

(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 2, 2017

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 12TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

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

You are cordially invited to attend the 12th 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 21, 2017 (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 21, 2017 (JST).

→Please refer to the attached “Guide to the Exercise of Voting Rights via the Internet, etc.” on page 4.

## **Details**

**1. Date and Time:** Thursday, June 22, 2017 at 10 a.m. (JST)  
(The reception of the attendees to the meeting at the reception desk shall start at 9:00 a.m.)

**2. Place:** Yokohama Arena  
3-10 Shin-Yokohama, Kohoku Ward, Yokohama, Kanagawa Prefecture  
  
Last year, the Company held the 11th Annual General Meeting of Shareholders at the Super Arena in Saitama City, Saitama Prefecture. As this location was unavailable for any of the suitable dates for meeting, 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 12th Term (April 1, 2016 to March 31, 2017) 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 12th Term (April 1, 2016 to March 31, 2017)

#### **Proposals to be resolved:**

**Proposal:** Election of Fifteen (15) Directors

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- \* 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 (7–18 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 22, 2017 at 10 a.m. (The reception of the attendees to the meeting at the reception desk shall start at 9:00 a.m.) (JST)  
 Place: Yokohama Arena  
 3-10 Shin-Yokohama, Kohoku Ward, Yokohama, Kanagawa Prefecture

**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 21, 2017 (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.

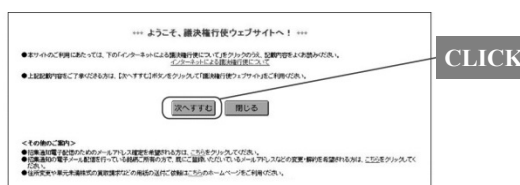
Exercise due date: No later than 5:15 p.m. on Wednesday, June 21, 2017 (JST)

### 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

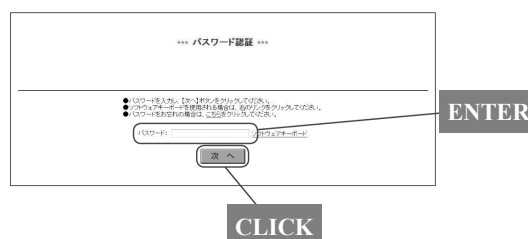
Enter the “議決権行使コード (voting code)” indicated on the voting form and click on “ログイン (Log in).”



### 3. Enter the password

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

If you received this Notice by MyPost, the password column on the right hand side of the voting rights exercise card is displayed as “\*\*\*\*\*”. Please enter the password you selected when confirming registration of MyPost receipt.



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)

You can also receive this Notice in digital format using MyPost. If you desire, please access the following website from your computer and follow the directions.

\*MyPost is the name of an online postal mail receipt service provided by Japan Post.

<https://www.mypost.post.japanpost.jp>

Inquiries on “MyPost”

Tel:0120-343-389 (toll free and available from 10:00 a.m. to 6:00 p.m., only in Japan)

**About the 12th Term Year-end Dividend**

A resolution was passed by the Board of Directors on May 15, 2017 setting the year-end dividend at ¥25 per share, with the date of entry into force (payment start date) set as June 23, 2017, per the provisions of the Articles of Incorporation.

As the interim dividend of ¥25 per share has been already paid, the total annual payment of dividends for the fiscal year under review will be ¥50 per share.

## 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 fifteen (15) 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 Nomination Committee.

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 Nomination 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	Norito Ikeda	Director	Reelection
4	Kunio Yokoyama	Director	Reelection
5	Mitsuhiko Uehira	–	New election
6	Riki Mukai	–	New election
7	Miwako Noma	Outside Director, Member of the Audit Committee	Reelection Outside Independent
8	Akio Mimura	Outside Director, Chairperson of the Nomination Committee	Reelection Outside Independent
9	Tadashi Yagi	Outside Director, Chairperson of the Audit Committee (full-time), Member of the Compensation Committee	Reelection Outside Independent
10	Satoshi Seino	Outside Director, Chairperson of the Compensation Committee	Reelection Outside Independent
11	Kunio Ishihara	Outside Director, Member of the Nomination Committee	Reelection Outside Independent
12	Yasuo Inubushi	Outside Director	Reelection Outside Independent
13	Charles Ditmars Lake II	Outside Director	Reelection Outside Independent
14	Michiko Hirono	Outside Director	Reelection Outside Independent
15	Norio Munakata	Outside Director, Member of the Audit Committee	Reelection Outside Independent

Notes: 1. The Company has entered into limited liability agreement with Mr. Norito Ikeda, Mr. Kunio Yokoyama, Ms. Miwako Noma, Mr. Akio Mimura, Mr. Tadashi Yagi, Mr. Satoshi Seino, Mr. Kunio Ishihara, Mr. Yasuo Inubushi, Mr. Charles Ditmars Lake II, Ms. Michiko Hirono and Mr. Norio Munakata 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. Mitsuhiko Uehira, and Mr. Riki Mukai if their appointments are approved.

