5. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Total income	15,241,937	14,268,281	14,272,742	13,336,802	13,012,517
Income before income taxes	740,466	780,319	670,943	170,887	709,134
Net income (loss)	479,071	482,682	425,972	(28,976)	460,623
Comprehensive income (loss)	717,123	2,212,035	(177,994)	8,867	118,564
Net assets	13,388,650	15,301,561	15,176,088	14,954,581	14,743,234
Total assets	292,246,440	295,849,794	291,947,080	293,162,545	290,640,154
Consolidated capital adequacy ratio (domestic standard)	49.23%	40.40%	27.47%	23.80%	19.11%
Consolidated solvency margin ratio	1,791.8%	1,621.1%	1,087.4%	922.0%	722.7%

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

Japan Post Holdings Co. (Non-consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Operating income	272,988	251,919	309,975	303,808	280,850
Net operating income	146,002	147,187	231,417	226,964	218,727
Net ordinary income	147,837	149,298	232,919	228,831	219,729
Net income	155,090	131,181	94,311	207,015	196,232
Net assets	8,719,384	8,744,456	8,057,703	8,057,856	7,950,122
Total assets	9,740,129	9,107,178	8,418,459	8,261,109	8,127,442

Japan Post Co. (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Operating income	—	—	3,638,847	3,758,970	3,881,943
Net operating income	—	—	39,105	53,430	86,564
Net ordinary income	—	—	42,336	52,221	85,459
Net income (loss)	—	—	47,247	(385,235)	58,476
Net assets	—	—	1,244,984	794,244	831,253
Total assets	—	—	5,651,387	5,091,375	5,099,405

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

[Postal and domestic logistics business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Operating income	—	—	1,929,444	1,929,928	2,022,526
Net operating income	—	—	10,323	12,053	41,903

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, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Operating income	—	—	1,360,344	1,386,456	1,358,798
Net operating income	—	—	39,299	63,334	39,771

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, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Operating income	—	—	544,062	644,416	704,302
Net operating income	—	—	17,231	5,642	10,254

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

Japan Post Bank Co. (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Ordinary income	—	—	—	—	2,044,940
Net ordinary income	—	—	—	—	499,654
Net income	—	—	—	—	352,775
Net assets	—	—	—	—	11,521,680
Total assets	—	—	—	—	210,629,821
Consolidated capital adequacy ratio (domestic standard)	—	—	—	—	17.43%

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

Japan Post Insurance Co. (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Ordinary income	—	—	9,605,743	8,659,444	7,952,951
Net ordinary income	—	—	411,504	279,755	309,233
Net income	—	—	84,897	88,596	104,487
Net assets	—	—	1,882,982	1,853,203	2,003,126
Total assets	—	—	81,545,182	80,336,760	76,831,261
Consolidated solvency margin ratio	—	—	1,570.3%	1,290.6%	1,131.8%

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

6. Japan Post Group Companies —Consolidated Financial Data

CONSOLIDATED BALANCE SHEETS MARCH 31, 2018 AND 2017

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)	2018 (As of March 31, 2018)
ASSETS:			
Cash and due from banks (Notes 3, 5 and 21)	¥ 50,782,381	¥ 53,313,498	$ 477,997
Call loans (Note 21)	745,000	620,000	7,012
Receivables under securities borrowing transactions (Note 21)	11,520,376	12,239,627	108,437
Monetary claims bought (Note 21)	454,635	279,776	4,279
Trading account securities (Note 21)	32	9	0
Money held in trust (Notes 4 and 21)	7,056,398	5,944,951	66,419
Securities (Notes 3, 4, 5 and 21)	199,363,017	202,320,530	1,876,534
Loans (Notes 6 and 21)	13,772,684	12,125,022	129,637
Foreign exchanges	87,487	78,646	823
Other assets (Note 5)	2,365,569	1,792,201	22,266
Tangible fixed assets (Note 7)			
Buildings	1,195,097	1,178,216	11,249
Land	1,544,016	1,567,222	14,533
Construction in progress	83,165	123,214	783
Other tangible fixed assets	332,333	337,742	3,128
Total tangible fixed assets	3,154,613	3,206,394	29,693
Intangible assets			
Software	309,572	325,700	2,914
Goodwill	2,885	3,053	27
Other intangible assets	17,421	17,136	164
Total intangible assets	329,880	345,889	3,105
Asset for retirement benefits (Note 13)	43,694	35,697	411
Deferred tax assets (Note 15)	970,601	868,118	9,136
Reserve for possible loan losses	(6,217)	(7,819)	(59)
Total assets	**¥ 290,640,154**	**¥ 293,162,545**	**$ 2,735,694**

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)	2018 (As of March 31, 2018)
LIABILITIES:			
Deposits (Notes 5 and 21)	¥ 178,489,035	¥ 178,004,318	$ 1,680,055
Call money (Note 21)	—	45,436	—
Payables under repurchase agreements (Notes 5 and 21)	1,985,285	960,937	18,687
Policy reserves and others			
Reserve for outstanding claims (Note 8)	548,196	577,376	5,160
Policy reserves (Notes 8 and 14)	67,777,297	70,175,234	637,964
Reserve for policyholder dividends (Note 10)	1,622,889	1,772,565	15,276
Total policy reserves and others	69,948,383	72,525,176	658,400
Payables under securities lending transactions (Notes 5 and 21)	17,475,671	18,583,361	164,492
Commercial papers (Notes 11 and 21)	191,481	40,324	1,802
Foreign exchanges	309	407	3
Other liabilities (Notes 3, 5, 11 and 12)	3,350,756	3,587,312	31,539
Reserve for bonuses	126,869	101,979	1,194
Liability for retirement benefits (Note 13)	2,256,418	2,279,156	21,239
Reserve for employee stock ownership plan trust	809	—	8
Reserve for management board benefit trust	727	253	7
Reserve for reimbursement of deposits	86,114	2,096	811
Reserve for price fluctuations (Note 14)	916,743	788,712	8,629
Deferred tax liabilities (Note 15)	1,068,313	1,288,491	10,056
Total liabilities	**¥ 275,896,920**	**¥ 278,207,964**	**$ 2,596,921**
NET ASSETS (Note 16):			
Capital stock	¥ 3,500,000	¥ 3,500,000	$ 32,944
Capital surplus	4,135,462	4,135,414	38,926
Retained earnings	3,551,054	3,294,130	33,425
Treasury stock	(831,945)	(731,992)	(7,831)
Total shareholders' equity	10,354,570	10,197,552	97,464
Net unrealized gains (losses) on available-for-sale securities	2,688,219	3,105,162	25,303
Net deferred gains (losses) on hedges	2,784	(103,790)	26
Foreign currency translation adjustments	(85,870)	(80,730)	(808)
Accumulated adjustments for retirement benefits	294,238	333,571	2,770
Total accumulated other comprehensive income	2,899,371	3,254,213	27,291
Non-controlling interests	1,489,292	1,502,815	14,018
Total net assets	**14,743,234**	**14,954,581**	**138,773**
Total liabilities and net assets	**¥ 290,640,154**	**¥ 293,162,545**	**$ 2,735,694**

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED MARCH 31, 2018 AND 2017

	Millions of yen		Millions of U.S. Dollars (Note 1)
	2018 (From April 1, 2017 to March 31, 2018)	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)
INCOME:			
Postal business income	¥ 2,676,204	¥ 2,524,315	$ 25,190
Banking business income (Note 17)	2,042,980	1,895,552	19,230
Life insurance business income	7,952,894	8,659,363	74,858
Other income (Note 18)	340,438	257,570	3,204
Total income	**13,012,517**	**13,336,802**	**122,482**
EXPENSES:			
Operating expenses	8,971,688	9,672,884	84,447
Personnel expenses	2,629,701	2,594,617	24,752
Depreciation and amortization	279,165	249,717	2,628
Other expenses (Notes 17 and 19)	422,825	648,696	3,980
Total expenses	**12,303,382**	**13,165,915**	**115,807**
Income before income taxes	**709,134**	**170,887**	**6,675**
Income taxes (Note 15):			
Current	357,503	279,057	3,365
Deferred	(160,395)	(123,960)	(1,510)
Total income taxes	**197,107**	**155,097**	**1,855**
Net income	**512,027**	**15,790**	**4,820**
Net income attributable to non-controlling interests	51,404	44,767	484
Net income (loss) attributable to Japan Post Holdings	**¥ 460,623**	**¥ (28,976)**	**$ 4,336**

	Yen		U.S. Dollars
	2018 (From April 1, 2017 to March 31, 2018)	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)
Per share of common stock (Note 27):			
Basic net income (loss)	¥ 112.97	¥ (7.04)	$ 1.06
Diluted net income	—	—	—

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED MARCH 31, 2018 AND 2017

	Millions of yen		Millions of U.S. Dollars (Note 1)
	2018 (From April 1, 2017 to March 31, 2018)	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)
Net income	**¥ 512,027**	**¥ 15,790**	**$ 4,820**
Other comprehensive loss (Note 20)			
Net unrealized gains (losses) on available-for-sale securities	(468,530)	(239,357)	(4,410)
Net deferred gains (losses) on hedges	119,718	302,793	1,127
Foreign currency translation adjustments	(5,111)	(23,918)	(48)
Adjustments for retirement benefits	(39,544)	(46,444)	(372)
Share of other comprehensive income of affiliates	5	3	0
Total other comprehensive loss	(393,462)	(6,923)	(3,704)
Comprehensive income	**¥ 118,564**	**¥ 8,867**	**$ 1,116**
Total comprehensive income (loss) attributable to:			
Japan Post Holdings	¥ 105,804	¥ (42,684)	$ 996
Non-controlling interests	12,759	51,551	120

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED MARCH 31, 2018 AND 2017

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

(Millions of yen)

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

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income (loss)		
BALANCE, APRIL 1, 2017	¥ 3,105,162	¥ (103,790)	¥ (80,730)	¥ 333,571	¥ 3,254,213	¥ 1,502,815	¥ 14,954,581
Changes in the fiscal year:							
Cash dividends							(204,013)
Net income attributable to Japan Post Holdings							460,623
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							47
Purchases of treasury stock							(99,999)
Disposals of treasury stock							46
Changes in the scope of consolidation							314
Net changes in items other than shareholders' equity in the fiscal year	(416,943)	106,575	(5,140)	(39,333)	(354,842)	(13,522)	(368,365)
Net changes in the fiscal year	(416,943)	106,575	(5,140)	(39,333)	(354,842)	(13,522)	(211,347)
BALANCE, MARCH 31, 2018	¥ 2,688,219	¥ 2,784	¥ (85,870)	¥ 294,238	¥ 2,899,371	¥ 1,489,292	¥ 14,743,234

See the accompanying notes to consolidated financial statements.

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.

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

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

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2017	$ 32,944	$ 38,925	$ 31,006	$ (6,890)	$ 95,986
Changes in the fiscal year:					
Cash dividends			(1,920)		(1,920)
Net income attributable to Japan Post Holdings			4,336		4,336
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		0			0
Purchases of treasury stock				(941)	(941)
Disposals of treasury stock				0	0
Changes in the scope of consolidation			3		3
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	0	2,418	(941)	1,478
BALANCE, MARCH 31, 2018	$ 32,944	$ 38,926	$ 33,425	$ (7,831)	$ 97,464

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income (loss)		
BALANCE, APRIL 1, 2017	$ 29,228	$ (977)	$ (760)	$ 3,140	$ 30,631	$ 14,145	$ 140,762
Changes in the fiscal year:							
Cash dividends							(1,920)
Net income attributable to Japan Post Holdings							4,336
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							0
Purchases of treasury stock							(941)
Disposals of treasury stock							0
Changes in the scope of consolidation							3
Net changes in items other than shareholders' equity in the fiscal year	(3,925)	1,003	(48)	(370)	(3,340)	(127)	(3,467)
Net changes in the fiscal year	(3,925)	1,003	(48)	(370)	(3,340)	(127)	(1,989)
BALANCE, MARCH 31, 2018	$ 25,303	$ 26	$ (808)	$ 2,770	$ 27,291	$ 14,018	$ 138,773

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2018 AND 2017

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018 (From April 1, 2017 to March 31, 2018)	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 709,134	¥ 170,887	$ 6,675
Income taxes paid	(277,031)	(308,743)	(2,608)
Policyholder dividends paid	(267,178)	(316,351)	(2,515)
Depreciation and amortization	279,165	249,717	2,628
Losses on impairment of fixed assets	17,964	419,479	169
Amortization of goodwill	167	20,720	2
Equity in (earnings) losses of affiliates	(348)	(1,670)	(3)
Gains on negative goodwill	(568)	—	(5)
Net change in reserve for outstanding claims	(29,180)	(57,790)	(275)
Net change in policy reserves	(2,397,936)	(2,187,268)	(22,571)
Provision for interest on policyholder dividends	7	25	0
Provision for reserve for policyholder dividends	117,792	152,679	1,109
Net change in reserve for possible loan losses	(1,491)	599	(14)
Net change in reserve for bonuses	25,138	(1,826)	237
Net change in asset and liability for retirement benefits	(30,736)	(10,585)	(289)
Net change in reserve for employee stock ownership plan trust	809	—	8
Net change in reserve for management board benefit trust	473	253	4
Net change in reserve for reimbursement of deposits	84,018	2,096	791
Net change in reserve for price fluctuations	128,031	6,444	1,205
Interest income (accrual basis)	(1,502,747)	(1,567,512)	(14,145)
Interest expenses (accrual basis)	331,781	348,720	3,123
Net (gains) losses on securities	62,931	50,948	592
Net (gains) losses on money held in trust	(146,122)	(139,465)	(1,375)
Net (gains) losses on foreign exchanges	14,473	(76,337)	136
Net (gains) losses on sales and disposal of fixed assets	(83,462)	4,760	(786)
Net change in loans	(2,083,094)	(1,523,548)	(19,607)
Net change in deposits	484,716	1,914,130	4,562
Net change in negotiable certificates of deposit	—	20,000	—
Net change in borrowed money	2,400	—	23
Net change in call loans	(36,222)	433,886	(341)
Net change in receivables under securities borrowing transactions for banking business	494,752	(795,676)	4,657
Net change in call money	978,911	429,316	9,214
Net change in commercial papers	151,156	40,324	1,423
Net change in payables under securities lending transactions for banking business	117,829	570,736	1,109
Net change in foreign exchanges (assets)	(8,840)	(53,318)	(83)
Net change in foreign exchanges (liabilities)	(97)	68	(1)
Interest received (cash basis)	1,556,245	1,616,246	14,648
Interest paid (cash basis)	(823,888)	(449,749)	(7,755)
Other, net	(206,350)	46,679	(1,942)
Total adjustments	(3,046,529)	(1,162,011)	(28,676)
Net cash used in operating activities	**¥ (2,337,394)**	**¥ (991,123)**	**$ (22,001)**

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018 (From April 1, 2017 to March 31, 2018)	2017 (From April 1, 2016 to March 31, 2017)	2018 (From April 1, 2017 to March 31, 2018)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of call loans	¥ (8,090,000)	¥ (26,495,000)	$ (76,148)
Proceeds from redemption of call loans	7,975,000	26,705,000	75,066
Purchases of monetary claims bought	(429,999)	(1,616,999)	(4,047)
Proceeds from sale and redemption of monetary claims bought	281,242	2,018,804	2,647
Net change in receivables under securities borrowing transactions for life insurance business	224,499	(512,131)	2,113
Net change in payables under securities lending transactions for life insurance business	(1,225,519)	1,240,587	(11,535)
Purchases of securities	(29,433,620)	(29,585,329)	(277,048)
Proceeds from sale of securities	4,623,202	4,108,365	43,517
Proceeds from redemption of securities	26,568,676	30,029,745	250,082
Purchases of money held in trust	(726,363)	(229,645)	(6,837)
Proceeds from sale of money held in trust	78,158	54,947	736
Payments for loans	(911,162)	(1,065,652)	(8,576)
Proceeds from collection of loans	1,343,823	1,982,971	12,649
Purchases of tangible fixed assets	(204,687)	(239,415)	(1,927)
Proceeds from sale of tangible fixed assets	122,726	4,140	1,155
Purchases of intangible assets	(82,949)	(87,467)	(781)
Proceeds from sale of stocks of subsidiaries and affiliates	—	44	—
Purchases of stocks of subsidiaries resulting in change in the scope of consolidation	(425)	—	(4)
Payments for sale of stocks of subsidiaries resulting in change in the scope of consolidation	—	(65)	—
Proceeds from sale of stocks of subsidiaries resulting in change in the scope of consolidation	—	611	—
Other, net	(13,588)	(12,815)	(128)
Net cash provided by investing activities	**¥ 99,012**	**¥ 6,300,698**	**$ 932**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	¥ 103,644	¥ 123,633	$ 976
Repayment of borrowings	(64,360)	(80,643)	(606)
Redemption of bonds	—	(33,827)	—
Purchases of treasury stock	(99,999)	(1,042)	(941)
Purchases of treasury stock of subsidiaries	(449)	(956)	(4)
Proceeds from disposals of treasury stock of subsidiaries	25	0	0
Dividends paid	(203,633)	(205,626)	(1,917)
Dividends paid to non-controlling interests	(25,589)	(25,293)	(241)
Purchases of stocks of subsidiaries that do not result in change in the scope of consolidation	(132)	—	(1)
Other, net	(1,545)	(1,443)	(15)
Net cash used in financing activities	**(292,041)**	**(225,199)**	**(2,749)**
Effect of exchange rate changes on cash and cash equivalents	**(944)**	**(1,425)**	**(9)**
Net change in cash and cash equivalents	**(2,531,367)**	**5,082,949**	**(23,827)**
Cash and cash equivalents at the beginning of the fiscal year	**53,225,675**	**48,141,158**	**500,995**
Increase in cash and cash equivalents resulting from change in the scope of consolidation	**220**	**1,567**	**2**
Cash and cash equivalents at the end of the fiscal year (Note 3)	**¥ 50,694,528**	**¥ 53,225,675**	**$ 477,170**

See the accompanying notes to consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of Japan Post Holdings Co., Ltd. (the "Company"), have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations concerning preparation of consolidated financial statements, Ordinance for Enforcement of the Banking Law, Ordinance for Enforcement of Insurance Business Act and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRS").

