

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

June 3, 2016

Dear Shareholders,

Masatsugu Nagato

Director and Representative Executive Officer,
President & CEO

Japan Post Holdings Co., Ltd.

1-3-2 Kasumigaseki, Chiyoda-ku, Tokyo

NOTICE OF THE 11TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

We would like to express our appreciation for your continued support and patronage.

In regard to the recent 2016 Kumamoto Earthquake, Japan Post Holdings expresses its deepest sympathies to all those who have been affected. We hope that recovery will proceed quickly.

You are cordially invited to attend the 11th Annual General Meeting of Shareholders of Japan Post Holdings Co., Ltd. (hereinafter referred to as the “Company”), which will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights by postal voting or via the electromagnetic means (Internet, etc.). Prior to voting, please examine the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights as outlined later in this document.

<Instructions for the Methods of Exercise of Voting Rights>

To those shareholders who attend the meeting in person

Please bring the voting form with you and present it at the reception desk when you attend the meeting. Also, please be sure to bring this notice with you.

To those shareholders who exercise the voting rights in writing

Please indicate your approval or disapproval on the voting form enclosed to exercise your voting rights, and return it to us by mail so it will arrive by 5:15 p.m. on Wednesday, June 22, 2016 (JST), which is the day immediately preceding the Annual General Meeting of Shareholders.

To those shareholders who exercise the voting rights via Internet, etc.

Please access the Internet voting website (<http://www.web54.net>) and input your approval or disapproval by 5:15 p.m. on Wednesday, June 22, 2016 (JST).

→Please refer to the attached “Guide to the Exercise of Voting Rights via the Internet, etc.” on page 5.

Details

1. Date and Time: Thursday, June 23, 2016 at 10 a.m. (JST)
(The reception of the attendees to the meeting at the reception desk shall start at 8:30 a.m.)

2. Place: Saitama Super Arena
8 Shintoshin, Chuo-ku, Saitama-shi, Saitama

Up until last year, we had been holding the annual general meeting of shareholders at our Head Office. However, we have decided to hold the meeting at the above venue to facilitate maximum attendance of shareholders.

3. Meeting Agenda

Matters to be reported:

1. The Business Report, Consolidated Financial Statements for the Company's 11th Term (April 1, 2015 to March 31, 2016) and results of audits by the Independent Auditor and the Audit Committee on the Consolidated Financial Statements.
2. Non-consolidated Financial Statements for the Company's 11th Term (April 1, 2015 to March 31, 2016)

Proposals to be resolved:

Proposal: Election of Fifteen (15) Directors

* If you plan to attend in person, please present the enclosed voting form at the reception desk upon your arrival.

* Any amendments to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements will be disclosed on the Company's Web site (<http://www.japanpost.jp/en/>)

* The meeting will be held in Japanese. We allow shareholders to be accompanied by an interpreter (sign-language interpreters included). If you wish to be accompanied by an interpreter, please apply for permission at the reception on the day. The Company is able to provide sign language interpretation; however, this is limited to the case of sign language interpretation in Japanese.

* We will not be handing out small gifts to the shareholders at the site of the meeting.

Instructions for Exercise of Voting Rights

A voting right at the General Meeting of Shareholders is an important right that entitles shareholders to participate in the Company's management. Please refer to the Reference Documents for the General Meeting of Shareholders later in this document (6–17 pages) and exercise your voting rights. You may exercise your voting rights by one of the following **three methods**:

1. By attending the General Meeting of Shareholders

Please submit the enclosed voting form to the reception desk of the meeting. (A personal seal will not be required.)

Date and Time: Thursday, June 23, 2016 at 10 a.m. (The reception of the attendees to the meeting at the reception desk shall start at 8:30 a.m.) (JST)

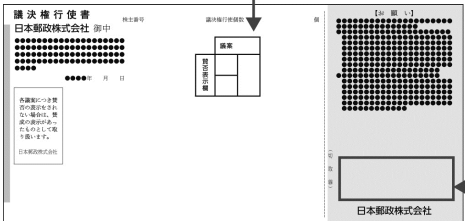
Place: Saitama Super Arena
8 Shintoshin, Chuo-ku, Saitama-shi, Saitama

2. By submitting the voting form by mail

Please indicate your approval or disapproval on the voting form and post it to the Company without a postage stamp.

Exercise due date: To be received no later than 5:15 p.m. on Wednesday, June 22, 2016 (JST)

■ Instructions to filling in the voting form



Please indicate your approval or disapproval for the proposal.

If you approve all candidates
→ Mark a ○ in the box marked “賛”

If you disapprove all candidates
→ Mark a ○ in the box marked “否”

If you selectively disapprove certain candidates
→ Mark a ○ in the box marked “賛” and write the number of each candidate you choose to disapprove.

Your “voting code (議決権行使コード)” and “password (パスワード),” which are necessary for exercising voting rights, are stated here.

[Handling of votes]

In the event that no indication of approval or disapproval on the voting form has been made, this shall be treated as the intent of approval.

3. By the exercise of voting rights via the Internet, etc.

To exercise your voting rights via the Internet, please refer to the attached “Guide to the Exercise of Voting Rights via the Internet, etc.”

To Institutional Investors

The electronic voting platform for institutional investors operated by Investor Communications Japan Inc. is available for institutional investors that have applied to use such platform in advance.

[Diverse exercise of voting rights]

Shareholders who will make a diverse exercise of voting rights are requested to notify the Company in writing of their intention to do so and state their reason for this no later than three (3) days before the General Meeting of Shareholders.

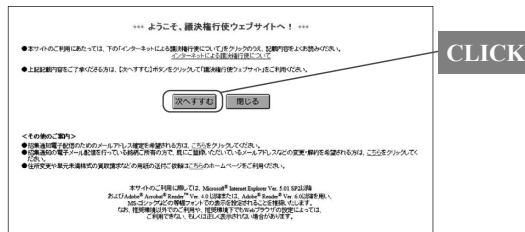
Guide to the Exercise of Voting Rights via the Internet, etc.

Exercise due date: No later than 5:15 p.m. on Wednesday, June 22, 2016 (JST)

1. Access the Internet voting website

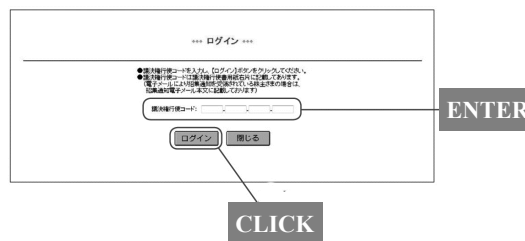
Please access the Internet voting website and click on “次へすすむ (NEXT).”

Internet voting website
<http://www.web54.net>



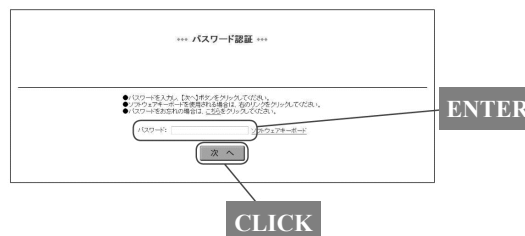
2. Log in

Enter the “議決権行使コード (voting code)” indicated on the voting form and click on “ログイン (Log in).”



3. Enter the password

Enter the “パスワード (password)” indicated on the voting form and click on “次へ (NEXT).”



Input your approval or disapproval by following the instructions displayed on the screen.

- * If you vote both by post and via the Internet, etc., we will treat only the vote submitted via the Internet, etc. as valid.
- * If you exercise your voting rights via the Internet, etc. multiple times, only the last vote exercised will be treated as valid.
- * The Internet voting website may not be available depending on usage environment of the Internet, services to which you subscribe, or device model you use.
- * The costs incurred when accessing the Internet voting website, including Internet access fees and communication expenses will be the responsibility of the shareholder.

**If you have any technical inquiries regarding the operation of a PC, etc.
for voting on this website, contact the following:**

Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited

Tel: 0120-652-031 (toll-free and available from 9:00 a.m. to 9:00 p.m., only in Japan)

Reference Documents for the General Meeting of Shareholders

Proposal and Reference Information

Proposal: Election of Fifteen (15) Directors

The terms of office of all of the current eighteen (18) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of fifteen (15) directors is proposed on the basis of the decision by the Nominating Committee. However, the election of Kunio Yokoyama, a candidate for Director, shall be effective as of June 28, 2016.

The candidates for Directors are as follows:

Candidate No.	Name	Current position and responsibility in the Company	
1	Masatsugu Nagato	Director and Representative Executive Officer, President & CEO, Member of the Nominating Committee and Member of the Compensation Committee	Reelection
2	Yasuo Suzuki	Director and Representative Executive Officer, Senior Executive Vice President, in charge of Internal Control Management	Reelection
3	Masami Ishii	Director	Reelection
4	Norito Ikeda	–	New election
5	Kunio Yokoyama	–	New election
6	Miwako Noma	Outside Director, Member of the Audit Committee	Reelection Outside Independent
7	Akio Mimura	Outside Director, Chairperson of the Nominating Committee	Reelection Outside Independent
8	Tadashi Yagi	Outside Director, Chairperson of the Audit Committee (full-time)	Reelection Outside Independent
9	Satoshi Seino	Outside Director, Member of the Compensation Committee	Reelection Outside Independent
10	Kunio Ishihara	Outside Director, Member of the Nominating Committee	Reelection Outside Independent
11	Yasuo Inubushi	Outside Director	Reelection Outside Independent
12	Toru Shimizu	Outside Director, Member of the Audit Committee	Reelection Outside Independent
13	Charles Ditmars Lake II	–	New election Outside Independent
14	Michiko Hirono	–	New election Outside Independent
15	Norio Munakata	–	New election Outside Independent

Notes: 1. The Company has entered into limited liability agreement with Mr. Masami Ishii, Ms. Miwako Noma, Mr. Akio Mimura, Mr. Tadashi Yagi, Mr. Satoshi Seino, Mr. Kunio Ishihara, Mr. Yasuo Inubushi and Mr. Toru Shimizu to limit their liabilities, which are provided in Article 423, paragraph 1 of the Companies Act, to the minimum limited liability amount stipulated by Article 425, paragraph 1 of the same Act, provided that these directors were acting in good faith and without gross negligence. If they are reappointed as directors, the Company plans to continue the above limited liability agreement with them. Furthermore, the Company plans to enter into limited

liability agreement with Mr. Norito Ikeda, Mr. Kunio Yokoyama, Mr. Charles Ditmars Lake II, Ms. Michiko Hirono and Mr. Norio Munakata if their appointments are approved.

2. Ms. Noma, Mr. Mimura, Mr. Yagi, Mr. Seino, Mr. Ishihara, Mr. Inubushi, and Mr. Shimizu are independent officers, whose appointment is required by the Tokyo Stock Exchange to ensure the protection of general shareholders' interests. Mr. Lake, Ms. Hirono and Mr. Munakata satisfy the Tokyo Stock Exchange's requirements for independent officer as well as the Company's selection criteria for independent officers. The Company thus intends to register them as independent officers with the Tokyo Stock Exchange.
3. Ms. Hirono's name on her family register is Michiko Fujii.

Name (Date of birth)	Career Summary and Position in the Company	
<p>1</p> <p>Masatsugu Nagato (Nov. 18, 1948)</p> <p>Number of the Company's Shares Owned 100 shares</p> <p>Tenure as Director 1 year</p> <p>Attendance at Board of Directors' meetings 13/14 (92.8%)</p> <p>[Reelection]</p>	<p>Apr. 1972</p> <p>Jun. 2000</p> <p>Jun. 2001</p> <p>Apr. 2002</p> <p>Apr. 2003</p> <p>Jun. 2006</p> <p>Jun. 2007</p> <p>Jun. 2010</p> <p>Jun. 2011</p> <p>Jan. 2012</p> <p>May 2015</p> <p>Jun. 2015</p> <p>Apr. 2016</p>	<p>Joined The Industrial Bank of Japan, Limited.</p> <p>Executive Officer of The Industrial Bank of Japan, Limited.</p> <p>Managing Executive Officer of The Industrial Bank of Japan, Limited.</p> <p>Managing Executive Officer of Mizuho Bank, Ltd.</p> <p>Managing Executive Officer of Mizuho Corporate Bank, Ltd.</p> <p>Corporate Executive Vice President of Fuji Heavy Industries Ltd.</p> <p>Director of the Board, Corporate Executive Vice President of Fuji Heavy Industries Ltd.</p> <p>Representative Director of the Board, Deputy President of Fuji Heavy Industries Ltd.</p> <p>Director & Vice Chairman of Citibank Japan Ltd.</p> <p>Director & Chairman of Citibank Japan Ltd.</p> <p>President and Representative Executive Officer of Japan Post Bank Co., Ltd.</p> <p>Director of the Company</p> <p>Director and Representative Executive Officer, President & CEO of the Company (to present)</p> <p>Director of Japan Post Co., Ltd. (to present)</p> <p>Director of Japan Post Bank Co., Ltd. (to present)</p> <p>[Position and responsibilities]</p> <p>Director and Representative Executive Officer, President & CEO, Member of the Nominating Committee, Member of the Compensation Committee</p> <p>[Significant concurrent positions]</p> <p>Director of Japan Post Co., Ltd., Director of Japan Post Bank Co., Ltd.</p> <p>[Reasons for nomination as candidate for Director]</p> <p>The Company has nominated Mr. Masatsugu Nagato as a candidate for Director, because he has held senior management posts such as Director & Chairman of Citibank Japan Ltd., and has an excellent track record as Director and Representative Executive Officer, President & CEO of Japan Post Bank Co., Ltd. (a major subsidiary of the Company), as well as being part of the management team of the Group as Director and Representative Executive Officer, President & CEO of the Company since April 2016. He can thus be expected to fulfill the responsibilities of making key executive decisions and supervising the execution of duties of executive officers by utilizing his extensive professional experience and track record.</p> <p>[Special interest between candidate for Director and the Company]</p> <p>There is no special interest between the candidate and the Company.</p>

Name (Date of birth)	Career Summary and Position in the Company
<p style="text-align: center;">2</p> <p style="text-align: center;">Yasuo Suzuki (Apr. 23, 1950)</p> <p>Number of the Company's Shares Owned 2,600 shares</p> <p>Tenure as Director 3 years</p> <p>Attendance at Board of Directors' meetings 16/16 (100%)</p> <p>Attendance at Nominating Committee's meetings 1/1 (100%)</p> <p>Attendance at Compensation Committee's meetings 1/1 (100%)</p> <p>[Reelection]</p>	<p>Apr. 1973 Joined the Ministry of Posts & Telecommunications</p> <p>May 2005 Director-General of the Postal Services Policy Department, Ministry of Internal Affairs and Communications</p> <p>Jul. 2006 Director-General of the Information and Communications Policy Bureau, Ministry of Internal Affairs and Communications</p> <p>Jul. 2007 Vice-Minister for Policy Coordination (Postal Service & Communication), Ministry of Internal Affairs and Communications</p> <p>Jul. 2009 Administrative Vice-Minister for Management and Coordination, Ministry of Internal Affairs and Communications</p> <p>Jan. 2010 Adviser to the Ministry of Internal Affairs and Communications</p> <p>Oct. 2010 Adviser to Sompo Japan Inc. (currently Sompo Japan Nipponkoa Insurance Inc.)</p> <p>Jun. 2013 Director and Representative Executive Officer, Executive Vice President of the Company Director of Japan Post Co., Ltd. (to present)</p> <p>Jun. 2015 Director and Representative Executive Officer, Senior Executive Vice President of the Company (to present)</p> <p>[Position and responsibilities] Director and Representative Executive Officer, Senior Executive Vice President, in charge of Internal Control Management</p> <p>[Significant concurrent positions] Director of Japan Post Co., Ltd.</p> <p>[Reasons for nomination as candidate for Director] The Company has nominated Mr. Yasuo Suzuki as a candidate for Director, because he has extensive career experience in postal service policy and other business areas as Director-General of the Postal Services Policy Department and Administrative Vice-Minister for Management and Coordination, Ministry of Internal Affairs and Communications. He has also been a member of the management team of the Group as Director and Representative Executive Officer, Senior Executive Vice President of the Company. He can thus be expected to fulfill the responsibilities of making key executive decisions and supervising the execution of duties of executive officers by utilizing his extensive professional experience and track record.</p> <p>[Special interest between candidate for Director and the Company] There is no special interest between the candidate and the Company.</p>

Name (Date of birth)	Career Summary and Position in the Company
<p style="text-align: center;">3</p> <p style="text-align: center;">Masami Ishii (Sep. 4, 1952)</p> <p>Number of the Company's Shares Owned 600 shares</p> <p>Tenure as Director 3 years</p> <p>Attendance at Board of Directors' meetings 16/16 (100%)</p> <p>[Reelection]</p>	<p>Apr. 1976 Joined Yasuda Fire & Marine Insurance Co., Ltd. (currently Sompo Japan Nipponkoa Insurance Inc.)</p> <p>Apr. 2005 Executive Officer of Yasuda Fire & Marine Insurance Co., Ltd.</p> <p>Apr. 2007 Managing Executive Officer of Yasuda Fire & Marine Insurance Co., Ltd.</p> <p>Jun. 2007 Director & Managing Executive Officer of Yasuda Fire & Marine Insurance Co., Ltd.</p> <p>Jun. 2010 Representative Director & Senior Managing Executive Officer of Yasuda Fire & Marine Insurance Co., Ltd.</p> <p>Apr. 2011 Representative Director & Executive Vice President of Yasuda Fire & Marine Insurance Co., Ltd.</p> <p>Jun. 2012 President and CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd. (to present)</p> <p>Jun. 2013 Director of the Company (to present)</p> <p>[Position and responsibilities] Director</p> <p>[Significant concurrent positions] President and CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd., Adviser to Sompo Japan Nipponkoa Insurance Inc.</p> <p>[Reasons for nomination as candidate for Director] The Company has nominated Mr. Masami Ishii as a candidate for Director, because he has held key management positions including Representative Director & Executive Vice President of Yasuda Fire & Marine Insurance Co., Ltd. (now Sompo Japan Nipponkoa Insurance Inc.) and is a member of the management team of Japan Post Insurance Co., Ltd., a major subsidiary of the Company, as President & CEO, Representative Executive Officer. He can thus be expected to fulfill the responsibilities of making key executive decisions and supervising the execution of duties of executive officers by utilizing his extensive professional experience and track record.</p> <p>[Special interest between candidate for Director and the Company] Mr. Ishii is currently President & CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd., which has entered into an agreement concerning group operations with the Company. Under the terms of the agreement, the Company receives payment of brand value usage fees from Japan Post Insurance. The two companies also engage in business transactions such as the leasing of real estate.</p>

Name (Date of birth)	Career Summary and Position in the Company
<p style="text-align: center;">4</p> <p style="text-align: center;">Norito Ikeda (Dec. 9, 1947)</p> <p>Number of the Company's Shares Owned – shares</p> <p>[New]</p>	<p>Apr. 1970 Joined The Bank of Yokohama, Ltd.</p> <p>Jun. 1996 Director of The Bank of Yokohama, Ltd</p> <p>Apr. 2001 Representative Director of The Bank of Yokohama, Ltd</p> <p>Jun. 2003 Director of The Bank of Yokohama, Ltd and Representative Director and Chairman of Yokohama Capital Co., Ltd.</p> <p>Dec. 2003 President of The Ashikaga Bank, Ltd. (Representative Director)</p> <p>Jun. 2004 President of The Ashikaga Bank, Ltd. (Chief Executive Officer)</p> <p>Sep. 2008 Special advisor of A.T. Kearney</p> <p>Feb. 2012 President and Representative Director of the Organization to Support Revitalization of Businesses Affected by the Great East Japan Earthquake.</p> <p>Apr. 2016 President and Representative Executive Officer of Japan Post Bank Co., Ltd. (to present)</p> <p>[Significant concurrent positions]</p> <p>President and Representative Executive Officer of Japan Post Bank Co., Ltd.</p> <p>[Reasons for nomination as candidate for Director]</p> <p>The Company has nominated Mr. Norito Ikeda as a candidate for Director, because he has held key management positions including President of the Ashikaga Bank, Ltd. (Representative Director), and has been member of the management team of Japan Post Bank Co., Ltd., a major subsidiary of the Company, as President and Representative Executive Officer since April 2016. He can thus be expected to fulfill the responsibilities of making key executive decisions and supervising the execution of duties of executive officers by utilizing his extensive professional experience and track record.</p> <p>[Special interest between candidate for Director and the Company]</p> <p>Mr. Ikeda is currently President and Representative Executive Officer of Japan Post Bank Co., Ltd., which has entered into an agreement concerning group operations with the Company. Under the terms of the agreement, the Company receives payment of brand value usage fees from Japan Post Bank. The two companies also engage in business transactions such as the leasing of real estate.</p>
<p style="text-align: center;">5</p> <p style="text-align: center;">Kunio Yokoyama (Aug. 4, 1956)</p> <p>Number of the Company's Shares Owned – shares</p> <p>[New]</p>	<p>Apr. 1981 Joined The Sumitomo Band, Limited</p> <p>Feb. 2006 Executive Officer of the Company</p> <p>Oct. 2007 Senior Managing Executive Officer of the Company</p> <p>Oct. 2009 Executive Officer of Sumitomo Mitsui Banking Corporation</p> <p>Apr. 2011 Managing Executive Officer of Sumitomo Mitsui Banking Corporation</p> <p>May 2013 Executive Deputy President of Sumitomo Mitsui Asset Management Company, Limited</p> <p>Jun. 2013 Director and Deputy President, Executive Deputy President of Sumitomo Mitsui Asset Management Company, Limited</p> <p>Apr. 2014 Representative Director, President & CEO of Sumitomo Mitsui Asset Management Company, Limited (to present)</p> <p>Mr. Kunio Yokoyama as a candidate for Director will retire Representative Director, President & CEO at Sumitomo Mitsui Asset Management Company, Limited on June 27, 2016.</p> <p>[Reasons for nomination as candidate for Director]</p> <p>The Company has nominated Mr. Yokoyama as a candidate for Director, because he has held key management positions including Representative Director, President and CEO of Sumitomo Mitsui Asset Management Company, Limited and can thus be expected to fulfill the responsibilities of making key executive decisions and supervising the execution of duties of executive officers by utilizing his extensive professional experience and track record.</p> <p>[Special interest between candidate for Director and the Company]</p> <p>There is no special interest between the candidate and the Company.</p>

