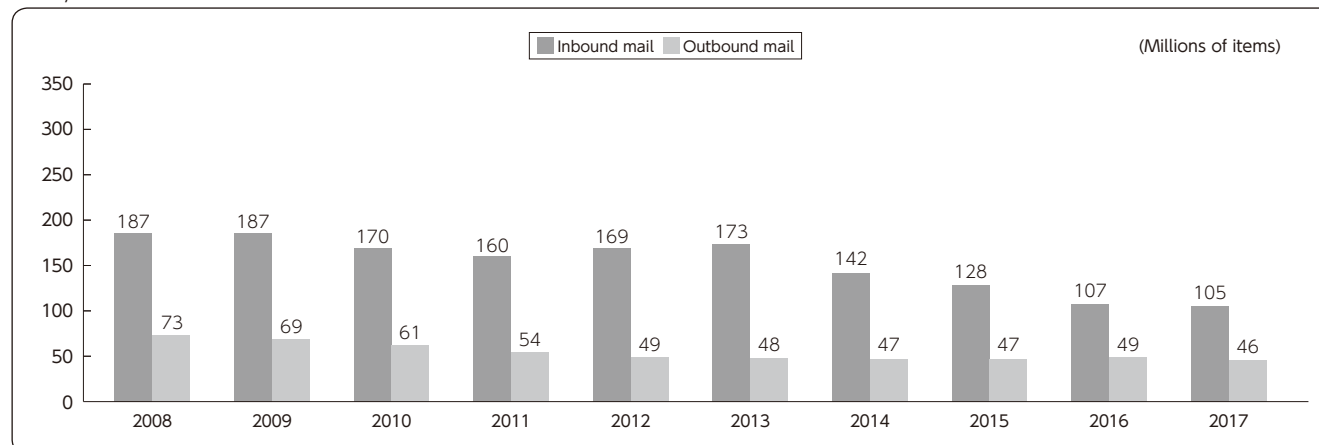
2. The number of Yu-Pack parcels includes EXPACK parcels.

3. The number of Yu-Pack parcels in the fiscal year ended March 31, 2017 includes Yu-Packet parcels.

4. Data for the fiscal year ended March 31, 2008 to the fiscal year ended March 31, 2016 have been sourced from statistics published by the Ministry of Land, Infrastructure, Transport and Tourism.

4 Volume of International Mail

Fiscal years ended March 31



5 Daily Mail Delivery Volume and Points

Fiscal years ended March 31

	2015	2016	2017
Daily mail delivery volume	About 61 million items	About 61 million items	About 61 million items
Daily delivery points	About 31 million points	About 30 million points	About 31 million points

6 Postal Service Quality Survey (Days to Arrival)

Beginning in fiscal 1999, an annual survey has been conducted to determine the percentage of mail delivered within the targeted number of days, with the results made public. The purposes of the survey are to supply accurate information concerning the quality of postal services and further improve the quality of services.

All post offices display a Service Level Table that provides information to the public regarding the times needed for mail to reach its destination. Survey results are shown as the percentage of total items sent that were delivered within the number of days prescribed in the Service Level Table.

■ Nationwide Achievement Rate of Average Days to Delivery

Fiscal years ended March 31

	2015	Year-on-year change	2016	Year-on-year change	2017	Year-on-year change
Nationwide average	98.6%	0.0%	98.6%	0.0%	98.5%	(0.1)%
For mail within the same prefecture	99.1%	0.1%	98.8%	(0.3)%	99.1%	0.3%
For mail to a neighboring prefecture	97.8%	(0.2)%	98.2%	0.4%	97.8%	(0.4)%
For mail to other prefectures	98.0%	0.0%	98.6%	0.6%	97.9%	(0.7)%

Note: The percentage of New Year's postcards accepted by December 25, 2016 and delivered on January 1, 2017 reached 99.9% as compared to the target figure of 99.5%.

7 Outsourced Operations

In addition to postal operations, Japan Post Co. has documentary stamp sales business activities.

■ Documentary Stamp Sales

Sales of documentary stamps for the Japanese national government were as follows.

Fiscal years ended March 31

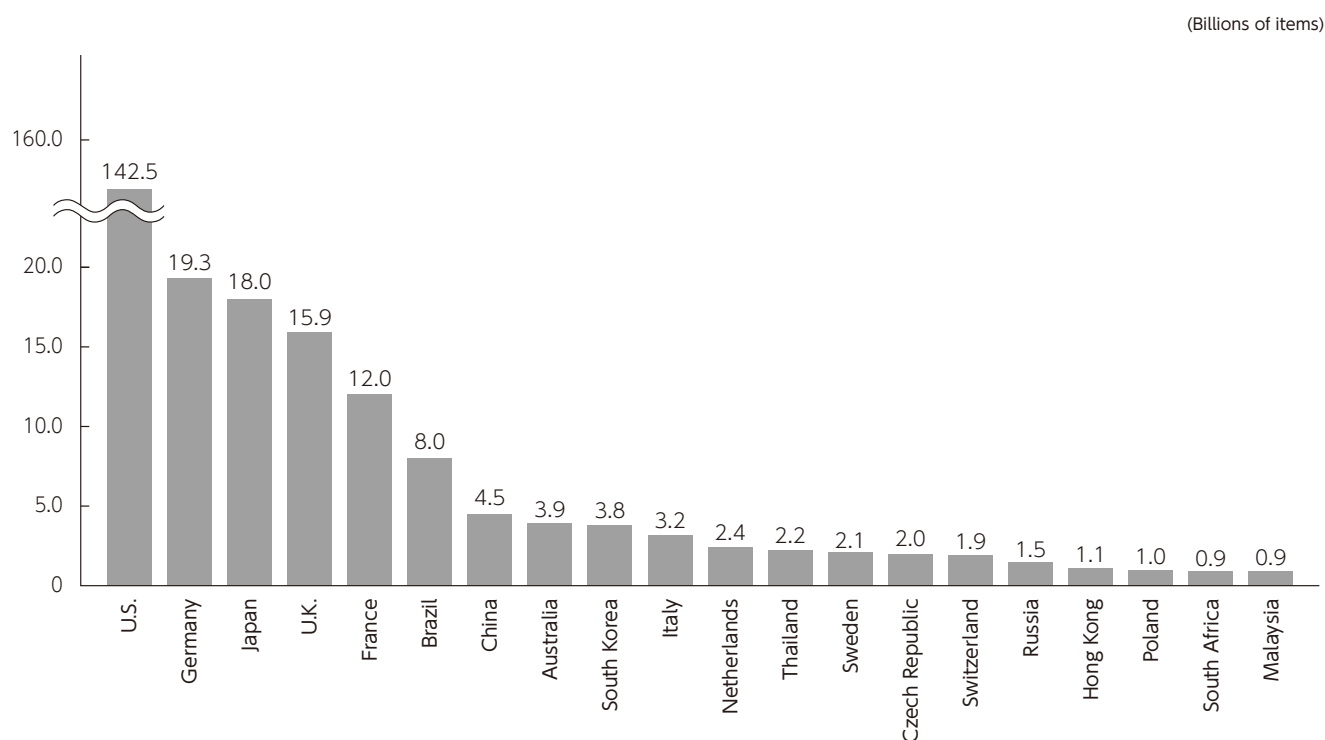
(Millions of yen)

Category	2015	2016	2017
Revenue stamps	757,658	761,932	768,920
Automobile weight tax documentary stamps	655,200	671,497	681,589
Unemployment insurance documentary stamps	473	455	412
Health insurance documentary stamps	3,600	3,572	3,367
Patent documentary stamps	90,807	94,394	94,510
Total	1,507,738	1,531,850	1,548,798

Note: Figures shown are gross sales for each category of documentary stamp. These proceeds are submitted to the Japanese national government after deduction of handling fees (including consumption and other taxes).