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

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.24 to U.S. $1, the approximate rate of exchange as of March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation and Equity Method

1) Scope of consolidation

Under Japanese GAAP, a company is required to consolidate any subsidiary when the company substantially controls the operations of the subsidiary, even if it is not majority-owned. Control is defined as the power to govern the decision-making body of an enterprise. The consolidated financial statements as of and for the fiscal years ended March 31, 2018 and 2017 include the accounts of the Company and its significant subsidiaries (collectively, the "Group").

A) Consolidated subsidiaries

The Company has 264 (274 in 2017) consolidated subsidiaries. Principal consolidated subsidiaries are Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd.

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

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

B) Non-consolidated subsidiaries

The Company has 1 (1 in 2017) non-consolidated subsidiary, namely, a silent partnership investing in real estate for the fiscal year ended March 31, 2018 and Tokyo Beiyu Co., Ltd. for the fiscal year ended March 31, 2017, respectively.

The non-consolidated subsidiaries are excluded from the scope of consolidation because their assets, income, net income (loss) (amount corresponding to the Group's equity position), retained earnings (amount corresponding to the Group's equity position), accumulated other comprehensive income (amount corresponding to the Group's equity position) and others are immaterial, and the exclusion of these companies from the scope of consolidation does not hinder a reasonable understanding of the Group's financial position and results of operations.

2) Application of the equity method

A) Non-consolidated subsidiaries accounted for by the equity method

There were no non-consolidated subsidiaries accounted for by the equity method for all periods presented.

B) Affiliates accounted for by the equity method

The Company has 22 (24 in 2017) affiliates accounted for by the equity method, namely, JA Foods Oita Co., Ltd., Ring Bell Co., Ltd., Saison Asset Management Co., Ltd., SDP Center Co., Ltd., ATM Japan Business Service, Ltd., JP Asset Management Co., Ltd. and Toll's affiliates for all periods presented.

During the fiscal year ended March 31, 2018, 1 of Toll's affiliates was excluded from the scope of the equity method due to becoming a subsidiary by additional purchases of its stock and another 1 of Toll's affiliates was excluded from the scope of the equity method due to the sale of its stock.

During the fiscal 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.

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

The Company has 1 (1 in 2017) non-consolidated subsidiary that is not accounted for by the equity method, namely, a silent partnership investing in real estate for the fiscal year ended March 31, 2018 and Tokyo Beiyu Co., Ltd. for the fiscal year ended March 31, 2017, respectively.

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

The Company has 1 affiliate that is not accounted for by the equity method, namely, BPO.MP COMPANY LIMITED for the fiscal year ended March 31, 2018. There were no such affiliates for the fiscal year ended March 31, 2017.

The non-consolidated subsidiaries and affiliates that are not accounted for by the equity method are excluded from the scope of the equity method because their net income (loss) (amount corresponding to the Group's equity position), retained earnings (amount corresponding to the Group's equity position), accumulated other comprehensive income (amount corresponding to the Group's equity position) and others are immaterial, and the exclusion of these companies from the scope of companies accounted for by the equity method does not materially affect the consolidated financial statements.

3) Fiscal year-end dates of consolidated subsidiaries

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

Years ended March 31	2018	2017
June 30	4 companies	5 companies
December 31	29 companies	35 companies
March 31	231 companies	234 companies

B) For the fiscal year ended March 31, 2018, 28 consolidated subsidiaries with a fiscal year-end date of December 31 and consolidated subsidiaries with a fiscal year-end date of June 30 are consolidated using the preliminary financial statements as of March 31. For the other 1 consolidated subsidiary with a fiscal year-end date of December 31, there was no closing date during the period between the establishment date and the consolidated fiscal year-end date of March 31, 2018. Accordingly, only its balance sheet as of the establishment date was consolidated.

Appropriate adjustments were made for material transactions during the period between the establishment date and the consolidated fiscal year-end date.

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

(2) Trading Account Securities

Trading account securities are carried at fair value.

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

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

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

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

Securities included in "Money Held in Trust Classified as Trading" are carried at fair value and the cost of these securities sold is calculated using mainly the moving-average method. In addition, securities included in "Money Held in Trust Classified as Other than Trading or Held-to-Maturity" are carried using the same method used for securities mentioned above. Net unrealized gains (losses) on money held in trust classified as other than trading or held-to-maturity, net of income taxes, are included in "Net assets".

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

(5) Hedge Accounting
1) Hedge accounting for interest rate risks
The Company and its consolidated subsidiaries mainly apply the deferred hedge method for hedges of interest rate risk arising from the financial assets and liabilities.

The evaluation of hedge effectiveness is omitted because the Company and its consolidated subsidiaries designate the hedges in such a way that the major terms of the hedged items and the hedging instruments satisfy almost same conditions as those required for the exceptional treatment for interest rate swaps and accordingly assume that the hedges are highly effective. In addition, the Company and its consolidated subsidiaries apply the exceptional treatment for interest rate swaps to hedge the interest rate risk arising from certain financial assets and liabilities.

As for portfolio hedges on groups of large-volume, small-value monetary debts, the banking subsidiary applies the deferred hedge method as stipulated in "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24). To evaluate the hedge effectiveness, the banking subsidiary designates deposits as hedged items and interest rate swaps and others as hedging instruments and assesses how the hedging instruments offset changes in the fair value of hedged items by grouping them based on their maturities.

2) Hedge accounting for foreign exchange risks
The Company and its consolidated subsidiaries apply the deferred hedge method, the fair value hedge method or the allocation method translating the foreign currency receivables at forward rates for hedges of foreign exchange fluctuation risk arising from the securities denominated in foreign currencies.

The Company and its consolidated subsidiaries apply portfolio hedges on the conditions that the hedged securities denominated in foreign currencies are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the acquisition cost of the hedged securities denominated in the same foreign currencies.

The evaluation of hedge effectiveness for individual hedges is omitted because the Company and its consolidated subsidiaries designate the hedges in such a way that the major terms of the hedged items and the hedging instruments are almost same and accordingly assume that the hedges are highly effective.

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

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

2) Intangible assets (excluding leased assets)
Amortization of intangible assets is computed using the straight-line method. The capitalized development costs of software intended for internal use are amortized over the expected useful lives (mainly 5 years) determined by the Company and its consolidated subsidiaries, 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 depending on the causes of occurrence using the straight-line method. Goodwill deemed immaterial, however, is expensed as incurred.

(8) Reserve for Possible Loan Losses
1) For reserve for possible loan losses of the Company and its consolidated subsidiaries other than the banking subsidiary and insurance subsidiary, an allowance is provided for loans other than specific loans using a rate determined based on past bad debt experience. In addition, an allowance is provided for specific loans such as loans to bankrupt or effectively/substantially bankrupt borrowers at the estimated amount considered uncollectible based on review of the respective nature of loans.

2) Reserve for possible loan losses of the banking subsidiary is provided for in accordance with the write-off and provision standards as described below:

In accordance with "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" JICPA, Special Committee for Audits of Banks, etc., Report No. 4), loans to normal borrowers and borrowers requiring caution are classified into certain groups, and an allowance is provided for each group based on the estimated rate of loan losses.

For loans to doubtful borrowers, an allowance is provided for based on the amount of loans net of amounts expected to be collected through disposal of collateral or through execution of guarantees and considered to be necessary based on a solvency assessment. For loans to bankrupt or substantially bankrupt borrowers, an allowance is provided in the amount of loans, net of amounts expected to be collected through disposal of collateral or to be recoverable under guarantees.

All loans are assessed initially by the marketing and other departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the marketing and other departments, reviews these self-assessments.

3) Reserve for possible loan losses of the insurance subsidiary is provided pursuant to its standards for self-assessment of asset quality and its write-off and provision standards, and a general allowance is provided using a rate determined by past bad debt experience. In addition, a specific allowance, which is determined after reviewing individual collectability of accounts, is recorded.

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

For secured loans and guaranteed loans that were extended to borrowers in a state of legal bankruptcy, including legal bankrupt or civil rehabilitation, or that are considered substantially bankrupt, respective loan receivable amounts are directly written off for an estimated uncollectable amount, which is calculated as the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. The amount written off for these loans was ¥65 million ($1 million) and ¥214 million for the fiscal years ended March 31, 2018 and 2017, respectively.

(9) Policy Reserves

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

1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).

2) Reserves for the other contracts are calculated based on the net level premium method.

Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, effective from the fiscal year ended March 31, 2011, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period for a portion of reinsurance contracts from the Management Organization for Postal Savings and Postal Life Insurance (hereinafter referred to as the “Management Organization”), which is an independent administrative institution. As a result, the amounts of provision for additional policy reserves were ¥180,903 million ($1,703 million) and ¥180,359 million for the fiscal years ended March 31, 2018 and 2017, respectively.

In addition, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated, in preparation for future performance of obligations, for lump-sum payment annuities for the fiscal year ended March 31, 2018. As a result, the amount of provision for additional policy reserves for the fiscal year ended March 31, 2018 was ¥17,025 million ($160 million). Income before income taxes decreased by the same amount compared with the case where the accumulation was not made.

The Management Organization was established in October 2007 to support the privatization of Japan Post Group by succeeding from the former Japan Post Corporation’s Postal Savings such as fixed amount or term postal savings deposited by and Postal Life Insurance Contracts concluded by September 2007 to ensure that such Postal Savings and Postal Life Insurance Contracts are managed appropriately and to fulfill the relevant liabilities without fail.

The insurance subsidiary has entered into reinsurance contracts comprising outsourcing agreements for the administrative operation of the Postal Life Insurance and reinsurance contracts for insurance liabilities based on former Postal Life Insurance Contracts, for Postal Life Insurance Contracts concluded by September 2007 that have been assumed by the Management Organization.

In addition, based on the master plan by the Postal Service Privatization Act, with respect to the amount equivalent to that lent to policyholders of the Postal Life Insurance Contracts and to Japanese local governments and others succeeded from the former Japan Post Corporation, the insurance subsidiary has lent loans to the Management Organization under the same loan conditions as those of the contracts between the former Japan Post Corporation and its counterparties.

(10) Reserve for Bonuses

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

(11) Reserve for employee stock ownership plan trust

For a certain consolidated subsidiary, to provide for the payment of the consolidated subsidiary’s shares to its employees that are determined based on the rule set by the consolidated subsidiary, a reserve is provided based on the estimated amount of stock benefit obligations at the end of the fiscal year.

(12) Reserve for management board benefit trust

For the Company and its certain consolidated subsidiaries, to provide for the payment of the Company’s shares, etc. to Executive Officers and other management that are determined based on the rules set by each company, a reserve is provided based on the estimated amount of stock benefit obligations at the end of the fiscal year.

(13) Reserve for reimbursement of deposits

To provide for requests for refunds by depositors with regard to deposits that are no longer recorded as liabilities, a reserve is provided based on the estimated amount of losses to be incurred in accordance with future requests for refunds.

(14) Retirement Benefits

1) In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit to respective service period. Treatment of prior service cost and actuarial difference are accounted for as follows.

Prior service cost is amortized using the straight-line method over a fixed period (7-14 years for the fiscal year ended March 31, 2018 and 8-14 years for the fiscal year ended March 31, 2017) within the estimated average remaining service period for employees as incurred from the fiscal year in which the difference is incurred.

Actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (7-14 years for the fiscal year ended March 31, 2018 and 8-14 years for the fiscal year ended March 31, 2017) within the estimated average remaining service period for employees as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

2) Charges for the pension program of national public service personnel associated with pension benefits for the service period until December 1958 for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired after January 1959 (hereinafter referred to as “share of public service pension”) are recognized as part of “Asset for retirement benefits”. The Company has established retirement benefit trusts for the above pension program.

The actuarial difference is amortized using the straight-line method over a fixed period (9 years for the fiscal year ended March 31, 2018 and 10 years for the fiscal year ended March 31, 2017) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

The prior service cost is amortized using the straight-line method over a fixed period (9 years for the fiscal year ended March 31, 2018 and 10 years for the fiscal year ended March 31, 2017) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year in which the difference is incurred.

3) Charges for the pension program of national public service personnel associated with pension benefits for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired by December 1958 (hereinafter referred to as “share of another public service pension”) are recognized as part of “Liability for retirement benefits”. The Company has established retirement benefit trusts for the above mutual aid pension program.

The actuarial difference is amortized using the straight-line method over a fixed period (5 years) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

(15) Translation of Assets and Liabilities Denominated in Foreign Currencies into Japanese Yen

Assets and liabilities denominated in foreign currencies are mainly translated into Japanese yen at the exchange rates prevailing at the fiscal year-end.

(16) Reserve for Price Fluctuations

Reserve for price fluctuations is computed based on Article 115 of the Insurance Business Act.

(17) Statement of Cash Flows

Cash and cash equivalents consists of cash on hand, deposits that can be withdrawn at any time, short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value (excluding negotiable certificates of deposit held by the banking subsidiary included in “Cash and due from banks”) and bank overdrafts treated equally as cash equivalents in fund management (negative cash equivalents).

(18) Consumption Taxes

All figures are net of consumption taxes.

(19) Consolidated Tax Payment System

The Company and certain consolidated subsidiaries adopt the consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company.

(20) New Accounting Pronouncements

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

1. Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step 1: Identify contract(s) with customers.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

2. Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

3. Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(21) Changes in Accounting Estimates

The Company has changed the amortization period of actuarial difference and prior service cost concerning retirement benefits for employees from 8 years to 7 years due to the decrease in the estimated average remaining service period for employees from the fiscal year ended March 31, 2018.

As a result, expenses decreased by ¥341 million ($3 million) while income before income taxes increased by the same amount for the fiscal year ended March 31, 2018.

In addition, the Company has changed the amortization period of actuarial difference and prior service cost concerning share of public service pension from 10 years to 9 years due to the decrease in the estimated average remaining payment period for eligible personnel from the fiscal year ended March 31, 2018.

As a result, expenses decreased by ¥6,187 million ($58 million) while income before income taxes increased by the same amount for the fiscal year ended March 31, 2018.

(22) Additional Information

For the fiscal years ended March 31, 2018 and 2017

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 ¥981 million ($9 million) and ¥1,028 million, and the number of shares of the treasury stock was 698 thousand shares and 731 thousand shares as of March 31, 2018 and 2017, respectively.

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

For the fiscal year ended March 31, 2017

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).