Name (Date of birth)	Career Summary and Position in the Company
<p style="text-align: center;">6</p> <p style="text-align: center;">Miwako Noma (Jul. 13, 1948)</p> <p>Number of the Company's Shares Owned 1,300 shares</p> <p>Tenure as Outside Director 3 years</p> <p>Attendance at Board of Directors' meetings 16/16 (100%)</p> <p>Attendance at Audit Committee's meetings 24/24 (100%)</p> <p>[Candidate for Outside Officer] [Independent Officer] [Reelection]</p>	<p>Apr. 1971 Joined Ando Corp.</p> <p>Apr. 1973 Joined Nezu Architects Office Ltd.</p> <p>Feb. 1979 Established Noma Architectural Design Office</p> <p>Jan. 1989 Representative Director of Noma Architectural Design Office Ltd. (currently Nippon Gurashi Co., Ltd.) (to present)</p> <p>Jun. 2013 Director of the Company (to present)</p> <p>[Position and responsibilities] Outside Director, Member of the Audit Committee</p> <p>[Significant concurrent positions] Representative Director of Nippon Gurashi Co., Ltd., Representative Director of Mochizuki Inc.</p> <p>[Reasons for nomination as candidate for Outside Director] The Company has nominated Ms. Miwako Noma as a candidate for Director, because she has many years' experience on the management team of a business corporation as Representative Director of Nippon Gurashi Co., Ltd. in Kyoto City and has worked intensively in the field of regional revitalization. She can thus be expected to supervise and check the management of the Company by utilizing her extensive professional experience and track record.</p> <p>[Special interest between candidate for Director and the Company] There is no special interest between the candidate and the Company.</p>
<p style="text-align: center;">7</p> <p style="text-align: center;">Akio Mimura (Nov. 2, 1940)</p> <p>Number of the Company's Shares Owned – shares</p> <p>Tenure as Outside Director 3 years</p> <p>Attendance at Board of Directors' meetings 14/16 (87.5%)</p> <p>Attendance at Nominating Committee's meetings 5/5 (100%)</p> <p>[Candidate for Outside Officer] [Independent Officer] [Reelection]</p>	<p>Apr. 1963 Joined Fuji Iron & Steel Co., Ltd. (currently Nippon Steel & Sumitomo Metal Corporation)</p> <p>Jun. 1993 Director of Nippon Steel Corporation (currently Nippon Steel & Sumitomo Metal Corporation)</p> <p>Apr. 1997 Managing Director of Nippon Steel Corporation</p> <p>Apr. 2000 Representative Director and Executive Vice President of Nippon Steel Corporation</p> <p>Apr. 2003 Representative Director and President of Nippon Steel Corporation</p> <p>Apr. 2008 Representative Director and Chairman of Nippon Steel Corporation</p> <p>Oct. 2012 Director and Senior Advisor to the Board of Nippon Steel Corporation</p> <p>Jun. 2013 Director of Japan Post Holdings Co., Ltd. (to present) Senior Adviser to the Board of Nippon Steel & Sumitomo Metal Corporation</p> <p>Nov. 2013 Senior Adviser to the Board and Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation (to present)</p> <p>[Position and responsibilities] Outside Director, Chairperson of the Nominating Committee</p> <p>[Significant concurrent positions] Senior Adviser to the Board and Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation, Chairman of the Japan Chamber of Commerce and Industry, Chairman of the Tokyo Chamber of Commerce and Industry, Director of Development Bank of Japan Inc., Director of Innovation Network Corporation of Japan, Director of Tokio Marine Holdings, Inc., Director of Nisshin Seifun Group Inc.</p> <p>[Reasons for nomination as candidate for Outside Director] The Company has nominated Mr. Akio Mimura as a candidate for Director, because he has many years' experience on the management team of Fuji Iron & Steel Co., Ltd. and Nippon Steel Corporation (now Nippon Steel & Sumitomo Metal Corporation) as President and Chairman & Representative Director. Mr. Mimura can thus be expected to supervise and check the management of the Company by utilizing his knowledge and experience as a management expert.</p> <p>[Special interest between candidate for Director and the Company] There is no special interest between the candidate and the Company.</p>

Name (Date of birth)	Career Summary and Position in the Company	
<p style="text-align: center;">8</p> <p style="text-align: center;">Tadashi Yagi (Jan. 2, 1948)</p> <p>Number of the Company's Shares Owned 1,300 shares</p> <p>Tenure as Outside Director 3 years</p> <p>Attendance at Board of Directors' meetings 16/16 (100%)</p> <p>Attendance at Audit Committee's meetings 24/24 (100%)</p> <p>[Candidate for Outside Officer] [Independent Officer] [Reelection]</p>	<p>Apr. 1971</p> <p>Jan. 2008</p> <p>Jun. 2010</p> <p>Jun. 2012</p> <p>Jun. 2013</p> <p>Jun. 2015</p>	<p>Joined Kyodo News Service, Incorporated Association (currently Kyodo News Service, General Incorporated Association)</p> <p>Nagoya Bureau Chief of Kyodo News Service (Equivalent to Director)</p> <p>Managing Controller of Kyodo News Service</p> <p>Special Adviser of Kyodo News Service</p> <p>Director of the Company (to present)</p> <p>Corporate Auditor of Kyodo Tsushin Kaikan Co., Ltd.</p> <p>Corporate Auditor of Kyodo News Service (to present)</p> <p>[Position and responsibilities] Outside Director, Chairperson of the Audit Committee (full-time)</p> <p>[Significant concurrent positions] Corporate Auditor of Kyodo News Service</p> <p>[Reasons for nomination as candidate for Outside Director] The Company has nominated Mr. Tadashi Yagi as a candidate for Director, because he has deep and extensive knowledge of political, economic, and other factors that affect corporate management acquired in management positions of Kyodo News Service such as Nagoya Bureau Chief and Managing Controller. Mr. Yagi can thus be expected to supervise and check the management of the Company by utilizing his extensive professional knowledge and experience.</p> <p>[Special interest between candidate for Director and the Company] There is no special interest between the candidate and the Company.</p>
<p style="text-align: center;">9</p> <p style="text-align: center;">Satoshi Seino (Sep. 30, 1947)</p> <p>Number of the Company's Shares Owned 300 shares</p> <p>Tenure as Outside Director 2 years</p> <p>Attendance at Board of Directors' meetings 15/16 (93.7%)</p> <p>Attendance at Compensation Committee's meetings 1/1 (100%)</p> <p>[Candidate for Outside Officer] [Independent Officer] [Reelection]</p>	<p>Apr. 1970</p> <p>Jun. 1996</p> <p>Jun. 2000</p> <p>Jun. 2002</p> <p>Apr. 2006</p> <p>Apr. 2012</p> <p>Jun. 2014</p>	<p>Joined Japan National Railways</p> <p>Director of East Japan Railway Company</p> <p>Executive Director of East Japan Railway Company</p> <p>Representative Director and Executive Vice President of East Japan Railway Company</p> <p>Representative Director and President of East Japan Railway Company</p> <p>Director and Chairman of East Japan Railway Company (to present)</p> <p>Director of the Company (to present)</p> <p>[Position and responsibilities] Outside Director, Member of the Compensation Committee</p> <p>[Significant concurrent positions] Director and Chairman of East Japan Railway Company, Director of Tohoku Electric Power Co., Inc.</p> <p>[Reasons for nomination as candidate for Outside Director] The Company has nominated Mr. Satoshi Seino as a candidate for Director, because he has many years' experience on the management team of East Japan Railway Company as President and Representative Director and Chairman. Mr. Seino can thus be expected to supervise and check the management of the Company by utilizing his knowledge and experience as a management expert.</p> <p>[Special interest between candidate for Director and the Company] There is no special interest between the candidate and the Company.</p>

Name (Date of birth)	Career Summary and Position in the Company
<p style="text-align: center;">10</p> <p style="text-align: center;">Kunio Ishihara (Oct. 17, 1943)</p> <p>Number of the Company's Shares Owned 600 shares</p> <p>Tenure as Outside Director 1 year</p> <p>Attendance at Board of Directors' meetings 12/14 (85.7%)</p> <p>Attendance at Nominating Committee's meetings 1/1 (100%)</p> <p>[Candidate for Outside Officer] [Independent Officer] [Reelection]</p>	<p>Apr. 1966 Joined Tokio Marine and Fire Insurance Co., Ltd.</p> <p>Jun. 1995 Director of Tokio Marine and Fire Insurance Co., Ltd.</p> <p>Jun. 1998 Managing Director of Tokio Marine and Fire Insurance Co., Ltd.</p> <p>Jun. 2000 Senior Managing Director of Tokio Marine and Fire Insurance Co., Ltd.</p> <p>Jun. 2001 Director and President of Tokio Marine and Fire Insurance Co., Ltd.</p> <p>Apr. 2002 Director and President of Millea Holdings, Inc.</p> <p>Oct. 2004 Director and President of Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>Jun. 2007 Director and Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. Director and Chairman of the Board of Millea Holdings, Inc.</p> <p>Jul. 2008 Director and Chairman of the Board of Tokio Marine Holdings Inc.</p> <p>Jun. 2013 Senior Adviser to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. (to present)</p> <p>Jun. 2015 Director of the Company (to present)</p> <p>[Position and responsibilities] Outside Director, Member of the Nominating Committee</p> <p>[Significant concurrent positions] Senior Adviser to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd., Corporate Auditor of Tokyu Corporation</p> <p>[Reasons for nomination as candidate for Outside Director] The Company has nominated Mr. Kunio Ishihara as a candidate for Director, because he has many years' experience on the management team of Tokio Marine & Nichido Fire Insurance Co., Ltd. as Director and President/Chairman. Mr. Ishihara will thus be expected to supervise and check the management of the Company by utilizing his knowledge and experience as a management expert.</p> <p>[Special interest between candidate for Director and the Company] There is no special interest between the candidate and the Company.</p>

Name (Date of birth)	Career Summary and Position in the Company
<p style="text-align: center;">11</p> <p style="text-align: center;">Yasuo Inubushi (Feb. 10, 1944)</p> <p>Number of the Company's Shares Owned 900 shares</p> <p>Tenure as Outside Director 1 year</p> <p>Attendance at Board of Directors' meetings 13/14 (92.8%)</p> <p>[Candidate for Outside Officer] [Independent Officer] [Reelection]</p>	<p>Apr. 1967 Joined Kobe Steel, Ltd.</p> <p>Jun. 1996 Director of Kobe Steel, Ltd.</p> <p>Jun. 1999 Managing Executive Officer of Kobe Steel, Ltd.</p> <p>Jun. 2000 Director, Managing Executive Officer of Kobe Steel, Ltd.</p> <p>Jun. 2001 Senior Managing Executive Officer of Kobe Steel, Ltd.</p> <p>Jun. 2002 Executive Vice President and Representative Director of Kobe Steel, Ltd.</p> <p>Apr. 2004 President, CEO and Representative Director of Kobe Steel, Ltd.</p> <p>Apr. 2009 Director, Senior Adviser to the Board of Kobe Steel, Ltd.</p> <p>Jun. 2009 Senior Adviser to the Board of Kobe Steel, Ltd.</p> <p>Jul. 2014 Honorary Adviser to the Board of Kobe Steel, Ltd. (to present)</p> <p>Jun. 2015 Director of the Company (to present)</p> <p>[Position and responsibilities] Outside Director</p> <p>[Significant concurrent positions] Honorary Adviser to the Board of Kobe Steel, Ltd., Representative Director, Chairman of Kobe-Osaka International Port Corporation</p> <p>[Reasons for nomination as candidate for Outside Director] The Company has nominated Mr. Yasuo Inubushi as a candidate for Outside Director, because he has many years' experience on the management team of Kobe Steel, Ltd. as President, CEO and Representative Director. Mr. Inubushi can thus be expected to supervise and check the management of the Company by utilizing his knowledge and experience as a management expert.</p> <p>[Special interest between candidate for Outside Director and the Company] There is no special interest between the candidate and the Company.</p>
<p style="text-align: center;">12</p> <p style="text-align: center;">Toru Shimizu (Jun. 15, 1948)</p> <p>Number of the Company's Shares Owned – shares</p> <p>Tenure as Outside Director 10 Months</p> <p>Attendance at Board of Directors' meetings 11/11 (100%)</p> <p>Attendance at Audit Committee's meetings 13/13 (100%)</p> <p>[Candidate for Outside Officer] [Independent Officer] [Reelection]</p>	<p>Apr. 1972 Joined Hitachi, Ltd.</p> <p>Apr. 2005 Officer of Hitachi Software Engineering Co., Ltd.</p> <p>Apr. 2007 Vice President and Executive Officer of Hitachi Software Engineering Co., Ltd.</p> <p>Apr. 2010 Director, Senior Vice President and Executive Officer of Hitachi Software Engineering Co., Ltd.</p> <p>Oct. 2010 Director, Senior Vice President and Executive Officer of Hitachi Solutions, Ltd.</p> <p>Apr. 2011 Senior Managing Director of Hitachi Insurance Services, Ltd.</p> <p>Jun. 2011 Director and President of Hitachi Insurance Services, Ltd.</p> <p>Apr. 2015 Adviser of Hitachi Insurance Service, Ltd. (to present)</p> <p>Sep. 2015 Director of the Company (to present)</p> <p>[Position and responsibilities] Outside Director, Member of the Audit Committee</p> <p>[Significant concurrent positions] Adviser of Hitachi Insurance Services, Ltd.</p> <p>[Reasons for nomination as candidate for Outside Director] The Company has nominated Mr. Toru Shimizu as a candidate for Outside Director because he has held key management positions including Director and President of Hitachi Insurance Services, Ltd. and has many years' experience on management teams of business corporations. With his management expertise, especially his specialist knowledge and experience of finance and accounting, he can be expected to supervise and check the management of the Company.</p> <p>[Special interest between candidate for Outside Director and the Company] There is no special interest between the candidate and the Company.</p>

Name (Date of birth)	Career Summary and Position in the Company
<p style="text-align: center;">13</p> <p style="text-align: center;">Charles Ditmars Lake II (Jan. 8, 1962)</p> <p>Number of the Company's Shares Owned – shares</p> <p>[Candidate for Outside Officer] [Independent Officer] [New]</p>	<p>Aug. 1992 Director for Japan Affairs of Office of the U.S. Trade Representative (USTR)</p> <p>Jul. 1993 Director for Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative</p> <p>Jan. 1995 Attorney at Dewey Ballantine LLP</p> <p>Jun. 1999 Vice President and Counsel of Japan Branch, American Family Life Assurance Company of Columbus (Aflac Japan)</p> <p>Jul. 2001 Deputy President of Aflac Japan</p> <p>Jan. 2003 President and Representative of Aflac Japan</p> <p>Apr. 2005 Vice Chairman and Representative of Aflac Japan.</p> <p>Jul. 2008 Chairman and Representative of Aflac Japan (to present)</p> <p>Jan. 2014 President and Member of the Board of Directors of Aflac International Incorporated (to present)</p> <p>[Significant concurrent positions] Chairman and Representative of Aflac Japan, President and Member of the Board of Directors of Aflac International Incorporated and Independent Director of Japan Exchange Group Inc.</p> <p>[Reasons for nomination as candidate for Outside Director] The Company has nominated Mr. Charles D. Lake II as a candidate for Outside Director, because he has many years' experience of corporate management as Representative and Chairman and other senior management positions in Japan with American Family Life Assurance Company of Columbus, Inc. (Aflac), and can be expected to supervise and check the management of the Company as a highly experienced management expert.</p> <p>[Special interest between candidate for outside Director and the Company] Mr. Lake is Chairman of Aflac Japan, which has entered into a comprehensive business alliance with the Company and runs businesses in partnership with the Company.</p>
<p style="text-align: center;">14</p> <p style="text-align: center;">Michiko Hirono (Michiko Fujii) (Mar. 18, 1961)</p> <p>Number of the Company's Shares Owned – shares</p> <p>[Candidate for Outside Officer] [Independent Officer] [New]</p>	<p>Feb. 1989 Joined Venture Link Co., Ltd.</p> <p>Jul. 1993 Joined Plaza Create Co., Ltd.</p> <p>May 1997 Managing Director of PokkaCreate Co., Ltd.</p> <p>Jul. 1998 Senior Vice-President, K.K. MVC</p> <p>Jul. 1998 Vice President of Tully's Coffee Japan Co., Ltd.</p> <p>Mar. 2000 Found 21 Lady Co., Ltd, President (to present)</p> <p>Jun. 2002 Representative Director and President of HIROTA Co, Ltd.</p> <p>Mar. 2010 Representative Director and President of Illums Japan Co., Ltd. (to present)</p> <p>Nov. 2011 Representative Director, Chairman and President of HIROTA Co, Ltd. (to present)</p> <p>Jun. 2014 Director of the Company (to present)</p> <p>[Significant concurrent positions] President of 21 Lady Co., Ltd., Representative Director and President of Illums Japan Co., Ltd., Representative Director, Chairman and President of HIROTA Co, Ltd., Director of Japan Post Co., Ltd. and Director of Nissen Holdings Co., Ltd.</p> <p>[Reasons for nomination as candidate for Outside Director] The Company has nominated Ms. Michiko Hirono as a candidate for Outside Director, because she has many years' experience on the management teams of business corporations such as 21 Lady Co., Ltd. Ms. Hirono can thus be expected to supervise and check the management of the Company by utilizing her knowledge and experience as a management expert.</p> <p>[Special interest between candidate for Outside Director and the Company] There is no special interest between the candidate and the Company.</p>

Name (Date of birth)	Career Summary and Position in the Company
<p style="text-align: center;">15</p> <p style="text-align: center;">Norio Munakata (Jan. 12, 1942)</p> <p>Number of the Company's Shares Owned – shares</p> <p>[Candidate for Outside Officer] [Independent Officer] [New]</p>	<p>Apr. 1968 Public Prosecutor of the Tokyo District Public Prosecutors Office</p> <p>Jul. 1993 Manager of Special Investigation Department, Tokyo District Public Prosecutors Office</p> <p>Nov. 2000 Manager of Detective Department, Supreme Public Prosecutors Office</p> <p>Jul. 2001 Chief Public Prosecutor of Takamatsu High Public Prosecutors Office</p> <p>Feb. 2003 Chief Public Prosecutor of Nagoya High Public Prosecutors Office</p> <p>Feb. 2004 Registered as Attorney (to present)</p> <p>Apr. 2004 Professor, Chuo University Law School</p>
	<p>[Significant concurrent positions] Attorney, Advisor of Cabinet Secretary</p> <p>[Reasons for nomination as candidate for Outside Director] The Company has nominated Mr. Norio Munakata as a candidate for Outside Director, because he has a long and distinguished career in law, including Chief Public Prosecutor of Nagoya High Public Prosecutors Office, and can thus be expected to supervise and check the management of the Company by utilizing his knowledge and experience as a legal expert. Mr. Munakata has not been involved in corporate management other than as an Outside Director, but we consider him to be a suitable candidate to perform the duties of Outside Director of the Company for the reasons stated above.</p> <p>[Special interest between candidate for Director and the Company] There is no special interest between the candidate and the Company.</p>

- Notes: 1. Attendance at Board of Directors' meetings, Nominating Committee meetings, Compensation Committee meetings, and Auditing Committee meetings refers to attendance in the fiscal year ended March 31, 2016. In case where a person has assumed office in the middle of the fiscal year, attendance after assuming office is stated.
2. Tenure refers to the number of years served as of the date of the conclusion of this Annual General Meeting of Shareholders.
3. Mr. Nagato will assume office as Director of Japan Post Insurance Co., Ltd. on June 22, 2016.
4. Mr. Yagi will retire Corporate Auditor of Kyodo News Service on June 16, 2016, and assume office as consultant of the same company on the same date.
5. Mr. Lake will assume office as Director of Tokyo Electron Limited on June 17, 2016, and retire Director of Japan Exchange Group Inc. on June 21, 2016.
6. Ms. Hirono will retire Director of Japan Post Co., Ltd. on June 28, 2016.

Reference: Japan Post Holdings Co., Ltd. Standards for Designating Independent Officers

Japan Post Holdings Co., Ltd. shall designate independent officers as specified by the Tokyo Stock Exchange among those who do not fall under any of the following categories.