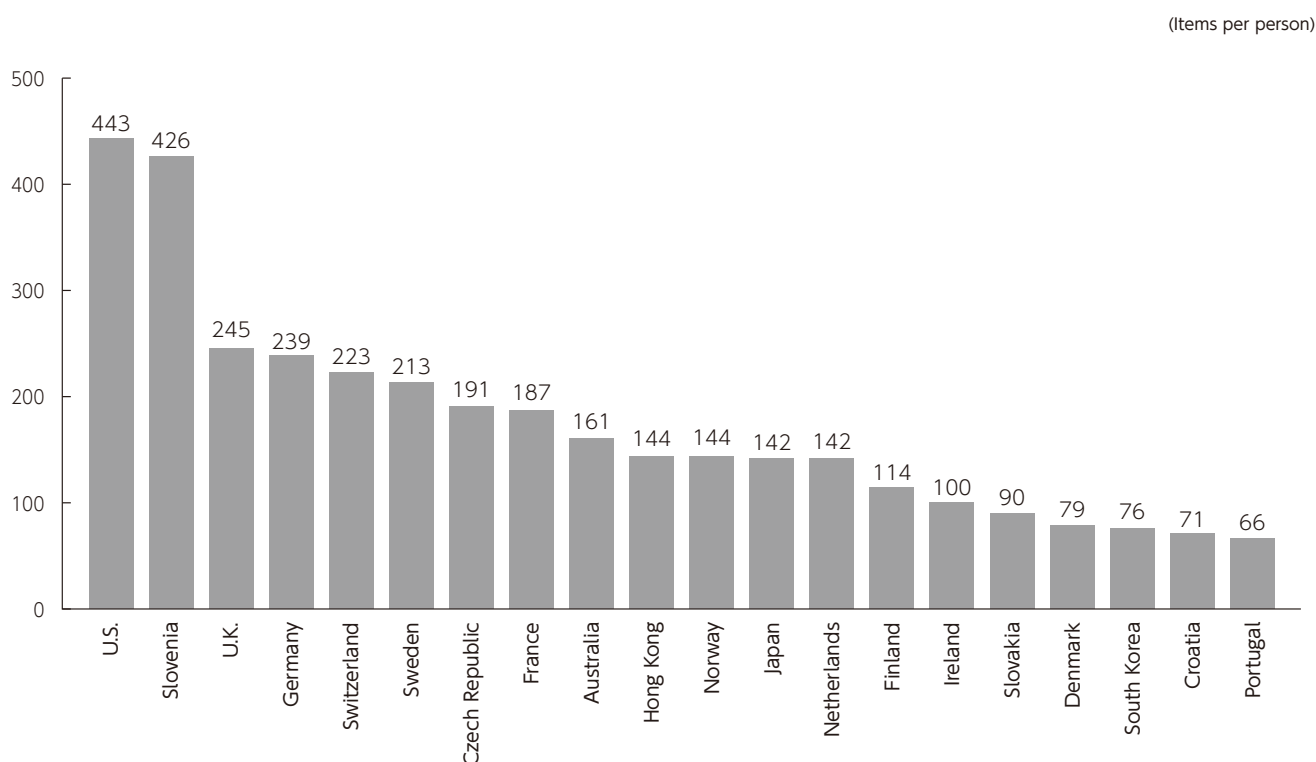
Reference: Postal Services in Other Countries

1. Volume of Mail Received (Top 20 Countries in 2015)



Notes: 1. Source: Universal Postal Union Postal Statistics (2015)
2. "Mail volume" is the total for all domestic mail items.

2. Annual Mail Volume Per Capita (Top 20 Countries in 2015)



Notes: 1. Source: Universal Postal Union Postal Statistics (2015)
2. "Mail volume" is the total for all domestic mail items.

Reference: International Comparison of Postage Rates

■ Comparison of Domestic Postage Rates

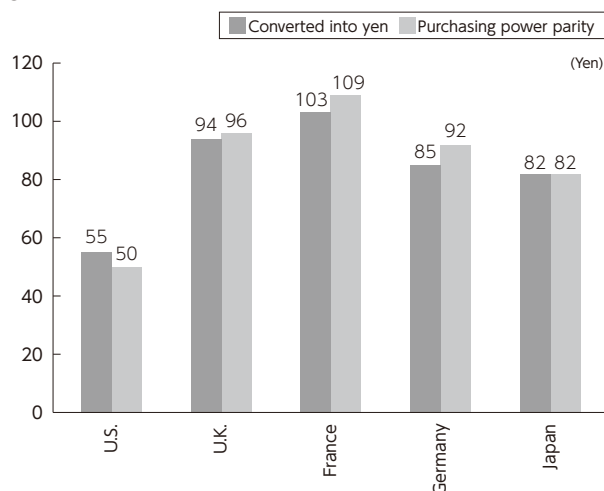
Domestic postage rates (letters and postcards) in Japan are generally lower than major European countries (U.K., France, Germany).

In the United States, postage rates for both domestic letters

and postcards are lower than in Japan. The reason is that the volumes of mail handled in the United States are approximately eight times greater than in Japan (the amount of mail sent per capita is roughly threefold higher), thereby resulting in higher delivery efficiency.

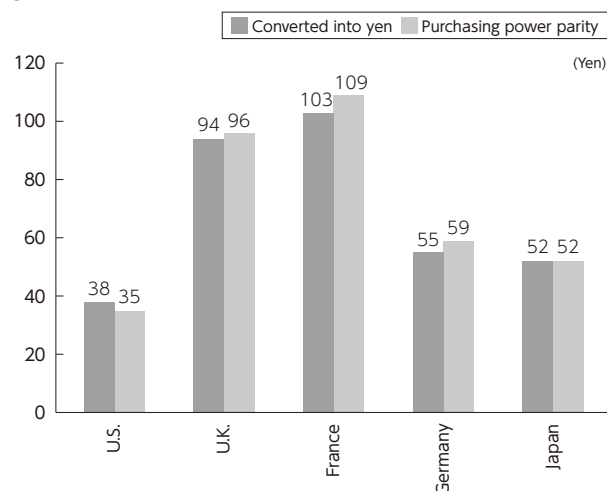
■ Comparison of Domestic Letter and Postcard Postage Rates in Selected Countries

● Letter rate



Prepared by Japan Post Co., Ltd. from various publicly disclosed materials

● Postcard rate



Prepared by Japan Post Co., Ltd. from various publicly disclosed materials

	U.S.	U.K.	France	Germany	Japan
Local currency	\$0.49	£0.65	€0.85	€0.70	¥82
Yen equivalent	¥55	¥94	¥103	¥85	¥82
Purchasing power parity	¥50	¥96	¥109	¥92	¥82

Notes: 1. Only Japanese postage rates include consumption tax.

2. Yen conversions use the exchange rate as of March 31, 2017 (Bank of Tokyo-Mitsubishi UFJ TTS rate).

3. Purchasing power parities use exchange rates that make price levels equal in Japan and the other countries. Calculations are based on Purchasing Power Parities (2016 average OECD Main Economic Indicators).

4. Letter and postage rates are as of March 31, 2017.

	U.S.	U.K.	France	Germany	Japan
Local currency	\$0.34	£0.65	€0.85	€0.45	¥52
Yen equivalent	¥38	¥94	¥103	¥55	¥52
Purchasing power parity	¥35	¥96	¥109	¥59	¥52

	Exchange rate	Purchasing power parity
\$1 (U.S.)	¥113.19	¥102.00
£1 (U.K.)	¥144.08	¥147.83
€1 (France)	¥121.29	¥128.14
€1 (Germany)	¥121.29	¥131.78

■ Comparison of International (Air) Postage Rates

The following table shows postage rates for air mail sent in both directions between Japan and four major countries. Postage rates for mail sent from Japan are cheaper in all cases.

	Letter (25 g)		Postcard	
	Local currency	Yen equivalent	Local currency	Yen equivalent
Japan to the four other countries	—	¥110	—	¥70
U.S. to Japan	\$1.15	¥130	\$1.15	¥130
U.K. to Japan	£2.27	¥327	£1.17	¥169
France to Japan	€2.60	¥315	€1.30	¥158
Germany to Japan	€1.50	¥182	€0.90	¥109

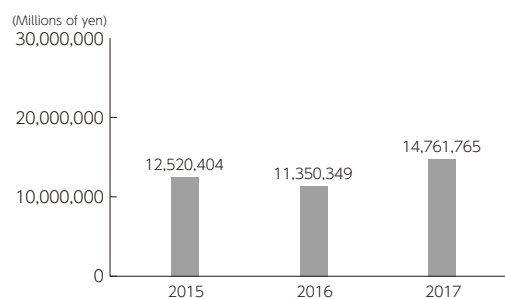
Note: Yen conversions use the exchange rate as of March 31, 2017 (Bank of Tokyo-Mitsubishi UFJ TTS rate).

II Post Office Business Performance

1 *TEIGAKU* and Time Deposits Handled

Of the *TEIGAKU* and time deposits provided by Japan Post Bank, the funds newly deposited by customers through Japan Post Co. are as follows.