3. CASH AND CASH EQUIVALENTS

Reconciliation of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows and Cash and Due from Banks in the Consolidated Balance Sheets

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Cash and due from banks	¥ 50,782,381	¥ 53,313,498	$ 477,997
Negotiable certificates of deposit of the banking subsidiary included in "Cash and due from banks"	(65,000)	(65,000)	(612)
Negotiable certificates of deposit included in "Securities"	10,000	10,000	94
Deposits with maturities of more than three months	(165)	(125)	(2)
Bank overdrafts included in "Other liabilities"	(32,688)	(32,698)	(308)
Cash and cash equivalents at the end of the fiscal year	¥ 50,694,528	¥ 53,225,675	$ 477,170

4. SECURITIES

(1) Securities

Securities as of March 31, 2018 and 2017 consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Stocks and investments in capital[1]	¥ 247,369	¥ 77,387	$ 2,328
Japanese government bonds[2]	102,339,666	111,552,469	963,288
Japanese local government bonds	14,918,774	15,309,030	140,425
Japanese corporate bonds	16,189,271	16,685,775	152,384
Other[2]	65,667,935	58,695,867	618,109
Total	¥ 199,363,017	¥ 202,320,530	$ 1,876,534

Notes:

1. Stocks and investments in capital include investments in non-consolidated subsidiaries and affiliates of ¥15,382 million ($145 million) and ¥16,889 million as of March 31, 2018 and 2017, respectively.
2. Unsecured and secured loaned securities for which borrowers have the right to sell or pledge in the amount of ¥1,911,005 million ($17,988 million) and ¥157,014 million were included in Japanese government bonds and other in "Securities" as of March 31, 2018 and 2017, respectively.
Unsecured borrowed securities and securities borrowed with cash collateral for which the Group has the right to sell or pledge amounted to ¥131,681 million ($1,239 million) and nil for pledged securities, and ¥11,903,620 million ($112,045 million) and ¥12,415,331 million for securities held at the end of the fiscal year without being sold or pledged as of March 31, 2018 and 2017, respectively.

(2) Policy-Reserve-Matching Bonds

The consolidated balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2018 and 2017 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Consolidated balance sheet amount	¥ 10,676,330	¥ 12,517,334	$ 100,493
Fair value	11,769,615	13,697,410	110,783

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

The insurance subsidiary categorizes its insurance products into the sub-groups below based on the attributes of each product in order to manage risks arising from fluctuations in interest rates of assets and liabilities, and adopts the management policy whereby the duration gap between policy-reserve-matching bonds and policy reserves by sub-groups are reconciled within a certain range and the duration gap is periodically checked.

・Postal Life Insurance Contracts (insurance policies with a remaining period within 20 years)
・Japan Post Insurance life insurance contracts (general) (all insurance policies)
・Japan Post Insurance life insurance contracts (lump-sum payment annuity) (excluding some insurance types)

The sub-group covering Japan Post Insurance life insurance contracts (general) was formerly a sub-group consisting of insurance policies with a remaining period within 20 years; however, effective from the fiscal year ended March 31, 2017, the said sub-group has been changed to consist of all general insurance policies due to a recent increase in policy reserves for contracts with a remaining period of more than 20 years. This change had no effect on profit or loss.

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

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

1) Held-to-maturity bonds

Millions of Yen

March 31	2018				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 58,393,875	¥ 64,978,047	¥ 6,584,172	¥ 6,620,087	¥ (35,915)
Japanese local government bonds	6,847,288	7,199,958	352,669	355,924	(3,254)
Japanese corporate bonds	4,577,427	4,752,532	175,105	177,530	(2,425)
Other	130,433	140,737	10,304	10,304	—
Total	¥ 69,949,024	¥ 77,071,276	¥ 7,122,251	¥ 7,163,847	¥ (41,595)

Millions of 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 U.S. Dollars

March 31	2018				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	$ 549,641	$ 611,616	$ 61,975	$ 62,313	$ (338)
Japanese local government bonds	64,451	67,771	3,320	3,350	(31)
Japanese corporate bonds	43,086	44,734	1,648	1,671	(23)
Other	1,228	1,325	97	97	—
Total	$ 658,406	$ 725,445	$ 67,039	$ 67,431	$ (392)

2) Policy-reserve-matching bonds

Millions of Yen

March 31	2018				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 9,884,662	¥ 10,942,829	¥ 1,058,167	¥ 1,068,439	¥ (10,271)
Japanese local government bonds	561,453	587,254	25,801	26,148	(346)
Japanese corporate bonds	230,214	239,531	9,316	9,316	(0)
Total	¥ 10,676,330	¥ 11,769,615	¥ 1,093,285	¥ 1,103,904	¥ (10,618)

Millions of 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 U.S. Dollars

March 31	2018				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	$ 93,041	$ 103,001	$ 9,960	$ 10,057	$ (97)
Japanese local government bonds	5,285	5,528	243	246	(3)
Japanese corporate bonds	2,167	2,255	88	88	(0)
Total	$ 100,493	$ 110,783	$ 10,291	$ 10,391	$ (100)

3) Available-for-sale securities

Millions of Yen

March 31	2018				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	¥ 221,526	¥ 209,300	¥ 12,225	¥ 15,981	¥ (3,756)
Bonds	52,952,790	51,645,706	1,307,084	1,336,433	(29,348)
Japanese government bonds	34,061,129	32,940,041	1,121,087	1,129,996	(8,909)
Japanese local government bonds	7,510,032	7,450,152	59,880	66,018	(6,137)
Japanese short-term corporate bonds	229,998	229,998	—	—	—
Japanese corporate bonds	11,151,630	11,025,514	126,116	140,418	(14,301)
Other	66,008,125	65,372,081	636,043	1,422,609	(786,566)
Of which: foreign bonds	24,349,410	23,965,582	383,828	1,017,858	(634,030)
Of which: investment trusts	40,702,353	40,449,321	253,032	401,750	(148,718)
Total	¥ 119,182,442	¥ 117,227,088	¥ 1,955,353	¥ 2,775,025	¥ (819,671)

Millions of 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 U.S. Dollars

March 31	2018				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	$ 2,085	$ 1,970	$ 115	$ 150	$ (35)
Bonds	498,426	486,123	12,303	12,579	(276)
Japanese government bonds	320,606	310,053	10,552	10,636	(84)
Japanese local government bonds	70,689	70,126	564	621	(58)
Japanese short-term corporate bonds	2,165	2,165	—	—	—
Japanese corporate bonds	104,966	103,779	1,187	1,322	(135)
Other	621,311	615,325	5,987	13,391	(7,404)
Of which: foreign bonds	229,192	225,580	3,613	9,581	(5,968)
Of which: investment trusts	383,117	380,735	2,382	3,782	(1,400)
Total	$ 1,121,823	$ 1,103,418	$ 18,405	$ 26,120	$ (7,715)

4) Held-to-maturity bonds sold for the fiscal years ended March 31, 2018 and 2017
There were no held-to-maturity bonds sold for the fiscal years ended March 31, 2018 and 2017.

5) Policy-reserve-matching bonds sold for the fiscal years ended March 31, 2018 and 2017
There were no policy-reserve-matching bonds sold for the fiscal years ended March 31, 2018 and 2017.

6) Available-for-sale securities sold for the fiscal years ended March 31, 2018 and 2017

Millions of Yen

Year ended March 31	2018		
	Sales	Gains	Losses
Stocks	¥ 38,459	¥ 4,908	¥ (1,152)
Bonds	1,277,587	5,938	(6,353)
Japanese government bonds	1,258,985	5,937	(5,910)
Japanese local government bonds	—	—	—
Japanese corporate bonds	18,602	1	(442)
Other	3,360,306	41,037	(101,363)
Of which: foreign bonds	3,055,360	40,763	(79,537)
Of which: investment trusts	304,945	274	(21,826)
Total	¥ 4,676,353	¥ 51,885	¥ (108,869)

Millions of 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 U.S. Dollars

Year ended March 31	2018		
	Sales	Gains	Losses
Stocks	$ 362	$ 46	$ (11)
Bonds	12,025	56	(60)
Japanese government bonds	11,850	56	(56)
Japanese local government bonds	—	—	—
Japanese corporate bonds	175	0	(4)
Other	31,629	386	(954)
Of which: foreign bonds	28,759	384	(749)
Of which: investment trusts	2,870	3	(205)
Total	$ 44,017	$ 488	$ (1,025)

(4) Money Held in Trust

1) Money Held in Trust Classified as Trading

Millions of Yen

March 31	2018	
	Consolidated balance sheet amount	Valuation gains (losses) included in the consolidated statements of operations for the current fiscal year
Money held in trust classified as trading	¥ 79,273	¥ (370)

Millions of U.S. Dollars

March 31	2018	
	Consolidated balance sheet amount	Valuation gains (losses) included in the consolidated statements of operations for the current fiscal year
Money held in trust classified as trading	$ 746	$ (3)

There was no money held in trust classified as trading as of March 31, 2017.

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

Millions of Yen

March 31	2018				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading or held-to-maturity	¥ 6,818,229	¥ 5,012,583	¥ 1,805,646	¥ 1,848,301	¥ (42,654)

Millions of 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 or held-to-maturity	¥ 5,930,309	¥ 4,450,932	¥ 1,479,377	¥ 1,502,853	¥ (23,476)

Millions of U.S. Dollars

March 31	2018				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading or held-to-maturity	$ 64,178	$ 47,182	$ 16,996	$ 17,397	$ (401)

Notes: 1. For securities managed as trust assets included in "Money Held in Trust Classified as Other than Trading or Held-to-Maturity", and in case whose fair value declines significantly from their acquisition cost, with no prospect of recovering to their acquisition cost, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation differences as losses in the fiscal year in which they are recognized. Impairment losses amounted to ¥1,650 million ($16 million) and ¥4,800 million for the fiscal years ended March 31, 2018 and 2017, respectively.

2. "Money held in trust classified as other than trading or held-to-maturity" include investment in a non-consolidated subsidiary of ¥8,150 million ($77 million) as of March 31, 2018. There was no such money held in trust classified as other than trading or held-to-maturity as of March 31, 2017.

5. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of March 31, 2018 and 2017 consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Assets pledged as collateral:			
Securities	¥ 19,887,925	¥ 30,128,061	$ 187,198
Liabilities corresponding to assets pledged as collateral:			
Deposits	1,982,813	11,150,781	18,664
Payables under repurchase agreements	1,932,490	960,937	18,190
Payables under securities lending transactions	17,396,513	18,583,361	163,747
Other liabilities	2,400	—	23

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, 2018 and 2017:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Assets pledged as collateral:			
Cash and due from banks	¥ 30	¥ 61	$ 0
Securities	682,296	697,785	6,422

"Other assets" include margins for future transactions, guarantee deposits, margins with central counterparty and cash collateral paid for financial instruments as of March 31, 2018 and 2017 as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Other assets:			
Margins for future transactions	¥ 139,092	¥ 124,102	$ 1,309
Guarantee deposits	15,703	15,180	148
Margins with central counterparty	511,672	125,475	4,816
Cash collateral paid for financial instruments	38,953	38,062	367

6. LOANS

Risk management loans as of March 31, 2018 and 2017 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Loans to bankrupt borrowers	¥ —	¥ —	$ —
Non-accrual delinquent loans	0	—	0
Past-due loans for three months or more	—	—	—
Restructured loans	—	—	—
Total	¥ 0	¥ —	$ 0

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

Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The banking subsidiary will make the loans upon the request of an obligor to draw down funds under such loan agreements, unless any terms or conditions stipulated in the relevant loan agreement are violated. The amounts of unused commitments on loans of the banking subsidiary as of March 31, 2018 and 2017 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Amount of unused commitments on loans	¥ 19,364	¥ 19,548	$ 182
Of which: unused commitments with a term of less than one year or that may be cancelled unconditionally at any point of time	—	—	—

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

The amounts of unused commitments on loans of the insurance subsidiary as of March 31, 2018 and 2017 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Amount of unused commitments on loans	¥ 3,000	¥ —	$ 28

7. TANGIBLE FIXED ASSETS

(1) Accumulated Depreciation

Accumulated depreciation as of March 31, 2018 and 2017 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Accumulated depreciation	¥ 1,335,371	¥ 1,269,215	$ 12,569

(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, 2018 and 2017 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Deferred gains on tangible fixed assets not recognized for tax purposes	¥ 63,221	¥ 63,071	$ 595
Of which, deferred during the fiscal year	150	152	1

(3) Real Estate for Rent

The Company and certain consolidated subsidiaries own office buildings (including land), commercial buildings and others for rental purposes in Tokyo and other areas.

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Net rent income (losses)[1]	¥ 10,342	¥ 8,463	$ 97
Net gains (losses) on sales[2]	2,829	157	27
Losses on impairment[3]	8,533	2,792	80
Other losses[3]	1,201	467	11

Notes:
1. Majority of rent income is recorded under other income, and majority of rent expenses are recorded under depreciation and amortization.
2. Gains on sales are recorded under other income, and losses on sales are recorded under other expenses.
3. Losses on impairment and other losses are recorded under other expenses.

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

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Consolidated balance sheet amount[1]			
Balance at the beginning of the fiscal year	¥ 483,204	¥ 483,951	$ 4,548
Net change during the fiscal year	(3,743)	(747)	(35)
Balance at the end of the fiscal year	¥ 479,460	¥ 483,204	$ 4,513
Fair value at the end of the fiscal year[2]	¥ 572,762	¥ 553,087	$ 5,391

Notes:
1. The consolidated balance sheet amount represents acquisition costs less accumulated depreciation and accumulated losses on impairment.
2. The fair value is calculated primarily based on the real estate appraisal standard.
3. Real estate for rent under construction is not included in the above table since it is extremely difficult to determine its fair value. The consolidated balance sheet amounts were ¥38,701 million ($364 million) and ¥27,492 million as of March 31, 2018 and 2017, respectively.

8. REINSURANCE

Reserve for outstanding claims for reinsured part defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the said Ordinance were ¥515 million ($5 million) and ¥399 million as of March 31, 2018 and 2017, respectively.

Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance were ¥946 million ($9 million) and ¥768 million as of March 31, 2018 and 2017, 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 ¥31,569 million ($297 million) and ¥28,868 million as of March 31, 2018 and 2017, respectively, pursuant to Article 259 of the Insurance Business Act. These obligations are recognized as operating expenses when they are paid.

10. RESERVE FOR POLICYHOLDER DIVIDENDS

Changes in reserve for policyholder dividends for the fiscal years ended March 31, 2018 and 2017 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance at the beginning of the fiscal year	¥ 1,772,565	¥ 1,936,494	$ 16,685
Policyholder dividends paid	(267,178)	(316,351)	(2,515)
Interest accrual, etc.	7	25	0
Reduction due to the acquisition of additional annuity	(297)	(283)	(3)
Provision for reserve for policyholder dividends	117,792	152,679	1,109
Balance at the end of the fiscal year	¥ 1,622,889	¥ 1,772,565	$ 15,276

11. BORROWINGS, LEASE OBLIGATIONS AND COMMERCIAL PAPERS

Borrowings and lease obligations as of March 31, 2018 and 2017 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate[1]	Due
	2018	2017	2018	2018	2018
Borrowings	¥ 239,344	¥ 200,909	$ 2,253	1.54%	April 2018 - September 2020
Lease obligations	20,624	21,351	194	—[2]	April 2018 - 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, 2018 was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 179,386	$ 1,688
Due after 1 year through 2 years	35,603	335
Due after 2 years through 3 years	24,355	229
Due after 3 years through 4 years	—	—
Due after 4 years through 5 years	—	—
Thereafter	—	—
Total	¥ 239,344	$ 2,253

Financial Data

The repayment schedule on lease obligations as of March 31, 2018 was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 1,530	$ 14
Due after 1 year through 2 years	1,405	13
Due after 2 years through 3 years	1,244	12
Due after 3 years through 4 years	1,051	10
Due after 4 years through 5 years	915	9
Thereafter	14,477	136
Total	¥ 20,624	$ 194

Commercial papers issued as of March 31, 2018 and 2017 to procure funds for operating activities were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate	Due
	2018	2017	2018	2018	2018
Commercial papers	¥ 191,481	¥ 40,324	$ 1,802	1.87%	April 2018 - June 2018

12. ASSET RETIREMENT OBLIGATIONS

(1) Outline of Asset Retirement Obligations

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

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

(2) Calculation Method of Asset Retirement Obligations

The Group calculated the asset retirement obligations by estimating the period of service between 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
	2018	2017	2018
Balance at the beginning of the fiscal year	¥ 15,576	¥ 15,216	$ 147
Obligations incurred due to acquisition of tangible fixed assets	268	48	3
Time progress adjustments	33	41	0
Obligations settled	(1,770)	(883)	(17)
Other[1]	7,522	1,154	71
Balance at the end of the fiscal year	¥ 21,630	¥ 15,576	$ 204

Note: 1. "Other" for the fiscal year ended March 31, 2018 includes an increasing cost recognized as asset retirement obligations primarily due to the change in estimates of the removal costs for the future demolition of the assets.