1. Person who has been a person who executes business (hereinafter referred to as "executive") of the Japan Post Group
2. Party for whom the Japan Post Group is a major business partner, or an executive (or other) thereof
3. Major business partner of the Japan Post Group, or an executive (or other) thereof
4. Consultant, accounting expert or legal expert who receives or has received a large amount of monetary consideration or other property from the Japan Post Group, in addition to compensation as a director (if the recipient of the said consideration is a corporation, partnership, or other organization, a person who is or was a member of the organization).
5. Major shareholder of the Company (if the shareholder is a corporation other than the government, an executive (or other) thereof)
6. Spouse or relative within the second degree of kinship of the following persons (excluding those who are not significant persons)
 - (1) Persons in categories 1. – 5. above
 - (2) Executives of subsidiaries of the Company
7. Executive (or other) of another company in which an executive (or other) of the Japan Post Group serves as an outside officer
8. Person who receives a large amount of donations from the Japan Post Group (if the recipient of the said donations is a corporation, partnership, or other organization, an executive (or other) thereof, or an equivalent person).

(Notes)

1. Terms appearing in “Japan Post Holdings Co., Ltd. Standards for the Independence of Outside Directors” are defined as follows.

Japan Post Group	Japan Post Holdings Co., Ltd. and its subsidiaries
Executive	Executive as defined in Article 2, paragraph 3, item 6 of the Ordinance for Enforcement of the Companies Act
Executive (or other)	Executive or a person who was previously an executive
Party for whom the Japan Post Group is a major business partner	Party who has received an average annual payment in the past three fiscal years from the Japan Post Group that is more than 2% of the average annual consolidated gross sales of the past three fiscal years of the said party
Major business partner of the Japan Post Group	Person whose average annual payment to the Japan Post Group in the past three fiscal years is over 2% of the average annual consolidated ordinary income of the past three fiscal years of the said person
large amount of monetary consideration	Monetary consideration of an average annual amount in the past three fiscal years is ¥10 million or more
Major shareholder	Major shareholder as provided in Article 163, paragraph 1 of the Financial Instruments and Exchange Act
Large amount of donations	Donations of an average annual amount in the past three fiscal years of ¥10 million or more

2. Regarding attribute information of independent officers, entry of the said attribute information will be omitted if the transaction or donation concerning the said independent officer falls under any of the “insignificance criteria” below, because they are considered to have no effect on the independence of the said independent officer.

(1) Business transactions

- 1) Average annual payment in the past three fiscal years by the Japan Post Group to the business partner of less than 1% of the average annual consolidated gross sales in the past three fiscal years of the said business partner
- 2) Average annual payment in the past three fiscal years to the Japan Post Group by the business partner of less than 1% of the average annual consolidated gross ordinary income of the Japan Post Group in the past three fiscal years

(2) Donations

Average annual donations received from the Japan Post Group in the past three fiscal years of less than ¥5 million.

Business Report

(April 1, 2015 – March 31, 2016)

1. Items Relating to the Company's Current State

(1) Progress and Results of the Group's Businesses and Others

Contents of Major Businesses of the Group

The main business entities of the Japan Post Group (hereinafter referred to as the "Group") are Japan Post Co., Ltd. (hereinafter referred to as, "Japan Post Co."), Japan Post Bank Co., Ltd. (hereinafter referred to as, "Japan Post Bank"), and Japan Post Insurance Co., Ltd. (hereinafter referred to as, "Japan Post Insurance"). These business entities are engaged, in the postal and domestic logistics business, the international logistics business, the post office business, the banking business, and the life insurance business.

Financial and Economic Environment

Looking at the economic climate in Japan during the fiscal year ended March 31, 2016, a moderate recovery trend was seen due to an improvement in capital investment and corporate earnings, despite the impact of a slowdown in emerging economies in terms of exports and production.

Although emerging economies suffered an economic slowdown, the world economy underwent modest growth, mainly in developed countries.

In the financial and capital markets, the yield rate on ten-year Japanese government bonds entered negative territory since February 2016 due to additional monetary easing by the Bank of Japan, thus reaching an all-time low. The Nikkei Stock Average temporarily dropped to the ¥14,000 range, mainly owing to heightened risk aversion by investors due to the decline in European and U.S. stock prices and crude oil prices, as well as the appreciation of the yen and the depreciation of the dollar. However, as risk aversion by investors eased mainly due to firmness in the U.S. economy, the Nikkei Stock Average recovered to the ¥16,000 range in March 2016.

In the logistics industry, while the delivery market for small-size goods such as courier service is expanding due to expansion of the mail order and the e-commerce markets, there is severe competition as companies work to improve the quality of services in response to growing customer needs for service quality. In the postal business, the volume of mail continues to decrease, reflecting progress in making invoices and other documents available online owing to the widespread use of the Internet. In addition, unit personnel expenses are rising mainly as a result of the tight labor market.

In the banking industry, during the fiscal year ended March 31, 2016, real deposits at banks nationwide increased year-on-year and loans also increased for five consecutive years. The financial system remains stable as a whole, and no major problems have arisen with respect to funding by financial institutions in an environment of monetary easing.

The life insurance industry is playing a larger role in supporting the self-help efforts of customers by strengthening sales channels and developing products in response to diversification of customer needs and growing selectivity which mainly reflect the progress of aging population combined with low birthrates and single-person households and changes in lifestyle.

Progress and Results of the Group's Businesses

In April 2015, the Japan Post Group announced the new medium-term management plan for fiscal year 2016 to fiscal year 2018, "Japan Post Group Medium-term Management Plan- New Japan Post Group Network Creation Plan 2017." The Plan is based on the Group's three medium-term group management policy, which are as follows: "Bolstering the earning power of our three core businesses and strengthening the Group's business foundation," "Fulfilling our obligation to provide universal services," and "Enhancing our corporate value in anticipation of the Group's stock listing." The Plan, moreover, sets a new goal for the Group to evolve into a "Total lifestyle support corporate group" in the future, all

the while overcoming new three challenges: “Pursuing greater profitability,” “Improving productivity,” and “Corporate governance and the return of profits to shareholders appropriate for listed companies.” In addition, in order to pursue these challenges, the entire Group will tackle the “Strategies for business growth and development,” which include revival of the postal and logistics business and vitalization of the post office network. We will also seek to address the “Group strategies that support network expansion and the evolution of functions,” which include more active usages of IT and investments in facilities and equipment. In the fiscal year under review, the first year of the new medium-term plan, the Group undertook various new initiatives centering on its three core businesses.

In addition, the Company and its two finance subsidiaries (Japan Post Bank and Japan Post Insurance) achieved a simultaneous listing on the First Section of the Tokyo Stock Exchange on November 4, 2015.

Prior the application for listing of the two finance companies, in April 2015 the Group introduced a new group management structure that demonstrates the integrated strength of the Group while also increasing the independent and autonomous management of its two finance companies. In addition, internal controls were strengthened to ensure the transparency of management decisions and business operations and to enhance corporate governance of the Group in preparation of the Group’s stock listing. As the Group’s holding company, the Company continues to provide the support and guidance required for proper oversight and understanding of each Group company’s progress in establishing and implementing a compliance program and the appropriateness of their internal audit system.

The Company, during the fiscal year under review as well, is working to establish and secure implementation of each group company’s basic management policy in order to secure universal services of mail, savings deposits, and insurance and provide steady services preserving and using the post office network. In addition to encouraging group companies to outsource the execution of peripheral business when such subcontracting supports greater consolidation and efficiency of those operations, the Company endeavored to improve the management and operation of its hospital and hotel businesses. The Company also established internal rules related to insider trading and drafted its own “Basic Policy Regarding Corporate Governance” outlining its basic views on corporate governance, a framework and operational procedures to ensure compliance with those views.

Moreover, in order to maintain the utility and public value of the services each group company offers, each group is implementing initiatives to increase customer satisfaction and CSR activities and providing reconstruction aid to the Great East Japan Earthquake based on the Japan Post Group’s responsibility to society.

As a result of the efforts outlined above, in the fiscal year under review, the Group posted consolidated ordinary income of ¥14,257.5 billion (a year-on-year decrease of 0.00%), consolidated net ordinary income of ¥966.2 billion (a year-on-year decrease of 13.40%), and consolidated net income attributable to Japan Post Holdings of ¥425.9 billion (a year-on-year decrease of 11.74%).

Postal and Domestic Logistics Business

In the postal and domestic logistics business, efforts were made to maintain and expand the use of mail primarily through SNS-linked services using smartphone and other devices such as for New Year’s cards, activities aimed at conveying the joy of writing letters, and development of new services by Smart Letter. At the same time, efforts were made to enhance the quality of service, including preventing delivery to the wrong address, through training and education. In addition, trial provision of the new digital messaging service, MyPost, was commenced in January 2016. This service allows the user to receive messages collectively from a preselected sender and store them online.

As for Yu-Pack and Yu-Mail, quality control was thoroughly implemented and convenience of receiving parcels was enhanced mainly by initiatives such as expanding receipt at convenience stores and providing receiving lockers (“HAKO POST”). At the same time, efforts were made to strengthen sales activities for small and medium-sized customers and build a sales structure that responds collectively to a wide range of customer needs. Specifically in the Yu-Pack business, initiatives were taken to improve profitability, including reviewing basic shipping fees in August 2015. In the international mail business, efforts were made to enhance quality and speed of services and to expand the use of Cool EMS.

Also, as an initiative to improve productivity, Tokyo Hokubu Post Office was opened in May 2015 as a regional sorting facility covering the Tokyo area for the purpose of responding to the increase in Yu-Pack

and Yu-Mail handled and enabling centralized sorting of postal items. Through such initiatives, restructuring of the postal and logistics network was promoted.

As a result of these initiatives, in the fiscal year under review, the postal and domestic logistics business consolidated to the Company posted ordinary income of ¥1,951.6 billion (a year-on-year increase of 4.29%), net ordinary income of ¥23.7 billion (a year-on-year increase of 1,203.51%). The postal and domestic logistics business consolidated to Japan Post Co. posted operating income of ¥1,924.8 billion (a year-on-year increase of 3.93%) and net operating income of ¥7.4 billion (operating loss of ¥8.1 billion in the previous year).

With regard to the volume of items handled for the fiscal year ended March 31, 2016, the volume of mail handled decreased by 0.87% year-on-year to 18,030 million, the volume of Yu-Mail parcels handled increased by 5.27% year-on-year to 3,539 million and the volume of Yu-Pack handled increased by 5.77% year-on-year to 513 million.

International Logistics Business

In May 2015, Japan Post Co. acquired all the issued shares of Toll Holdings Limited (hereinafter referred to as “Toll”), an integrated logistics provider based in Australia, and made Toll its subsidiary with a view to expanding the international logistics business in light of the shrinking domestic postal market resulting from the declining population in Japan and the impact of the Internet.

In the fiscal year under review, the international logistics business consolidated to the Company generated ordinary income of ¥544.4 billion and net ordinary income of ¥13.7 billion. The international logistics business consolidated to Japan Post Co. generated operating income of ¥544.0 billion and net operating income of ¥17.2 billion.

Post Office Business

With regard to the post office business, we enhanced the sales ability of employees through training in collaboration with our contractees Japan Post Bank and Japan Post Insurance, and further instilled a sales style that emphasizes financial assets on deposit as well as strived to expand sales of new policies as initiatives to improve profitability. At the same time, we launched Short-Term Premium Payment Endowment Insurance in October 2015, as well as investment trust products of Japan Post Co. affiliate JP Asset Management Co., Ltd. in February 2016, and expanded the number of post offices handling cancer insurance in July 2015. In the merchandising business, we have expanded and developed products through alliance with other companies while promoting diversification of sales and marketing channels through expansion of online marketing sales. In the real estate business, we promoted the leasing building business, including JP Tower, JP Tower Nagoya, Omiya JP Building, and KITTE Hakata, as well as the housing business and parking space business.

We continued efforts to optimise the post office network by opening new post offices, relocating existing post offices, among others. Furthermore, with the goal of improving operational efficiency of post offices, we enhanced our fund management system by increasing the number of equipment installed, while working to improve service quality by enhancing support and related tools for visitors to post offices.

As a result of these initiatives, in the fiscal year under review, the post office business consolidated to the Company recorded ordinary income of ¥1,371.2 billion (a year-on-year increase of 5.31%) and net ordinary income of ¥40.5 billion (a year-on-year increase of 77.65%). The post office business consolidated to Japan Post Co. recorded operating income of ¥1,353.0 billion (a year-on-year increase of 5.55%) and net operating income of ¥35.6 billion (a year-on-year increase of 71.84%).

Overall, in the fiscal year under review, Japan Post Co. generated consolidated operating income of ¥3,627.0 billion (a year-on-year increase of 23.32%) and consolidated net operating income of ¥32.6 billion (a year-on-year increase of 159.10%).

Banking Business

With regard to the banking business, in Japan Post Bank, we consider the fiscal year under review as a year for “further strengthening its business foundation as a listed company,” and made efforts to “enhance retail sales strategy,” “execute investment strategy,” and “improve internal control and strengthen management posture.”

Initiatives to strengthen the retail sales strategy included expanding total savings deposits by building a stable customer base in collaboration with Japan Post Co., which has a 24,000 network of post offices throughout Japan. Other key measures included expanding the offering of asset management products offering strong growth potential and expanding fee-based business via ATM transactions. In addition, Japan Post Bank entered into a business alliance and established JP Asset Management Co., Ltd.,* as a joint venture with Japan Post Co.; Sumitomo Mitsui Trust Bank, Limited; and Nomura Holdings, Inc. In February 2016, Japan Post Bank began sales of investment trusts created and managed by JP Asset Management Co., Ltd. Japan Post Bank also took measures to expand usage of its ATM network, including through strategic placement of new ATMs and alliances with regional financial institutions. As of January 2016, Japan Post Bank ATMs accept ATM cards issued by every regional bank in Japan. In addition, Japan Post Bank upgraded its Japan Post Bank Direct internet banking service and started accepting transactions via a new passbook-free account called Japan Post Bank Direct Plus.

Initiatives targeting the development of Japan Post Bank’s asset management strategy included the development of comprehensive asset liability management (ALM) under a dual portfolio framework featuring a base portfolio that aims for stable fund procurement and returns by investing in government bonds and a satellite portfolio that seeks higher returns, including capital gains on bond sales, by investing in a diverse array of international financial instruments that mainly assume credit and market risks.

Efforts to enhance internal controls and build stronger management platform included promoting of a business improvement plan submitted to the Financial Services Agency, increasing compliance requirements, and supplementing Japan Post Bank’s internal control systems. In addition, to secure the solid management posture appropriate for a listed company, Japan Post Bank drafted its own “Basic Policy Regarding Corporate Governance” outlining its basic views on corporate governance and a framework and operational procedures to ensure compliance with those views.

As a result of these initiatives in the fiscal year under review, the balance of deposits at Japan Post Bank as of the end of the fiscal year totaled ¥177,871.9 billion (a year-on-year increase of 0.09%), ordinary income was ¥1,968.9 billion (a year-on-year decrease of 5.25%), and net ordinary income was ¥481.9 billion (a year-on-year decrease of 15.36%).

* Sumitomo Mitsui Trust Bank, Limited and Nomura Holdings, Inc. jointly established SNJ Preparatory Co., Ltd. in August 2015. Thereafter, Japan Post Bank and Japan Post Co. took an equity interest in SNJ Preparatory Co., Ltd. and the company’s name was changed to JP Asset Management Co., Ltd. in November 2015.

Life Insurance Business

As for the life insurance business, Japan Post Insurance has stayed true to the social mission of the Postal Life Insurance founded in 1916, “protecting the means of fundamental livelihood of the public through simple procedures,” and based on the policy to become the “No. 1 Japanese Insurance Company Selected by Customers,” we worked to enhance the corporate value and realize better customer services to become a “big, unique and heartfelt company.”

As part of its effort to deliver superior services to its customers, Japan Post Insurance has been promoting its “Kampo Platinum Life Service” for elderly customers. In addition to improving its services in line with feedback received on calls to its call center and others, Japan Post Insurance is collaborating with Japan Post Co. in “Feel Secure with Kampo” activities that aim to provide “Comprehensive and Heartfelt Services” to its customers.

New measures to improve product offerings and services included the October 2015 introduction of a new “Short-Term Premium Payment Endowment Insurance” To enhance customer convenience, Japan Post Insurance also introduced two new service plans in the same month: one is a “coverage first and payment later” service, in which coverage (liability) starts at the time it receives the customer’s

application and health check report, while customers make their first premium payment by means such as bank account transfer after the contract has been concluded; another one is a “special provision designating the policy inception date” service, which allows the customer to designate the coverage (liability) starting date when submitting the policy application. In March 2016, Japan Post Insurance was granted approval to engage in the reinsurance business from the Financial Services Agency and Ministry of Internal Affairs and Communications. Also in March 2016, Japan Post Insurance reached a basic agreement with The Dai-ichi Life Insurance Company, Limited, on forming a comprehensive business alliance to engage in three endeavors: (1) overseas life insurance business, (2) asset management business, and (3) joint research on new products and IT systems.

To develop and strengthen its insurance benefit payments management system, and to further increase payment quality, and enhance related business processing efficiency, Japan Post Insurance revised its payment screening system based on its Claim Payment Processing System.

Efforts to supplement and strengthen its internal control system, Japan Post Insurance established rules designed to prevent insider trading and conducted training sessions for officers and employees. It also strengthened its information security management system. In addition, to secure the solid management posture appropriate for a listed company, Japan Post Insurance drafted its own “Basic Policy Regarding Corporate Governance” outlining its basic views on corporate governance and a framework and operational procedures to ensure compliance with those views.

The company is also establishing a comprehensive risk management system, or enterprise risk management (ERM) system. By promoting development of a highly sophisticated ERM system, Japan Post Insurance aims to maintain financial soundness and improve capital efficiency while attaining stable profits and sustainable increases in corporate value.

As a result of these initiatives, Japan Post Insurance achieved consolidated ordinary income of ¥9,605.7 billion (a year-on-year decrease of 5.54%) and consolidated net ordinary income of ¥411.5 billion (a year-on-year decrease of 16.46%).

Issues to Be Addressed

The Company, in fiscal year 2017 as well, is working to establish and secure implementation of each group company’s basic management policy in order to secure universal services of mail, savings deposits, and insurance and provide steady services preserving and using the post office network.

In accordance with the Postal Service Privatization Act, the Company is making required preparations to dispose its entire equity interest in the two financial companies as early as possible, upon consideration of the condition of business of both companies, impact on fulfilling its obligation to secure universal services and other factors.

In addition, group management will be undertaken for the enhancement of the Japan Postal Group’s corporate value and steadily promoting the bolstering of earnings and business efficiency of each group company based on the above policy. Together with this, in order to resolve the management challenges faced by the Japan Post Group, management as a holding company is being carried out to deepen ties with each group company and provide necessary support. In order to strengthen corporate governance, while working towards increasing internal controls in the entire group, with improvement of compliance standards as the main challenge, necessary support and guidance is provided to each group company and initiatives to prevent misconduct and incidents are promoted and managed.

Moreover, in order to maintain the utility and public value of the services each group company offers, each group is implementing initiatives to increase customer satisfaction and CSR activities and providing reconstruction aid to the Great East Japan Earthquake and the 2016 Kumamoto Earthquakes based on the Japan Post Group’s responsibility to society.

Issues to be addressed by each operating segment are as follows.

Postal and Domestic Logistics Business

The postal and domestic logistics business is striving to increase income and enhance productivity by implementing the measures outlined below.

1) Measures to increase income

In the postal and domestic logistics business, efforts will be continued to maintain and expand the use of postal mail primarily through SNS-linked services using smartphone and other devices such as for New Year's cards, and activities aimed at conveying the joy of writing letters. At the same time, efforts will be made to promote the usage of services with higher convenience of receiving parcels, strengthen sales activities for small and medium-sized customers and build a sales structure that responds collectively to a wide range of customer needs.

In particular, Japan Post Co. will aim to move its Yu-Pack business into the black in the fiscal year ending March 31, 2017 by promoting strategies that help improve the business's bottom line.

In addition, the usage of the new digital messaging service, MyPost, of which trial provision was commenced in January 2016 will be promoted.

2) Measures to enhance productivity

Japan Post Co. plans to reorganize its postal and domestic logistics network to sharply increase the network's productivity and expand Yu-Pack and Yu-Mail volumes. It also aims to raise operating efficiency at its post offices and continue to raise productivity on collection and delivery, and efficiency on transport. To secure a workforce sufficient to the conduct of its business, Japan Post Co. is carrying out effective recruitment and entrenchment with due consideration for regional conditions.

International Logistics Business

At the international logistics business, Japan Post Co. will generate synergies through its tie-up with Toll. Japan Post Co. plans to expand its client base to new customers in Asia, especially Japanese companies in the region while aggressively developing business in Australia, with the retail industry for starters. It will also carry out thorough cost controls, as it prepares to tap into the United States and European demand for logistics services based in Asia. Such efforts are expected to expand the business' earnings base.

Post Office Business

The post office business is striving to increase income and enhance productivity by implementing the measures outlined below.

1) Measures to increase income

For the financial services, including banking counter operations and insurance counter operations, the post office business will work to further instill a sales style that emphasizes financial assets on deposit and increase new contracts as well as to expand sales to new customers by enhancing the sales ability of employees through training in collaboration with Japan Post Bank and Japan Post Insurance and through sales of investment trusts developed by Japan Post Co. affiliate JP Asset Management Co., Ltd. and others. In addition, it will conduct training programs, among others, to strengthen employees' ability to market third-party financial product agency services, such as cancer insurance.