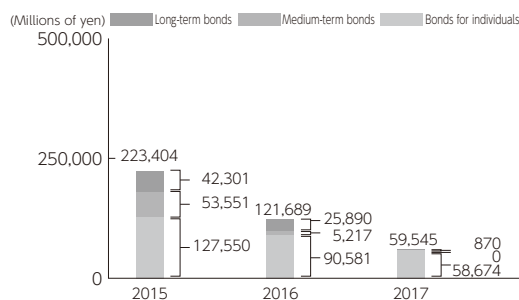
Fiscal years ended March 31



2 Sales of Japanese Government Bonds

Of the Japanese Government Bonds sold by Japan Post Bank, total sales handled through Japan Post Co. are as follows.

Fiscal years ended March 31

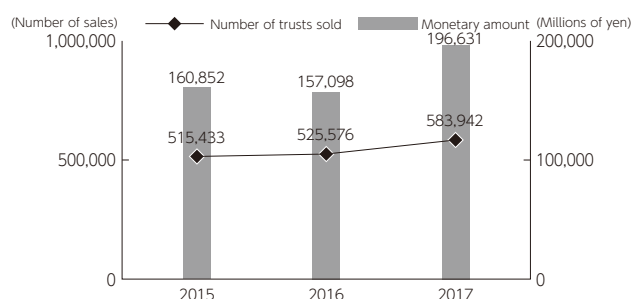


3 Investment Trust Sales

Of the investment trust products sold by Japan Post Bank, total sales handled through Japan Post Co. are as follows.

* Including no-load products from fiscal year ended March 31, 2016

Fiscal years ended March 31

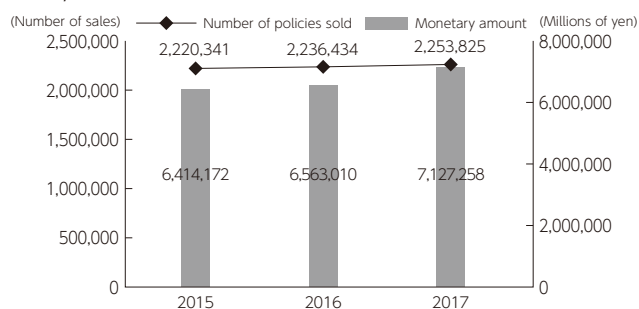


4 Life Insurance and Annuity Sales

Of the life insurance and annuity products sold by Japan Post Insurance, total sales of newly contracted policies handled through Japan Post Co. are as follows.

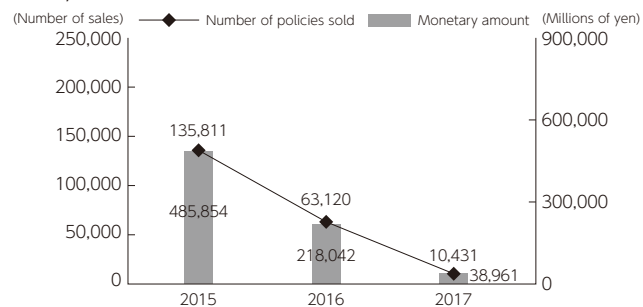
■ Individual Insurance

Fiscal years ended March 31



■ Individual Annuities

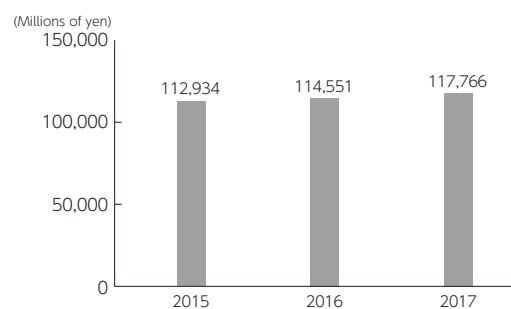
Fiscal years ended March 31



5 Merchandise Business

The sales of products and services sold through merchandise businesses such as catalog sales of Japan Post Co. are as follows.

Fiscal years ended March 31



2. Japan Post Bank Business Performance

1 Key Financial Indicators

Fiscal years ended March 31

(Millions of yen)

	2015	2016	2017
Ordinary income	2,078,179	1,968,987	1,897,281
Operating profit (before provision for general reserve for possible loan losses)	519,998	385,897	354,087
Net operating profit	519,998	385,897	354,098
Net ordinary income	569,489	481,998	442,085
Net income	369,434	325,069	312,264
Capital stock	3,500,000	3,500,000	3,500,000
Shares outstanding (thousands of shares)	150,000	4,500,000	4,500,000
Net assets	11,630,212	11,508,150	11,780,037
Total assets	208,179,309	207,056,039	209,568,820
Deposits	177,710,776	177,871,986	179,434,686
Loans	2,783,985	2,542,049	4,064,120
Securities	156,169,792	144,076,834	138,792,448
Capital adequacy ratio (non-consolidated, domestic standard) (%)	38.42	26.38	22.22
Dividend payout ratio (%)	50.00	28.83	60.03
Employees (persons)	12,889	12,905	12,965

Notes:

1. Japan Post Bank Co. implemented a 30-for-1 common stock split effective August 1, 2015.
2. The balance of deposits including accrued interest at the end of fiscal 2017 is ¥180,781,785 million (¥179,307,785 million at the end of fiscal 2016 and ¥179,009,556 million at the end of fiscal 2015).
3. The capital adequacy ratio (non-consolidated, domestic standard) is 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 of Japan, 2006).
4. The dividend payout ratio for the fiscal years ended March 31, 2015 and 2016 are calculated by dividing the total dividend payment for the period by net income. The dividend payout ratio for the fiscal year ended March 31, 2017 is calculated by dividing dividends per share of common stock by net income per share.
5. The number of employees excludes Japan Post Bank employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies. The figures do not include part-time employees.

2 Balances by Type of Deposit

1. Balances at the End of Fiscal Period

(Millions of yen, %)

		March 31, 2015		March 31, 2016		March 31, 2017	
		Amount	%	Amount	%	Amount	%
Domestic operations	Liquid deposits	61,053,645	34.35	63,834,943	35.88	67,994,923	37.89
	Transfer deposits	11,747,374	6.61	13,874,601	7.80	13,052,115	7.27
	Ordinary deposits, etc.	48,912,826	27.52	49,571,866	27.86	54,550,845	30.40
	Savings deposits	393,443	0.22	388,475	0.21	391,963	0.21
	Fixed-term deposits	116,453,033	65.52	113,852,874	64.00	111,280,733	62.01
	Time deposits	13,569,920	7.63	11,441,153	6.43	10,065,156	5.60
	TEIGAKU deposits, etc.	102,881,558	57.89	102,410,683	57.57	101,215,576	56.40
	Other deposits	204,097	0.11	184,168	0.10	159,029	0.08
	Subtotal	177,710,776	100.00	177,871,986	100.00	179,434,686	100.00
	Negotiable certificates of deposit	—	—	—	—	—	—
International operations	Total	177,710,776	100.00	177,871,986	100.00	179,434,686	100.00
	Total	—	—	—	—	—	—
Total		177,710,776	100.00	177,871,986	100.00	179,434,686	100.00
Deposits including accrued interest		179,009,556		179,307,785		180,781,785	

Notes:

1. Liquid deposits = Transfer deposits + Ordinary deposits, etc. + Savings deposits
Ordinary deposits, etc. = Ordinary deposits + Special deposits (equivalent to ordinary savings)
2. Fixed-term deposits = Time deposits + TEIGAKU deposits, etc. + Special deposits (Savings for housing installments equivalent + Education installment savings equivalent)
TEIGAKU deposits, etc. = TEIGAKU deposits + Special deposits (TEIGAKU savings equivalent)
3. "Transfer deposits" correspond to "Current deposits" and "TEIGAKU deposits" to "Other deposits" in liabilities in accordance with the Ordinance for Enforcement of the Banking Act.
4. Special deposits, which represent deposits received from the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency, correspond to postal savings that were passed on to the organization by Japan Post.
5. Special deposits (equivalent to ordinary savings) are the portion of deposits received from the Management Organization for Postal Savings and Postal Life Insurance corresponding to savings for time savings, TEIGAKU savings, installment savings, savings for housing installments, and education installment savings that had reached full term and were passed on to the organization by Japan Post.