13. RETIREMENT BENEFITS

(1) Outline of Retirement Benefits

The Company and major consolidated subsidiaries have lump-sum severance indemnity plans as a defined benefit plan. Certain consolidated subsidiaries adopt the simplified method in calculating their retirement benefit obligations. Under the simplified method, the amount to be required for voluntary termination at the fiscal year-end is recorded as projected benefit obligations. The charges concerning share of public service pension and share of another public service pension (as defined in Note 2(14)) are included in the Company's retirement benefit obligations.

The Company has established retirement benefit trusts for the share of public service pension and share of another public service pension.

Certain consolidated subsidiaries have defined contribution pension plans. In addition, the amounts required to be contributed to the retirement pension benefit plans by the Company and certain consolidated subsidiaries based on the "Act for Partial Amendment of National Government Officials' Retirement Allowance Act, etc. for the Purposes of Reviewing Benefit Levels of the Retirement Benefits for National Government Officials" (Act No. 96 of 2012), which was introduced from October 2015 as a new type of pension subsequent to the abolition of the specified occupation portion of the mutual aid pension program, were ¥10,893 million ($103 million) and ¥10,785 million for the fiscal years ended March 31, 2018 and 2017, respectively.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance at the beginning of the fiscal year	¥ 2,779,280	¥ 2,846,829	$ 26,160
Service cost	120,230	121,143	1,132
Interest cost	17,398	17,612	164
Actuarial differences	(11,954)	(2,614)	(113)
Benefits paid	(207,441)	(203,920)	(1,953)
Other	(59)	229	(1)
Balance at the end of the fiscal year	¥ 2,697,454	¥ 2,779,280	$ 25,390

2) Changes in plan assets

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance at the beginning of the fiscal year	¥ 535,821	¥ 593,019	$ 5,043
Expected return on plan assets	1,246	1,358	12
Actuarial differences	479	(3,457)	5
Contributions paid by the employer	243	245	2
Benefits paid	(53,059)	(55,345)	(499)
Balance at the end of the fiscal year	¥ 484,731	¥ 535,821	$ 4,563

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Funded retirement benefit obligations	¥ 441,248	¥ 500,368	$ 4,153
Share of public service pension	433,411	491,027	4,080
Share of another public service pension	666	857	6
Corporate pension plan	7,170	8,483	67
Plan assets	(484,731)	(535,821)	(4,563)
Share of public service pension	(475,838)	(526,244)	(4,479)
Share of another public service pension	(454)	(614)	(4)
Corporate pension plan	(8,438)	(8,963)	(79)
	(43,482)	(35,453)	(409)
Unfunded retirement benefit obligations	2,256,205	2,278,912	21,237
Lump-sum severance indemnity	2,256,205	2,278,912	21,237
Net liability (asset) for retirement benefits	¥ 2,212,723	¥ 2,243,458	$ 20,828
Liability for retirement benefits	¥ 2,256,418	¥ 2,279,156	$ 21,239
Asset for retirement benefits	(43,694)	(35,697)	(411)
Net liability (asset) for retirement benefits	¥ 2,212,723	¥ 2,243,458	$ 20,828

4) Retirement benefit costs

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Service cost	¥ 120,230	¥ 121,143	$ 1,132
Interest cost	17,398	17,612	164
Expected return on plan assets	(1,246)	(1,358)	(12)
Amortization of actuarial differences	(24,150)	(19,616)	(227)
Amortization of prior service cost	(28,701)	(26,678)	(270)
Other	4	124	0
Total	¥ 83,535	¥ 91,226	$ 786

5) Adjustments for retirement benefits (before tax effect)

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Prior service cost	¥ (28,640)	¥ (26,678)	$ (270)
Actuarial differences	(11,717)	(20,458)	(110)
Total	¥ (40,357)	¥ (47,137)	$ (380)

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Unrecognized prior service cost	¥ 198,883	¥ 227,362	$ 1,872
Unrecognized actuarial differences	99,779	111,358	939
Total	¥ 298,662	¥ 338,720	$ 2,811

7) Plan assets

March 31	2018	2017
Bonds	89%	89%
Stocks	0	0
Life insurance general account	0	0
Other	11	11
Total	100%	100%

Note: Total plan assets are comprised 98% of retirement benefit trusts as of March 31, 2018 and 2017, respectively, which were set up for share of public service pension and share of another public service pension.

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

8) Actuarial assumptions

The principal actuarial assumptions used for the fiscal years ended March 31, 2018 and 2017 were as follows:

Years ended March 31	2018	2017
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 ¥13,986 million ($132 million) and ¥13,536 million for the fiscal years ended March 31, 2018 and 2017, respectively.

14. RESERVES RELATED TO REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance, are provided at amounts calculated based on the statement of calculation procedures for the insurance subsidiary's insurance premiums and policy reserves. Such amount is set not to fall below the amount calculated based on the statement of calculation procedures for the Postal Life Insurance policy reserves in accordance with the Act on the Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005). In addition, contingency reserve and reserve for price fluctuations are provided for this category of reinsurance.

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations provided for this category of reinsurance as of March 31, 2018 and 2017 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Policy reserves (excluding contingency reserve)	¥ 38,351,137	¥ 42,010,637	$ 360,986
Contingency reserve	1,665,082	1,838,804	15,673
Reserve for price fluctuations	665,523	648,432	6,264

15. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Deferred tax assets:			
Liability for retirement benefits	¥ 818,966	¥ 844,310	$ 7,709
Policy reserves	832,310	736,401	7,834
Reserve for outstanding claims	44,659	42,646	420
Reserve for bonuses	38,757	31,403	365
Reserve for price fluctuations	207,552	165,422	1,954
Deferred losses on hedges	1	51,993	0
Tax losses carried forward	263,274	258,493	2,478
Other	205,527	184,703	1,935
Subtotal	2,411,050	2,315,375	22,694
Valuation allowance	(1,107,330)	(1,117,849)	(10,423)
Total deferred tax assets	1,303,720	1,197,526	12,271
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(1,364,938)	(1,580,927)	(12,848)
Unrealized gains on assets and liabilities of the consolidated subsidiaries	(8,583)	(9,971)	(81)
Other	(27,911)	(27,000)	(263)
Total deferred tax liabilities	(1,401,432)	(1,617,899)	(13,191)
Net deferred tax assets (liabilities)	¥ (97,712)	¥ (420,372)	$ (920)

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 fiscal years ended March 31, 2018 and 2017, respectively.

Reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of operations to the statutory tax rate for the fiscal years ended March 31, 2018 and 2017 was as follows:

Years ended March 31	2018	2017
Statutory tax rate	30.9%	30.9%
Income not taxable for income tax purposes (e.g. non-taxable dividend income)	(0.4)	(1.5)
Changes in valuation allowance	(3.1)	(7.2)
Impairment loss of goodwill	—	66.5
Other	0.5	2.2
Effective income tax rate	27.8%	90.8%

16. NET ASSETS

(1) Type and Number of Shares Authorized and Issued

Year ended March 31, 2018	Thousands of shares			
	April 1, 2017	Increase	Decrease	March 31, 2018
Shares authorized:				
Common stock	18,000,000	—	—	18,000,000
Shares issued:				
Common stock	4,500,000	—	—	4,500,000

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

(2) Type and Number of Treasury Stock

Year ended March 31, 2018	Thousands of shares			
	April 1, 2017[1]	Increase[2]	Decrease[2]	March 31, 2018[1]
Treasury stock:				
Common stock	384,037	72,833	33	456,837

Notes:
1. The number of treasury stock at the beginning of the fiscal year includes the shares of the Company held by the management board benefit trust of 731 thousand shares. The number of treasury stock at the end of the fiscal year includes the shares of the Company held by the management board benefit trust of 698 thousand shares.
2. An increase of 72,833 thousand shares of treasury stock is due to the purchase of 72,833 thousand shares of the Company based on the resolution of the Board of Directors' meeting held on September 11, 2017 and the purchase of 0 thousand fractional shares. A decrease of 33 thousand shares of treasury stock is due to the benefits paid of the shares of the Company by the management board benefit trust.

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

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

(3) Information on Dividends

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

1) Dividends paid

Dividends paid for the fiscal year ended March 31, 2018

Resolution	Class of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 15, 2017[1]	Common stock	¥ 102,917	$ 969	¥ 25.00	$ 0.24	March 31, 2017	June 23, 2017
Board of Directors' meeting held on November 14, 2017[2]	Common stock	¥ 101,096	$ 952	¥ 25.00	$ 0.24	September 30, 2017	December 6, 2017

Notes:
1. The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2017 includes dividends of ¥18 million ($0 million) for the Company's shares held by the management board benefit trust.
2. The total amount of dividends resolved by the Board of Directors' meeting held on November 14, 2017 includes dividends of ¥17 million ($0 million) for the Company's shares held by the management board benefit trust.

Dividends paid for the fiscal year ended March 31, 2017

Resolution	Class of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 13, 2016	Common stock	¥ 102,917	¥ 25.00	March 31, 2016	June 24, 2016
Board of Directors' meeting held on November 14, 2016[1]	Common stock	¥ 102,917	¥ 25.00	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 for the Company's shares held by the management board benefit trust.

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

Dividends whose effective date falls after the end of the fiscal year ended March 31, 2018

Resolution	Class of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Source of dividends	Per share amount[2] (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 15, 2018	Common stock	¥ 129,403	$ 1,218	Retained earnings	¥ 32.00	$ 0.30	March 31, 2018	June 21, 2018

Notes:
1. The total amount of dividends includes dividends of ¥22 million ($0 million) for the Company's shares held by the management board benefit trust.
2. Per share amount includes a special dividend of ¥7.00 ($0.07).

17. INACTIVE DEPOSITS

"Banking business income" for the fiscal years ended March 31, 2018 and 2017 included income from derecognition of inactive deposits recorded by the banking subsidiary, and "Other expenses" for the fiscal years ended March 31, 2018 and 2017 included provision for reserve for reimbursement of deposits by the banking subsidiary. The respective amounts were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Income from derecognition of inactive deposits	¥ 144,679	¥ 9,751	$ 1,362
Provision for reserve for reimbursement of deposits	84,473	2,096	795

18. OTHER INCOME

Other income for the fiscal years ended March 31, 2018 and 2017 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Gains on sales of fixed assets[1]	¥ 88,182	¥ 958	$ 830
Gains on negative goodwill	568	—	5
Compensation for transfer	190	1,329	2
Compensation income	176	66	2
Settlement received	1,001	4,041	9
Gains on transfer of business	2,005	3,653	19
Other	248,312	247,521	2,337
Total	¥ 340,438	¥ 257,570	$ 3,204

Note: 1. For the fiscal year ended March 31, 2018, "Gains on sales of fixed assets" include gains on sales of fixed assets of ¥85,034 million ($800 million) for the transfer of the former Tokyo service center owned by the insurance subsidiary.

19. OTHER EXPENSES

Other expenses for the fiscal years ended March 31, 2018 and 2017 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Losses on sales and disposal of fixed assets	¥ 4,762	¥ 5,757	$ 45
Losses on impairment of fixed assets[1]	17,964	419,479	169
Provision for reserve for price fluctuations[2]	128,031	6,444	1,205
Post office refurbishment expenses[3]	25,213	20,309	237
Provision for reserve for policyholder dividends[4]	117,792	152,679	1,109
Other	129,062	44,025	1,215
Total	¥ 422,825	¥ 648,696	$ 3,980

Notes:

1. For the fiscal year ended March 31, 2017, "Losses on impairment of fixed assets" include impairment losses of ¥400,328 million (¥368,213 million for goodwill, ¥24,113 million for trademark rights, and ¥8,002 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 had declined below the level of the fiscal year ended March 31, 2016. Under such circumstances, as a result of a review of the financial results forecast, future cash flows were 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. "Provision for reserve for price fluctuations" for the fiscal year ended March 31, 2018 includes the amount corresponding to gains on sales of fixed assets of ¥86,053 million ($810 million) recorded by the insurance subsidiary.
3. In order to prevent further deterioration of facilities and other assets, the Group has invested in construction work and prioritized spending on assets exceeding their economical useful lives and leased post office buildings which require improvements for earthquake resistance.
4. Provision for reserve for policyholder dividends, which is provided for the 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 the Management Organization for Postal Savings and Postal Life Insurance, was ¥96,174 million ($905 million) and ¥137,061 million for the fiscal years ended March 31, 2018 and 2017, respectively.

20. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss for the fiscal years ended March 31, 2018 and 2017 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ (346,783)	¥ (34,968)	$ (3,264)
Reclassification adjustments	(334,051)	(308,439)	(3,144)
Before tax effect adjustments	(680,834)	(343,407)	(6,408)
Tax effect	212,303	104,050	1,998
Net unrealized gains (losses) on available-for-sale securities	(468,530)	(239,357)	(4,410)
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	(12,406)	275,011	(117)
Reclassification adjustments	186,236	161,112	1,753
Adjustments of assets' acquisition costs	(1,275)	44	(12)
Before tax effect adjustments	172,554	436,168	1,624
Tax effect	(52,836)	(133,374)	(497)
Net deferred gains (losses) on hedges	119,718	302,793	1,127
Foreign currency translation adjustments:			
Amount arising during the fiscal year	(5,412)	(23,918)	(51)
Reclassification adjustments	300	—	3
Before tax effect adjustments	(5,111)	(23,918)	(48)
Tax effect	—	—	—
Foreign currency translation adjustments	(5,111)	(23,918)	(48)
Adjustments for retirement benefits:			
Amount arising during the fiscal year	12,495	(842)	118
Reclassification adjustments	(52,852)	(46,294)	(497)
Before tax effect adjustments	(40,357)	(47,137)	(380)
Tax effect	813	693	8
Adjustments for retirement benefits	(39,544)	(46,444)	(372)
Share of other comprehensive income of affiliates:			
Amount arising during the fiscal year	5	3	0
Total other comprehensive loss	¥ (393,462)	¥ (6,923)	$ (3,704)

21. FINANCIAL INSTRUMENTS

(1) Policy for Handling Financial Instruments

The Group is required to manage financial assets and financial liabilities owned by the banking subsidiary and insurance subsidiary in order to avoid the negative impact on the stability of their financial results resulting from the volatility due to future interest rate fluctuation and foreign exchange fluctuation, since these assets and liabilities are generally subject to changes in value due to fluctuations in market.

For this purpose, both companies endeavor to properly manage return and risk by using an asset liability management (ALM) framework, under which the companies enter into derivative transactions such as interest rate swaps, currency swaps and forward foreign exchange.

Derivative transactions are identified as a key hedging method against interest rate fluctuation risk and foreign exchange fluctuation risk to our investment assets, 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 the banking subsidiary and insurance subsidiary consist mainly of securities such as domestic and foreign bonds, in particular Japanese government bonds, loans, stock investments through money held in trust and others. Such financial assets are exposed to risks including the credit risk of their issuing bodies, interest rate fluctuation risk and market price fluctuation risk.

From an ALM viewpoint, interest rate swaps are used as a means of hedging future economic value fluctuation risk and interest rate risk of securities, loans, fixed term deposits and others for interest rate-related transactions.

For currency-related transactions, currency swaps and forward foreign exchange are used as a means of hedging foreign exchange fluctuation risk in connection with the translation of foreign currency-denominated assets held by the banking subsidiary and insurance subsidiary and related Japanese yen translation amounts of redemption of principal and interest.

In hedging risk using derivative transactions, the Group applies hedge accounting for transactions meeting certain prescribed requirements in order to limit impacts on financial results.