The merchandising business will continue to expand developing and offering new products made available by tie-ups with other companies. It will also promote diversification of its sales and marketing channels. In the real estate business, we will promote the leasing building business, including JP Tower, JP Tower Nagoya, Omiya JP Building, and KITTE Hakata, as well as the housing business and parking space business.

2) Measures to enhance productivity

Japan Post Co. will continue to optimise its post office network by opening new branches and reviewing existing branch placement. In addition, aiming to further improve the efficiency of its post office operations, Japan Post Co. will continue to enhance operating efficiency by bolstering its asset management structure and facilitating cash transactions at post offices by installing more equipment inside branches. In addition, Japan post Co. will continue to enhance service quality by expanding in-office support for customers and increasing the availability of related tools.

Banking Business

Japan Post Bank has achieved stable profits supported by the stable fund procurement and solid capital base made possible mainly by the post office network's sales to retail banking customers and secured by ALM and investment strategies that also leverage the special features of the Group's nationwide post office network. Nonetheless, Japan Post Bank currently faces a very challenging operating environment, which it will overcome by working with its entire staff to realize the goals of the Group's medium-term management plan.

Since the Bank of Japan introduced its quantitative and qualitative monetary easing in 2013, interest rates in Japan have fallen to historically low levels. More recently, the decision by the Bank of Japan to supplement quantitative and qualitative monetary easing with a negative interest rate has pushed interest rates even lower. Forecasting a consequent decline in returns on its base portfolio, Japan Post Bank will strive to increase income from fees and commissions and boost returns on its satellite portfolio, while prioritizing cost reductions.

1) Securing the customer base and expanding fee and commission income

Japan Post Bank is working to secure a stable customer base by strengthening retail marketing activities together with Japan Post Co.'s post offices and by utilizing core products, such as salary and pension accounts, with new products and services that meet various customer needs during various stages of their life cycle.

Utilizing its strength in marketing to retail customers, Japan Post Bank is planning to expand fee-based income that is less affected by fluctuating interest rates. This effort is focusing on potential growth areas such as sales of asset management products and ATM alliance services.

Within asset management products, the focus is on the promotion of instruments that are easy for first time investors to understand, such as the investment trusts developed by JP Asset Management Co., Ltd. To support sales of such products, Japan Post Bank and Japan Post Co. are strengthening consulting capabilities by increasing the number of in-branch asset management consultants, including through training programs for current employees.

As for ATMs, Japan Post Bank has begun introducing smaller ATMs that increase the range of possible installment locations. In addition to placing ATMs in locations most convenient to customers, Japan Post Bank is making use of its extensive nationwide ATM network to increase alliances with regional financial institutions.

The Postal Services Privatization Act limits the amount that one individual can deposit in Japan Post Bank accounts in principle, excluding current accounts use for fund transfers. In April 2016, this limit applied to the combined total of funds in a single individual's ordinary, fixed-amount savings and time deposit accounts was raised from ¥10 million to ¥13 million.

2) Base portfolio management under quantitative and qualitative monetary easing with negative interest rate

With the yield on many long-term Japanese government bonds falling into negative territory, the investment environment has become extremely difficult for management of Japan Post Bank's base portfolio. However, Japan Post Bank is aiming to ensure stable yields on medium and long-term and flexibly managing its portfolio position while monitoring interest rate fluctuations.

3) Enhancement of satellite portfolio's asset composition

The satellite portfolio aims for higher returns through investment in a diverse range of internationally investment instruments, including such new alternative investments as private equity funds, and real estate funds. Consequently, the portfolio requires a stronger management structure, including highly skilled investment professionals.

The sophisticated management of the portfolio also requires a sophisticated risk management and audit structure comprising robust risk management, credit evaluations and monitoring, and a detailed audits.

4) Strengthening the management structure via cost reductions

Japan Post Bank has constantly emphasized cost efficiencies. Going forward, Japan Post Bank will strive for even higher efficiency levels as it continues to enhance customer services and invest in growth. Toward that end, it will constantly conduct business process re-engineering to raise further productivity of all business processes.

In addition, Japan Post Bank will continue to place the utmost importance on strengthening internal controls and raising compliance levels by conducting various training programs to ensure strong compliance awareness throughout Japan Post Bank and to foster a customer-protective mindset among all staff involved in sales of asset management products.

Life Insurance Business

Japan Post Insurance will continue to build a management structure required for growth under the company's basic policy of becoming the "No. 1 Japanese insurance company selected by customers." In addition, it will endeavor to move into a full-fledged growth trajectory by developing products and services that display and enhance its core strengths.

1) Creating simple, prompt, and accurate systems from the underwriting stage to the benefit payment stage

Japan Post Insurance's growth strategy hinges on investing in the administrative and systems infrastructure that will provide a sound competitive platform that serves as the framework that enables the simple, prompt, and accurate business procedures, from underwriting of insurance contracts to benefit payments. In addition to creating and maintaining the framework, Japan Post Insurance will strengthen its structure for managing customer contracts and endeavor to provide the highest quality services. In January 2017, Japan Post Insurance will upgrade its core IT system. Accordingly, Japan Post Insurance is now working on strengthening its current system development and management structure with the aim of improving system quality and development productivity.

2) Strengthening sales channels' marketing power

Together with Japan Post Co., Japan Post Insurance will work to strengthen the marketing power of the post office sales channel, which accounts for the majority of sales of insurance policies. This effort will entail supporting Japan Post Co.'s efforts to secure sales staff and increasing their productivity through training. Japan Post Insurance also seeks to accelerate the growth in new contracts by increasing its marketing activities, including by visiting existing contract holders at their home. In particular, it plans to strengthen sales of endowment and whole life insurance—core universal services products—and promote the sales of insurance riders. Japan Post Insurance's directly managed sales

channel will aim to expand sales to corporate, occupational, and internal (i.e., inside the Group) clients by strengthening its corporate sales structure.

3) Product development that matches customer needs and increased services for the elderly

By developing new products and services that meet customer needs, Japan Post Insurance will be able to provide customers with added convenience, which should lead to expansion in new contracts underwritten.

The senior market is one of Japan Post Insurance's core strengths and a market that is expected to expand in the future. Japan Post Insurance has created a business model that is kind to seniors and is reviewing all customer access points from the perspective of the elderly so that it can provide them with higher quality services.

4) Raising profitability of investment operations

Japan Post Insurance aims to raise the profitability of its investment operations by (1) achieving more optimal asset-liability matching, (2) assuming as much investment risk as possible within its risk tolerance range and (3) promoting greater diversification of investments.

5) Strengthening internal controls

Japan Post Insurance will strengthen its internal control system by (1) ensuring the quality of product solicitation and thorough compliance by sales staff, two fundamentals for our product marketing operations, (2) facilitating the use of customer feedback by management, and (3) enhancing risk management.

The Group will make every effort to achieve sound results for the initiatives outlined above and hopes that in doing so it fully meets the expectations of our shareholders. To all our shareholders, we greatly appreciate your understanding and support and look forward to your continued support in the future.

(2) Trends of Assets and Profit and Loss Accounts of the Group and the Company

The Group's trends of assets and profit and loss accounts

(Millions of yen)

Classification	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Ordinary income	15,849,185	15,240,126	14,258,842	14,257,541
Net ordinary income	1,225,094	1,103,603	1,115,823	966,240
Net income attributable to Japan Post Holdings	562,753	479,071	482,682	425,972
Comprehensive income	1,551,771	717,123	2,212,035	(177,994)
Net assets	12,448,197	13,388,650	15,301,561	15,176,088
Total assets	292,892,975	292,246,440	295,849,794	291,947,080

Note: Figures are rounded down to the nearest million yen.

The Company's trends of assets and profit and loss accounts

(Millions of yen)

Classification	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Operating income	265,304	272,988	251,919	309,975
Dividend income	105,353	131,253	119,517	209,245
Japan Post Service Co., Ltd.	–			
Japan Post Co., Ltd.	4,706	15,015	8,721	–
Japan Post Bank Co., Ltd.	83,713	93,487	93,987	184,717
Japan Post Insurance Co., Ltd.	16,933	22,750	16,808	24,527
Other subsidiaries, etc.	–	–	–	–
Subsidiaries	–	–	–	–
Net income	145,228	155,090	131,181	94,311
Net income per share	(Yen) 32.27	(Yen) 34.46	(Yen) 29.15	(Yen) 21.53
Total assets	9,711,170	9,740,129	9,107,178	8,418,459
Shares of Japan Post Service Co., Ltd.				
Shares of Japan Post Co., Ltd.	400,000	400,000	1,000,000	1,000,000
Shares of Japan Post Bank Co., Ltd.	7,794,540	7,794,540	6,494,540	5,780,141
Shares of Japan Post Insurance Co., Ltd.	1,000,044	1,000,044	1,000,044	890,039
Shares of other subsidiaries, etc.	714	714	7,714	7,714
Shares of subsidiaries	714	714	7,714	7,714

Notes: 1. Figures are rounded down to the nearest million yen.

2. Among the Company's subsidiaries, etc., Japan Post Bank Co., Ltd. is the only company which operates banking business, and Japan Post Insurance Co., Ltd. is the only company which operates insurance business.

3. The "Act for Partial Amendment of the Postal Service Privatization Act, etc." took effect on October 1, 2012, and the Postal Service Privatization Act was amended. Concurrently, Japan Post Network Co., Ltd. changed its trade name to Japan Post Co., Ltd., succeeded operations from Japan Post Service Co., Ltd., and both companies merged.

4. The Company conducted a stock split of common share at a ratio of 30-for-1 on August 1, 2015. Net income per share is calculated based on the assumption that such a stock split was conducted at the beginning of the fiscal year ended March 31, 2013.

(3) The Group's Principal Offices

The Company

Company name	Office name	Location	Date of establishment
Japan Post Holdings Co., Ltd.	Head Office	1-3-2, Kasumigaseki, Chiyoda-ku, Tokyo	October 1, 2007

Postal and domestic logistics business, international logistics business and post office business

Company name	Office name	Location	Date of establishment
Japan Post Co., Ltd.	Head Office	1-3-2, Kasumigaseki, Chiyoda-ku, Tokyo	October 1, 2007

Note: Japan Post Co., Ltd., as of the end of this fiscal year, in addition to the above office, has established 13 regional offices and 24,126 post offices (including 4,029 contracted post offices).

Also, there are 58 temporarily closed post offices (including 14 contracted post offices) due to the Great East Japan Earthquake.

Banking business

Company name	Office name	Location	Date of establishment
Japan Post Bank Co., Ltd.	Head Office	1-3-2, Kasumigaseki, Chiyoda-ku, Tokyo	October 1, 2007

Note: Japan Post Bank Co., Ltd., as of the end of this fiscal year, in addition to the above office, has established 13 regional headquarters and 234 branches.

Life insurance business

Company name	Office name	Location	Date of establishment
Japan Post Insurance Co., Ltd.	Head Office	1-3-2, Kasumigaseki, Chiyoda-ku, Tokyo	October 1, 2007

Note: Japan Post Insurance Co., Ltd., as of the end of this fiscal year, in addition to the above office, has established 13 regional headquarters and 82 branches.

(4) The Group's Employees

(Persons)

Classification	As of March 31, 2015	As of March 31, 2016	Increase (decrease)
Postal and domestic logistics business	94,613	95,827	1,214
International logistics business	–	28,549	28,549
Post office business	102,262	102,240	(22)
Banking business	12,889	12,905	16
Life insurance business	7,606	7,890	284
Other	3,333	3,465	132
Other of the Company	2,951	2,886	(65)
Total	220,703	250,876	30,173

Note: The number of employees represents the number of persons actually at work, excluding non-regular employees.

(5) The Group's Principal Lenders

None.

(6) The Group's Financing Activities

None.

(7) The Group's Capital Investment Activities

Total capital investments

(Millions of yen)

Classification	Amount
Postal and domestic logistics business	169,983
International logistics business	24,925
Post office business	78,715
Banking business	36,609
Life insurance business	82,136
Other	45,471
Total	437,841

Note: Figures are rounded down to the nearest million yen.

Establishment of principal facilities, etc.

(Millions of yen)

Classification	Description	Amount
Postal and domestic logistics business	Renovations of aging post office buildings and other structures and facilities	59,941
	Reorganization of the postal and logistics network	33,997
	Next-generation postal information system	21,311
Post office business	Renovations of aging post office buildings and other structures and facilities	8,306
	New construction of JP Tower Nagoya	21,734
	Installation of automatic teller machines	18,043
Banking business	Development of Japan Post Bank Total Information System (ver.5)	16,873
Life insurance business	Equipment and software related to the renewal of the overall information systems for Japan Post Insurance	25,093
Other	Acquisition of assets in Otemachi redevelopment building	21,606

Note: Figures are rounded down to the nearest million yen.

(8) Parent and Principal Subsidiaries

Parent

None.

Principal subsidiaries

Name	Location	Major business	Date of establishment	Capital stock	The Company's ownership ratio of voting rights	Other
Japan Post Co., Ltd.	Chiyoda-ku, Tokyo	Postal and domestic logistics business, international logistics business, post office business (including bank agent and life insurance solicitation)	October 1, 2007	¥400,000 million	100.00%	–
Japan Post Bank Co., Ltd.	Chiyoda-ku, Tokyo	Banking business	September 1, 2006	¥3,500,000 million	89.00%	–
Japan Post Insurance Co., Ltd.	Chiyoda-ku, Tokyo	Life insurance business	September 1, 2006	¥500,000 million	89.00%	–

(9) The Group's Acquisition and Transfer of Business

Date	Description
May 28, 2015	Japan Post Co. acquired all the issued shares of Toll Holdings Limited, an integrated logistics provider based in Australia, and made the company its subsidiary.

2. Officers of the Company

(1) Status of the Officers* of the Company

* "Officers" represents directors and executive officers. The same shall apply hereinafter.

(As of March 31, 2016)

Name	Position and responsibilities	Significant concurrent positions	Others
Taizo Nishimuro	Director and Representative Executive Officer, President & CEO Member of the Nominating Committee Member of the Compensation Committee	Director of Japan Post Co., Ltd. Director of Japan Post Bank Co., Ltd. Director of Japan Post Insurance Co., Ltd. Adviser to the Board of Toshiba Corporation	
Yasuo Suzuki	Director and Representative Executive Officer, Senior Executive Vice President Member of the Nominating Committee Member of the Compensation Committee In charge of Internal Control Management	Director of Japan Post Co., Ltd.	
Tatsuo Soda	Director and Representative Executive Officer, Executive Vice President In charge of the Real Estate Division		

(As of March 31, 2016)

Name	Position and responsibilities	Significant concurrent positions	Others
Susumu Atsuki	Director and Representative Executive Officer, Executive Vice President In charge of the Internal Audit Division		
Toshihide Komatsu	Director and Representative Executive Officer, Executive Vice President In charge of the IT Systems Division		
Masami Ishii	Director	Director and Representative Executive Officer, President & CEO of Japan Post Insurance Co., Ltd. Adviser to Sompo Japan Nipponkoa Insurance Inc.	
Toru Takahashi	Director	President & CEO, Representative Executive Officer of Japan Post Co., Ltd.	
Masatsugu Nagato	Director	Director and Representative Executive Officer, President & CEO of Japan Post Bank Co., Ltd.	Became Director of the Company on June 26, 2015
Haruo Kasama	Director (Outside Officer) Member of the Audit Committee Member of the Compensation Committee	Attorney Corporate Auditor of Sumitomo Corporation (Outside Officer) Independent Audit & Supervisory Board Member of Sompo Japan Nipponkoa Holdings, Inc. (Outside Officer) Corporate Auditor of Kewpie Corporation (Outside Officer)	
Miwako Noma	Director (Outside Officer) Member of the Audit Committee	Representative Director of Nippon Gurashi Co., Ltd. Representative Director of Mochizuki Inc.	
Fujio Mitarai	Director (Outside Officer) Member of the Nominating Committee	Chairman, CEO & Representative Director of Canon Inc. Corporate Auditor of Yomiuri Shimbun Holdings (Outside Officer)	
Akio Mimura	Director (Outside Officer) Chairperson of the Nominating Committee	Senior Adviser to the Board & Chairman Emeritus of Nippon Steel & Sumitomo Metal Corporation Chairman of Japan Chamber of Commerce and Industry Chairman of Tokyo Chamber of Commerce and Industry Director of Development Bank of Japan Inc. (Outside Officer) Director of Innovation Network Corporation of Japan (Outside Officer) Director of Tokio Marine Holdings, Inc. (Outside Officer) Director of Nippon Flour Mills Co., Ltd. (Outside Officer)	
Tadashi Yagi	Director (Outside Officer) Chairperson of the Audit Committee	Corporate Auditor of K.K. Kyodo News	

(As of March 31, 2016)

Name	Position and responsibilities	Significant concurrent positions	Others
Fumiaki Watari	Director (Outside Officer) Chairperson of the Compensation Committee	Emeritus Adviser to the Board of JX Holdings, Inc. President & Representative Director of Private Finance Initiative Promotion Corporation of Japan Chairman of Seijo Gakuen, Incorporated Educational Institution	
Satoshi Seino	Director (Outside Officer) Member of the Compensation Committee	Chairman & Director of East Japan Railway Company Director of Tohoku Electric Power Co., Inc. (Outside Officer)	
Kunio Ishihara	Director (Outside Officer) Member of the Nominating Committee	Senior Adviser to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. Corporate Auditor of Tokyu Corporation (Outside Officer)	Became Director of the Company on June 26, 2015
Yasuo Inubushi	Director (Outside Officer)	Emeritus Adviser to the Board of Kobe Steel, Ltd. Representative Director and Chairman of Kobe-Osaka International Port Corporation	Became Director of the Company on June 26, 2015
Toru Shimizu	Director (Outside Officer) Member of the Audit Committee	Advisor to the Board of Hitachi Insurance Service, Ltd.	Became Director of the Company on September 3, 2015
Kunio Tanigaki	Senior Managing Executive Officer In charge of the Corporate Planning Division		
Seiji Katsuno	Senior Managing Executive Officer In charge of the Compliance Division and the General Affairs & Human Resources Division		
Kenji Fukumoto	Managing Executive Officer In charge of the Hospitals & Hotels Management Division In sub-charge of the Corporate Planning Division (public relations)		
Ryosuke Haraguchi	Managing Executive Officer In sub-charge of the Corporate Planning Division		
Noboru Ichikura	Managing Executive Officer In charge of the Accounting & Finance Division In sub-charge of the General Affairs & Human Resources Division (stock services, general shareholders' meeting)		
Toru Inasawa	Managing Executive Officer Special assignment	Senior Managing Executive Officer of Japan Post Co., Ltd.	Became Executive Officer of the Company on June 26, 2015
Satoru Tatebayashi	Managing Executive Officer Special assignment	Managing Executive Officer of Japan Post Co., Ltd.	Became Executive Officer of the Company on June 26, 2015

(As of March 31, 2016)

Name	Position and responsibilities	Significant concurrent positions	Others
Susumu Tanaka	Managing Executive Officer Special assignment	Director and Representative Executive Vice President of Japan Post Bank Co., Ltd.	
Tetsuya Senda	Managing Executive Officer Special assignment	Managing Executive Officer of Japan Post Insurance Co., Ltd.	
Kimihiko Oku	Executive Officer In sub-charge of the Real Estate Division		
Susumu Inoue	Executive Officer In sub-charge of the Real Estate Division (provides support to a person in sub- charge of the Real Estate Division in the field of real- estate development)	Executive Officer of Japan Post Co., Ltd.	
Makoto Sakurai	Executive Officer In sub-charge of the Hospitals & Hotels Management Division (Hotel Business)		
Atsuko Onodera	Executive Officer In sub-charge of the General Affairs & Human Resources Division (Postal College)		
Yoshiharu Miyazaki	Executive Officer In sub-charge of the Real Estate Division (Real Estate Strategy Department)		
Hidetake Kikuhara	Executive Officer In sub-charge of the IT Systems Division (Project quality management)		
Katsuyuki Takahashi	Executive Officer In sub-charge of the IT Systems Division (New Business)		
Tsutomu Shomura	Executive Officer In sub-charge of the IT Systems Division (Group IT Planning Department)		
Mamiko Izumi	Executive Officer In sub-charge of the General Affairs & Human Resources Division (General Affairs Department)		
Mitsuyuki Yamamoto	Executive Officer In sub-charge of the Compliance Division		Became Executive Officer of the Company on April 1, 2015
Katsumi Amano	Executive Officer In sub-charge of the IT Systems Division		Became Executive Officer of the Company on June 26, 2015
Shinji Denishi	Executive Officer In sub-charge of the Hospitals & Hotels Management Division (Hospitals Management)		Became Executive Officer of the Company on June 26, 2015

(As of March 31, 2016)

Name	Position and responsibilities	Significant concurrent positions	Others
Masamichi Moribe	Executive Officer In sub-charge of the General Affairs & Human Resources Division (Labor)		Became Executive Officer of the Company on June 26, 2015

- Notes: 1. Director Mr. Toru Shimizu possesses suitable knowledge as an expert relating to finance and accounting, which he has gained through serving in such roles as Executive Officer in charge of Finance Division of Hitachi Solutions, Ltd.
2. Recognizing that as a critical part of ensuring the effectiveness of the Audit Committee's activities, it is necessary that the Audit Committee maintain a suitable audit environment, actively gather internal information, and coordinate with internal control departments, the Company appointed Mr. Tadashi Yagi as full-time member of the Audit Committee.
3. The Company's outside directors, Mr. Haruo Kasama, Ms. Miwako Noma, Mr. Fujio Mitarai, Mr. Akio Mimura, Mr. Tadashi Yagi, Mr. Fumiaki Watari, Mr. Satoshi Seino, Mr. Kunio Ishihara, Mr. Yasuo Inubushi and Mr. Toru Shimizu are such independent officers as provided for by Tokyo Stock Exchange, Inc.
4. Mr. Taizo Nishimuro, Director and Representative Executive Officer, President & CEO, became the Director and Representative Executive Officer, President & CEO of Japan Post Bank Co., Ltd. on April 1, 2015 and resigned as the Representative Executive Officer, President & CEO of Japan Post Bank Co., Ltd. on May 11 of the same year. Also, he has resigned as the Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd. on March 31, 2016.
5. Mr. Masatsugu Nagato, Director, became the Director and Representative Executive Officer, President & CEO of Japan Post Bank Co., Ltd. on May 11, 2015 and resigned as the Representative Executive Officer, President & CEO of Japan Post Bank Co., Ltd. on March 31, 2016. Also, he has become Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd. on April 1, 2016.
6. Mr. Mitarai, Director, became Chairman, CEO & Representative Director of Canon Inc. on March 30, 2016.
7. Major changes in officers during this fiscal year are as follows:

Name	Position after change	Position before change	Date of change
Yasuo Suzuki	Director and Representative Executive Officer, Executive Senior Vice President	Director and Representative Executive Officer, Executive Vice President	June 26, 2015

Officers of the Company that Resigned during this Fiscal Year

Name	Position and responsibilities	Significant concurrent positions	Others
Yoshiyuki Izawa	Director		Resigned from Director of the Company on April 30, 2015
Keiji Kimura	Director (Outside Officer)	Chairman and Representative Director of Mitsubishi Estate Co., Ltd. Chairman of The Real Estate Companies Association of Japan	Resigned from Director of the Company on February 22, 2016
Toshihiro Tsuboi	Managing Executive Officer Special assignment	Executive Vice President, Representative Director of Japan Post Co., Ltd.	Resigned from Executive Officer of the Company on June 23, 2015
Masayuki Nakayama	Managing Executive Officer In sub-charge of the IT Systems Division		Resigned from Executive Officer of the Company on January 1, 2016

Note: The position, responsibilities, and significant concurrent positions stated above are the ones held at the time of resignation.