2. Average Balances

Fiscal years ended March 31

(Millions of yen, %)

		2015		2016		2017	
		Amount	%	Amount	%	Amount	%
Domestic operations	Liquid deposits	61,057,460	34.35	62,432,860	35.10	65,952,601	36.79
	Transfer deposits	11,365,224	6.39	12,413,131	6.97	13,133,438	7.32
	Ordinary deposits, etc.	49,296,826	27.73	49,627,508	27.90	52,429,547	29.24
	Savings deposits	395,409	0.22	392,220	0.22	389,616	0.21
	Fixed-term deposits	116,441,954	65.52	115,247,660	64.79	113,138,020	63.11
	Time deposits	14,163,314	7.96	12,339,989	6.93	10,752,770	5.99
	TEIGAKU deposits, etc.	102,276,763	57.55	102,906,340	57.85	102,384,806	57.11
	Other deposits	211,981	0.11	187,548	0.10	161,233	0.08
	Subtotal	177,711,397	100.00	177,868,069	100.00	179,251,855	100.00
	Negotiable certificates of deposit	—	—	—	—	—	—
International operations	Total	177,711,397	100.00	177,868,069	100.00	179,251,855	100.00
	Total	—	—	—	—	—	—
Total		177,711,397	100.00	177,868,069	100.00	179,251,855	100.00
Deposits including accrued interest		178,911,788		179,226,520		180,668,339	

3

Loans by Category

1. Balances at the End of Fiscal Period

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016	As of March 31, 2017
Domestic operations			
Loans on notes	—	—	—
Loans on deeds	2,549,816	2,318,798	3,866,110
Overdrafts	234,169	219,951	198,009
Notes discounted	—	—	—
Subtotal	2,783,985	2,538,749	4,064,120
International operations			
Loans on notes	—	—	—
Loans on deeds	—	3,300	—
Overdrafts	—	—	—
Notes discounted	—	—	—
Subtotal	—	3,300	—
Total	2,783,985	2,542,049	4,064,120

2. Average Balances

Fiscal years ended March 31
(Millions of yen)

	2015	2016	2017
Domestic operations			
Loans on notes	—	—	—
Loans on deeds	2,740,220	2,462,009	2,877,528
Overdrafts	232,114	219,899	203,605
Notes discounted	—	—	—
Subtotal	2,972,334	2,681,909	3,081,133
International operations			
Loans on notes	—	—	—
Loans on deeds	—	2,614	2,151
Overdrafts	—	—	—
Notes discounted	—	—	—
Subtotal	—	2,614	2,151
Total	2,972,334	2,684,524	3,083,285

4

Balances by Type of Securities

1. Balances at the End of Fiscal Period

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016	As of March 31, 2017
Domestic operations			
Japanese government bonds	106,767,047	82,255,654	68,804,989
Japanese local government bonds	5,525,117	5,856,509	6,082,225
Commercial paper	226,986	204,995	233,998
Japanese corporate bonds	10,756,050	10,362,715	10,752,831
Japanese stocks	935	1,390	1,390
Other securities	—	—	1,942
Subtotal	123,276,136	98,681,264	85,877,377
International operations			
Other securities	32,893,656	45,395,569	52,915,071
Foreign bonds	18,817,706	19,829,503	20,143,467
Investment trusts	13,967,716	25,520,966	32,726,722
Foreign stocks	—	—	—
Subtotal	32,893,656	45,395,569	52,915,071
Total	156,169,792	144,076,834	138,792,448

2. Average Balances

Fiscal years ended March 31
(Millions of yen)

	2015	2016	2017
Domestic operations			
Japanese government bonds	116,413,435	92,933,962	76,271,808
Japanese local government bonds	5,570,677	5,517,565	5,926,257
Commercial paper	293,887	222,965	224,870
Japanese corporate bonds	10,999,777	10,334,756	10,476,477
Japanese stocks	935	1,118	1,390
Other securities	—	—	545
Subtotal	133,278,712	109,010,368	92,901,349
International operations			
Other securities	26,849,989	40,072,765	48,099,311
Foreign bonds	16,653,595	19,778,504	19,527,484
Investment trusts	10,117,574	20,224,805	28,528,342
Foreign stocks	—	—	—
Subtotal	26,849,989	40,072,765	48,099,311
Total	160,128,701	149,083,133	141,000,661

5 Over-the-Counter Sales of Japanese Government Bonds

Fiscal years ended March 31

(Millions of yen)

	2015	2016	2017
Long-term bonds	45,243	28,127	1,024
Medium-term bonds	56,805	5,815	0
Bonds for individuals	139,475	98,331	64,406
Total	241,524	132,275	65,430

6 Domestic Exchanges

Fiscal years ended March 31

(Millions of yen)

	2015		2016		2017	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	24,252	21,769,194	26,793	23,586,237	27,897	21,516,587
Received	67,192	15,415,275	79,485	17,625,900	92,705	20,798,405

Note: All remittances are transferred through the Zengin Data Telecommunication System (Zengin System).

7 Transfer Deposits

Fiscal years ended March 31

(Millions of yen)

	2015		2016		2017	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
In-payment	1,171,772	68,295,736	1,170,468	64,521,205	1,164,002	51,150,496
Transfers	112,041	81,957,838	110,268	84,498,625	104,625	88,844,655
Out-payment	120,517	56,831,965	119,168	51,293,715	119,980	43,221,766

8 Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

Fiscal years ended March 31

(Millions of yen)

	2015		2016		2017	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Ordinary remittances	1,607	34,492	1,224	26,028	1,209	22,556
Postal orders (TEIGAKU KOGAWASE)	16,679	9,288	15,867	8,945	15,841	9,008

9 Foreign Exchanges

Fiscal years ended March 31

(Millions of U.S. dollars)

	2015		2016		2017	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
	352	1,112	334	1,223	314	1,169

Note: Foreign exchanges represent the total of international remittances and purchase of traveler's checks. The purchase of traveler's checks was terminated as of May 2, 2016.

10 Investment Trusts Sales (Contract Basis)

Fiscal years ended March 31

(Millions of yen)

	2015	2016	2017
Number of contracts (thousands)	1,061	1,164	1,251
Sales amount	377,000	427,085	544,399

Note: Figures have been rounded off.

(Millions of yen)

	March 31, 2015	March 31, 2016	March 31, 2017
Number of investment trust accounts (thousands)	665	696	749
Net assets	1,118,791	1,135,550	1,310,151

11 Other Businesses

Fiscal years ended March 31

Credit Cards

(Thousands)

	2015	2016	2017
Number of cards issued	60	65	61

(Thousands)

	March 31, 2015	March 31, 2016	March 31, 2017
Outstanding	1,573	1,285	1,093

Mortgage Loans (as intermediary)

(Millions of yen)

	2015	2016	2017
Amount of new credit extended	34,833	36,369	39,908

(Millions of yen)

	March 31, 2015	March 31, 2016	March 31, 2017
Amount of new credit extended (cumulative)	306,981	343,350	383,259

Japan Post Bank acts as the intermediary for Suruga Bank Ltd.'s mortgage loan business.

Variable Annuities Policies

(Millions of yen)

	2015	2016	2017
Number of policies	11,987	17,220	17,731
Sales amount	66,914	92,270	90,712

(Millions of yen)

	March 31, 2015	March 31, 2016	March 31, 2017
Number of policies (cumulative)	65,556	82,776	100,507
Sales amount (cumulative)	345,452	437,722	528,434

3. Japan Post Insurance Business Performance (Non-consolidated)

1 Sound Management Indicators

1. Core Profit

Core profit is a basic periodic earnings indicator for life insurance companies. Core profit is determined by insurance-related income and expenses such as insurance premiums and others, insurance claims and others, and operating expenses, as well as investment-related income and expenses, which consist primarily of interest and dividend income.

Our core profit for the year ended March 31, 2017 was ¥390.0 billion.

Core Profit ¥390.0 billion

2. Consolidated Solvency Margin Ratio

Life insurance companies accumulate policy reserves to provide for anticipated payment of insurance claims and others. They also cover exposure to risks that can be predicted under normal conditions within the scope of these policy reserves.

The solvency margin ratio is an indicator by which the regulatory agency determines whether or not an insurance company has the sufficient financial resources for its obligations to pay benefits in the event a normally unforeseeable risk should materialize, such as a major catastrophe or a stock market collapse.

If the ratio is less than 200%, the regulatory agency will take prompt corrective action. On the other hand, if the ratio is greater than or equal to 200%, it indicates that the insurance company has satisfied one of the standards for sound management.