(3) Risk Management Framework for Financial Instruments

The Group has a basic policy for group risk management whereby basic principles regarding risk management as well as basic matters for which compliance is mandatory for risk management including risk categories to be managed by Group companies are prescribed, and risk management is carried out on a group basis.

The status of the risk management at each company is periodically reported to the management meeting at which the Group's risk management policies and risk management structures are discussed.

For risks such as market risk, credit risk and other types of risk, each company identifies risks that can be quantified and then uses value at risk (VaR), a measure of the maximum expected loss that could occur due to events with a certain probability, and other methods to measure these risks. The Company manages risk by confirming that the amount of risk measured at each of these two companies is kept within each company's equity capital.

1) Credit risk management

The banking subsidiary and insurance subsidiary use the VaR method to quantify and manage credit risk exposure, in accordance with the respective rules of the companies on credit risk management. Moreover, to control credit concentration risk, the companies provide credit limits and other criteria for individual companies and corporate groups and supervise these limits during each fiscal year.

2) Management of market risk

A) Banking subsidiary

The banking subsidiary invests in domestic and foreign bonds, stocks and others based on the policy related with ALM as a banking business, and these are affected by fluctuations in interest rates, foreign exchange, stock price and others. Therefore the banking subsidiary quantitatively measures market risk using VaR, which is a statistical method, based on its market risk management regulations, and monitors and manages risk by setting limits for market risk and loss so that the amount of market risk is kept within an appropriate amount of capital allocation, as determined by taking into account the amount of the company's equity capital.

The major financial instruments affected by fluctuations in risk variables (interest rates, foreign exchange and stock prices) related to major market risks are call loans, monetary claims bought, money held in trust, securities, loans, deposits and derivative transactions.

The banking subsidiary uses the historical simulation method (holding period — 240 business days (equivalent to 1 year); one-sided confidence interval — 99%; and observation period — 1,200 business days (equivalent to 5 years)). An internal model is used for measurement for liabilities. From the fiscal year ended March 31, 2018, the method for measuring credit spread fluctuation risk on market VaR has been revised. The amount of the market risk (estimated loss) as a whole was ¥3,542,833 million ($33,347 million) and ¥2,413,737 million as of March 31, 2018 and 2017, respectively. The VaR measures the market risk quantity at a certain probability calculated statistically based on past market fluctuations, and accordingly, it may not be able to capture the risk under certain abnormal market. In order to avoid such risk, sensitivity testing is implemented using various scenarios.

Matters related to the design and operation of market risk management structures, and implementation of market risk management are reported and discussed regularly at the risk management committee, ALM committee, and management meeting.

In addition, taking into account features of assets with mainly Japanese government bonds, etc. and liabilities with mainly deposits, and recognizing the importance of interest rate risk sufficiently, the banking subsidiary implements interest rate risk management using a multifaceted approach, whereby profit or loss simulations are carried out based on various scenarios using ALM, and risks are managed.

The policy related with ALM is discussed and determined at the management meeting, and the status of the implementation is reported to the ALM committee and management meeting.

With respect to derivative transactions, the banking subsidiary has created separate departments for the execution of transactions, assessment of hedge effectiveness, and administration, and has established an internal control system, in accordance with its derivative transaction regulations.

B) Insurance subsidiary

The insurance subsidiary categorizes market risk into interest rate risk and market price fluctuation risk for its management. Interest rate risk at the insurance subsidiary is the risk of losses resulting from fluctuation in the value of interest-bearing assets denominated in Japanese yen and insurance liabilities due to fluctuations in Japanese yen interest rates, and the risk arises because the insurance subsidiary has a limit in matching assets with liabilities, as an insurance company with a mission to offer universal service products including endowment insurance and whole life insurance. Market price fluctuation risk is any market risk other than interest rate risk.

Among the company-wide risks including the market risk, the insurance subsidiary identifies those that can be quantified and manages the company-wide risks by comparing the capital amount and the company-wide integrated risk amount calculated based on the amount of quantified risks.

3) Management of liquidity risk related to fund raising activities

The banking subsidiary and insurance subsidiary manage liquidity risk related to fund raising activities through the establishment of indexes of fund raising, etc.

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

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

(5) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the difference between them as of March 31, 2018 and 2017 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	2018		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	¥ 50,782,381	¥ 50,782,381	¥ —
2) Call loans	745,000	745,000	—
3) Receivables under securities borrowing transactions	11,520,376	11,520,376	—
4) Monetary claims bought	454,635	454,635	—
5) Trading account securities			
Trading securities	32	32	—
6) Money held in trust	6,897,503	6,897,503	—
7) Securities			
Held-to-maturity bonds	69,949,024	77,062,931	7,113,906
Policy-reserve-matching bonds	10,676,330	11,769,615	1,093,285
Available-for-sale securities	118,242,806	118,242,806	—
8) Loans	13,772,684		
Reserve for possible loan losses[1]	(181)		
	13,772,503	14,396,369	623,866
Total	¥ 283,040,593	¥ 291,871,652	¥ 8,831,058
1) Deposits	178,489,035	178,631,158	142,123
2) Call money	—	—	—
3) Payables under repurchase agreements	1,985,285	1,985,285	—
4) Payables under securities lending transactions	17,475,671	17,475,671	—
5) Commercial papers	191,481	191,481	—
Total	¥ 198,141,473	¥ 198,283,596	¥ 142,123
Derivative transactions[2]			
Hedge accounting not applied	¥ 6,230	¥ 6,230	¥ —
Hedge accounting applied	(19,770)	(19,770)	—
Total derivative transactions	¥ (13,540)	¥ (13,540)	¥ —

Millions of 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	¥ 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	¥ 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 U.S. Dollars

March 31	2018		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	$ 477,997	$ 477,997	$ —
2) Call loans	7,012	7,012	—
3) Receivables under securities borrowing transactions	108,437	108,437	—
4) Monetary claims bought	4,279	4,279	—
5) Trading account securities			
Trading securities	0	0	—
6) Money held in trust	64,924	64,924	—
7) Securities			
Held-to-maturity bonds	658,406	725,366	66,961
Policy-reserve-matching bonds	100,493	110,783	10,291
Available-for-sale securities	1,112,978	1,112,978	—
8) Loans	129,637		
Reserve for possible loan losses[1]	(2)		
	129,636	135,508	5,872
Total	$ 2,664,162	$ 2,747,286	$ 83,124
1) Deposits	1,680,055	1,681,393	1,338
2) Call money	—	—	—
3) Payables under repurchase agreements	18,687	18,687	—
4) Payables under securities lending transactions	164,492	164,492	—
5) Commercial papers	1,802	1,802	—
Total	$ 1,865,036	$ 1,866,374	$ 1,338
Derivative transactions[2]			
Hedge accounting not applied	$ 59	$ 59	$ —
Hedge accounting applied	(186)	(186)	—
Total derivative transactions	$ (127)	$ (127)	$ —

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

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

Assets

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

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

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

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

6) Money held in trust
The fair value of securities invested in money held in trust is based primarily on the price on the stock exchange for stocks and on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds. In addition, the fair value of derivative transactions is based on the price provided by information vendors, etc.
Notes to money held in trust by categories based on holding purposes are provided in Note 4 (4) "Money Held in Trust".

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

8) Loans
For loans with variable interest rates, which follow market interest rates only over the short-term, fair value approximates book value unless the obligor's credit standing significantly differs after the transaction. In such cases, book value serves as fair value. For loans with fixed interest rates, fair value is based on a net discounted present value of future cash flows.
For loans where amounts are limited to the values of corresponding collateral and which have no fixed date of repayments, book values are used as fair values, because their fair values approximate book value considering the loan terms and conditions.

Liabilities

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

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

Derivatives

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

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
	2018	2017	2018
Money held in trust[1]	¥ 158,895	¥ 14,641	$ 1,496
Securities			
Unlisted stocks[2]	25,843	23,289	243
Investment trusts[3]	457,183	122,477	4,303
Investments in partnerships[4]	11,828	1,942	111
Total	¥ 653,751	¥ 162,350	$ 6,154

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

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

Millions of Yen

March 31	2018					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 49,855,011	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	745,000	—	—	—	—	—
Receivables under securities borrowing transactions	11,520,376	—	—	—	—	—
Monetary claims bought	178,784	21,471	36,533	30,696	39,746	144,633
Securities	17,697,566	32,318,753	34,941,735	16,436,338	16,782,137	37,600,450
Held-to-maturity bonds	9,210,676	9,832,998	17,864,830	4,472,581	4,977,522	23,072,436
Japanese government bonds	6,833,245	7,139,400	15,435,000	2,769,500	4,587,400	21,118,900
Japanese local government bonds	1,045,003	1,830,429	1,639,609	1,096,602	59,400	1,170,076
Japanese corporate bonds	1,332,428	732,736	790,221	606,479	330,722	783,460
Other	—	130,433	—	—	—	—
Policy-reserve-matching bonds	584,069	1,595,580	1,832,354	1,363,681	668,200	4,386,900
Japanese government bonds	533,500	1,496,900	1,664,200	1,159,600	667,800	4,118,400
Japanese local government bonds	31,738	79,500	122,873	183,364	400	142,300
Japanese corporate bonds	18,831	19,180	45,281	20,717	—	126,200
Available-for-sale securities with maturities	7,902,820	20,890,174	15,244,550	10,600,075	11,136,415	10,141,113
Japanese government bonds	2,042,669	8,614,117	7,342,930	4,605,766	5,679,154	4,382,100
Japanese local government bonds	933,965	2,441,830	1,497,087	1,039,530	1,445,217	25,314
Japanese short-term corporate bonds	230,000	—	—	—	—	—
Japanese corporate bonds	1,524,495	3,150,466	2,072,094	1,036,044	1,312,145	1,897,330
Other	3,171,689	6,683,760	4,332,438	3,918,734	2,699,898	3,836,369
Loans	5,871,059	2,568,324	1,733,846	1,271,215	1,127,008	1,194,429
Total	¥ 85,867,797	¥ 34,908,549	¥ 36,712,115	¥ 17,738,250	¥ 17,948,892	¥ 38,939,514

Millions of 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 U.S. Dollars

March 31	2018					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	$ 469,268	$ —	$ —	$ —	$ —	$ —
Call loans	7,012	—	—	—	—	—
Receivables under securities borrowing transactions	108,437	—	—	—	—	—
Monetary claims bought	1,683	202	344	289	374	1,361
Securities	166,581	304,205	328,894	154,710	157,964	353,920
Held-to-maturity bonds	86,697	92,555	168,155	42,099	46,852	217,173
Japanese government bonds	64,319	67,201	145,284	26,068	43,180	198,785
Japanese local government bonds	9,836	17,229	15,433	10,322	559	11,014
Japanese corporate bonds	12,542	6,897	7,438	5,709	3,113	7,374
Other	—	1,228	—	—	—	—
Policy-reserve-matching bonds	5,498	15,019	17,247	12,836	6,290	41,292
Japanese government bonds	5,022	14,090	15,665	10,915	6,286	38,765
Japanese local government bonds	299	748	1,157	1,726	4	1,339
Japanese corporate bonds	177	181	426	195	—	1,188
Available-for-sale securities with maturities	74,386	196,632	143,492	99,775	104,823	95,455
Japanese government bonds	19,227	81,082	69,116	43,352	53,456	41,247
Japanese local government bonds	8,791	22,984	14,092	9,785	13,603	238
Japanese short-term corporate bonds	2,165	—	—	—	—	—
Japanese corporate bonds	14,350	29,654	19,504	9,752	12,351	17,859
Other	29,854	62,912	40,780	36,886	25,413	36,110
Loans	55,262	24,175	16,320	11,966	10,608	11,243
Total	$ 808,244	$ 328,582	$ 345,558	$ 166,964	$ 168,947	$ 366,524

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	2018					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits[1]	¥ 94,122,785	¥ 18,879,576	¥ 16,367,000	¥ 15,024,088	¥ 34,095,583	¥ —
Call money	—	—	—	—	—	—
Payables under repurchase agreements	1,985,285	—	—	—	—	—
Payables under securities lending transactions	17,475,671	—	—	—	—	—
Commercial papers	191,869	—	—	—	—	—
Total	¥ 113,775,612	¥ 18,879,576	¥ 16,367,000	¥ 15,024,088	¥ 34,095,583	¥ —

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 U.S. Dollars

March 31	2018					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits[1]	$ 885,945	$ 177,707	$ 154,057	$ 141,416	$ 320,930	$ —
Call money	—	—	—	—	—	—
Payables under repurchase agreements	18,687	—	—	—	—	—
Payables under securities lending transactions	164,492	—	—	—	—	—
Commercial papers	1,806	—	—	—	—	—
Total	$ 1,070,930	$ 177,707	$ 154,057	$ 141,416	$ 320,930	$ —

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	2018			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Interest rate swaps:				
Receivable fixed rate / Payable floating rate	¥ 21,248	¥ 21,248	¥ (2,115)	¥ (2,115)
Receivable floating rate / Payable fixed rate	8,711	8,711	1,752	1,752
Total			¥ (363)	¥ (363)

Millions of 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	2018			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Interest rate swaps:				
Receivable fixed rate / Payable floating rate	$ 200	$ 200	$ (20)	$ (20)
Receivable floating rate / Payable fixed rate	82	82	16	16
Total			$ (3)	$ (3)

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.

2) Currency-related derivatives

Millions of Yen

March 31	2018			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Sold	¥ 438,114	¥ —	¥ 9,047	¥ 9,047
Bought	453,528	—	(2,943)	(2,943)
Total			¥ 6,103	¥ 6,103

Millions of 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 U.S. Dollars

March 31	2018			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Sold	$ 4,124	$ —	$ 85	$ 85
Bought	4,269	—	(28)	(28)
Total			$ 57	$ 57

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 and other methods.

3) Stock-related derivatives

Millions of Yen

March 31	2018			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Stock index futures:				
Sold	¥ 26,495	¥ —	¥ (230)	¥ (230)
Total			¥ (230)	¥ (230)

Millions of U.S. Dollars

March 31	2018			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Stock index futures:				
Sold	$ 249	$ —	$ (2)	$ (2)
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 is based on the final price on Osaka Exchange.

There were no stock-related derivatives as of March 31, 2017.

4) Bond-related derivatives

Millions of Yen

March 31	2018			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Bought	¥ 15,936	—	¥ 141	¥ 141
Total			¥ 141	¥ 141

Millions of 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	2018			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Bought	$ 150	$ —	$ 1	$ 1
Total			$ 1	$ 1

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

5) Credit-related derivatives

Millions of Yen

March 31	2018			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold	¥ 16,062	¥ 16,062	¥ 579	¥ 579
Total			¥ 579	¥ 579

Millions of U.S. Dollars

March 31	2018			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold	$ 151	$ 151	$ 5	$ 5
Total			$ 5	$ 5

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. "Sold" represents transactions which the credit risk has been assumed.

There were no credit-related derivatives as of March 31, 2017.

(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	2018		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method	Interest rate swaps:	Securities Loans Deposits			
	Receivable fixed rate / Payable floating rate		¥ 1,821,750	¥ 1,816,150	¥ 3,217
	Receivable floating rate / Payable fixed rate		4,535,521	4,368,620	(159,670)
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		39,750	30,100	—[3]
Total					¥ (156,452)

Millions of Yen

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

Millions of U.S. Dollars

March 31	Type of derivative	Major hedged item	2018		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method	Interest rate swaps:	Securities Loans Deposits			
	Receivable fixed rate / Payable floating rate		$ 17,147	$ 17,095	$ 30
	Receivable floating rate / Payable fixed rate		42,691	41,120	(1,503)
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		374	283	—[3]
Total					$ (1,473)

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 swaps subject to the exceptional treatment are accounted for in combination with the loans that are subject to the hedge. Therefore their fair value is included in the fair value of the relevant loans in Note 21 "FINANCIAL INSTRUMENTS."