(2) Compensation for the Officers of the Company

(Millions of yen)

Classification	Number of persons paid (Persons)	Compensation, etc.
Director	12	85
Executive Officer	26	558
Total	38	643

Notes: 1. Figures are rounded down to the nearest million yen.

2. The Company does not pay compensation as compensation for director of the Company to 5 directors who concurrently hold office as an executive officer and the 3 directors who concurrently hold positions at major subsidiaries, etc. and solely execute business at the respective subsidiary, etc. Also, the Company does not pay compensation as compensation for executive officer of the Company to 6 executive officers who concurrently hold positions at major subsidiaries, etc. and solely execute business at the respective subsidiaries, etc.
3. The retirement benefits or bonuses for officers system are not paid.

Amount of Compensation, etc. paid to the Officers of the Company and Decision on the Method of Calculating the Amount

The Compensation Committee establishes the “Policy regarding decision on the amount of compensation for each director and executive officer” as follows, and the amount of compensation paid to all the directors and executive officers of the Company is determined on the basis of this policy.

1. Compensation Structure

- (1) Only the executive officer compensation is paid to the executive officers who concurrently hold office as a director.
- (2) Fixed compensation is paid to the directors of the Company on the basis of their responsibilities, considering the scope and weight of their responsibility in management and other activities.
- (3) The total amount of compensation paid to executive officers partially fluctuates with the basic amount on the basis of their responsibilities and the amount shall reflect the performance evaluation of each executive officer.

2. Director’s Compensation

Fixed compensation with a certain level is paid to directors on the basis of their responsibilities considering their major role as a management supervisor, and the level of the compensation needs to be reasonable in light of the weight of their responsibilities as directors and the current company situation.

3. Executive Officer’s Compensation

The total amount of compensation paid to executive officers comprises the basic amount based on their responsibilities considering different executive officer ranks and the amount that fluctuates according to the performance evaluation of each executive officer reflecting the status of achieving business plans and other factors. The level of the basic amount needs to be reasonable in light of the weight of their responsibilities as executive officers and the current company situation, and an appropriate ratio is set against the annual compensation regarding the extent of fluctuation; provided, however that in the case of executive officers who take charge of fields that demand special knowledge and skill, if an executive officer receives an amount of compensation for performance of such duties that is considerably lower than the standard level of compensation generally received by officers in charge of such field in other companies, the compensation may be changed to standard amount of compensation by using the compensation level of another company as a standard.

In the case that a national public officer who has been seconded to the Company takes up the position of an executive officer, a retirement benefit may be provided. The retirement benefit shall be determined in accordance with the rules for retirement benefits for employees by adding the period of his/her service as a national public officer to the length of his/her service in the Company

at the time of his/her retirement (excluding the case where the officer returns to the capacity of national public officer after retirement from the Company).

Note: The above description is as of the end of this fiscal year. The Compensation Committee of the Company, held on April 26, 2016, has determined to revise the system (effective from June 23, 2016) in accordance with the introduction of the performance-linked stock compensation system. Regarding the revised policies, please refer to “Compensation Policies for Directors and Executive Officers by Individual” posted on the Company’s website: (http://www.japanpost.jp/en/group/governance/pdf/02_09.pdf)

(3) Limited Liability Agreements

Name	Summary of Limited Liability Agreement
Masami Ishii	In accordance with Article 427, paragraph 1 of the Company’s Act and provision of the Articles of Incorporation that the Company may enter into an agreement with directors (limiting to non-executive directors, etc. as stipulated in such article and provision) to limit their liability pursuant to Article 423, paragraph 1 of the Companies Act. The limit of liability under such agreement shall be the total amount of the amount posted in each Item of the Article 425, paragraph 1 of the said Act.
Toru Takahashi	
Masatsugu Nagato	
Haruo Kasama	
Miwako Noma	
Fujio Mitarai	
Akio Mimura	
Tadashi Yagi	
Fumiaki Watari	
Satoshi Seino	
Kunio Ishihara	
Yasuo Inubushi	
Toru Shimizu	

- Notes: 1. The names in the above list are those of directors who had limited liability agreement as of March 31, 2016.
2. The limited liability agreement which had been concluded between the Company and Director Masatsugu Nagato terminated on March 31, 2016 because he has assumed the position of President & CEO of the Company on April 1, 2016.

Director of the Company that Resigned during this Fiscal Year

Name	Summary of Limited Liability Agreement
Keiji Kimura	In accordance with Article 427, paragraph 1 of the Company’s Act and provision of the Articles of Incorporation that the Company may enter into an agreement with directors (limiting to non-executive directors, etc. as stipulated in such article and provision) to limit their liability pursuant to Article 423, paragraph 1 of the Companies Act. The limit of liability under such agreement shall be the total amount of the amount posted in each Item of the Article 425, paragraph 1 of the said Act.

Note: The name in the above list is the director who had limited liability agreement during in the office.

3. Outside Officers

(1) Concurrent Positions and Other Statuses of Outside Officers

(As of March 31, 2016)

Name	Concurrent Positions and Other Status
Haruo Kasama	Attorney Corporate Auditor of Sumitomo Corporation (Outside Officer) Independent Audit & Supervisory Board Member of Sampo Japan Nipponkoa Holdings, Inc. (Outside Officer) Corporate Auditor of Kewpie Corporation (Outside Officer)
Miwako Noma	Representative Director of Nippon Gurashi Co., Ltd. Representative Director of Mochizuki Inc.
Fujio Mitarai	Chairman, CEO & Representative Director of Canon Inc. Corporate Auditor of Yomiuri Shimbun Holdings (Outside Officer)
Akio Mimura	Senior Adviser to the Board & Chairman Emeritus of Nippon Steel & Sumitomo Metal Corporation Chairman of Japan Chamber of Commerce and Industry Chairman of Tokyo Chamber of Commerce and Industry Director of Development Bank of Japan Inc. (Outside Officer) Director of Innovation Network Corporation of Japan (Outside Officer) Director of Tokio Marine Holdings, Inc. (Outside Officer) Director of Nippon Flour Mills Co., Ltd. (Outside Officer)
Tadashi Yagi	Corporate Auditor of K.K. Kyodo News
Fumiaki Watari	Emeritus Adviser to the Board of JX Holdings, Inc. President & Representative Director of Private Finance Initiative Promotion Corporation of Japan Chairman of Seijo Gakuen, Incorporated Educational Institution
Satoshi Seino	Chairman & Director of East Japan Railway Company Director of Tohoku Electric Power Co., Inc. (Outside Officer)
Kunio Ishihara	Senior Adviser to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. Corporate Auditor of Tokyu Corporation (Outside Officer)
Yasuo Inubushi	Emeritus Adviser to the Board of Kobe Steel, Ltd. Representative Director and Chairman of Kobe-Osaka International Port Corporation
Toru Shimizu	Advisor to the Board of Hitachi Insurance Service, Ltd.

- Notes: 1. Mr. Mitarai, Director, became Chairman, CEO & Representative Director of Canon Inc. on March 30, 2016.
2. The Company has no relationship requiring disclosure with other corporations in which outside officers hold concurrent positions of company offices, etc.

Outside Officer of the Company that Resigned during this Fiscal Year

Name	Concurrent Positions and Other Status
Keiji Kimura	Chairman and Representative Director of Mitsubishi Estate Co., Ltd. Chairman of The Real Estate Companies Association of Japan

- Notes: 1. Concurrent positions and other status are the ones held at the time of resignation (February 22, 2016).
2. The Company has no relationship requiring disclosure with other corporations in which outside officers hold concurrent positions of company offices, etc.

(2) Major Activities of Outside Officers

Name	Term of office	Attendance at Board of Directors' meetings, etc.	Statement and other activities at Board of Directors' meetings, etc.
Haruo Kasama	2 years and 9 months	Haruo Kasama attended 15 of 16 Board of Directors' meetings during this fiscal year. Haruo Kasama attended all 24 Audit Committee meetings during this fiscal year.	Haruo Kasama expressed his views, which are necessary for dealing with the Company's management issues, on the basis of his insight and experience in law.
Miwako Noma	2 years and 9 months	Miwako Noma attended all 16 Board of Directors' meetings during this fiscal year. Miwako Noma attended all 24 Audit Committee meetings during this fiscal year.	Miwako Noma expressed her views from the management aspect, which are necessary for dealing with the Company's management issues, on the basis of her experience as a management executive.
Fujio Mitarai	2 years and 9 months	Fujio Mitarai attended 13 of 16 Board of Directors' meetings during this fiscal year.	Fujio Mitarai expressed his views from the management aspect, which are necessary for dealing with the Company's management issues, on the basis of his experience as a management executive.
Akio Mimura	2 years and 9 months	Akio Mimura attended all 14 of 16 Board of Directors' meetings during this fiscal year.	Akio Mimura expressed his views from the management aspect, which are necessary for dealing with the Company's management issues, on the basis of his experience as a management executive.
Tadashi Yagi	2 years and 9 months	Tadashi Yagi attended all 16 Board of Directors' meetings during this fiscal year. Tadashi Yagi attended all 24 Audit Committee meetings during this fiscal year.	Tadashi Yagi expressed his views, which are necessary for dealing with the Company's management issues, on the basis of his experience and insight that he accumulated through working for a major news service agency.
Fumiaki Watari	2 years and 9 months	Fumiaki Watari attended 13 of 16 Board of Directors' meetings during this fiscal year.	Fumiaki Watari expressed his views from the management aspect, which are necessary for dealing with the Company's management issues, on the basis of his experience as a management executive.
Satoshi Seino	1 year and 9 months	Satoshi Seino attended 15 of 16 Board of Directors' meetings during this fiscal year.	Satoshi Seino expressed his views from the management aspect, which are necessary for dealing with the Company's management issues, on the basis of his experience as a management executive.
Kunio Ishihara	9 months	Satoshi Seino attended 12 of 14 Board of Directors' meetings during this fiscal year since taking office.	Kunio Ishihara expressed his views from the management aspect, which are necessary for dealing with the Company's management issues, on the basis of his experience as a management executive.
Yasuo Inubushi	9 months	Yasuo Inubushi attended 13 of 14 Board of Directors' meetings during this fiscal year since taking office.	Yasuo Inubushi expressed his views from the management aspect, which are necessary for dealing with the Company's management issues, on the basis of his experience as a management executive.

Name	Term of office	Attendance at Board of Directors' meetings, etc.	Statement and other activities at Board of Directors' meetings, etc.
Toru Shimizu	6 months	Toru Shimizu attended all 11 Board of Directors' meetings during this fiscal year since taking office. Toru Shimizu attended all 13 Audit Committee meetings during this fiscal year since taking office.	Toru Shimizu expressed his views from the management aspect, which are necessary for dealing with the Company's management issues, on the basis of his experience as a management executive.

Notes: 1. The terms of office stated above are the current terms as of March 31, 2016.

2. The terms of office stated above have been rounded down to eliminate periods less than one month.

Officer of the Company that Resigned during this Fiscal Year

Name	Term of office	Attendance at Board of Directors' meetings, etc.	Statement and other activities at Board of Directors' meetings, etc.
Keiji Kimura	2 years and 7 months	Keiji Kimura attended 8 of 13 Board of Directors' meetings during this fiscal year during in the office.	Keiji Kimura expressed his views from the management aspect, which are necessary for dealing with the Company's management issues, on the basis of his experience as a management executive.

Notes: 1. The term of office stated above is the current term at the time of resignation (February 22, 2016).

2. The term of office stated above has been rounded down to eliminate periods less than one month.

(3) Compensation for Outside Officers

(Millions of yen)

	Number of persons paid (Persons)	Compensation paid by the Company	Compensation paid by the parent of the Company
Total amount	11	84	0

Notes: 1. Figures are rounded down to the nearest million yen.

2. The retirement benefits or bonuses for officers are not paid.

4. Matters Concerning Shares

- (1) **Number of Shares** Total number of authorized shares: 18,000,000 thousand shares
Total number of issued shares: 4,500,000 thousand shares
- (2) **Total Number of Shareholders (As of March 31, 2016):** 579,701
- (3) **Major Shareholder**

Name	Capital contribution to the Company	
	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Minister of Finance	3,622,098	87.98
Japan Post Holdings Employee Shareholding Association	39,151	0.95
Japan Trustee Services Bank, Ltd. (Trust Account)	18,415	0.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,482	0.27
State Street Bank West Client - Treaty 505234	6,378	0.15
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds	6,191	0.15
State Street Bank and Trust Company 505001	6,060	0.14
Japan Trustee Services Bank, Ltd. (Trust Account 1)	4,725	0.11
Japan Trustee Services Bank, Ltd. (Trust Account 6)	4,722	0.11
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,719	0.11

Notes: 1. Number of shares held is rounded down to the nearest thousand.

2. Shareholding ratio is calculated by means of deducting the treasury stock (383,306 thousand shares).

3. Pursuant to the provisions of the Articles of Incorporation in accordance with item 1 of Article 459, paragraph 1 of the Companies Act, the Company has resolved regarding the acquisition of treasury stocks at the Board of Directors' meeting held on October 19, 2015, and performed as follows.

(1) Reason for the acquisition of treasury stock

Treasury stock was acquired with an aim to enhance the Company's capital efficiency, contribute to the securing of funds for reconstruction through the sale of Company's shares held by the Japanese government and promote postal services privatization.

(2) Matters concerning acquisition

(i) Class of shares: common shares

(ii) Total number of shares: 383,306,000 shares

(iii) Total amount of shares acquired: ¥730,964,542,000

(iv) Acquisition date: December 3, 2015

Treasury stock was acquired through the Off-Auction Own Share Repurchase Trading (ToSTNet-3) of the Tokyo Stock Exchange, Inc. as a measure to secure fairness in the trading conditions with the closing price of shares on the immediately preceding day, and the Company takes note that the benefit of the Company will not be impaired.

Also, the resolution of the Board of Directors' meeting regarding the acquisition of treasury stock was unanimously agreed and judged by the Directors attending that the benefit of the Company will not be impaired. After the above contents being confirmed, the 16 directors who have no vested interests with the controlling shareholders (including 8 outside directors) considered potentials in future capital policies and sufficiently discussed.

5. Matters Concerning Stock Acquisition Rights

None.

6. Matters Concerning the Independent Auditor

(1) Status of Independent Auditor

(Millions of yen)

Name	Compensation, etc. for this fiscal year	Other
KPMG AZSA LLC Designated Limited Liability Partner Shozo Tokuda Designated Limited Liability Partner Yoshihide Takehisa Designated Limited Liability Partner Kanao Ogura	75	The Company pays a fee to the independent auditor for advisory services, etc. related to preparation for stock listing, which are services other than those stipulated in Article 2, paragraph 1 of the Certified Public Accountants Act (non-auditing services).

Notes: 1. Figures are rounded down to the nearest million yen.

2. Audit Committee has reviewed the appropriateness of the contents of the audit plan, the status of execution of duties of the independent auditors and the calculation basis of the estimated compensation amount of the independent auditor. As the aforementioned was judged to be appropriate as a result, the compensation amount and other amounts payable to the independent auditor have been agreed.
3. Total amount of money and other economic benefits to be paid by the Company and its subsidiaries was ¥1,108 million.

The above amount excludes ¥19 million that belongs to the Company's "Compensation, etc. for this fiscal year" but is not included in the Consolidated Statement of Income.

(2) Limited Liability Agreements

None.

(3) Other Matters Concerning the Independent Auditor

Policy regarding decisions to dismiss or not to reappoint an independent auditor

The Audit Committee shall dismiss an independent auditor if the independent auditor is deemed to fall under any of the items of Article 340, paragraph 1 of the Companies Act. Also, the Audit Committee comprehensively evaluates the independent auditor's execution of its duty and, if deemed necessary, shall determine a proposal for the dismissal or non-reappointment of the independent auditor to be submitted to the general meeting of shareholders.

Audit of financial statements of major subsidiaries of the Company by certified public accountants or audit corporations other than the Independent Auditor of the Company

None.

7. Systems to Ensure the Properness of Operations

The Board of Directors has resolved with regard to the “systems to ensure the properness of operations” provided in the Companies Act and the Ordinance for Enforcement of the Companies Act. The details are as follows.

1. System to ensure the properness of operations in the Group which consists of the Company and its subsidiaries
 - (1) The Company has concluded agreements on the Group’s operation and management (JP Group Management Agreements) with Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. (hereinafter collectively referred to as the “Three Business Companies”). The Company seeks from them the application for prior approval or reporting (prior consultation or reporting with respect to Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.) concerning matters necessary to achieve proper and smooth operation of the Group.
 - (2) In order for intragroup transactions be appropriately carried out without having significant effect on the soundness of each Group companies, the Company states the basic policy regarding intragroup transactions as well as matters to be complied by each Group companies in JP Group Management Agreements.

2. System to ensure that executive officers and employees of the Company, and directors, executive officers and employees of its subsidiaries execute their duties in accordance with laws and regulations and the Articles of Incorporation
 - (1) The Company establishes the management philosophy, management policy and Charter of Corporate Conduct of the Group and strives to disseminate them so that officers and employees of each Group company comply with laws and regulations in every aspect of business operations. Also, the Company develops a basic framework of a compliance system in JP Group Management Agreements.
 - (2) The Company establishes a department supervising the Group compliance and makes efforts to promote compliance. Concurrently, the Company establishes the Compliance Committee, which discusses compliance policy on Group management, its specific application, and coping with various problems, and reports important matters to the Management Meeting and Audit Committee.
 - (3) The Company strives to be thorough with compliance through preparation of a compliance manual mentioning explanations about laws and regulations related to the Company’s business activities and implementation of training regarding laws and regulations as well as internal regulations officers and employees must comply with. Also, in JP Group Management Agreements, the Company requires the Three Business Companies to be thorough with compliance through preparation of a compliance manual and implementation of training.
 - (4) As for antisocial elements, which threaten the order and the safety of civil society, in accordance with the Charter of Corporate Conduct of the Group, the Group as a whole is resolved to fight against them, not to have any relations with them, and to exclude them. Also, the Company regularly cooperates with each Group company and outside professional institutions such as police and firmly copes with illegal activities and unreasonable demands.
 - (5) To secure the properness of the Group’s financial statements and other relevant information, the Company establishes rules on establishment, operation, evaluation, and reporting of internal controls over financial reporting in JP Group Management Agreements. Also, the Company establishes a department supervising the establishment of internal controls over financial reporting and a department independently evaluating internal controls over financial reporting, makes efforts to secure the reliability of the Group’s financial reporting, and reports important matters, if necessary, to the Management Meeting and Audit Committee.
 - (6) In addition to establishing a reporting rule in case of violations of laws and regulations and internal rules, the Company establishes internal hotline inside and outside the Company and disseminates the use of them to officers and employees.