Our consolidated solvency margin ratio as of March 31, 2017 was 1,290.6%, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

Consolidated Solvency Margin Ratio 1,290.6%

(Billions of yen)

Years ended March 31	2015	2016	2017
Core income (1)	¥ 10,185.7	¥ 9,653.5	¥ 8,621.4
Insurance premiums and others	5,956.7	5,413.8	5,041.8
Investment income (Note 1)	1,366.0	1,308.7	1,226.2
Reversal of policy reserves (Note 2)	2,719.2	2,805.7	2,246.8
Core expenses (2)	9,670.3	9,189.2	8,231.3
Insurance claims and others	9,059.5	8,550.4	7,550.3
Provision for policy reserves and others	1.4	0.1	0.0
Investment expenses (Note 1)	5.2	6.2	11.7
Operating expenses	512.4	537.0	560.2
Core profit ((1)-(2)) A	515.4	464.2	390.0
Net capital gains B	64.1	4.4	(51.1)
Other one-time profits C	(86.4)	(55.6)	(59.5)
Ordinary profit A+B+C	493.1	413.0	279.3

Notes: 1. Excluding the amount regarding net capital gains

2. Excluding the amount regarding other one-time profits (reversal of contingency reserve and others)

(Millions of yen)

As of March 31	2015	2016	2017
Total amount of solvency margin (A)	¥5,706,126	¥5,547,846	¥ 5,425,821
Capital stock, etc.	1,387,508	1,438,806	1,490,882
Reserve for price fluctuations	712,167	782,268	788,712
Contingency reserve	2,498,711	2,374,846	2,254,027
Catastrophe loss reserve	—	—	—
General reserve for possible loan losses	77	71	59
(Net unrealized gains (losses) on available-for-sale securities (before taxes) + Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	703,549	505,374	399,297
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(10,077)	(3,474)	103
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)	7,920	6,975	6,064
Excess of continued Zillmerised reserve	406,267	442,977	486,674
Capital raised through debt financing	—	—	—
Amounts within "excess of continued Zillmerised reserve" and "capital raised through debt financing" not calculated into the margin	—	—	—
Deductions	—	—	—
Other	—	—	—
Total amount of risk (B)	694,064	706,591	840,767
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_6^2 + R_8^2} + (R_2 + R_3 + R_7)^2 + R_4 + R_6)}$			
Insurance risk R ₁	163,796	159,046	153,070
General insurance risk R ₅	—	—	—
Catastrophe risk R ₆	—	—	—
Underwriting risk of third-sector insurance R ₈	88,568	78,262	69,104
Small amount and short-term insurance risk R ₉	—	—	—
Anticipated yield risk R ₂	184,450	170,717	158,838
Minimum guarantee risk R ₇	—	—	—
Investment risk R ₃	443,176	476,029	631,036
Business management risk R ₄	17,599	17,681	20,240
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,644.2%	1,570.3%	1,290.6%

Note: These figures are calculated based on the provisions set forth in the public notification No. 23 issued by the Financial Services Agency in 2011 and Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act.

For the above figures as of March 31, 2016 onwards, the total amount of solvency margin was partially amended in accordance with the Cabinet Office Ordinance No. 16 of 2016. (The figures as of March 31, 2015 provided above were determined based on existing standards.)

3. Status of Accumulation of Internal Reserves

Life insurance companies accumulate contingency reserve and reserve for price fluctuations for the purpose of ensuring the soundness and stability of management in the future. These reserves provide protection against risks associated with changes in the operating environment of the life insurance industry. Such changes include fluctuations in prices of financial assets, the occurrence of a major catastrophe and other events.

As of March 31, 2017, we had a contingency reserve of ¥2,254.0 billion and a reserve for price fluctuations of ¥788.7 billion, a total of ¥3,042.7 billion.

In addition, as of March 31, 2017, we have additional policy reserves to cover for a negative spread and other risks amounting to ¥5,961.0 billion.

Total of Contingency Reserve and Reserve for Price Fluctuations ¥3,042.7 billion

4. Consolidated Real Net Assets

"Consolidated real net assets" is calculated by subtracting liabilities, other than contingency reserve, reserve for price fluctuations and other liabilities with equity characteristics, from total assets measured at market value. The regulatory agency uses consolidated real net assets as an indicator of an insurance company's financial soundness at the end of a fiscal period. A negative figure might lead to an order to suspend operations or

other regulatory action. (Such regulatory action is not generally taken if the amount after subtracting unrealized losses associated with held-to-maturity securities and policy-reserve-matching bonds is positive and liquid assets have been set aside.)

As of March 31, 2017, we had ¥12,763.1 billion in consolidated real net assets, an amount deemed to be sufficient.

Consolidated Real Net Assets ¥12,763.1 billion

5. Net Unrealized Gains (Losses) on Securities

Net unrealized gains and losses on assets reflect the differential between market value and book value.

As of March 31, 2017, Japan Post Insurance Co., Ltd. recorded a net unrealized gain on securities of ¥7,700.5 billion.

We recorded a ¥380.7 billion net unrealized gain on money held in trust and a ¥443.6 billion overall net unrealized gain on

available-for-sale securities. Although net unrealized gains on available-for-sale securities are not recorded on the Statements of Income, an amount deducting the tax-effect amount is recorded on the Consolidated Balance Sheets as "Net unrealized gains (losses) on available-for-sale securities" within net assets.

Net Unrealized Gains (Losses) on Securities ¥7,700.5 billion

(Unrealized gain)

6. Risk-Monitored Loans

Loans with repayment conditions that are not normal are termed risk-monitored loans. None of Japan Post Insurance's loans fall into this category.

2 Policyholder Dividends

Insurance premiums of life insurance policies are calculated based on assumed mortality rates, assumed rates of return and projected expenses for policy administration. If there is a positive difference between the assumed and actual figures, the surplus will be returned to policyholders in the form of dividends ("policyholder dividends") in accordance with the terms of their respective policies.

For the year ended March 31, 2017, we posted a provision for reserve for policyholder dividends of ¥152.6 billion.

- For Japan Post Insurance Policies, we accounted for a provision for reserve for policyholder dividends of ¥15.6 billion.
- For Postal Life Insurance Policies, we posted a provision for reserve for policyholder dividends of ¥137.0 billion under the reinsurance agreement concluded with the Management Organization, based on the performance of the category related to the reinsurance. Policyholder dividends on Postal Life Insurance Policies are determined by the Management Organization.

Provision for Reserve for Policyholder Dividends ¥152.6 billion

3 Embedded Value (EV)

Embedded value ("EV") is one of the corporate value indicators for life insurance companies.

The profit-loss structure in the life insurance business involves a loss at the time of sale and profit over a policy's duration. A loss occurs temporarily at the time of sale, caused by a considerable amount of expenses generally incurred with the sale of a policy. Future profit is generated as the policy's long duration serves to provide revenues over a long period of time, covering these initial expenses.

Under the current statutory accounting practices in Japan, gains and losses are recognized as they occur in each fiscal year. EV, on the other hand, is used to represent the present value of gains and losses that cover the entire duration. EV is the sum of the adjusted net worth (ANW), which reflects gains/losses from business activities in the past, and the value of in-force covered business (VIF), which is the present value of the expected future profits from the in-force covered business.

Since the end of the year ended March 31, 2013, Japan Post Insurance Co., Ltd. has been disclosing EV calculated on the basis of the European Embedded Value Principles ("EEV Principles") as additional information supplementary to the financial data provided under the current statutory accounting practices.

The EV of Japan Post Insurance Co., Ltd. as of March 31, 2017 was ¥3,355.6 billion, an increase of ¥204.6 billion from March 31, 2016.

(Billions of yen)

As of March 31	2015	2016	2017
EV	¥ 3,613.7	¥ 3,151.0	¥ 3,355.6
Adjusted net worth	1,739.6	1,894.3	1,965.2
Value of in-force covered business	1,874.0	1,256.7	1,390.4

Years ended March 31	2015	2016	2017
Value of new business*	¥ 154.9	¥ 192.7	¥ 36.8

* Value of new business is the present value of the future profits, as at the time of sale, expected from the new business obtained during the said fiscal year.

Notes: 1. The risk-free rate is an important assumption for the valuation of life insurance liabilities. Regarding the level of interest rates at longer durations, for which sufficiently liquid markets and reliable data are not available, we had previously taken an approach of setting the assumed forward rate to be constant at and beyond the last duration for which market data are available.

However, in light of the points below, from the EV as of March 31, 2016, and the value of new business for the fiscal year ended March 31, 2016, we have adopted an ultimate forward rate assumed to converge over a period of time to a fixed ultimate level, commonly set based on macroeconomic or other methods.

- In the previous approach, any change in the level of the risk-free rate at the last available duration of the market data resulted in a significant impact on the valuation of long-duration insurance liabilities. Considering recent movements in the risk-free rate, use of an ultimate forward rate approach should result in more stability than the previous approach.

- The method utilizing an ultimate forward rate is being considered for adoption as an extrapolation method for interest rates at longer durations in international regulations as well.