2) Currency-related derivatives

Millions of Yen

March 31	Type of derivative	Major hedged item	2018		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method	Currency swaps	Securities	¥ 4,934,320	¥ 4,426,624	¥ 63,086
	Forward foreign exchange	Foreign currency-denominated forecasted transactions	59,417	—	(6,509)
	Cross currency interest rate swaps		43,570	—	(216)
Allocation method	Currency swaps	Securities	32,433	32,433	—[3]
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	5,367,910	—	80,320
Total					¥ 136,681

Millions of 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	—[3]
	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 U.S. Dollars

March 31	Type of derivative	Major hedged item	2018		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method	Currency swaps	Securities	$ 46,445	$ 41,666	$ 594
	Forward foreign exchange	Foreign currency-denominated forecasted transactions	559	—	(61)
	Cross currency interest rate swaps		410	—	(2)
Allocation method	Currency swaps	Securities	305	305	—[3]
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	50,526	—	756
Total					$ 1,287

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

23. CONTRACTS

Future payments on service contracts for system-related services (such as usage of hardware, software, telecommunication services and maintenance) as of March 31, 2018 and 2017 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Due within 1 year	¥ 790	¥ 589	$ 7
Due after 1 year	662	624	6

24. LEASE TRANSACTIONS

Operating Leases

(1) As lessee

Future lease payments under non-cancelable operating leases as of March 31, 2018 and 2017 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Due within 1 year	¥ 31,470	¥ 29,895	$ 296
Due after 1 year	143,065	123,289	1,347
Total	¥ 174,536	¥ 153,185	$ 1,643

(2) As lessor

Future lease receivables under non-cancelable operating leases as of March 31, 2018 and 2017 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Due within 1 year	¥ 16,781	¥ 14,451	$ 158
Due after 1 year	63,219	47,346	595
Total	¥ 80,001	¥ 61,798	$ 753

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 were ¥80,929 million ($762 million) and ¥87,418 million as of March 31, 2018 and 2017, 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. 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	2018							
	Reportable segment						Other[2]	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income[1]:								
Income from third parties	¥ 1,973,809	¥ 190,356	¥ 704,890	¥ 2,042,980	¥ 7,952,894	¥ 12,864,930	¥ 53,606	¥ 12,918,537
Intersegment income	51,727	1,170,319	—	1,948	57	1,224,053	288,641	1,512,695
Total	¥ 2,025,536	¥ 1,360,676	¥ 704,890	¥ 2,044,929	¥ 7,952,951	¥ 14,088,984	¥ 342,248	¥ 14,431,232
Segment profit	¥ 43,736	¥ 40,983	¥ 6,544	¥ 499,642	¥ 309,233	¥ 900,141	¥ 220,154	¥ 1,120,295
Segment assets	1,971,534	2,692,432	441,941	210,629,793	76,831,261	292,566,963	8,200,394	300,767,358
Other items:								
Depreciation and amortization	90,544	45,831	26,502	37,447	61,321	261,646	17,701	279,348
Amortization of goodwill	—	—	—	—	—	—	167	167
Interest and dividend income	18	249	594	1,502,747	1,152,306	2,655,916	1	2,655,917
Interest expenses	614	7	4,336	331,781	1,450	338,191	0	338,191
Equity in earnings (losses) of affiliates	—	194	70	83	—	348	—	348
Gains on sales of fixed assets	0	2,842	1,482	—	86,053	90,378	61	90,440
Gains on negative goodwill	—	—	568	—	—	568	—	568
Losses on sales and disposal of fixed assets	1,147	1,687	363	713	337	4,250	62	4,312
Losses on impairment of fixed assets	1,317	7,970	408	17	2,003	11,716	6,256	17,973
Provision for reserve for price fluctuations	—	—	—	—	128,031	128,031	—	128,031
Post office refurbishment expenses	—	—	—	—	—	—	25,213	25,213
Provision for reserve for policyholder dividends	—	—	—	—	117,792	117,792	—	117,792
Income taxes	8,279	6,179	1,566	146,192	42,634	204,852	(7,745)	197,107
Investments in affiliates accounted for by the equity method	—	1,691	12,125	1,552	—	15,369	—	15,369
Increase in tangible fixed assets and intangible assets	84,615	24,618	50,902	58,835	34,637	253,609	21,622	275,231

Millions of Yen

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

Millions of U.S. Dollars

Year ended March 31	2018							
	Reportable segment						Other[2]	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income[1]:								
Income from third parties	$ 18,579	$ 1,792	$ 6,635	$ 19,230	$ 74,858	$ 121,093	$ 505	$ 121,598
Intersegment income	487	11,016	—	18	1	11,522	2,717	14,238
Total	$ 19,066	$ 12,808	$ 6,635	$ 19,248	$ 74,858	$ 132,615	$ 3,221	$ 135,836
Segment profit	$ 412	$ 386	$ 62	$ 4,703	$ 2,911	$ 8,473	$ 2,072	$ 10,545
Segment assets	18,557	25,343	4,160	1,982,585	723,186	2,753,831	77,187	2,831,018
Other items:								
Depreciation and amortization	852	431	249	352	577	2,463	167	2,629
Amortization of goodwill	—	—	—	—	—	—	2	2
Interest and dividend income	0	2	6	14,145	10,846	24,999	0	24,999
Interest expenses	6	0	41	3,123	14	3,183	0	3,183
Equity in earnings (losses) of affiliates	—	2	1	1	—	3	—	3
Gains on sales of fixed assets	0	27	14	—	810	851	1	851
Gains on negative goodwill	—	—	5	—	—	5	—	5
Losses on sales and disposal of fixed assets	11	16	3	7	3	40	1	41
Losses on impairment of fixed assets	12	75	4	0	19	110	59	169
Provision for reserve for price fluctuations	—	—	—	—	1,205	1,205	—	1,205
Post office refurbishment expenses	—	—	—	—	—	—	237	237
Provision for reserve for policyholder dividends	—	—	—	—	1,109	1,109	—	1,109
Income taxes	78	58	15	1,376	401	1,928	(73)	1,855
Investments in affiliates accounted for by the equity method	—	16	114	15	—	145	—	145
Increase in tangible fixed assets and intangible assets	796	232	479	554	326	2,387	204	2,591

Notes:
1. Income is presented instead of net sales which is typical for companies in other industries.
2. Other business includes the hotel business and the hospital business. Segment profit in other business includes dividend income from subsidiaries and affiliates recorded by the Company in the amount of ¥198,891 million ($1,872 million) and ¥208,657 million for the fiscal years ended March 31, 2018 and 2017, 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
	2018	2017	2018
Total income of reportable segments[1]	¥ 14,088,984	¥ 14,522,761	$ 132,615
Income of other business[1]	342,248	354,984	3,221
Eliminations of intersegment transactions	(1,512,695)	(1,554,039)	(14,238)
Adjustments[2]	1,838	2,828	17
Subtotal	¥ 12,920,375	¥ 13,326,534	$ 121,615
Gains on sales of fixed assets	88,182	958	830
Gains on negative goodwill	568	—	5
Compensation for transfer	190	1,329	2
Compensation income	176	66	2
Settlement received	1,001	4,041	9
Gains on transfer of business	2,005	3,653	19
Other	15	219	0
Total income on the consolidated statements of operations	¥ 13,012,517	¥ 13,336,802	$ 122,482

Notes:
1. Income is presented instead of net sales which is typical 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
	2018	2017	2018
Total segment profit (loss) of reportable segments	¥ 900,141	¥ 799,973	$ 8,473
Segment profit in other business	220,154	229,137	2,072
Eliminations of intersegment transactions	(199,813)	(209,522)	(1,881)
Adjustments[1]	(4,337)	(24,351)	(41)
Subtotal	¥ 916,144	¥ 795,237	$ 8,623
Gains on sales of fixed assets	88,182	958	830
Gains on negative goodwill	568	—	5
Compensation for transfer	190	1,329	2
Compensation income	176	66	2
Settlement received	1,001	4,041	9
Gains on transfer of business	2,005	3,653	19
Losses on sales and disposal of fixed assets	(4,762)	(5,757)	(45)
Losses on impairment of fixed assets	(17,964)	(419,479)	(169)
Provision for reserve for price fluctuations	(128,031)	(6,444)	(1,205)
Post office refurbishment expenses	(25,213)	(20,309)	(237)
Provision for reserve for policyholder dividends	(117,792)	(152,679)	(1,109)
Other	(5,371)	(29,728)	(51)
Income before income taxes on the consolidated statements of operations	¥ 709,134	¥ 170,887	$ 6,675

Note: 1. For the fiscal year ended March 31, 2018, "Adjustments" are primarily due to differences in the calculation methods used for segment profit for the international logistics business segment and income before income taxes on the consolidated statements of operations.
For the fiscal year ended March 31, 2017, "Adjustments" includes amortization of goodwill, etc. amounting to ¥(21,874) million which are not included in segment loss for 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
	2018	2017	2018
Total segment assets of reportable segments	¥ 292,566,963	¥ 295,003,678	$ 2,753,831
Segment assets in other business	8,200,394	8,322,668	77,187
Eliminations of intersegment transactions	(10,127,203)	(10,163,800)	(95,324)
Total assets on the consolidated balance sheets	¥ 290,640,154	¥ 293,162,545	$ 2,735,694

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	2018			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 261,646	¥ 17,701	¥ (182)	¥ 279,165
Amortization of goodwill	—	167	—	167
Interest and dividend income	2,655,916	1	—	2,655,917
Interest expenses	338,191	0	—	338,191
Equity in earnings (losses) of affiliates	348	—	—	348
Gains on sales of fixed assets	90,378	61	(2,258)	88,182
Gains on negative goodwill	568	—	—	568
Losses on sales and disposal of fixed assets	4,250	62	449	4,762
Losses on impairment of fixed assets	11,716	6,256	(9)	17,964
Provision for reserve for price fluctuations	128,031	—	—	128,031
Post office refurbishment expenses	—	25,213	—	25,213
Provision for reserve for policyholder dividends	117,792	—	—	117,792
Income taxes	204,852	(7,745)	—	197,107
Investments in affiliates accounted for by the equity method	15,369	—	—	15,369
Increase in tangible fixed assets and intangible assets	253,609	21,622	(5,062)	270,169

Millions of 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 U.S. Dollars

Year ended March 31	2018			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	$ 2,463	$ 167	$ (2)	$ 2,628
Amortization of goodwill	—	2	—	2
Interest and dividend income	24,999	0	—	24,999
Interest expenses	3,183	0	—	3,183
Equity in earnings (losses) of affiliates	3	—	—	3
Gains on sales of fixed assets	851	1	(21)	830
Gains on negative goodwill	5	—	—	5
Losses on sales and disposal of fixed assets	40	1	4	45
Losses on impairment of fixed assets	110	59	(0)	169
Provision for reserve for price fluctuations	1,205	—	—	1,205
Post office refurbishment expenses	—	237	—	237
Provision for reserve for policyholder dividends	1,109	—	—	1,109
Income taxes	1,928	(73)	—	1,855
Investments in affiliates accounted for by the equity method	145	—	—	145
Increase in tangible fixed assets and intangible assets	2,387	204	(48)	2,543

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

Millions of Yen

Year ended March 31	2018							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 167	¥ 167
Unamortized balance of goodwill	—	—	—	—	—	—	2,885	2,885

Millions of Yen

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

Millions of U.S. Dollars

Year ended March 31	2018							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	$ —	$ —	$ —	$ —	$ —	$ —	$ 2	$ 2
Unamortized balance of goodwill	—	—	—	—	—	—	27	27

(6) Information on Gains on Negative Goodwill by Reportable Segment
The international logistics business segment recorded gains on negative goodwill of ¥568 million ($5 million) due to the acquisition of the port and harbor transportation business by a consolidated subsidiary of Toll for the fiscal year ended March 31, 2018.
There were no gains on negative goodwill for the fiscal year ended March 31, 2017.

(7) Supplemental Information
1) Information by services
This information is omitted because similar information has been presented above for the fiscal years ended March 31, 2018 and 2017.
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 fiscal years ended March 31, 2018 and 2017.
B) Tangible fixed assets
This information is omitted because the balance of tangible fixed assets in Japan exceeded 90% of the total balance on the consolidated balance sheets for the fiscal years ended March 31, 2018 and 2017.
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 fiscal years ended March 31, 2018 and 2017.

27. PER SHARE DATA

March 31	Yen		U.S. Dollars
	2018	2017	2018
Net assets per share[2]	¥ 3,278.11	¥ 3,268.19	$ 30.86

Years ended March 31	Yen		U.S. Dollars
	2018	2017	2018
Net income (loss) per share[4]	¥ 112.97	¥ (7.04)	$ 1.06

Notes:
1. Diluted net income per share is not presented for the fiscal years ended March 31, 2018 and 2017 as potential common stock did not exist.
2. Net assets per share is calculated based on the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Net assets	¥ 14,743,234	¥ 14,954,581	$ 138,773
Amount deducted from net assets:			
Non-controlling interests	1,489,292	1,502,815	14,018
Net assets attributable to common stock at the fiscal year-end	¥ 13,253,942	¥ 13,451,766	$ 124,755

Thousands of shares

March 31	2018	2017
Number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share[3]	4,043,162	4,115,962

3. The number of treasury stock excluded from the number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share includes the number of shares of the Company held by the management board benefit trust. The number of shares of the Company held by the management board benefit trust excluded from the calculation of net assets per share was 698,100 shares and 731,500 shares as of March 31, 2018 and 2017, respectively.
4. Net income (loss) per share is calculated based on the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Net income (loss) attributable to Japan Post Holdings	¥ 460,623	¥ (28,976)	$ 4,336
Amount not attributable to common stockholders	—	—	—
Net income (loss) attributable to common stock	¥ 460,623	¥ (28,976)	$ 4,336

Thousands of shares

Years ended March 31	2018	2017
Average number of common stock outstanding during the fiscal year[5]	4,077,276	4,116,057

5. The number of treasury stock excluded from the average number of common stock outstanding during the fiscal year used for the calculation of net income (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 excluded from the calculation of net income (loss) per share was 705,770 shares and 636,063 shares for the fiscal years ended March 31, 2018 and 2017, respectively.

28. SUBSEQUENT EVENTS
None

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of JAPAN POST HOLDINGS Co., Ltd. and its consolidated subsidiaries , which comprise the consolidated balance sheets as at March 31, 2018 and 2017, 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JAPAN POST HOLDINGS Co., Ltd. and its consolidated subsidiaries as at March 31, 2018 and 2017, 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, 2018 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 20, 2018
Tokyo, Japan

Capital Adequacy

Matters for Disclosure Concerning Composition of Capital

Capital structure
Consolidated capital adequacy ratio (domestic standard)

(Millions of yen)

Item	2018 (As of March 31, 2018)	Amounts excluded under transitional arrangements	2017 (As of March 31, 2017)	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	¥ 9,689,139		¥ 9,619,083	
of which: capital and capital surplus	7,653,156		7,653,104	
of which: retained earnings	3,007,643		2,811,200	
of which: treasury stock (deduction)	831,945		731,992	
of which: cash dividends to be paid (deduction)	139,714		113,228	
of which: other than those above	—		—	
Accumulated other comprehensive income (amount allowed to be included in Core Capital)	146,846		117,083	
of which: foreign currency translation adjustments	(85,870)		(80,730)	
of which: remeasurements of defined benefit plans	232,717		197,813	
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)	217,324		166,761	
Reserves included in Core Capital: Instruments and reserves	338		316	
of which: general reserve for possible loan losses	338		316	
of which: eligible provisions to expected losses	—		—	
Eligible noncumulative perpetual preferred stock subject to transitional arrangements (amount allowed to be included in Core Capital)	—		—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core Capital)	—		—	
Capital instruments issued through the measures for capital enhancement by public institutions (amount allowed to be included in Core Capital)	—		—	
45% of land revaluation defferences (amount allowed to be included in Core Capital)	—		—	
Non controlling interests included in Core Capital subject to transitional arrangements	752,093		785,050	
Core Capital: instruments and reserves (A)	10,805,741		10,688,296	
Core Capital: regulatory adjustments				
Total intangible assets (excluding those relating to mortgage servicing rights)	93,859	22,743	68,574	43,681
of which: goodwill (including those equivalent)	2,885	—	3,053	—
of which: other intangible assets other than mortgage servicing rights	90,974	22,743	65,521	43,681
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	260	65	234	156
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	24,250	6,062	14,859	9,906
Investments in own shares (excluding those reported in the Net Assets section)	54	13	1	0
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)	—	—	—	—

Financial Data

(Millions of yen)

Item		2018 (As of March 31, 2018)	Amounts excluded under transitional arrangements	2017 (As of March 31, 2017)	Amounts excluded under transitional arrangements
Amount exceeding the 10% threshold on specified items		—	—	—	—
of which: significant investments in the common stock of Other Financial Institutions		—	—	—	—
of which: mortgage servicing rights		—	—	—	—
of which: deferred tax assets arising from temporary differences		—	—	—	—
Amount exceeding the 15% threshold on specified items		—	—	—	—
of which: significant investments in the common stock of Other Financial Institutions		—	—	—	—
of which: mortgage servicing rights		—	—	—	—
of which: deferred tax assets arising from temporary differences		—	—	—	—
Core Capital: regulatory adjustments	(B)	118,424		83,669	
Total core capital					
Total core capital ((A) - (B))	(C)	10,687,317		10,604,626	
Risk-weighted assets					
Total credit risk-weighted assets		52,361,109		40,728,318	
of which: total amount included in risk-weighted assets subject to transitional arrangements		17,503		17,184	
of which: intangible assets other than goodwill and mortgage servicing rights		22,743		43,681	
of which: deferred tax assets		65		156	
of which: defined-benefit pension fund net assets		6,062		9,906	
of which: significant investments in the capital instruments (excluding common stock) of Other Financial Institutions		(11,380)		(36,560)	
of which: other than those above		13		0	
Market risk equivalent divided by 8%		—		—	
Operational risk equivalent divided by 8%		3,552,526		3,822,628	
Credit risk-weighted assets adjustments		—		—	
Operational risk equivalent adjustments		—		—	
Total amount of risk-weighted assets	(D)	55,913,636		44,550,947	
Capital adequacy ratio (consolidated)					
Capital adequacy ratio (consolidated) ((C)/(D))		19.11%		23.80%	

Note 1: The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006, hereinafter referred to as Holding Company Capital Adequacy Ratio Notice).
The data is calculated on a consolidated basis and according to the domestic standard.
Note 2: In accordance with Article 15, Paragraph 2 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd. is not included in the scope of consolidation.