- (7) The internal audit division, which is independent of the other divisions audited, executes effective internal audit, including the situation of compliance with laws and regulations. Also, in JP Group Management Agreements, the Company requires the Three Business Companies to execute effective internal audit, monitors the situation of execution of internal audit and internal audit system, and reports the results to the Management Meeting and Audit Committee.

3. Rules on management of risk of loss and other system of the Company and its subsidiaries

- (1) The Company provides in JP Group Management Agreements, fundamental principles of risk management and basic matters which are to be complied with in risk management such as risks subject for management as the basic policy of Group's risk management.
- (2) The Company establishes a department supervising risk management of the Group, grasps the situation of risks in the Group, and analyzes and manages the risks. Concurrently, the Company implements correction of the handling and management method of outstanding risks. Also, the Company reports the situation of execution of risk management of the Group to the Management Meeting.
- (3) Regarding the risk management of the Company, the Company establishes and executes classification of risks, management methods, and management system in accordance with its risk management policy and risk management rules. Also, the Management Meeting deliberates important matters regarding risk management.
- (4) To swiftly and properly cope with risks and take corrective measures in case of the occurrence of such risks that seriously affect the management, the Company establishes rules regarding crisis management system and crisis handling measures in JP Group Management Agreements.

4. System for the storage and management of information related to the execution of duties by executive officers

In the Management Meeting Regulations and the Document Management Rules, the Company clarifies method and system for the storage and management of information related to the execution of duties by executive officers starting from the minutes of the Management Meeting and approval documents and strives to properly store and manage such information. Concurrently, according to requests by the Audit Committee and the internal audit division, the Company provides the requested documents for reading and copying.

5. System to ensure that executive officers of the Company, and directors and executive officers of its subsidiaries efficiently execute their duties

- (1) The Management Meeting consisting of executive officers is held every week as a rule and deliberates matters delegated by the Board of Directors and matters to be discussed by the Board of Directors. Also, the Company establishes a special committee as an advisory body to the Management Meeting, if necessary.
- (2) The Company establishes the Organization Rules and Management Authority Rules, clarifies roles of each organization, and management authorities and responsibilities of executive officers, and strives to make execution of duties by executive officers efficient.
- (3) For the purpose of promoting an efficient and effective Group management, the Company establishes a Group Steering Committee so that important matters concerning Group management may be discussed and information shared on an issue-by-issue basis.

6. Matters concerning employees who are to assist duties of the Audit Committee

The Company establishes an Office of Audit Committee to assist duties of the Audit Committee and place exclusive employees with necessary knowledge and ability to assist the duties of the Audit Committee.

7. Matters concerning the independence of employees who are to assist duties of the Audit Committee from the executive officers

Employment, transfer, evaluation, and discipline of employees belonging to the Office of Audit Committee require prior consent of the Audit Committee or a member of the Audit Committee selected by the Audit Committee.

8. Matters concerning to ensure the effectiveness of instructions for employees who are to assist duties of the Audit Committee

Employees of the Office of Audit Committee follows orders and instructions of the Audit Committee or the members of the Audit Committee selected by the Audit Committee, and execute duties such as conducting surveys and receiving reports.

9. System to report to the Audit Committee

- (1) The executive officer supervising internal controls periodically reports the situation of execution of his/her duties concerning internal controls of the Group to the Audit Committee.
- (2) The executive officer supervising the internal audit division periodically reports the situation of execution of internal audit of the Group and results to the Audit Committee, and promptly reports matters that may seriously affect the management to the member of the Audit Committee.
- (3) An executive officer in charge of the Compliance Division periodically reports to the Audit Committee regarding the situation of promoting Group's compliance and occurrences of compliance violations.

Also, the Group's material compliance violation cases (including cases which may result in a material compliance violation) revealed through internal hotline and other means are promptly reported to the member of the Audit Committee.

- (4) Executive officers and employees promptly report matters that may seriously affect the management of the Group to the member of the Audit Committee.
 - (5) Executive officers and employees report the situation of execution of their duties of the Group according to requests by the Audit Committee.
 - (6) Person engaged in the reporting to the Audit Committee or the member of the Audit Committee shall not be treated disadvantageously by reason of being engaged in such reporting.
10. Matters concerning procedures for advance payments or reimbursement arising from execution of duties relating to the Audit Committee and policy regarding the handling of expenses or debts arising from other such execution of duties

If the member of the Audit Committee request necessary expenses to the Company for seeking opinion to lawyers, certified public accountants and other outside professionals, or entrusting surveys, appraisals, and other administrations as its duties executed regarding the Audit Committee, unless the Company proves the expenses relating to such request is unnecessary to the Audit Committee for executing its duties of the Audit Committee, executive officers and employees shall not refuse the request.

11. Other systems to ensure effective auditing by the Audit Committee

- (1) The representative executive officers periodically exchange opinions and make efforts to foster mutual understanding with the Audit Committee about important management matters including the basic policy of the Company's management, issues to be addressed, and the situation of functioning of the internal control systems.

- (2) The Audit Committee receives explanations on audit plan from the independent auditor in advance, periodically receives audit reports, and makes efforts to cooperate through exchange of opinions, if necessary, to always grasp important points of financial audit.
- (3) In executing its duties, the Audit Committee makes efforts to cooperate with Audit Committee or Audit & Supervisory Board Member of the Three Business Companies through exchange of opinions periodically.

The operating status of “systems to ensure the properness of operations” is as follows:

1) Overall internal control systems

- For the purpose of further fortifying the internal control and corporate governance of the Group, the Company has established an “Internal Control General Meeting” where necessary issues regarding internal control or corporate governance are being discussed.
- The Company confirms whether the internal control system is effectively functioning by reporting the operational status of the “Fundamental Policy for Establishment of Internal Control Systems” to the Internal Control General Meeting, Management Meeting, Audit Committee and the Board of Directors’ meeting on a quarterly basis.

2) Group operation system

- The Company has conclude agreements on the Group’s operation and management (JP Group Management Agreements) with Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. (hereinafter collectively referred to as the “Three Business Companies”) on the Group’s common philosophy, policies and other basic matters concerning Group management, and established a system to require them to obtain the Company’s approval or consultation, or report about matters, which seriously affect the whole Group and are necessary to secure the transparency of the management.
- In accordance with the JP Group Management Agreements, the Company receives and appropriately examines reports etc. from the Three Business Companies regarding important intragroup transactions, thereby securing a system with appropriate intragroup transactions.

3) Compliance system

- The Group acknowledges compliance as one of the highest management issues and each Group company has built an effective compliance framework by establishing a Compliance Committee, a Compliance Department that is independent from departments related to business execution, among others.
- Each Group company draws up a “Compliance Program,” a plan for specific actions to promote compliance, every fiscal year and the initiatives and progress are periodically reported to the Compliance Committee, Management Meeting, Audit Committee and the Board of Directors.
- Each Group company has prepared and distributed a “Compliance Handbook” as a practical guide to realize compliance, and is taking initiatives to enhance awareness of compliance to officers and employees through training programs and other means.
- Each Group company has set up an internal compliance hotline both inside and outside of the company in order to prevent the occurrence and spread of compliance violations and to promptly resolve in the event of occurrence. The use of such hotline is made known to employees through training programs and the “Compliance Handbook.”

- 4) System for exclusion of antisocial forces
- The Company clearly states in the Japan Postal Group Charter of Corporate Conduct that it stands “firmly against antisocial forces and organizations that threaten the order and safety of civil society” and posts “Declaration by Top Management” regarding the elimination of relationships with antisocial forces in the Annual Report and website.
 - The Company specifies a declaration and undertaking clause and a clause regarding the exclusion of “*boryokudan*” (organized crime group) in agreements with business partners, and strengthens liaison with outside professional institutions such as police and lawyers in order to completely eliminate relationships with antisocial forces.
- 5) Risk management system
- In accordance with the Basic Policy for Japan Post Holdings Co., Ltd. Group Risk Management, the Company reports the situation of risk management in the Group and the Company on a quarterly basis to the Management Meeting, Audit Committee and the Board of Directors’ meeting.
 - In accordance with the rules regarding crisis management systems and crisis measures provided in JP Group Management Agreements, the Company reports the situation of training and development of crisis management system to the Japan Post Group Crisis Management Committee.
- 6) Internal audit system
- In accordance with the Internal Audit Rules, internal audit are conducted and results are reported to the Management Meeting, Audit Committee and the Board of Directors’ meeting.
 - In accordance with JP Group Management Agreements, situation of internal auditing, internal audit system etc. is monitored in the audit departments of the Three Business Companies, and results are reported to the Management Meeting, Audit Committee and the Board of Directors’ meeting.
- 7) System of internal controls over financial reporting
- In accordance with the Financial Instruments and Exchange Act, the Company designs, implements and operates internal controls over financial reporting of the Group, and in order to secure reliability of such financial reporting, it performs assessments regarding internal controls pursuant to the “Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting” (Business Accounting Council). Also, the Company reports assessment plans for the fiscal year, its progress status, results of decision made relating to the effectiveness of internal controls over financial reporting of the Group etc. to the Management Meeting, Audit Committee and the Board of Directors’ meeting.
- 8) Information preservation and management system
- The Company specifies the preservation and management methods etc. of various kinds of information under the Document Management Rules. Furthermore, preparation of electronic authorization procedures relating to decision makings of important execution of duties are in progress, aiming to accelerate the decision making process and enhance internal control.
 - Management Meeting minutes are accurately recorded and prepared, information being appropriately preserved and managed.

9) System for efficient execution of duties

- The Management Meeting is held every week as a rule and deliberates matters delegated by the Board of Directors and matters to be discussed by the Board of Directors. Also, the Company periodically holds Group Steering Committee and discusses issues pertaining to important matters in the Group management.
- The Company establishes the Organization Rules and Management Authority Rules, clarifies roles of each organization, management authorities and responsibilities of executive officers, and strives to make execution of duties by executive officers efficient.

10) System relating to the Audit Committee

- Executive officers who are in charge of internal control departments such as the Internal Audit Division and Compliance Division periodically report to the Audit Committee, while officers and employees report information necessary for the Audit Committee audit, whenever necessary.
- In order to assist duties of the Audit Committee, the Company has established an executive office independent from execution departments and has posted the necessary personnel. Also, regarding the expenses necessary in executing duties of the Audit Committee, the Company appropriates the necessary amounts in the budget so that activities of the Audit Committee may be conducted without constraints.
- The Audit Committee makes efforts to cooperate with the independent auditor and Audit Committee or Audit & Supervisory Board Member of the Three Business Companies through exchange of opinions periodically. Representative executive officers and the Audit Committee periodically exchange opinions regarding important management matters and are making efforts to deepen mutual understandings.

8. Policy on Exercise of Authority if Articles of Incorporation Allow Distribution of Surplus by Resolution of the Board of Directors

The Company considers returning profits to shareholders to be an important management measure and sets out its basic policy to continuously provide stable return to shareholders, in accordance with the results of operation.

With regard to dividends from surplus, we aim to provide stable returns to shareholders while maintaining required internal reserves and paying attention to capital efficiency. Accordingly, Japan Post Holdings intends to maintain a consolidated dividend payout ratio of roughly 50% or higher until the year ending March 31, 2018, while maintaining stable dividends per share.

The Company has a policy to pay dividends from surplus twice a year as interim and annual dividends, but for dividends from surplus for the fiscal year ended March 31, 2016, payment will be limited to annual dividends, and interim dividend payments will be made from the fiscal year ending March 31, 2017. With regard to dividends from surplus for which the record date falls in the fiscal year ending March 31, 2016, as only one record date falls within said fiscal year following the listing of our shares, the Company will only declare annual dividends for the fiscal year ended March 31, 2016. As a result, the Company intends to achieve a consolidated dividend payout ratio of roughly 25% or higher for the fiscal year ended March 31, 2016. Based on a comprehensive judgment of the above factors and business results, the amount of dividends will be ¥25 per share, based on the resolution of the Board of Directors meeting held on May 13, 2016.

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

In accordance with Article 11 of the Act on Japan Post Holdings Co., Ltd., payment of dividends from surplus or other appropriation of surplus (excluding disposition of loss) of the Company shall not be effective without approval of the Minister of Internal Affairs and Communications.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

(As of March 31, 2016)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Cash and due from banks	48,258,991	Deposits	176,090,188
Call loans	1,338,837	Call money	22,536
Receivables under securities borrowing transactions	10,931,820	Policy reserves and others	74,934,165
Monetary claims bought	608,659	Reserve for outstanding claims	635,167
Trading account securities	187	Policy reserves	72,362,503
Money held in trust	5,205,658	Reserve for policyholder dividends	1,936,494
Securities	207,720,339	Payables under securities lending transactions	16,772,037
Loans	11,520,487	Foreign exchanges	338
Foreign exchanges	25,328	Other liabilities	4,464,641
Other assets	1,547,434	Reserve for bonuses	103,755
Tangible fixed assets	3,168,469	Liability for retirement benefits	2,281,439
Buildings	1,175,028	Reserve for price fluctuations	782,268
Land	1,559,628	Deferred tax liabilities	1,244,621
Construction in progress	96,393	Acceptances and guarantees	75,000
Other tangible fixed assets	337,419		
Intangible fixed assets	796,091	Total liabilities	276,770,992
Software	337,932	Net Assets	
Goodwill	414,385	Capital stock	3,500,000
Other intangible fixed assets	43,773	Capital surplus	4,134,853
Asset for retirement benefits	27,629	Retained earnings	3,525,932
Deferred tax assets	729,307	Treasury stock	(730,964)
Customers' liabilities for acceptances and guarantees	75,000	Total shareholders' equity	10,429,821
Reserve for possible loan losses	(7,163)	Net unrealized gains (losses) on available-for-sale securities	3,318,181
		Net deferred gains (losses) on hedges	(373,232)
		Foreign currency translation adjustments	(56,856)
		Accumulated adjustments for retirement benefits	379,835
		Total accumulated other comprehensive income	3,267,928
		Non-controlling interests	1,478,338
		Total net assets	15,176,088
Total assets	291,947,080	Total liabilities and net assets	291,947,080

Consolidated Statement of Income
(For the year ended March 31, 2016)

(Millions of yen)

Items	Amount	
Ordinary income		14,257,541
Postal business income	2,423,530	
Banking business income	1,967,489	
Life insurance business income	9,605,645	
Other ordinary income	260,875	
Ordinary expenses		13,291,300
Operating expenses	10,506,104	
Personnel expenses	2,556,654	
Depreciation and amortization	214,340	
Other ordinary expenses	14,200	
Net ordinary income		966,240
Extraordinary gains		15,200
Gains on sales of fixed assets	5,529	
Gains on negative goodwill	849	
Compensation for transfer	2,675	
Compensation income	215	
Settlement received	2,825	
Gains on transfer of business	2,315	
Other extraordinary gains	789	
Extraordinary losses		132,493
Losses on sales and disposal of fixed assets	7,044	
Losses on impairment of fixed assets	13,396	
Provision for reserve for price fluctuations	70,100	
Post office refurbishment expenses	36,066	
Other extraordinary losses	5,884	
Provision for reserve for policyholder dividends		178,004
Income before income taxes		670,943
Income taxes current	329,971	
Income taxes deferred	(93,361)	
Total income taxes		236,610
Net income		434,333
Net income attributable to non-controlling interests		8,361
Net income attributable to Japan Post Holdings		425,972

Consolidated Statement of Changes in Net Assets

(For the year ended March 31, 2016)

(Millions of yen)

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

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	4,389,261	(666,430)	160	422,048	4,145,039	2,728	15,301,561
Changes in the fiscal year							
Cash dividends							(50,100)
Net income attributable to Japan Post Holdings							425,972
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							(369,002)
Acquisition of treasury stock							(730,964)
Increase due to merger between consolidated and unconsolidated subsidiaries							122
Net changes in items other than shareholders' equity in the fiscal year	(1,071,079)	293,197	(57,016)	(42,212)	(877,111)	1,475,609	598,498
Net changes in the fiscal year	(1,071,079)	293,197	(57,016)	(42,212)	(877,111)	1,475,609	(125,473)
Balance at the end of the fiscal year	3,318,181	(373,232)	(56,856)	379,835	3,267,928	1,478,338	15,176,088

Notes to Consolidated Financial Statements

Amounts of less than one million yen are rounded down.

Subsidiaries and affiliates are defined based on Article 2, paragraph 8 of the Banking Act and Article 4-2 of the Order for Enforcement of the Banking Act.

Basis of Presentation of Consolidated Financial Statements

1. Scope of consolidation

- (1) Consolidated subsidiaries: 290

Principal companies:

Japan Post Co., Ltd.

Japan Post Bank Co., Ltd.

Japan Post Insurance Co., Ltd.

Toll and its subsidiaries, JP Twoway Contact Co., Ltd. and JP General Insurance Agency Co., Ltd. are included in the scope of consolidation from the current fiscal year due to the acquisition of their stock.

- (2) Non-consolidated subsidiaries: 4

Tokyo Beiyu Co., Ltd.

Japan Post Maintenance Co., Ltd.

Nippan Co., Ltd.

Universal Technics Co., Ltd.

These non-consolidated subsidiaries are excluded from the scope of consolidation because their assets, ordinary 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

- (1) Non-consolidated subsidiaries accounted for by the equity method

None

- (2) Affiliates accounted for by the equity method: 24

JA Foods Oita Co., Ltd.

RINGBELL Co., Ltd.

Saison Asset Management Co., Ltd.

SDP Center Co., Ltd.

ATM Japan Business Service, Ltd.

JP Asset Management Co., Ltd.

Toll's affiliates

JP Asset Management Co., Ltd. is included in the scope of the equity method from the current fiscal year due to the establishment of the company and Toll's affiliates are included in the scope of the equity method from the current fiscal year due to the acquisition of their stock.

- (3) Non-consolidated subsidiaries not accounted for by the equity method: 4

Tokyo Beiyu Co., Ltd.

Japan Post Maintenance Co., Ltd.

Nippan Co., Ltd.

Universal Technics Co., Ltd.

These non-consolidated subsidiaries 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 the equity method does not hinder a reasonable understanding of the Group's financial position and results of operations.

- (4) Affiliates not accounted for by the equity method

None

3. Fiscal year-end dates of consolidated subsidiaries

- (1) Fiscal year-end for consolidated subsidiaries

June 30: 13

December 31: 26

January 31: 1

March 31: 250

- (2) 25 subsidiaries with a fiscal year-end date of December 31 and subsidiaries with a fiscal year-end date of June 30 and January 31 are consolidated using the preliminary financial statements. The other subsidiary with a fiscal year-end date of December 31 is consolidated using the financial statements as of and for the year ended December 31.

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

4. Amortization of goodwill

Goodwill is amortized for a period up to 20 years depending on the cause of amortization using the straight-line method. Goodwill deemed immaterial, however, is expensed as incurred.

5. Summary of significant accounting policies

- (1) Valuation criteria and methods for trading account securities

Trading account securities are carried at fair value.

- (2) Valuation criteria and methods for securities

- 1) Held-to-maturity bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method. In accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 21), policy-reserve-matching bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method. Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost and the cost of these securities sold is calculated using the moving-average method.

Available-for-sale securities are carried at their fiscal year-end market price, of which average market prices during the final month of the fiscal year is used to value stocks and stock mutual funds. Cost of securities sold is calculated using the moving-average method. Available-for-sale securities with no available market prices are carried at cost using the moving-average method or amortized cost (the straight-line method) as it is extremely difficult to determine fair value for these securities. Net unrealized gains (losses) on available-for-sale securities (including net unrealized gains (losses) arising from fluctuations in foreign exchange), net of income taxes, are included in net assets, after deducting the amount that is reflected in the fiscal year's earnings by applying fair value hedge accounting.

- 2) Securities included in money held in trust are carried using the same method used for securities mentioned above. Net unrealized gains (losses) on money held in trust classified as other than trading and held-to-maturity, net of income taxes, are included in net assets.

(3) Valuation criteria and methods for derivative transactions

All derivative transactions are valued at fair value.

(4) Depreciation methods of fixed assets

- 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 fixed assets (excluding leased assets)

Amortization of intangible fixed 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 cause of occurrence (mainly 20 years).

- 3) Leased assets

Finance lease transactions that do not transfer ownership, which are recorded in tangible fixed assets and intangible fixed assets, are depreciated to the residual value of zero or guaranteed value using the straight-line method over the lease term.

(5) Recognition of reserve for possible loan losses

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

- 2) Reserve for possible loan losses of Japan Post Bank Co., Ltd. is provided for in accordance with the write-off and provision standards as described below:

In accordance with "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" JICPA, Special Committee for Audits of Banks, etc., Report No. 4), loans to normal borrowers and borrowers with collectability risks are classified into certain groups, and an allowance is provided for each group based on the estimated rate of loan losses. For loans to borrowers with collectability risks, an allowance is provided for based on an amount net of amounts expected to be collected through disposal of collateral or through execution of guarantees, and the amount considered to be necessary based on a solvency assessment. For loans to bankrupt or substantially bankrupt borrowers, an allowance is provided for based on an

amount net of amounts expected to be collected through disposal of collateral or through execution of guarantees.

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

- 3) Reserve for possible loan losses of Japan Post Insurance Co., Ltd. is provided pursuant to its standards for self-assessment of asset quality, and general allowance is provided using a rate determined by past bad debt experience. In addition, specific allowances, which are determined after reviewing individual collectability of accounts, are recorded.