For consistency of valuations, the EV as of March 31, 2015 and value of new business for the fiscal year ended March 31, 2015, have been reevaluated based on the same revised method.

2. From the fiscal year ended March 31, 2017, we have opted to calculate the value of new business as the difference between EV calculated on the basis of gain/loss of total in-force covered business if new business had been obtained, and EV calculated on the basis of gain/loss of total in-force covered business if new business had not been obtained. For consistency of valuations, the value of new business for the fiscal year ended March 31, 2016 has been reevaluated based on the same revised method.

Embedded Value (EV) ¥3,355.6 billion

We requested a third party (actuarial firm) with actuarial expertise and knowledge to review the methodology and assumptions used to calculate the EV results and obtained a written opinion verifying the validity. For details of this third-party opinion, please refer to our website. The calculation of EV is based on many assumptions, including future outlook, which involves certain risks and uncertainties. Since actual performance may differ materially from the assumptions, we strongly recommend that users exercise caution.

4 Insurance Policies

During the year ended March 31, 2017, Japan Post Insurance Co., Ltd. sold 2.44 million individual insurance policies with a total policy amount of ¥7,847.4 billion. Annualized premiums of individual insurance policies amounted to ¥507.9 billion, whereas annualized premiums related to third-sector insurance amounted to ¥55.7 billion.

As of March 31, 2017, Japan Post Insurance Co., Ltd. had 17.15 million individual insurance policies in force with a total policy amount of ¥50,097.9 billion. Annualized premiums of individual insurance policies amounted to ¥3,207.9 billion (or ¥4,979.6 billion

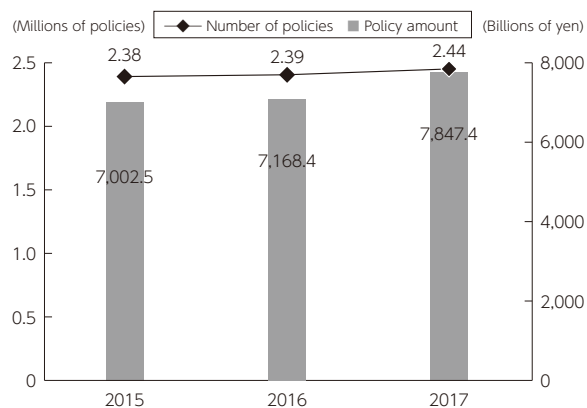
when reinsured Postal Life Insurance Policies (Insurance) are included), whereas annualized premiums related to third-sector insurance amounted to ¥333.8 billion (or ¥736.1 billion when reinsured Postal Life Insurance Policies are included).

Regarding the Postal Life Insurance Policies received from the Management Organization in the form of reinsurance, as of March 31, 2017, policies reinsured by Japan Post Insurance Co., Ltd. amounted to 14.41 million insurance policies with an insured amount of ¥38,605.4 billion and 2.24 million annuity policies with an annuity amount of ¥799.1 billion.

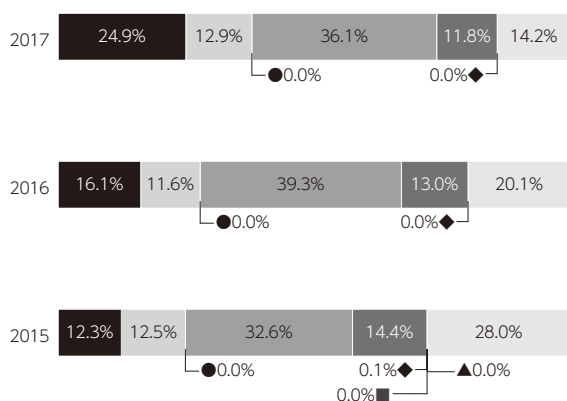
New Policies

■ Number of Policies, Policy Amount and Composition by Product (Individual Insurance)

For the years ended March 31



For the years ended March 31



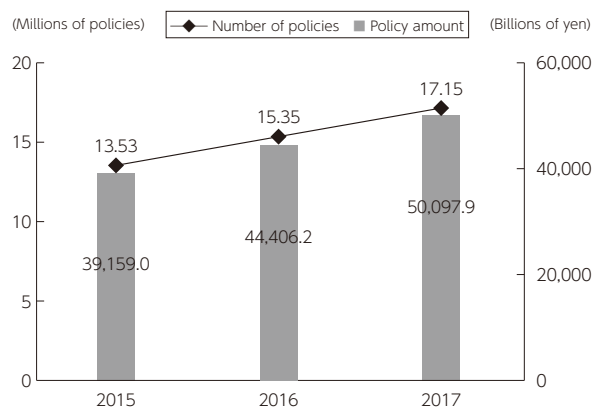
- Ordinary whole life insurance
- Special whole life insurance
- Whole life insurance with nursing care benefit
- Ordinary term insurance
- Ordinary endowment insurance
- Special endowment insurance
- ◆ Designated endowment insurance
- Educational endowment insurance
- ▲ Educational endowment insurance with scholarship annuity
- Educational endowment insurance (H24)
- ▲ Others

Note: The number of policies and policy amounts do not include the Postal Life Insurance Policies that Japan Post Insurance Co., Ltd. has received from the Management Organization in the form of reinsurance.

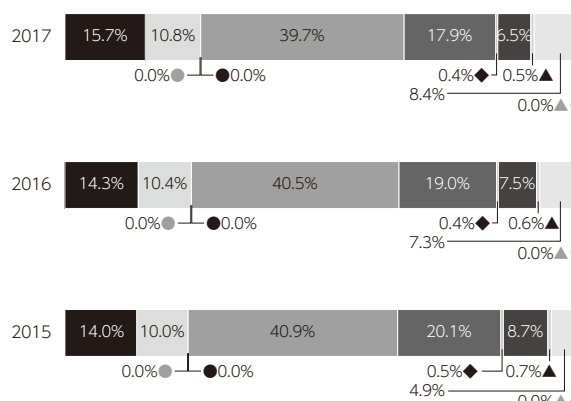
Policies in Force

■ Number of Policies, Policy Amount and Composition by Product (Individual Insurance)

As of March 31



As of March 31



5 Performance Overview

1. Assets

As of March 31, 2017, total assets of Japan Post Insurance Co., Ltd. amounted to ¥80,336.4 billion, a decrease of ¥1,207.2 billion from ¥81,543.6 billion at the previous fiscal year-end.

As domestic interest rates shifted downward, we increased investments in risk assets, such as foreign securities and stocks.

Corporate and government bonds [Decrease]

For corporate and government bonds, we limited investment based on the domestic interest rate environment. In this context, we made some investments mainly in super long-term bonds capturing a rise in interest rates in the latter half of the year.

As a result, corporate and government bonds amounted to ¥57,658.1 billion, a decrease of ¥2,162.9 billion from ¥59,821.0 billion at the previous fiscal year-end.

Stocks [Increase]

For stocks, we commenced in-house investment starting in the second half of the fiscal year ended March 31, 2017.

As a result, stocks amounted to ¥59.3 billion, an increase of ¥58.3 billion from ¥0.9 billion at the previous fiscal year-end.

Foreign securities [Increase]

For foreign securities, in view of the trends of both domestic and foreign interest rates, with the aim of raising investment income, we increased investments with a focus on hedged foreign bonds.

As a result, foreign securities amounted to ¥4,351.7 billion, an increase of ¥662.9 billion from ¥3,688.8 billion at the previous fiscal year-end.

Other securities [Increase]

For other securities, we expanded investment in global credit and other funds, in line with diversification of asset management.

As a result, other securities amounted to ¥1,417.1 billion, an increase of ¥1,317.0 billion from ¥100.0 billion at the previous fiscal year-end.

Money held in trust [Increase]

For money held in trust, investments were carried out with close attention paid to market trends. With the aim of raising investment income, we increased investments, centering on domestic stocks.

As a result, money held in trust amounted to ¥2,127.0 billion, an increase of ¥482.4 billion from ¥1,644.5 billion at the previous fiscal year-end.