Qualitative Disclosure

1. Scope of consolidation

(1) Differences and the causes of the relevant differences between companies belonging to Japan Post Group that calculate the consolidated capital adequacy ratio in accordance with Article 15 of the Financial Service Agency's (FSA) Holding Company Capital Adequacy Ratio Notice and companies that are included in the scope of consolidation in accordance with Regulations for Consolidated Financial Statements

The Company calculates its consolidated capital adequacy ratio as follows. Pursuant to Article 52-25 of the Banking Act, Consolidated capital adequacy ratio is calculated its capital adequacy in accordance with the capital adequacy ratio measurement guidelines, FSA's Notice No. 20, March 27, 2006 (hereinafter referred to as Holding Company Capital Adequacy Ratio Notice), which requires the bank holding company to calculate its capital adequacy based on assessment of the assets of the bank holding company and its subsidiaries. Please refer to page 79 for the names of principal subsidiaries. In accordance with Article 15, the Group is comprised of the following 263 companies (hereafter the "Group") for the purpose of the calculation of the consolidated capital ratio. In accordance with the provisions of Article 15, Paragraph 3 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd., an insurance subsidiary, is not included in the scope of consolidation.

However, according to the Regulations of Consolidated Financial Statements, the scope of consolidation includes 264 companies, comprising 263 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 30 through 31 and 87 through 89.

(2) Number of consolidated subsidiaries and names and details of main business activities of principal consolidated subsidiaries within the Group

As mentioned previously, the Group is composed of the Company and 263 companies under the Holding Company Capital Adequacy Ratio Notice.

Principal consolidated subsidiaries are Japan Post Co., Ltd. and Japan Post Bank Co., Ltd. For details of business activities of the principal consolidated subsidiaries, refer to pages 28 through 29 and 84 through 86 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 91 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 30 – 31 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, 2018 calculated in accordance with the Holding Company Capital Adequacy Ratio Notice was 19.11%. This level is substantially higher than the 4% capital adequacy ratio of the domestic standard. When calculating the consolidated capital adequacy ratio, the standardized approach is used for credit risk and the basic indicator approach is used for operational risk. A figure for market risk is not included.

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

As a bank holding company, Japan Post Holdings monitors the overall risk management framework at Japan Post Bank. In addition, the holding company supervises risk management for the entire Group in accordance with the Basic Policy for Group Risk Management. Please refer to "Japan Post Group Risk" on pages 64 through 65 for more information about risk management for Japan Post Group.

4. Credit risk

(1) Summary of risk management policy and procedures

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

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

Japan Post Bank sets credit limits for exposure for individual companies, corporate groups, and countries and areas and manages and monitors this exposure in order to control credit concentration risk.

To provide a system of checks and balances for credit risk management, Japan Post Bank has a Risk Management Department, positioned as a middle management unit, and a Credit Department, positioned as a credit control unit. Within the Bank's organization, these units are independent of front-office and back-office operations. The Risk Management Department oversees the internal credit rating system, self-assessments of assets and other credit risk activities. The Credit Department is responsible for monitoring individual credit accounts, including the assignment of internal credit ratings, monitoring of status of borrowers and overseeing of large borrowers and screening of loans.

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

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

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

Moreover, Japan Post Bank continuously monitors individual obligor's

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ability to meet the financial obligations, their financial condition and other factors affecting their credit standing in order to check obligors' credit risk in a timely and suitable manner. Additionally, Japan Post Bank performs even more-strict monitoring of borrowers with business conditions requiring close attention, such as borrowers at risk of having their credit rating downgraded due to deteriorating business results and borrowers with a steep decline in their stock price.

(2) Portfolios where the standardized approach is applied

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

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

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

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

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

In the case where multiple credit rating agencies provide ratings, the Bank selects the credit rating that yields the second smallest risk weight in accordance with Ministerial Notification of Capital Adequacy Ratio of the FSA's Notice No. 19, March 27, 2006, criteria on whether or not the adequacy of equity capital of a Bank is appropriate in light of the circumstances such as the assets owned by that Bank as stipulated by Article 14-2 of the Banking Act (hereinafter referred to as "Capital Adequacy Ratio Notice").

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

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

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

■ Types of qualified financial collateral

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

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

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

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

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

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

As of the end of March 2018, Japan Post Bank was not using the offsetting of loans and self deposits.

■ Categories and credit standing of guarantors and major credit derivative counterparties

Principal guarantors at Japan Post Bank are the central governments, etc. to which lower risk weightings than the guaranteed obligations are applied.

Additionally, credit derivative counterparties are the financial institutions to which lower risk weightings than the guaranteed obligations are applied.

■ Summary of policy and procedures when using legally binding mutual netting contracts for derivative transactions and transactions with repurchase agreements and categories and scope of applicable transactions

Japan Post Bank considers the results of derivatives transactions, including interest swaps and currency swaps, for which it has concluded effective netting contracts in accordance with the legal systems of each country in which it carries out transactions

■ Information concerning concentrations of credit risk and market risk associated with the use of credit risk mitigation methods

The principal credit risk mitigation methods of Japan Post Bank are qualified financial collateral that use cash and self deposits and there is no concentration of credit risk and market risk.

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

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

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

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

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

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

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

7. Securitization exposure

(1) Summary of risk management policy and risk characteristics

As an investor, Japan Post Bank is exposed to risks associated with securitization. Just as with investments in other securities, for purchasing, the Bank provides credit limits based on obligor ratings assigned in accordance with the Bank's own thorough examination of underlying assets, the senior/subordinate rights structure, the nature of securitization scheme and other factors. Following a purchase, the Bank monitors any decline in the quality of and changes in the composition of the underlying assets as well as other factors. Also, credit risk with securitization exposure is included in the calculation of credit risk and interest rate risk is included in the calculation of market risk. In addition, the Bank is also aware of market liquidity risk and reports on the state of these risks to the Executive Committee and other bodies.

The procedure concerning re-securitization exposure is the same as for securitization exposure.

(2) Outline of the establishment and state of operation of a system prescribed by Article 227, Paragraph 4-3 to 4-6 of Holding Company Capital Adequacy Ratio Notice (includes cases of application pursuant to Article 232, Paragraph 2 and Article 280-4, Paragraph 1) of Holding Company Capital Adequacy Ratio Notice.

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

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

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

(4) Name of method used to calculate amount of credit risk assets for securitization exposure
Japan Post Bank uses 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.
Japan Post Group does not use conduits for securitization to execute securitization transactions involving third-party assets.

(7) Among the Group's subsidiaries (excluding consolidated subsidiaries, etc.) and affiliate companies, names of those companies exposed to risk associated with securitization transactions carried out by the Group (including securitization transactions using conduits for securitization)
Not applicable

(8) Accounting policy on securitized transactions
For the recognition, valuation and accounting treatment of origination and extinguishment of financial assets and liabilities associated with securitized transactions, Japan Post Bank applies ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" (January 22, 1999, Business Accounting Council).

(9) Name of qualified rating agencies used in making judgments on risk weight for securitization exposure by category
Japan Post Bank uses the ratings of the following credit rating agencies for the calculation of credit risk assets for securitization exposure:
Rating and Investment Information, Inc. (R&I)
Japan Credit Rating Agency, Ltd. (JCR)
Moody's Investors Service, Inc. (Moody's)
S&P Global Ratings (S&P)

8. Operational risk

(1) Summary of risk management policy and procedures
Japan Post Group defines operational risk as the risk of incurring losses caused by inappropriate activity involving business processes, the activities of executives and employees or computer systems, or by external events.

Japan Post Bank has seven categories of operational risk: processing risk, IT system risk, information assets risk, legal risk, human resources risk, tangible assets risk and reputational risk.

Japan Post Bank identifies, assesses, controls, monitors and mitigates risk for each risk category to manage operational risk and to maintain the soundness of their operations. To manage risk, Japan Post Bank identifies risks associated with business operations and evaluates these risks based on the frequency of their occurrence and the scale of their impact on operations. The Bank provides controls in accordance with the importance of each risk, monitors these risks and takes actions as required.

In addition, Japan Post Bank prepares a list of operational risks associated with business processes, products, computer systems and other items. The Bank periodically uses a Risk & Control Self Assessment (RCSA) process to determine the effectiveness of management systems aimed at reducing exposure to these risks. Based on the results of RCSA, for areas in which it is recognized that risk management needs to be improved and areas that risk management especially needs to be reinforced, improvement plans are formulated and improvement plans for reducing risk are discussed and formulated.

Japan Post Bank is making preparations for using systems to report actualized events such as clerical accidents or system problems. The content of the reports analyzes the causes and tendencies of clerical accidents, system problems and other matters and is used as basic data for taking effective countermeasures.

(2) The name of method used for the calculation of an amount equivalent to operational risk
Japan Post Bank uses the "basic indicator approach" with regard to the calculation of an amount equivalent to operational risk.

9. Summary of risk management policy and procedures for investments, shares and other exposure 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 in the banking account based on the framework of market risk management and credit risk management. It does so by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, based on the Bank's equity and other resources.

10. Interest rate risk 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. Furthermore, Japan Post Bank sufficiently recognizes the importance of interest rate risk and is building a system for multifaceted and proper ascertaining of interest rate risk through measures that include profit or loss simulations carried out based on various scenarios.

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 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.

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, 2018 and 2017.

2. Capital adequacy

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

(Millions of yen)

	Item	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
1	Cash	¥ —	¥ —
2	Japanese government and the Bank of Japan	—	—
3	Foreign central governments and central banks	13,702	15,672
4	Bank for International Settlements, etc.	—	—
5	Non-central government public sector entities	—	—
6	Foreign non-central government public sector entities	7,257	9,390
7	Multilateral Development Banks	0	14
8	Japan Finance Organization for Municipalities	3,194	3,283
9	Japanese government agencies	12,201	12,099
10	Three regional public corporations under Japanese local governments	439	318
11	Financial Institutions and Type I Financial Instruments Business Operators	199,813	194,756
12	Corporates	931,310	714,594
13	Small and medium-sized enterprises and individuals	5	4
14	Mortgage loans	—	—
15	Project finance (acquisition of real estate)	54,661	34,679
16	Past-due loans (three months or more)	137,680	146,451
17	Outstanding drafts	—	—
18	Loans guaranteed by Credit Guarantee Corporation, etc.	—	—
19	Loans guaranteed by the Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—	—
20	Investments in capital and others	66,451	46,099
	of which, exposure to investments	66,451	46,099
	of which, exposure to significant investments	—	—
21	Other than above	351,826	333,958
	of which. exposure to capital instruments other than those corresponding to subject common shares among capital instruments of Other Financial Institutions	117,519	105,743
	of which, exposure related to portions not included in adjustment items among specified items	106,189	102,852
	of which, other exposure	128,117	125,362
22	Securitization transactions (as originator)	—	—
	Re-securitization transactions	—	—
23	Securitization transactions (as investor and other)	18,486	7,414
	Re-securitization transactions	24	32
24	Assets (assets comprised of pooled assets such as funds, etc.) difficult to identify specifically	135,061	30,735
25	Amount of items included in risk weighted assets through transitional arrangements	1,155	2,149
26	Amount of items not included in risk weighted assets through transitional arrangements pertaining to exposure concerning capital instruments of Other Financial Institutions	(455)	(1,462)
	Total	¥1,932,792	¥1,550,160

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

(2) Amount of required capital for credit risk (Off-balance-sheet items)

(Millions of yen)

	Item	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
1	Commitment lines that can be cancelled automatically or unconditionally at any time	¥ —	¥ —
2	Commitment lines with original contracts of one year or less	—	—
3	Short-term trade contingent liabilities	—	—
4	Contingent liabilities arising from specific transactions	—	—
	(principal reimbursement trust deeds with restructuring)	—	—
5	NIF or RUF	—	—
6	Commitment lines with an original duration of one year or longer	64,942	14,496
7	Contingent liabilities arising from directly substituted credit	29,740	16,779
	(of which secured with loan guarantees)	—	897
	(of which secured with securities)	—	—
	(of which secured with drafts)	—	—
	(of which principal reimbursement trust deeds without restructuring)	—	—
	(of which secured with credit derivative protection)	26,140	12,242
8	Assets sold with repurchase agreements or assets sold with right of claim (after deductions)	—	—
	Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	—	—
	Deduction	—	—
9	Futures bought, forward delivery deposits, partially subscribed equity shares, partially subscribed bonds	20,116	7,389
10	Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement	14,058	9,056
11	Derivative transactions and long-term settlements transactions	12,963	12,492
	Current exposure method	12,963	12,492
	Derivative transactions	12,960	12,491
	Foreign exchange related transactions	11,334	9,737
	Interest rate related transactions	2,100	4,445
	Gold related transactions	0	0
	Equity security related transactions	980	108
	Precious metal related transactions (excluding gold)	0	0
	Other commodity related transactions	259	28
	Credit derivative transactions (counterparty risk)	128	20
	Netting effect on credit equivalent amount under close-out netting agreement (deduction)	1,845	1,849
	Long-term settlements transactions	2	0
12	Outstanding transaction	0	19
13	Providing adequate liquidity related to securitization exposure and adequate servicer cash advance	—	—
14	Off-balance-sheet securitization exposure other than the above	—	—
	Total	¥141,822	¥ 60,233

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	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
Total amount of consolidated required capital	¥ 2,236,545	¥ 1,782,037
Amount of required capital for credit risk	2,094,444	1,629,132
Assets (on-balance-sheet items)	1,932,792	1,550,160
Off-balance-sheet transactions, etc.	141,822	60,233
CVA risk equivalent amount	19,441	18,737
Central Counterparty risk exposure	388	0
Amount of required capital for market risk equivalent amount	—	—
Amount of required capital for operational risk equivalent amount	142,101	152,905
Basic indicator approach	142,101	152,905

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		2018 (As of March 31, 2018)				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	¥ 54,510,659	¥ 75,611,042	¥ —	¥ 71,151	¥ 130,192,853
	Financial institutions	27,550,278	10,845,461	557,518	918,228	39,871,486
	Corporates	435,652	6,368,336	—	332,888	7,136,877
	Small and medium-sized enterprises and individuals	—	—	—	249	249
	Others	7,437,524	5,263,995	4,457	3,060,981	15,766,957
	Domestic total	89,934,114	98,088,834	561,975	4,383,499	192,968,424
Overseas total		62,345	—	—	346,230	408,575
Investment trust, etc.		447,511	—	—	43,891,082	44,338,594
Total		¥ 90,443,971	¥ 98,088,834	¥ 561,975	¥ 48,620,812	¥ 237,715,594