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

With regards to secured and guaranteed loans etc. to bankrupt borrowers (borrowers that are bankrupt, under civil rehabilitation procedures, or otherwise in a state of legal or virtual bankruptcy) or substantially bankrupt borrowers (borrowers that are substantially in bankruptcy), the amount of loans, net of the estimated uncollectible amount calculated by subtracting the amount of collateral value and the amount to be recoverable under guarantees, etc., amounted to ¥211 million.

(6) Reserve for bonuses

To provide for the payment of bonuses to employees, a reserve is provided in 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.

(7) Accounting method for 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	Prior service cost is amortized using the straight-line method over a fixed period (8–14 years) within the estimated average remaining service period for employees in the fiscal year in which the difference is incurred.
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Actuarial difference	Actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (8–14 years) within the estimated average remaining service period for employees from the fiscal year following the respective fiscal year in which the difference is incurred.
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- 2) Charges for the pension program of national public service personnel associated with pension benefits for the service period until December 1958 of 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.

The actuarial difference is amortized using the straight-line method over a fixed period (10 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference incurred.

The prior service cost is amortized using the straight-line method over a fixed period (10 years) within the estimated average remaining payment periods of eligible personnel when 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.

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

(8) Translation of assets and liabilities denominated in foreign currencies into Japanese yen

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

(9) Hedge accounting

1) Hedge accounting for interest rate risks

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

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

2) Hedge accounting for foreign exchange risks

The Company and its consolidated subsidiaries apply deferred hedge accounting, fair value hedges, or the accounting method translating foreign currency receivables at forward rates to reduce its exposure to foreign exchange rates for the net unrealized gains (losses) on available-for-sale securities.

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

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

(10) Reserve for price fluctuations

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

(11) Accounting for consumption taxes

All figures are net of consumption taxes.

(12) Method of accumulating policy reserves

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

- 1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Commissioner for Finance Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
- 2) Reserves for the other contracts are computed based on the net level premium method.

Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, effective from the year ended March 31, 2011, additional policy reserves are accumulated over a 10-year period for a portion of reinsurance contracts from the Management Organization for Postal Savings and Postal Life Insurance, which is an independent administrative institution. As a result, the amounts of provision for policy reserves for the current fiscal year were ¥179,558 million.

(13) Others

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

Changes in Accounting Policies

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

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

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

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

New Accounting Pronouncements

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

1. Outline

This implementation guidance is a partially revised version of the former guideline, and primarily adheres to the framework outlined in the Implementation Guidance on Recoverability of Deferred Tax Assets provided in the JICPA Audit Committee Report No. 66 “Audit Treatment for Judgment of Recoverability of Deferred Tax Assets.”

2. Scheduled date of application

The Company is scheduled to apply this implementation guidance from the beginning of the fiscal year starting on April 1, 2016.

3. Effect of application of this accounting standard

The effect of the application of this implementation guidance is under consideration.

Changes in Presentation

Consolidated Balance Sheet

“Goodwill,” which amounted to ¥2 million included in “other intangible fixed assets” under “intangible fixed assets” in the previous fiscal year, is separately presented from the current fiscal year due to an increase in materiality.

Notes to Consolidated Balance Sheet

1. Total amount of stocks of non-consolidated subsidiaries and affiliates ¥17,350 million
2. Secured loan securities for which borrowers have the right to sell or pledge in the amount of ¥100,126 million were included in Japanese government bonds in “securities.”
Unsecured borrowed securities and securities borrowed with cash collateral for which the Group has the right to sell or pledge amounted to ¥10,952,165 million.
3. There were no insolvent loans, non-accrual delinquent loans, past-due loans (three months or more), and restructured loans.

4. Assets pledged as collateral were as follows:

Assets pledged as collateral:

Securities	¥34,148,969 million
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Liabilities corresponding to assets pledged as collateral:

Deposits	¥18,983,827 million
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Payables under securities lending transactions	¥16,772,037 million
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Other liabilities	¥554,522 million
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Acceptances and guarantees	¥75,000 million
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In addition to the above, securities of ¥4,268,434 million and cash and due from banks of ¥30 million are pledged as collateral for overdraft transactions with the Bank of Japan, exchange settlements, derivative transactions and other transactions, deposits for variation margins of future market transactions, and other purposes.

5. The consolidated balance sheet amount, fair value and the outline of the risk management policy regarding policy-reserve-matching bonds are as follows:
 - (1) The consolidated balance sheet amount and the fair value of the policy-reserve-matching bonds are ¥13,563,423 million and ¥15,062,160 million, respectively.
 - (2) The outline of the risk management policy regarding policy-reserve-matching bonds is as follows:

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

 - 1) Postal life insurance contracts
 - 2) Japan Post Insurance life insurance contracts (general)
 - 3) Japan Post Insurance life insurance contracts (lump sum payment annuity)

6. Commitment line contracts on overdrafts and loans are agreements under which Japan Post Bank Co., Ltd. has obligations to lend to customers when they apply for borrowing, up to a prescribed amount, based on conditions established in the contracts. There were no unused commitments on loans.

There were no unused commitments on loans of Japan Post Insurance Co., Ltd.

7. Accumulated depreciation of tangible fixed assets ¥1,150,768 million

8. Deferred gains on tangible fixed assets not recognized for tax purposes ¥62,919 million

9. Changes in reserve for policyholder dividends

Balance at the beginning of the fiscal year	¥2,074,919 million
Policyholder dividends paid	¥(316,246) million
Interest accrual	¥132 million
Reduction due to the acquisition of additional annuity	¥(315) million
Provision for reserve for policyholder dividends	¥178,004 million
Balance at the end of the fiscal year	<u>¥1,936,494 million</u>

10. Reserve for outstanding claims for reinsured parts 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 Ordinance was ¥314 million. In addition, policy reserves provided for reinsured parts defined in Article 71, paragraph 1 of the Ordinance were ¥558 million.

11. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥26,866 million pursuant to Article 259 of the Insurance Business Act.

These obligations are recognized as operating expenses when they are made.

12. Policy reserves, excluding contingency reserve, related to reinsurance contracts with Management Organization for Postal Savings and Postal Life Insurance are provided at ¥46,712,164 million, which is an amount calculated based on the statement of calculation procedures for insurance premiums and policy reserves of Japan Post Insurance Co., Ltd., and are not less than the amounts calculated based on the statement of calculation procedures for the postal life insurance policy reserves in accordance with the Act on Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005).

Contingency reserve of ¥2,011,685 million and reserve for price fluctuations of ¥635,806 million were provided for the category of reinsurance.

13. Amounts expected to be paid on consignment contracts for system-related services (such as usage of hardware, software, telecommunication services, and maintenance) are as follows:

One year or less ¥2,173 million

Over one year ¥139 million

14. Contingent liabilities

In the event that the Company's consolidated subsidiary cancels all or part of their lease contracts for post offices, the lessor shall be entitled to seek compensation for the cancellation. The amounts of compensation

are calculated based on the amount of uncollectible investment. The possible amount of compensation as of March 31, 2016 was ¥95,561 million.

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 subsidiaries.

Notes to Consolidated Statement of Income

1. Provision for reserve for policyholder dividends, which is provided for Management Organization for Postal Savings and Postal Life Insurance based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with Management Organization for Postal Savings and Postal Life Insurance, was ¥170,458 million.
2. In order to prevent further deterioration of facilities and other assets, the Group has invested in construction work and prioritized spending on assets exceeding their economical useful lives.
Accordingly, ¥36,066 million of "post office refurbishment expenses" were recorded as extraordinary losses.

Notes to Consolidated Statement of Changes in Net Assets

1. Class and number of shares issued

(Thousands of shares)

	April 1, 2015	Increase	Decrease	March 31, 2016	Remarks
Shares issued					
Common stock	150,000	4,350,000	-	4,500,000	(Note)

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

2. Class and number of shares of treasury stock

(Thousands of shares)

	April 1, 2015	Increase	Decrease	March 31, 2016	Remarks
Treasury stock					
Common stock	-	383,306	-	383,306	(Note)

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

3. Information concerning dividends

(1) Cash dividends paid for the current fiscal year

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

(2) Cash dividends whose effective date falls after the end of the year ended March 31, 2016 (scheduled)

Resolution	Class of shares	Total amount (Millions of yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 13, 2016	Common stock	102,917	Retained earnings	25.00	March 31, 2016	June 24, 2016

Note: Dividends from retained earnings require approval from the Minister of Internal Affairs and Communications pursuant to the provisions of Article 11 of the Act on Japan Post Holdings Co., Ltd., and is subject to receiving approval by the above effective date.

Financial Instruments

1. Status of Financial Instruments

(1) Policy for handling financial instruments

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

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

Derivative transactions are identified as a key hedging method against interest rate risk and foreign exchange risk to our investment assets, and 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 structure.

(2) Features and risks of financial instruments

In the Group, financial assets owned by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. consist mainly of securities such as domestic and overseas securities, in particular Japanese government bonds, loans, stock investments through money held in trust and others. Such financial assets are exposed to risks including the credit risk of their issuing bodies, interest rate risk and market price fluctuation risk.

From an ALM viewpoint, interest rate swaps are used as a means of hedging future price volatility risk and interest rate risk of securities, loans, fixed term deposits and others in interest rate-related transactions. For currency-related transactions, currency swaps and foreign exchange contracts are used as a means of hedging foreign exchange risk in connection with the translation of foreign currency-denominated assets held by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. and related yen translation amounts of redemption of principal and interest.

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

(3) Risk management framework for financial instruments

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

The current status of Group company risk management is periodically reported to the management meeting in which the Group's risk management policies and risk management systems are discussed.

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

1) Credit risk management

Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use the VaR method to quantify credit risk exposure, in accordance with the respective rules of the companies on credit risk management. Moreover, to control credit concentration risk, the companies provide credit limits and other criteria for individual companies and corporate groups and supervise these limits during each fiscal year.

2) Management of market risk

Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use VaR method to quantify market risk exposure, in accordance with the respective rules of the companies on market risk management.

3) Management of liquidity risk related to fund raising activities

Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. manage liquidity risk related to fund raising activities through the establishment of indexes of fund raising, etc. in accordance with their respective rules.

(4) Additional notes concerning the fair value of financial instruments

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

2. Fair Values of Financial Instruments and Others

Amounts carried on the consolidated balance sheet, fair values and the difference between them as of March 31, 2016 are as follows. Privately held shares and others for which fair values are extremely difficult to determine are not included in the table below (see Note 2).

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
(1) Cash and due from banks	48,258,991	48,258,991	-
(2) Call loans	1,338,837	1,338,837	-
(3) Receivables under securities borrowing transactions	10,931,820	10,931,820	-
(4) Monetary claims bought	608,659	608,659	-
(5) Trading account securities			
Trading securities	187	187	-
(6) Money held in trust	5,205,658	5,205,658	-
(7) Securities			
Held-to-maturity bonds	94,307,429	104,001,352	9,693,922
Policy-reserve-matching bonds	13,563,423	15,062,160	1,498,737
Available-for-sale securities	99,829,966	99,829,966	-
(8) Loans	11,520,487		
Reserve for possible loan losses (* 1)	(183)		
	11,520,303	12,463,004	942,701
Total assets	285,565,277	297,700,638	12,135,360
(1) Deposits	176,090,188	176,544,347	454,159
(2) Call money	22,536	22,536	-
(3) Payables under securities lending transactions	16,772,037	16,772,037	-
Total liabilities	192,884,761	193,338,920	454,159
Derivative transactions (* 2)			
Hedge accounting not applied	(45)	(45)	-
Hedge accounting applied	(611,032)	(611,032)	-
Total derivative transactions	(611,078)	(611,078)	-

(*1) General reserve for possible loan losses corresponding to loans has been deducted.

(*2) Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums. Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses.

Additionally, those subject to exceptional treatment for interest rate swaps and the allocation method for forward exchange contracts which requires recognized foreign currency assets or liabilities to be translated using the corresponding foreign exchange contract rates are jointly disclosed with hedged loans and securities. Therefore, their fair values are included in the relevant loans and securities.

Notes: 1. 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 value approximates book value, which is therefore used as fair value.

(4) Monetary claims bought

Pricing offered by the broker and other third parties serves as fair value.

(5) Trading account securities

The purchase price of the Bank of Japan serves as fair value.

(6) Money held in trust

The fair value of securities invested in money held in trust, which is solely entrusted for security trading purposes, is based on the price quoted by the exchange for shares and on the price quoted by the exchange, price of over-the-counter transactions, or prices rationally calculated mutatis mutandis on the basis of market quotations for bonds.

Notes to money held in trust are provided in Note “Money Held in Trust” in accordance with the purpose of the holdings.

(7) Securities

The fair value of securities are based on the price quoted by the exchange, price of over-the-counter transactions, or prices rationally calculated mutatis mutandis on the basis of market quotations.

Notes on securities by categories based on holding purposes are presented in Note “Securities.”

(8) Loans

For loans with variable interest rates, which follow market interest rates only over the short-term, fair value approximates book value unless the obligor’s credit standing does not significantly differ after the transaction. In such cases, book value serves as fair value. For loans with fixed interest rates, fair value is based on a net discounted present value of future cash flows.

For loans where amounts are limited to the values of corresponding collateral and which have no fixed date of repayments, book values are used as fair values, because their fair value approximates book value considering the loan terms and conditions.

Liabilities

(1) Deposits

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

(2) Call money and (3) Payables under securities lending transactions

These are settled within a short-term (one year), and their fair value approximates book value, which is therefore used as fair value.

Derivatives

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

2. The consolidated balance sheet amounts of financial instruments for which fair values are deemed extremely difficult to determine are as shown below; they are not included in “Assets (7) Securities” under information concerning fair values of financial instruments.

(Millions of yen)

Class	Amount on the consolidated balance sheet
Unlisted stocks (*)	19,520
Total	19,520

- (*) The above instruments 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. Redemption schedule of monetary claims and securities with maturities were as follows:

(Millions of yen)

	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	47,285,776	-	-	-	-	-
Call loans	1,338,837	-	-	-	-	-
Receivables under securities borrowing transactions	10,931,820	-	-	-	-	-
Monetary claims bought	400,231	59,492	58,419	13,967	4,127	67,636
Securities						
Held-to-maturity bonds	16,869,781	19,516,035	9,832,998	17,851,271	5,440,581	24,218,660
Policy-reserve- matching bonds	1,425,492	3,447,125	1,595,580	1,832,354	1,477,381	3,696,200
Available-for-sale securities with maturities	7,362,760	16,497,601	20,353,592	11,780,213	10,664,911	4,292,224
Loans	2,210,499	2,368,547	2,069,594	1,586,822	1,659,332	1,622,590
Total	87,825,199	41,888,802	33,910,184	33,064,629	19,246,334	33,897,311

4. Redemption schedule of deposits, call money and payables under securities lending transactions were as follows:

(Millions of yen)

	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 (*)	80,020,236	30,948,556	20,184,082	18,310,254	26,627,057	-
Call money	22,536	-	-	-	-	-
Payables under securities lending transactions	16,772,037	-	-	-	-	-
Total	96,814,809	30,948,556	20,184,082	18,310,254	26,627,057	-

(*) Demand deposits are included in "Within 1 year."

Securities

The amount shown in the following tables include “trading account securities,” negotiable certificates of deposit included in “cash and due from banks,” and “monetary claims bought” in addition to “securities.”

1. Trading account securities (As of March 31, 2016)

There were no valuation gains (losses) associated with trading account securities recorded under income or expenses for the fiscal year ended March 31, 2016.

2. Held-to-maturity bonds (As of March 31, 2016)

(Millions of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	79,153,202	88,000,287	8,847,084
	Japanese local government bonds	8,384,496	8,918,422	533,925
	Japanese corporate bonds	6,571,514	6,877,469	305,954
	Others	194,744	229,801	35,057
	Subtotal	94,303,958	104,025,980	9,722,022
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	-	-	-
	Japanese local government bonds	400	399	(0)
	Japanese corporate bonds	3,071	3,070	(1)
	Others	-	-	-
	Subtotal	3,471	3,469	(1)
Total		94,307,429	104,029,450	9,722,020

3. Policy-reserve-matching bonds (As of March 31, 2016)

(Millions of yen)

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

4. Available-for-sale securities (As of March 31, 2016)

(Millions of yen)

	Type	Consolidated balance sheet amount	Cost	Difference
Those for which consolidated balance sheet amount exceeds cost	Stocks	14	1	12
	Bonds	49,935,011	47,791,634	2,143,376
	Japanese government bonds	34,372,050	32,626,621	1,745,429
	Japanese local government bonds	5,969,363	5,841,062	128,301
	Short-term corporate bonds	-	-	-
	Japanese corporate bonds	9,593,596	9,323,950	269,646
	Others	27,041,204	24,440,327	2,600,877
	Subtotal	76,976,230	72,231,963	4,744,266
Those for which consolidated balance sheet amount does not exceed cost	Stocks	-	-	-
	Bonds	904,848	907,545	(2,697)
	Japanese government bonds	10,504	10,594	(90)
	Japanese local government bonds	390,679	391,280	(600)
	Short-term corporate bonds	204,995	204,995	-
	Japanese corporate bonds	298,669	300,675	(2,006)
	Others	23,272,546	23,744,084	(471,538)
	Subtotal	24,177,395	24,651,630	(474,235)
Total	101,153,625	96,883,594	4,270,031	

5. Held-to-maturity bonds sold during the fiscal year (From April 1, 2015 to March 31, 2016)

None

6. Policy-reserve-matching bonds sold during the fiscal year (From April 1, 2015 to March 31, 2016)

None

7. Available-for-sale securities sold during the fiscal year (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Sales	Gains	Losses
Stocks	25,821	11,265	(1)
Bonds	8,755,351	6,365	(681)
Japanese government bonds	8,749,632	6,357	(594)
Japanese corporate bonds	5,718	8	(86)
Others	1,329,429	11,103	(12,032)
Total	10,110,602	28,734	(12,714)

Money Held in Trust

1. Money held in trust classified as trading (As of March 31, 2016)

None

2. Money held in trust classified as held-to-maturity (As of March 31, 2016)

None

3. Money held in trust classified as other than trading and held-to-maturity (As of March 31, 2016)

(Millions of yen)

	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading and held-to-maturity	5,205,658	4,157,777	1,047,881	1,129,467	(81,585)

Note: "Amount for which consolidated balance sheet amount exceeds cost" and "Amount for which consolidated balance sheet amount does not exceed cost" are sub-items of "Difference" respectively.

Retirement Benefits

1. Outline of Retirement Benefits

- (1) 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. The charges concerning share of public service pension and share of another public service pension 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.

- (2) Certain consolidated subsidiaries have defined contribution pension plans. In addition, the amount 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 the 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, was ¥6,354 million for the year ended March 31, 2016.

2. Defined Benefit Plans

(1) Changes in retirement benefit obligations

	(Millions of Yen)
Balance at the beginning of the fiscal year	2,896,921
Service cost	122,445
Interest cost	17,716
Actuarial differences	10,980
Benefits paid	(201,660)
Other	425
Balance at the end of the fiscal year	<u>2,846,829</u>

(2) Changes in plan assets

	(Millions of Yen)
Balance at the beginning of the fiscal year	638,481
Expected return on plan assets	1,460
Actuarial differences	14,802
Contributions paid by the employer	381
Benefits paid	(62,105)
Balance at the end of the fiscal year	<u>593,019</u>

(3) Balance of retirement benefit obligations, plan assets and liability (asset) for retirement benefits on the consolidated balance sheet

	(Millions of Yen)
Funded retirement benefit obligations	565,590
Share of public service pension	555,236
Share of another public service pension	1,010
Corporate pension plan	9,343
Plan assets	(593,019)
Share of public service pension	(582,474)
Share of another public service pension	(810)
Corporate pension plan	(9,734)
	<u>(27,429)</u>
Unfunded retirement benefit obligations	2,281,239
Lump-sum severance indemnity	2,281,239
Net liability (asset) for retirement benefits	<u>2,253,810</u>
Liability for retirement benefits	2,281,439
Asset for retirement benefits	(27,629)
Net liability (asset) for retirement benefits	<u>2,253,810</u>

(4) Retirement benefit costs

	(Millions of Yen)
Service cost	122,445
Interest cost	17,716
Expected return on plan assets	(1,460)
Amortization of actuarial differences	(19,176)
Amortization of prior service cost	(26,678)
Other	358
Total	<u>93,205</u>

(5) Adjustments for retirement benefits (before tax effect)

Breakdown of items recognized as adjustments for retirement benefits (before tax effect) is as follows:

	(Millions of Yen)
Prior service cost	(26,678)
Actuarial differences	(15,355)
Total	<u>(42,034)</u>

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

Breakdown of items recognized as accumulated adjustments for retirement benefits (before tax effect) is as follows:

	(Millions of Yen)
Unrecognized prior service cost	253,870
Unrecognized actuarial differences	131,727
Total	<u>385,597</u>

(7) Plan assets

1) Composition by main categories contained in plan assets is as follows:

	(%)
Bonds	91
Stocks	0
Loans	0
Others	9
Total	<u>100</u>

Note: Total plan assets is comprised 98% of retirement benefit trusts, which were set up for share of public service pension and share of another public service pension.

2) Method for determining long-term expected rate of return on plan assets

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

(8) Actuarial assumptions

Actuarial assumptions at the end of the current fiscal year

	(%)
Discount rate	0.2-0.7
Long-term expected rate of return on plan assets	0.1-2.0

3. Defined Contribution Plans

The amount required to be contributed to the defined contribution plans by certain consolidated subsidiaries was ¥10,118 million for the year ended March 31, 2016.