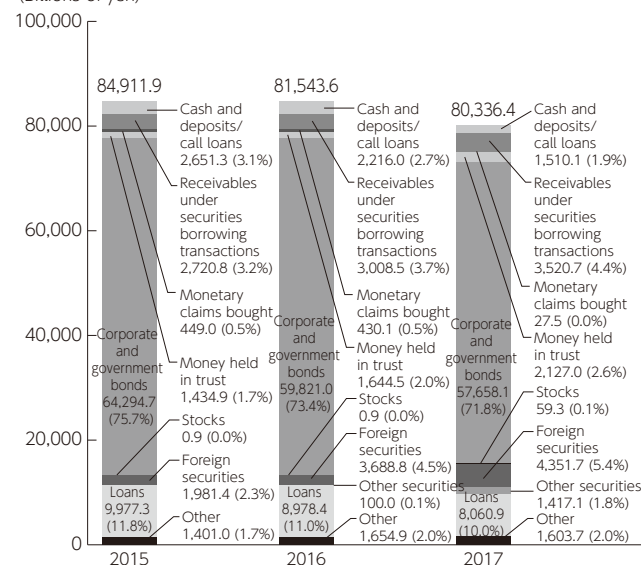
Loans [Decrease]

For loans, we provided loans including syndicated loans, loans to local governments and policy loans. The amount of loans decreased due to the repayment of loans to the Management Organization.

As a result, loans amounted to ¥8,060.9 billion, a decrease of ¥917.5 billion from ¥8,978.4 billion at the previous fiscal year-end.

■ Composition of Assets (Non-Consolidated)

As of March 31
(Billions of yen)



2. Asset Management Yield

Years ended March 31	2015	2016	2017
Yield	1.70%	1.62%	1.50%

Note: Asset management yield includes capital gains and losses, etc.

Data Compilation

Others

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1. Service Hours and Points of Contact for Inquiries

1

Service Hours

1. Japan Post (Post Offices)

■ Post Office Service Hours

The table below lists typical service hours of post offices. For exact service hours of individual offices, please check the Postal Office & ATM Search page on our website (<http://global.map.japanpost.jp/p/en/search/>)

Days of the week	Mail services	Deposit services	Insurance services
Monday through Friday	9:00 to 17:00 (Some offices remain open after 17:00)	9:00 to 16:00 (Some offices remain open after 16:00)	9:00 to 16:00 (Some offices remain open after 16:00)
Saturday	Closed (Some offices are open)	Closed	Closed
Sunday and holidays	Closed (Some offices are open)	Closed	Closed

Notes: 1. Hours of certain offices may differ from the above because of their location or other factors.

2. Offices are closed from December 31 through January 3; however, only mail services are available during this period at some offices.

■ POSTAL SERVICE COUNTER

POSTAL SERVICE COUNTER is a special counter established at certain post offices offering a range of after-hours services, including accepting regular mail and Yu-Pack items and selling postal stamps and revenue stamps. (Some post offices allow customers to pick up undelivered mail and packages at the POSTAL

SERVICE COUNTER during normal post office hours.)

Please confirm the location of post offices where POSTAL SERVICE COUNTER is available and service hours via our website (http://www.post.japanpost.jp/shiten_search/index.html) (Only available in Japanese).

2. Japan Post Bank

■ Service Hours

Days of the week	Service hours
Monday through Friday	9:00 to 16:00 (Some offices are open until 18:00)
Weekends and national holidays	Closed

Notes: 1. Branches are closed from December 31 to January 3.

2. Service hours of some offices may differ from those listed above.

■ ATM Service Hours

For ATM service hours and services handled, please refer to "ATM Information" on the Japan Post Bank website (http://www.jp-bank.japanpost.jp/kojin/access/kj_acs_atm_index.html) (Only available in Japanese).

3. Japan Post Insurance

Insurance services are available at the insurance counters of post offices.

2

Points of Contact for Inquiries

1. For Information and Advice Related to Japan Post Group

For inquiries please call the following phone number: 0120-23-28-86 (toll free). Follow the Interactive Voice Response (IVR) guide to be connected to the appropriate call center.

Telephone number	Select	Details of inquiries	Name	Business hours
Toll-free phone number: 0120-23-28-86 (Only available in Japanese)	[*]+[1]	General inquiries and contact regarding postal services	Japan Post Co., Ltd. Customer Service Center	Weekdays: 8:00 to 22:00 Saturdays, Sundays and holidays: 9:00 to 22:00
	[*]+[4]	Inquiries regarding counter services besides postal, deposit and insurance services		Weekdays: 9:00 to 21:00 Saturdays, Sundays and holidays: 9:00 to 17:00 (Open from 9:00 to 17:00 from December 31 to January 3)
	[*]+[2]▶1	Inquiries and consultation regarding products and services of Japan Post Bank Co., Ltd.	Japan Post Bank Call Center	Weekdays: 8:30 to 21:00 Saturdays, Sundays and holidays: 9:00 to 17:00 (Open from 9:00 to 17:00 from December 31 to January 3)
	[*]+[2]▶2	Contact at the time of loss and theft of such items as passbook and cards	Japan Post Bank Card Loss Center	Available 24-hours, all year round
	[*]+[3]▶1	Inquiries and consultation regarding products and services of Japan Post Insurance Co., Ltd. and postal life insurance	Japan Post Insurance Call Center	Weekdays: 9:00 to 21:00 Saturdays, Sundays and holidays: 9:00 to 17:00 (Excluding January 1 to January 3)
	[*]+[3]▶2	Notification of loss and theft of Japan Post cards (limited to postal life insurance policies)	Japan Post Insurance Card Loss Center	Weekdays: 8:30 to 21:00 (Excluding Saturdays, Sundays and holidays, and December 31 to January 3)

Customers using mobile phones can make inquiries and receive advice concerning postal services and post offices via the following number.

0570-046-666

(Communications charge must be paid by the customer.)

For those who wish to use English, please call the following number.

0570-046-111

(Communications charge must be paid by the customer.)

(Calls cannot be made from overseas.)

Notes: 1. Since it is not possible to confirm the identity of the person speaking on the telephone, it may not be possible to give a detailed response to a particular inquiry.
2. In order to improve service and manage operations, effective calls to the Customer Service Center are recorded.

2. For Information and Advice Related to Japan Post Bank

* Certain telephone numbers indicated below are only available in Japan.

Unless otherwise noted, telephone numbers are available toll-free using mobile and Personal Handyphone System (PHS) phones. There are certain cases where Internet Protocol (IP) phones and other equipment cannot be used.

[Contact Information for Lost or Stolen Passbooks or Cards]

■ Card Loss Center

Contact the following to halt transactions for lost or stolen passbooks (certificates) or cash cards.

Service hours	Telephone number
Available 24 hours all year round	0120-794889 (Only available in Japanese) Calls from overseas: +81-45-279-6201 (Communication charges required) (Only available in Japanese)

[Contact Information for Various Types of Inquiries]

■ Japan Post Bank Call Center

Contact the following number for inquiries and consultation regarding products and services.

Service hours	Telephone number
Weekdays: 8:30 to 21:00	0120-108420 (Only available in Japanese)
Weekends and national holidays: 9:00 to 17:00	

Note: Service is available from 9:00 to 17:00 during the period from December 31 to January 3.

■ Japan Post Bank Direct Support Desk

Inquiries regarding *Yucho* Direct can be made via the following number.

Service hours	Telephone number
Weekdays: 8:30 to 21:00	0120-992-504 (Only available in Japanese)
Weekends and national holidays: 9:00 to 17:00	

Note: Service is available from 9:00 to 17:00 during the period from December 31 to January 3.

■ Investment Trust Call Center

Inquiries regarding invest trust and Japanese Government Bonds can be made via the following number.

Service hours	Telephone number
9:00 to 18:00	0800-800-4104 (Only available in Japanese)

Note: Excluding weekends and national holidays and the period from December 31 to January 3

■ Defined Contribution Pension Call Center

Material requests and inquiries regarding enrollment of defined contribution pensions (individual annuities) can be made via the following number.

Service hours	Telephone number
Weekdays: 9:00 to 21:00	0120-401034 (Only available in Japanese)
Weekends: 9:00 to 17:00	

Note: Excluding national holidays and the period from December 31 to January 3

■ Japan Post Bank Transfers Inquiry Center

Inquiries regarding transfers between other financial institutions, including branch name, deposit item and account number can be made via the following number.

Service hours	Telephone number
Interactive voice response: Available 24 hours all year round	0120-253811 (Only available in Japanese)
Operator response: Weekdays: 8:30 to 21:00 Weekends and national holidays: 9:00 to 17:00	
Note: Service is available from 9:00 to 17:00 during the period from December 31 to January 3.	

■ Designated Dispute Resolution Institution

Japan Post Bank Co. has formed a contract with the Japanese Bankers Association as a designated dispute resolution institution under the Banking Act.

Point of contact (Japanese Bankers Association Counseling Office) is shown on the right.