(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

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	2018 (As of March 31, 2018)				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	¥ 31,456,215	¥ 13,425,874	¥ 34,974	¥ 457,656	¥ 45,374,719
Over 1 year to 3 years	799,311	27,045,947	92,433	2	27,937,694
Over 3 years to 5 years	751,327	29,533,048	224,306	32	30,508,715
Over 5 years to 7 years	695,632	11,934,382	198,534	—	12,828,549
Over 7 years to 10 years	649,365	9,904,376	11,728	—	10,565,470
Over 10 years	437,180	6,216,419	—	—	6,653,600
No due date or perpetual	55,207,425	28,785	—	4,272,039	59,508,250
Investment trust, etc.	447,511	—	—	43,891,082	44,338,594
Total	¥ 90,443,971	¥ 98,088,834	¥ 561,975	¥ 48,620,812	¥ 237,715,594

(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

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		2018 (As of March 31, 2018)					2017 (As of March 31, 2017)				
		Loans and deposits	Bonds	Derivatives	Others	Total	Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Financial institutions	—	—	—	—	—	—	—	—	—	—
	Corporates	—	—	—	6	6	—	—	—	10	10
	Small and medium-sized enterprises and individuals	—	—	—	76	76	—	—	—	63	63
	Others	—	—	—	2,177	2,177	—	—	—	2,652	2,652
	Domestic total	—	—	—	2,259	2,259	—	—	—	2,725	2,725
Overseas total		—	—	—	—	—	—	—	—	—	—
Investment trust, etc.		—	—	—	—	—	—	—	—	—	—
Total		¥ —	¥ —	¥ —	¥ 2,259	¥ 2,259	¥ —	¥ —	¥ —	¥ 2,725	¥ 2,725

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)

	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
General reserve for possible loan losses	¥ 138	¥ 127
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Change during the period

(Millions of yen)

	2018 (From April 1, 2017 to March 31, 2018)	2017 (From April 1, 2016 to March 31, 2017)
General reserve for possible loan losses	¥ 11	¥ (0)
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	2018 (As of March 31, 2018)		2017 (As of March 31, 2017)	
	Rated	Not rated	Rated	Not rated
0%	¥ 134,626,622	¥ 27,193,345	¥ 141,134,120	¥ 35,672,977
2%	—	11,728	—	399
4%	—	—	—	—
10%	169,340	4,176,537	216,551	5,203,685
20%	13,376,215	54,990	12,434,627	39,828
35%	—	—	—	—
50%	5,747,423	2,076	5,160,403	2,554
75%	—	173	—	142
100%	1,466,745	5,165,449	1,245,928	5,064,968
150%	1	180	16	170
250%	144,026	1,242,146	135,284	1,178,769
1,250%	—	—	—	—
Others	—	—	—	—
Investment trust, etc.	—	44,338,594	—	35,196,853
Total	¥ 155,530,374	¥ 82,185,220	¥ 160,326,931	¥ 82,360,349

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 80.48% as of March 31, 2018 (compares with 71.43% as of March 31, 2017)

4. Credit risk mitigation methods

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	2018 (As of March 31, 2018)		2017 (As of March 31, 2017)	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Eligible financial collateral	¥ 27,488,378	89.53%	¥ 36,923,897	90.99%
Guarantees and credit derivatives	3,213,299	10.47%	3,655,089	9.01%
Total	¥ 30,701,677	100.00%	¥ 40,578,986	100.00%

Note 1: Japan Post Bank accepts cash, self-deposits and securities as eligible financial collateral.
Note 2: Principal guarantors are central governments, etc. to which lower risk weight than the guaranteed obligations are applied.
Note 3: Credit derivative counterparties are the financial institutions to which lower risk weightings than the reference obligations are applied.
Note 4: The exposure included in Investment trusts and other funds are not included herein.

5. Derivative transactions and long-term settlements transactions

(1) Derivative transactions and long-term settlements transactions

(Millions of yen)

Item	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
Aggregate sum of amounts of gross reconstruction costs	¥ 437,947	¥ 324,943
Aggregate sum of gross add-on amounts	373,943	246,089
Gross credit equivalents	811,891	571,032
Foreign exchange related transactions	589,679	430,018
Interest rate related transactions	216,608	141,014
Stock related transactions	1,596	—
Credit Derivative Transactions (Counterparty risk)	3,958	—
Long-term settlements transactions	48	—
Reduction in credit equivalents through netting (deduction)	249,867	231,744
Net credit equivalents	562,024	339,287
Collateral amount	397,026	217,350
Marketable securities	169,340	186,935
Cash	227,686	30,415
Net credit equivalents (after consideration of effectiveness of risks mitigated by collateral)	¥ 562,024	¥ 339,287

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: 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.

(2) Notional principal amounts of credit derivatives

(Millions of yen)

Item	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
Total return swaps	¥ 108,007	—
Purchase of protection	108,007	—
Among these, those that are used for considering the effects of credit risk mitigation methods	28,844	—
Provision of protection	—	—

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	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
Mortgage loans	¥ 303,996	¥ 347,321
Auto loans	121,735	94,576
Leases	3,655	5,322
Accounts receivable	6,420	1,357
Corporate loans	571,627 (23,266)	263,924 (12,228)
Others	—	—
Total	¥ 1,007,435 (¥ 23,266)	¥ 712,502 (¥ 12,228)

Note 1: Amounts within parentheses are off balance sheet transaction amounts.
Note 2: Excludes securitization exposure included in investment trust, etc.

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

(Millions of yen)

Type of underlying assets	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
Mortgage loans	¥ 1,533	¥ 2,056
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	— (—)	— (—)
Others	—	—
Total	¥ 1,533 (¥ —)	¥ 2,056 (¥ —)

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	2018 (As of March 31, 2018)		2017 (As of March 31, 2017)	
	Balance	Required capital	Balance	Required capital
Less than 20%	¥ 49,477	¥ 197	¥ 94,464	¥ 377
20%	934,691	7,477	605,809	4,846
50%	—	—	—	—
100%	—	—	—	—
350%	—	—	—	—
1,250%	23,266 (23,266)	11,633 (11,633)	12,228 (12,228)	6,114 (6,114)
Total	¥1,007,435 (¥ 23,266)	¥19,308 (¥ 11,633)	¥ 712,502 (¥ 12,228)	¥ 11,338 (¥ 6,114)

Note 1: Amounts within parentheses are off balance sheet transaction amounts.
Note 2: Excludes securitization exposure included in investment trust, etc.
Note 3: Required capital is the amount of credit risk assets × 4%.
Note 4: Corporate loans are the underlying type of assets in securitization exposure to which the 1,250% risk weight is applied.

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

(Millions of yen)

Risk weight	2018 (As of March 31, 2018)		2017 (As of March 31, 2017)	
	Balance	Required capital	Balance	Required capital
Less than 40%	¥ —	¥ —	¥ —	¥ —
40%	1,533	24	2,056	32
100%	—	—	—	—
225%	—	—	—	—
650%	—	—	—	—
1,250%	— (—)	— (—)	— (—)	— (—)
Total	¥ 1,533 (—)	¥ 24 (—)	¥ 2,056 (—)	¥ 32 (—)

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

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

(Millions of yen)

	2018 (As of March 31, 2018)		2017 (As of March 31, 2017)	
	Amount carried on the consolidated balance sheet	Fair value	Amount carried on the consolidated balance sheet	Fair value
Listed equities exposure (Note 1)	¥ 28,785	¥ 28,785	¥ —	¥ —
Investment or equities exposure not corresponding to listed equities exposure (Note 2)	1,384		1,474	
Total	¥ 1,384		¥ 1,474	

Note 1: Shares with market quotations are listed.
Note 2: Shares without market quotations are listed.
Note 3: Shares held by the Bank's subsidiaries and their subsidiaries are listed. The exposure included in Investment trusts and other funds are not included herein. The same applies to the following.

(2) Gains and Losses on sale or write-off of investment or equity exposures

(Millions of yen)

	2018 (From April 1, 2017 to March 31, 2018)	2017 (From April 1, 2016 to March 31, 2017)
Gains/Losses	¥ 195	¥ —
Gains	195	—
Losses	—	—
Write-off	—	—

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

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

(Millions of yen)

	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	¥ 396	¥ —

Note: Shares with market quotations are listed.

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

(Millions of yen)

	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income	¥ —	¥ —

Note: Shares with market quotations of affiliated companies are listed.

9. Exposures calculated by credit risk asset supervisory formulae

Not applicable, since the standardized approach is used.

10. Interest rate risk

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)

	2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
Losses in economic value	¥ 998.0	¥ 961.8

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.

Note 3: Assets other than those of Japan Post Bank are insignificant and therefore non-consolidated figures for Japan Post Bank 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, Japan Post Group and its principal consolidated subsidiaries, or persons who would exert a significant impact on the state of assets by incurring losses from business transactions or other matters. Specifically, this refers to executives of principal consolidated subsidiaries or executive officers with authority to execute the business of business departments in accordance with resolutions by the Board of Directors as well as to professional positions at Japan Post Bank. (Referred to hereafter as management employees for whom a performance-linked compensation system is applicable based on professional position salary regulations and who perform duties for the execution of business using especially sophisticated and expert knowledge in the Investment Division of Japan Post Bank).
   (2) Determination of compensation for subject executives and employees
   1) Determination of compensation for subject executives
   The Company has established the Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for the Company’s directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to decide policies for determining compensation as well as determine individual compensation.
   2) Determination of compensation for subject employees
   The determination of compensation for executives of principal consolidated subsidiaries who are deemed subject employees is as follows.
   (a) Japan Post
   Executive compensation is determined under a structure whereby the total amount of executive compensation is determined at the Shareholders’ meeting.
   Individual allocation of directors’ compensation is determined on a resolution by the Board of Directors, according to the total amount decided at the Shareholders’ meeting.
   Individual allocation of compensation for auditors is determined based on consultation by the auditors.
   Compensation for executive officers is determined based on a resolution by the Board of Directors.
   (b) Japan Post Bank and Japan Post Insurance
   Japan Post Bank and Japan Post Insurance have respectively established a Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for each company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to determine policies for determining compensation as well as determine individual compensation.
   The Human Resources Division, which is independent from the Corporate Administration Division, has established a performance-linked compensation system based on professional position salary regulations for professional positions at Japan Post Bank. Compensation based on this system is determined after deliberation at the Evaluation Committee that is composed of executive officers such as the President and Representative Executive Officer of Japan Post Bank.
   (3) Determination of compensation for staff of the Risk Management Department and Compliance Department
   Compensation for staff of the Risk Management Department and Compliance Department is determined based on salary rules and regulations. Specific amounts paid are decided by determining compensation separate from the sales promotion department by setting amounts based on employee performance evaluations, with the general manager of the relevant departments as the person making final decisions.
   Assessment categories of employee performance evaluations encompass assessments of the execution of duties and attainment levels for targets for each job responsibility in the Risk Management Department and Compliance Department. These assessments reflect the level of contribution to the risk management structure and compliance readiness.
   (4) Total amount of compensation paid to members of the Compensation Committee and number of times the Compensation Committee and other meetings convened

Company name	Name of meeting	Number of times convened (From April 2017 to March 2018)
Japan Post Holdings	Compensation Committee	4 times
Japan Post	Shareholders’ meeting	1 time
	Board of Directors	2 times
	Board of Corporate Auditors	1 time
Japan Post Bank	Compensation Committee	2 times
	Evaluation Committee	9 times
Japan Post Insurance	Compensation Committee	4 times

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

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

Financial Data

(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, 2017 to March 31, 20187)

Classification	Number of persons	Total amount of compensation (Millions of yen)						
			Total fixed compensation				Total variable compensation	
				Base compensation	Stock compensation	Other		Bonuses
Subject executives (excluding outside executives)	43	1,118	1,118	894	223	0	0	0
Subject employees, etc.	75	2,917	2,576	2,058	517	0	340	340

Note 1: Compensation for subject executives is listed including compensation as executives of principal consolidated subsidiaries.

Note 2: Stock-compensation type stock options are not applicable.

Note 3: The retirement benefits system for directors, auditors, executive officers and executives was discontinued in June 2013 and therefore retirement benefits are not applicable.

5. Other special pertinent matters for reference or other applicable matters other than those specified up to the previous item concerning the systems for compensation for subject executives and employees of the Company (Group)

There are no applicable matters besides those specifically listed in the previous items.

Consolidated Solvency Margin Ratio (Japan Post Group)

(Millions of yen)

Item			2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
Total amount of consolidated solvency margin		(A)	¥ 19,026,975	¥ 19,375,176
	Capital stock, etc.		11,696,279	11,580,137
	Reserve for price fluctuations		916,743	788,712
	Contingency reserve		2,114,348	2,254,027
	Catastrophe loss reserve		—	—
	General reserve for possible loan losses		399	376
	Net unrealized gains (losses) on available-for-sale securities, net deferred gains (losses) on hedges (before taxes) × 90% (if negative, × 100%)		3,414,011	3,817,559
	Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		80,067	108,968
	Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)		298,658	338,720
	Capital raised through debt financing, Excess of continued Zillmerised reserve		506,467	486,674
	Excess of continued Zillmerised reserve		506,467	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		—	—
	Solvency margin concerning small-amount, short-term insurers		—	—
	Deductions		—	—
	Others		—	—
Total amount of consolidated risk $\sqrt{(\sqrt{R_1^2+R_5^2}+R_8+R_9)^2+(R_2+R_3+R_7)^2}+R_4+R_6$		(B)	¥ 5,265,094	¥ 4,202,494
	Insurance risk	R_1	147,403	153,070
	General insurance risk	R_5	—	—
	Catastrophe risk	R_6	—	—
	Underwriting risk of third-sector insurance	R_8	63,087	69,104
	Small amount and short-term insurance risk	R_9	—	—
	Anticipated yield risk	R_2	150,450	158,838
	Minimum guarantee risk	R_7	—	—
	Investment risk	R_3	4,802,912	3,711,234
	Business management risk	R_4	307,261	326,050
Consolidated solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$			722.7%	922.0%

Note: The above applies “Standards for determining the soundness in management of an insurance company and its subsidiaries regarding whether or not the situation of the enhancement of the ability to pay for insurance claims etc. by the insurance company that is a subsidiary of the insurance company is appropriate” (Article 271 paragraph 28, section 2 of the Insurance Business Act) and is calculated in accordance with Article 210 paragraph 11, section 3 and section 4 of the Enforcement Regulation of the Insurance Business Act and with Ordinance No. 23 issued by the Financial Services Agency in 2011.

Non-consolidated Solvency Margin Ratio (Japan Post Insurance Co.)

(Millions of yen)

Item		2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
Total amount of solvency margin	(A)	¥ 5,591,395	¥ 5,420,173
Capital stock, etc.		1,554,861	1,491,298
Reserve for price fluctuations		916,743	788,712
Contingency reserve		2,114,348	2,254,027
General reserve for possible loan losses		60	59
(Net unrealized gains (losses) on available-for-sale securities (before taxes)·Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		501,809	399,297
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		(2,896)	103
Excess of continued Zillmerized reserve		506,467	486,674
Capital raised through debt financing		—	—
Amounts within "excess of continued Zillmerized reserve" and "capital raised through debt financing" not calculated into the margin		—	—
Deductions		—	—
Other		—	—
Total amount of risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$	(B)	¥ 989,104	¥ 840,902
Insurance risk	R_1	147,403	153,070
Underwriting risk of third-sector insurance	R_8	63,087	69,104
Anticipated yield risk	R_2	150,450	158,838
Minimum guarantee risk	R_7	—	—
Investment risk	R_3	792,377	631,173
Business management risk	R_4	23,066	20,243
Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$		1,130.5%	1,289.1%

Note: The above uses "Standards for determining the soundness in management of an insurance company regarding whether or not the situation of the enhancement of the ability to pay for insurance claims etc. is appropriate" (Article 130 of the Insurance Business Act) and the solvency margin ratio is calculated in accordance with Article 86 and Article 87 of Ordinance for Enforcement of the Insurance Business Act and with Ministry of Finance Official Notification No. 50 issued in 1996.