Investment and Rental Property

1. Status of investment and rental property

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

2. Fair value of investment and rental property

Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)
483,951	535,773

Notes: 1. The consolidated balance sheet amount represents acquisition costs less accumulated depreciation and accumulated losses on impairment.

2. The fair value at the end of the current fiscal year is calculated primarily based on the real estate appraisal standard.

3. Real estate under construction such as commercial buildings is not included in the above table since it is extremely difficult to determine its fair value. The consolidated balance sheet amount as of March 31, 2016 was ¥28,062 million.

Deferred Tax Assets and Liabilities

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

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

Business Combinations

Business Combination by Acquisition

Japan Post Co., Ltd., a consolidated subsidiary of the Company, acquired 100% of the shares issued of Toll Holdings Limited, which is an Australian leading logistics company.

1. Outline of the business combination

(1) Company name and business description of the acquired company

Company name	Toll Holdings Limited
Business description	Forwarding business, 3PL business, express business, and others

(2) Main reasons for conducting the business combination

Japan Post Co., Ltd. is aiming to grow as a general logistics company which undertakes global logistics business, comprised mainly of business development in the fast-growing Asian market, as well as strengthening domestic business.

Japan Post Co., Ltd. acquired the shares of Toll Holdings Limited, so as to enhance its global business development while firmly establishing its position in the Asian market in the future.

(3) Date of the business combination

May 28, 2015

- (4) Legal form of the business combination
Acquisition of shares in exchange for cash
- (5) Company name after the business combination
Toll Holdings Limited
- (6) Ratio of voting rights acquired
100%
- (7) Primary grounds for determining the acquiring company
Based on the acquisition of shares by Japan Post Co., Ltd. in exchange for cash.
2. Period for which business results of the acquired company are included in the consolidated statement of income for the fiscal year ended March 31, 2016
From July 1, 2015 to March 31, 2016
3. Acquisition cost of the acquired company
¥609,317 million
4. Details and amounts of major acquisition-related costs
Advisory fees, etc. ¥1,646 million
5. The amount of goodwill, reasons for the occurrence of goodwill, amortization method of goodwill and amortization period
- (1) The amount of goodwill
¥474,454 million
- (2) Reasons for the occurrence of goodwill
As acquisition cost exceeded the net amount of acquired assets and assumed liabilities, the excess amount is stated as goodwill.
- (3) Amortization method of goodwill and amortization period
Goodwill is amortized over a period of 20 years using the straight-line method
6. Amount and primary items of acquired assets and assumed liabilities on the date of the business combination
- | | |
|--|------------------|
| Total assets | ¥528,924 million |
| Of which: tangible fixed assets | ¥230,075 million |
| Of which: trademark rights | ¥30,433 million |
| Total liabilities | ¥390,940 million |
| Of which: corporate bonds and borrowings | ¥228,713 million |

7. Estimated effect on the consolidated statement of income for the fiscal year ended March 31, 2016 and method of calculation of amount of impact, assuming the business combination was completed on the first day of the consolidated fiscal year

Ordinary income	¥199,324 million
Net ordinary income	¥(5,454) million
Net income attributable to Japan Post Holdings	¥(15,647) million

The above estimated amounts were calculated by reflecting the amount of amortization of goodwill (¥5,841 million), etc. recorded during April 1, 2015 to June 30, 2015, in the business results that includes temporary business reorganization expenses (¥10,260 million), etc., recorded by Toll Holdings Limited and its subsidiaries during the comparable period, which arose as a result of the acquisition of their shares by the Company.

An audit certificate has not been obtained with regard to the above information.

Transactions under common control

Sale of a portion of equity interests in subsidiaries

The Company sold a portion of its equity interests in Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. (hereinafter referred to as “two financial companies”) as outlined below:

1. Outline of the transaction

(1) Names and descriptions of businesses of the combining companies

1) Japan Post Bank Co., Ltd. (consolidated subsidiary of the Company)

Business description: Banking business

2) Japan Post Insurance Co., Ltd. (consolidated subsidiary of the Company)

Business description: Life insurance business

(2) Date of the business combination

November 4, 2015

(3) Legal form of the business combination

Sale of a portion of equity interests in exchange for cash

(4) Company name after the combination

The company name remains unchanged.

(5) Other matters concerning outline of the transaction

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

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

Non-consolidated Statement of Income

(For the year ended March 31, 2016)

(Millions of yen)

Items	Amount	
Operating income		309,975
Brand royalty income	13,352	
Dividend income from subsidiaries and affiliates	209,245	
Income from business consignment	26,842	
Subsidy income equivalent to deposit insurance premiums	9,862	
Income from hospital business	22,562	
Income from hotel business	28,109	
Operating expenses		78,558
Expenses for business consignment	24,344	
Expenses for hospital business	27,812	
Expenses for hotel business	30,094	
Administrative expenses	(3,692)	
Net operating income		231,417
Other income		3,575
Interest income	391	
Rent income	2,472	
Others	711	
Other expenses		2,073
Rent expenses	1,094	
Listing related costs	774	
Others	203	
Net ordinary income		232,919
Extraordinary gains		37,382
Gains on sales of fixed assets	1,391	
Gains on transfer of business	2,315	
Gains on sales of stocks of subsidiaries and affiliates	32,796	
Others	878	
Extraordinary losses		179,836
Losses on sales and disposal of fixed assets	62	
Losses on impairment of fixed assets	8,759	
Losses on sales of stocks of subsidiaries and affiliates	126,236	
Share of post office refurbishment expenses	38,853	
Others	5,925	
Income before income taxes		90,464
Income taxes current	(3,846)	
Total income taxes		(3,846)
Net income		94,311

Non-consolidated Statement of Changes in Net Assets

(For the year ended March 31, 2016)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
					Retained earnings brought forward	
Balance at the beginning of the fiscal year	3,500,000	875,000	3,628,856	4,503,856	740,600	740,600
Changes in the fiscal year						
Cash dividends					(50,100)	(50,100)
Net income					94,311	94,311
Acquisition of treasury stock						
Net changes in the fiscal year	-	-	-	-	44,211	44,211
Balance at the end of the fiscal year	3,500,000	875,000	3,628,856	4,503,856	784,812	784,812

	Shareholders' equity		Total net assets
	Treasury stock	Total shareholders' equity	
Balance at the beginning of the fiscal year	-	8,744,456	8,744,456
Changes in the fiscal year			
Cash dividends		(50,100)	(50,100)
Net income		94,311	94,311
Acquisition of treasury stock	(730,964)	(730,964)	(730,964)
Net changes in the fiscal year	(730,964)	(686,753)	(686,753)
Balance at the end of the fiscal year	(730,964)	8,057,703	8,057,703

Notes to Non-consolidated Financial Statements

Amounts of less than one million yen are rounded down.

Significant Accounting Policies

1. Valuation criteria and methods for securities

Investments in subsidiaries and affiliates are carried at cost and the cost of these securities sold is calculated using the moving-average method. Available-for-sale securities are carried at their fiscal year-end market price, of which average market prices during the final month of the fiscal year is used to value stocks. Cost of securities sold is calculated using the moving-average method. Available-for-sale securities with no available market prices 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, net of income taxes, are included in net assets.

2. Valuation criteria and methods for inventories

Inventories are stated at cost using the moving-average method (writing down the book value of inventories based on decreased profitability).

3. Depreciation methods of fixed assets

(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: 2-60 years

(2) Intangible fixed assets (excluding leased assets)

Amortization of intangible fixed assets is computed using the straight-line method.

The useful lives are determined in accordance with the Corporation Tax Act.

The capitalized development costs of software intended for internal use are amortized over the expected useful lives of mainly 5 years.

(3) Leased assets

Finance lease transactions that do not transfer ownership are depreciated to the residual value of zero or guaranteed value using the straight-line method over the lease term.

4. Criteria for allowances and reserves

(1) Reserve for possible loan losses

For reserve for possible loan losses, allowance is provided for general accounts receivable using a rate determined based on past bad debt experience. In addition, a reserve 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) Allowance for investment loss

For losses from investment in subsidiaries, etc., the amount deemed necessary is provided based on the financial conditions, etc. of the relevant subsidiary.

(3) Reserve for bonuses

To provide for the payment of bonuses to employees, a reserve is provided in 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.

(4) Reserve for point service program

To provide for the usage of points granted to customers, the Company has recorded at the end of the fiscal year the amounts for points expected to be used in the future.

(5) Reserve for retirement benefits

- 1) For employee retirement benefits, reserve for retirement benefits is recorded based on the projected retirement benefit obligation at the end of the fiscal year.

The actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (8 years) within the estimated average remaining service periods for employees 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 (8 years) within the estimated average remaining service periods for employees in the 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 up to December 1958 of 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 “Reserve for retirement benefits.”

The Company has established retirement benefit trusts.

The actuarial difference is amortized using the straight-line method over a fixed period (10 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference incurred.

The prior service cost is amortized using the straight-line method over a fixed period (10 years) within the estimated average remaining payment periods of eligible personnel when 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 “Reserve for retirement benefits.”

The Company has established retirement benefit trusts.

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 from the fiscal year after the difference incurred.

(6) Reserve for compensation for accidents in the course of duty

To provide for the need to pay compensation to employees (or the families of the deceased) for accidents they were involved in during their duty or during commuting, reserve for compensation for accidents in the course of duty is posted as liabilities in the current fiscal year.

Actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (15 years) within the estimated average remaining payment period for employees from the fiscal year following the respective fiscal year in which the difference is incurred.

5. Accounting for consumption taxes

All figures are net of consumption taxes.

6. Others

- (1) The Company adopts the consolidated tax payment system.
- (2) Accounting treatment for unsettled amounts of unrecognized actuarial differences and unrecognized prior service cost related to retirement benefits is different from the accounting treatment of such amounts on the consolidated financial statements.

Changes in Accounting Policies

Effective from the fiscal year ended March 31, 2016, the Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013; hereinafter referred to as the “Business Combinations Accounting Standard”), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013; hereinafter referred to as the “Business Divestitures Accounting Standard”), and other pronouncements. Accordingly, the Company changed to the method where the Company records acquisition-related costs as expenses in the fiscal year of incurrence. With respect to business combinations to be implemented after the beginning of the fiscal year ended March 31, 2016, the Company changed to the method where revisions to the allocation of acquisition costs due to finalizing amounts from the provisional accounting treatments are reflected in the non-consolidated financial statements for the period in which the business combination was carried out.

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

There was no effect of this change on non-consolidated financial statements and per share data.

Changes in Presentation

Non-consolidated Statement of Income

“Interest expenses” which was separately presented under “other expenses” in the previous fiscal year, is included in “others” under “other expenses” from the current fiscal year due to a decrease in materiality.

“Listing related cost,” which amounted to ¥98 million and was included in “others” under “other expenses” in the previous fiscal year, is separately presented from the current fiscal year due to an increase in materiality.

“Compensation income,” which was separately presented under “extraordinary gains” in the previous fiscal year, is included in “others” under “extraordinary gains” from the current fiscal year due to a decrease in materiality.

Changes in Accounting Estimates

The Company has changed the amortization periods of actuarial difference and prior service cost from 10 years to 8 years due to the decrease of the estimated average remaining service period for employees.

As a result, operating expenses decreased by ¥272 million while net operating income, net ordinary income and income before income taxes increased by ¥272 million respectively for the year ended March 31, 2016.

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral
 - Investments and other assets ¥45 million
 - Other assets (government bonds) are deposited in the Legal Affairs Bureau as business security deposits under Building Lots and Buildings Transaction Business Act.

2. Accumulated depreciation of tangible fixed assets ¥30,038 million

3. Deferred gains on tangible fixed assets not recognized for tax purposes ¥17,070 million

4. Monetary assets and liabilities to subsidiaries and affiliates
 - Short-term monetary assets to subsidiaries and affiliates ¥416,926 million
 - Long-term monetary assets to subsidiaries and affiliates ¥3,400 million
 - Short-term monetary liabilities to subsidiaries and affiliates ¥164,727 million

5. Inventories
 - Breakdown of inventories is as follows:
 - Supplies ¥406 million

Notes to Non-consolidated Statement of Income

1. Transactions with subsidiaries and affiliates
 - Operating transactions
 - Operating income ¥259,201 million
 - Operating expenses ¥8,728 million
 - Other transactions ¥41,974 million

2. Brand royalty income
 - The Company receives brand royalty income from its subsidiaries for the use of Japan Post Group brands and trademarks and other benefits derived from their membership in Japan Post Group.

3. Share of post office refurbishment expenses
 - In order to prevent further deterioration of facilities and other assets, Japan Post Co., Ltd., a consolidated subsidiary of the Company, has invested in construction work and prioritized spending on assets exceeding their economical useful lives.
 - As the nature of such construction work, including those which occurred before the transfer of businesses from Japan Post Corporation, differ from periodic maintenance work due to insufficient implementation of past maintenance work, the Company, which engages in group administration, records such expenses as “share of post office refurbishment expenses.”

4. Administrative expenses are negative mainly due to amortization of prior service cost related to share of public service pension under retirement benefit expenses.

Notes to Non-consolidated Statement of Changes in Net Assets

1. Information concerning dividends

(1) Cash dividends paid for the current fiscal year

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

(2) Cash dividends whose effective date falls after the end of the year ended March 31, 2016 (scheduled)

Resolution	Class of shares	Total amount (Millions of yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 13, 2016	Common stock	102,917	Retained earnings	25.00	March 31, 2016	June 24, 2016

Note: Dividends from retained earnings require approval from the Minister of Internal Affairs and Communications pursuant to the provisions of Article 11 of the Act on Japan Post Holdings Co., Ltd., and is subject to receiving approval by the above effective date.

2. Class and number of shares of treasury stock

Common stock 383,306,000 shares

Deferred Tax Assets and Liabilities

Breakdown of significant components of deferred tax assets and deferred tax liabilities is as follows:

	(Millions of Yen)
Deferred tax assets	
Tax losses carried forward	215,050
Reserve for retirement benefits	219,366
Reserve for bonuses	542
Others	11,330
Subtotal	446,289
Valuation allowance	(446,289)
Total deferred tax assets	-
Deferred tax liabilities	-
Net deferred tax assets (liabilities)	-

Business Combinations

Transactions under common control

Sale of a portion of equity interests in subsidiaries

The Company sold a portion of its equity interests in Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. (hereinafter referred to as “two financial companies”) as outlined below.

“Losses on sales of stocks of subsidiaries and affiliates” of ¥126,236 million was recorded due to sale of a portion of equity interests in Japan Post Bank Co., Ltd and “Gains on sales of stocks of subsidiaries and affiliates” of ¥32,796 million was recorded due to sale of a portion of equity interests in Japan Post Insurance Co., Ltd.

1. Outline of the transaction

(1) Names and descriptions of businesses of the combining companies

1) Japan Post Bank Co., Ltd. (consolidated subsidiary of the Company)

Business description: Banking business

2) Japan Post Insurance Co., Ltd. (consolidated subsidiary of the Company)

Business description: Life insurance business

(2) Date of the business combination

November 4, 2015

(3) Legal form of the business combination

Sale of a portion of equity interests in exchange for cash

(4) Company name after the combination

The company name remains unchanged.

(5) Other matters concerning outline of the transaction

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

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

2. Outline of accounting treatments implemented

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

Report of Independent Auditor on Consolidated Financial Statements (Copy)

[English Translation of the Auditor's Report Originally Issued in the Japanese Language]

Independent Auditor's Report

May 12, 2016

The Board of Directors
Japan Post Holdings Co., Ltd.

KPMG AZSA LLC

Shozo Tokuda (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshihide Takehisa (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kanako Ogura (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Japan Post Holdings Co., Ltd. as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Japan Post Holdings Co., Ltd. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Audit Report of Audit Committee on Consolidated Financial Statements (Copy)

[English Translation of the Audit Report Originally Issued in the Japanese Language]

Audit Report on Consolidated Financial Statements

We, the Audit Committee of Japan Post Holdings Co., Ltd., have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Japan Post Holdings Co., Ltd. as at March 31, 2016 and during its 11th business year, the period from April 1, 2015 to March 31, 2016. Our audit methods and results are as follows.

1. Auditing Methods and Content Thereof

In accordance with auditing policies, etc. set by themselves, the Audit Committee received reports on the consolidated financial statements from executive officers, etc., requesting explanations when necessary.

Furthermore, the Audit Committee monitored and inspected whether the independent auditor performed proper audits while assuring said auditor's independence, and received reports from the independent auditor on the execution of its duties, requesting explanations when necessary.

The Audit Committee was also informed by the independent auditor that the "System to ensure proper execution of its duties" (as set forth in items of Article 131 of the Ordinance on Accounting of Companies) has been developed in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005) and others, requesting explanations when necessary.

Through the above methods, the Audit Committee reviewed the consolidated financial statements for said business year.

2. Results of Audit

We certify that the auditing method of KPMG AZSA LLC, the independent auditor, and the results of its audit are proper and correct.

May 12, 2016

Audit Committee of Japan Post Holdings Co., Ltd.

Standing Member of the Audit Committee
Tadashi Yagi (Seal)

Member of the Audit Committee
Haruo Kasama (Seal)

Member of the Audit Committee
Miwako Noma (Seal)

Member of the Audit Committee
Toru Shimizu (Seal)

Note: Members of the Audit Committee Tadashi Yagi, Haruo Kasama, Miwako Noma and Toru Shimizu are outside directors as stipulated in Article 2, item 15, and Article 400, paragraph 3 of the Companies Act.

Report of Independent Auditor on Non-consolidated Financial Statements (Copy)
[English Translation of the Auditor's Report Originally Issued in the Japanese Language]

Independent Auditor's Report

May 12, 2016

The Board of Directors
Japan Post Holdings Co., Ltd.

KPMG AZSA LLC

Shozo Tokuda (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yoshihide Takehisa (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kanakano Ogura (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of Japan Post Holdings Co., Ltd. as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, 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 financial statements and the

supplementary schedules 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 financial statements and the supplementary schedules.

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 financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Japan Post Holdings Co., Ltd. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Audit Report of Audit Committee (Copy)

[English Translation of the Audit Report Originally Issued in the Japanese Language]

Audit Report

We, the Audit Committee of Japan Post Holdings Co., Ltd., have audited the execution of duties by directors and executive officers as at March 31, 2016 and during its 11th business year, the period from April 1, 2015 to March 31, 2016. Our audit methods and results are as follows.

1. Auditing Methods and Content Thereof

The Audit Committee periodically received reports on the resolutions of the Board of Directors and the status of establishment and operation of the system (Internal Control System) developed under such resolutions with regard to matters referred to in Article 416, paragraph 1, item 1, sub-items (b) and (e) of the Companies Act and requested explanations when necessary from directors and executive officers as well as employees, etc., and expressed our opinions to them. At the same time, the Audit Committee performed audits by the following methods:

- (i) In accordance with auditing policies, etc. set by themselves, the Audit Committee, working closely with the internal audit division and other related organizations, attended important meetings, received reports from directors, executive officers, and other related persons on the matters regarding the execution of their duties and requested explanations when necessary, inspected important written approvals and other documents, and examined the status of business operations and financial status of the Company. As for the subsidiaries of the Company, the Audit Committee communicated and exchanged information with the directors, audit committee members, and Audit & Supervisory Board Member of the subsidiaries and received reports from the subsidiaries regarding their business when necessary.
- (ii) The Audit Committee monitored and inspected whether the independent auditor performed proper audits while assuring said auditor's independence, and received reports from the independent auditor on the execution of its duties, requesting explanations when necessary. The Audit Committee was also informed by the independent auditor that the "System to ensure proper execution of its duties" (as set forth in items of Article 131 of the Ordinance on Accounting of Companies) has been developed in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005) and others, requesting explanations when necessary.

Through the above methods, the Audit Committee reviewed the business report and the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules for said business year.

2. Audit Results

(1) Audit Results of Business Report, etc.

- (i) In our opinion, the business report and its supplementary schedules fairly present the situation of the Company in accordance with laws and regulations as well as the Articles of Incorporation.
- (ii) We found no wrongful act or material fact in violation of laws and regulations, or the Articles of Incorporation.
- (iii) We certify that the resolutions of the Board of Directors with respect to the internal control system are proper and correct. We also certify that the Company's internal control system is undergoing continuous improvement, and we found no matter that needed to be addressed regarding the execution of duties by the Directors and Executive Officers with respect to the internal control system.

As stated in the business report, the Japan Post Group is promoting initiatives designed to strengthen the internal control of the Group as a whole. Accordingly, the Audit Committee will continue to keep an eye on the progress of such efforts.

(2) Audit Results of Consolidated Financial Documents

We certify that the auditing method of KPMG AZSA LLC, the Accounting Auditor, and the results of its audit are proper and correct.

May 12, 2016

Audit Committee of Japan Post Holdings Co., Ltd.

Standing Member of the Audit Committee
Tadashi Yagi (Seal)

Member of the Audit Committee
Haruo Kasama (Seal)

Member of the Audit Committee
Miwako Noma (Seal)

Member of the Audit Committee
Toru Shimizu (Seal)

Note: Members of the Audit Committee Tadashi Yagi, Haruo Kasama, Miwako Noma and Toru Shimizu are outside directors as stipulated in Article 2, item 15, and Article 400, paragraph 3 of the Companies Act.