Service hours	Telephone number
9:00 to 17:00	0570-017109 Navigation dial or 03-5252-3772

Notes: 1. Excluding weekends and national holidays and the period from December 31 to January 3
2. For details, please visit the Japanese Bankers Association Counseling Office website (<http://www.zenginkyo.or.jp/adr/>).
3. Except for certain cases Internet Protocol (IP) phones cannot be used for Navigation dial

3. For Information and Advice Related to Japan Post Insurance

■ Japan Post Insurance Call Center

The Japan Post Insurance Call Center handles inquiries regarding insurance products, premium rates and various types of procedure methods. Please note that in some instances immediate responses cannot be provided depending on the nature of the inquiry.

For responses following the completion of various procedures, information will be provided after the call is forwarded to the service center.

In addition, at the dedicated call center for elderly customers, operators directly answer calls from customers and respond kindly and meticulously to their inquiries.

Service hours	Telephone number
Weekdays: 9:00 to 21:00	● Japan Post Insurance Call Center 0120-552-950 (Only available in Japanese)
Saturday, Sunday and holidays: 9:00 to 17:00	● Dedicated call center for elderly customers 0120-744-552 (Only available in Japanese)

Note: Excluding the period from January 1 to January 3

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Online Inquiries

We can also handle inquiries via the Japan Post Holdings website (<http://www.japanpost.jp/faq/index03.html>).

Please click the button for the link to the relevant company depending on the details of the inquiry.

2. Japan Post Group Privacy Policy

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Japan Post Group Privacy Policy

The Japan Post Group ("the Group") is dedicated to providing services that can achieve a high degree of customer satisfaction. Properly protecting and the treatment of personal information is vital to accomplishing this goal. Accordingly, the Group has established the following fundamental policy (hereinafter referred to as "the Privacy Policy") for protecting personal information.

(1) Compliance with laws and regulations

When handling personal information, the Group complies with all laws and regulations associated with protecting personal information, national government policies and the provisions of the Privacy Policy ("laws, regulations, etc.," hereafter).

(2) Purpose of using personal information

The Group specifies the purpose of using personal information and does not use this information beyond the scope necessary for achieving this purpose.

The purposes for which Group companies use personal information are listed in the privacy policies on each company's website and where applicable.

(3) Acquisition of personal information

The Group acquires personal information using methods that are legal and proper.

(4) Security measures for management of personal information

The Group uses an appropriate security management system to prevent leaks, losses or alterations of personal information. In addition, the Group properly supervises persons engaged in the business of handling personal information, outsourcing parties and others.

(5) Provision of personal information to third parties

Except in cases where required by laws and regulations, the Group does not supply personal information to third parties without the prior consent of each individual.

In cases where two or more Group companies share the same personal information, this sharing is performed only after providing prior notice or public announcements of items required by law.

Irrespective of the above, specific personal information shall not be provided to third parties or shared jointly except when prescribed by laws or ordinances.

(6) Procedures for requesting disclosure of personal data

The Group responds in a sincere manner in cases where there are requests for the notification of the purpose of use or for the disclosure, correction or termination of use of retained personal data as prescribed by laws, regulations, etc.

The disclosure request procedures for each company can be found on their respective websites and where applicable.

(7) Points of contact for inquiries

Requests regarding retained personal data set forth in the preceding section and inquiries and requests regarding treatment of personal information can be made to designated points of contact.

(8) Continuous improvements

The Group constantly reviews and improves its management and handling methods for the protection of personal information in response to advances in information technology and shifts in social demands.

The Japan Post Group began with the October 2007 privatization of Japan's postal system. Japan Post Group companies consist of Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Insurance Co., Ltd. and several other subsidiaries and affiliated companies.

Each Japan Post Group company uses its respective specialized skills to provide high-quality services. The objective is to achieve even greater customer satisfaction.

To accomplish this goal, the Japan Post Group wishes to share customers' personal data solely to the degree required and within the scope explained below. This data is used to conduct business activities performed directly by Group companies or through outsourcing parties.

The Group asks for customers' understanding and pledges that strict information management will be used during the shared use of personal data.

(1) Personal data items for shared use

Shared use covers names, birth dates, addresses, telephone numbers and other contact information, family members, occupations and data concerning business transactions with the Group. However, this excludes information about materials sent or delivered by postal mail or any sensitive information.

(2) Scope of parties involved in shared use

Shared use is limited to the Japan Post Group. However, this applies only to companies included in the consolidated financial statements, including equity-method affiliates, of Japan Post Holdings, as prescribed by laws, regulations, etc., and is limited to the following companies:

Japan Post Holdings Co., Ltd, Japan Post Co., Ltd, Japan Post Bank Co., Ltd, Japan Post Insurance Co., Ltd.

(3) Purpose of use

- 1) Distribution of information about services and research and development involving services
- 2) Decisions involving the provision of services
- 3) For the proper management of Group business operations primarily for the purpose of monitoring and managing risks

(4) Name of party with responsibility for managing personal data

Japan Post Holdings Co., Ltd.

(5) Other items

- 1) Customer data from pre-privatization postal insurance policy contracts will be used for insurance sales activities only after receiving the prior consent of the applicable customers.
- 2) Prior consent of the applicable customers will be received before using data on savings transactions (private financial information) for insurance sales activities and before using data on transactions (private financial information) involving life insurance policies (including postal insurance) to sell savings products.

3. Japan Post Group Conflicts of Interest Management Policy

The Japan Post Group ("the Group") conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to a conflict of interest.

1. The following representative examples of companies in the Japan Post Group ("Group companies") fall within the scope of the Conflicts of Interest Management Policy.

- Japan Post Bank Co., Ltd.
- Japan Post Insurance Co., Ltd.
- Japan Post Co., Ltd.

2. The Group will manage conflicts of interest for the transactions stipulated below.

(1) Transactions that may unduly impair the interests of customers among the following transactions:

- Transaction with a customer that has an interest in one of the Group companies based on an agreement
- Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
- Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement

(2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest

3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:

- (1) Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
- (2) Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
- (3) Discontinue the target transaction or the secondary transaction with the customer
- (4) Properly disclose to the customer that the target transaction may unduly impair his or her interests

4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.

5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.

4. Japan Post Group Information Security Declaration

Services provided by Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. as the Japan Post Group are used by a large number of customers. We believe that information about these customers must be strictly managed, and the services used by customers must be absolutely safe.

We understand that information security is essential for

customers to use our services with confidence. Our activities reflect this awareness of the importance of information security. We place priority on the following items in order to manage information about customers safely and to protect this information from leaks and alterations resulting from unauthorized access and from disruptions in services caused by accidents, natural disasters and other events.

1. Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. will establish information security policies and follow the policies for the purpose of conducting information security activities.
2. We will conduct a continuous information security training program for the purpose of maintaining a strong awareness among employees of the importance of information security and reinforcing that awareness.
3. We will conduct continuous inspections of information security activities and make revisions and improvements whenever needed for the purpose of maintaining and enhancing the effectiveness of information security activities.

5. Declaration by Top Management regarding the Elimination of Relationships with Antisocial Forces

To eliminate any relationships with antisocial forces and prevent damage to the organization, the Japan Post Group has made the following declaration in line with the Fundamental Policy for Establishment of Internal Control Systems.

1. Organizational response

In firm recognition of its social responsibility and to strengthen management based on compliance, the Japan Post Group, as an organization in its entirety, will ensure that any relationships with antisocial forces are eliminated.

2. Complete elimination of relationships, including transactions

The Japan Post Group will have no relationships whatsoever with antisocial forces, including transactions.

3. Legal measures and prohibition of secret negotiations

The Japan Post Group will strongly refuse any unjustified demands by antisocial forces and will take legal measures, either via a civil court

or a criminal court, or both. The Japan Post Group will never negotiate in secrecy with antisocial forces, even if their unjustified demands are to conceal matters related to any misconduct of the Group's own activities or that of its staff.

4. Cooperation with outside experts

The Japan Post Group will establish close relationships with outside experts in preparation for any unjustified demands by antisocial forces in order to ensure the safety of its staff against such demands.

5. Prohibiting financing for antisocial forces

The Japan Post Group will never engage in financing for antisocial forces.

Guide to Websites of the Japan Post Group



<http://www.japanpost.jp/>

日本郵政
HOLDINGS
JAPAN POST HOLDINGS



<http://www.post.japanpost.jp/>

日本郵便
POST
JAPAN POST



<http://www.jp-bank.japanpost.jp/>

ゆうちょ銀行
BANK
JAPAN POST BANK



<http://www.jp-life.japanpost.jp/>

かんぽ生命
INSURANCE
JAPAN POST INSURANCE



<http://www.japanpost.jp/financial/index02.html>

Announcement of Financial Results

Japan Post Group Annual Report 2017 July 2017

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