2. Ms. Noma, Mr. Mimura, Mr. Yagi, Mr. Seino, Mr. Ishihara, Mr. Inubushi, Mr. Lake, Ms. Hirono and Mr. Munakata are independent officers, whose appointment is required by the Tokyo Stock Exchange to ensure the protection of general shareholders' interests.
3. Ms. Hirono's name on her family register is Michiko Fujii.

Name (Date of birth)	Career Summary and Position in the Company
1  <b>Masatsugu Nagato</b> (Nov. 18, 1948)  Number of the Company's Shares Owned 1,100 shares  Tenure as Director 2 years  Attendance at Board of Directors' meetings 12/12 (100%)  Attendance at Nomination Committee's meetings 2/2 (100%)  Attendance at Compensation Committee's meetings 4/4 (100%)  [Reelection]	<p>Apr. 1972      Joined The Industrial Bank of Japan, Limited.</p> <p>Jun. 2000      Executive Officer of The Industrial Bank of Japan, Limited.</p> <p>Jun. 2001      Managing Executive Officer of The Industrial Bank of Japan, Limited.</p> <p>Apr. 2002      Managing Executive Officer of Mizuho Bank, Ltd.</p> <p>Apr. 2003      Managing Executive Officer of Mizuho Corporate Bank, Ltd.</p> <p>Jun. 2006      Corporate Executive Vice President of Fuji Heavy Industries Ltd.</p> <p>Jun. 2007      Director of the Board, Corporate Executive Vice President of Fuji Heavy Industries Ltd.</p> <p>Jun. 2010      Representative Director of the Board, Deputy President of Fuji Heavy Industries Ltd.</p> <p>Jun. 2011      Director &amp; Vice Chairman of Citibank Japan Ltd.</p> <p>Jan. 2012      Director &amp; Chairman of Citibank Japan Ltd.</p> <p>May 2015      President and Representative Executive Officer of Japan Post Bank Co., Ltd.</p> <p>Jun. 2015      Director of the Company</p> <p>Apr. 2016      Director and Representative Executive Officer, President &amp; 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>Jun. 2016      Director of Japan Post Insurance Co., Ltd. (to present)</p> <p>[Position and responsibilities]</p> <p>Director and Representative Executive Officer, President &amp; CEO, Member of the Nomination 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., Director of Japan Post Insurance Co., Ltd.</p> <p>[Reasons for nomination as candidate for Director]</p> <p>Mr. Masatsugu Nagato has held senior management posts such as Director &amp; Chairman of Citibank Japan Ltd., and has being part of the management team of the Group as Director and Representative Executive Officer, President &amp; CEO 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]</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;"><b>Yasuo Suzuki</b> (Apr. 23, 1950)</p> <p>Number of the Company's Shares Owned 5,100 shares</p> <p>Tenure as Director 4 years</p> <p>Attendance at Board of Directors' meetings 12/12 (100%)</p> <p>[Reelection]</p>	<p>Apr. 1973      Joined the Ministry of Posts &amp; 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 &amp; 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] Mr. Yasuo Suzuki 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;"><b>Norito Ikeda</b> (Dec. 9, 1947)</p> <p>Number of the Company's Shares Owned 200 shares</p> <p>Tenure as Director 1 year</p> <p>Attendance at Board of Directors' meetings 10/10 (100%)</p> <p>[Reelection]</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.</p> <p>Jun. 2016      Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd. (to present) Director of Japan Post Holdings Co., Ltd. (to present)</p> <p>[Position and responsibilities] Director</p> <p>[Significant concurrent positions] Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd. Director of FANCL CORPORATION (Outside Officer)</p> <p>[Reasons for nomination as candidate for Director] Mr. Norito Ikeda has held key management positions including President of the Ashikaga Bank, Ltd. (Representative Director), and has been a member of the management team of Japan Post Bank Co., Ltd., a major subsidiary of the Company, as Director, President and 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. 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>

Name (Date of birth)	Career Summary and Position in the Company
<p style="text-align: center;">4</p> <p style="text-align: center;"><b>Kunio Yokoyama</b> (Aug. 4, 1956)</p> <p>Number of the Company's Shares Owned 500 shares</p> <p>Tenure as Director 1 year</p> <p>Attendance at Board of Directors' meetings 9/9 (100%)</p> <p>[Reelection]</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 &amp; CEO of Sumitomo Mitsui Asset Management Company, Limited</p> <p>Jun. 2016      President &amp; CEO (Representative Executive Officer) of Japan Post Co., Ltd. (to present)</p> <p style="padding-left: 40px;">Director of Japan Post Holdings Co., Ltd. (to present)</p> <p>[Position and responsibilities] Director</p> <p>[Significant concurrent positions] President &amp; CEO (Representative Executive Officer) of Japan Post Co., Ltd.</p> <p>[Reasons for nomination as candidate for Director] Mr. Kunio Yokoyama has held key management positions including Representative Director, President and CEO of Sumitomo Mitsui Asset Management Company, Limited, and has been a member of the management team of Japan Post Co., Ltd., a major subsidiary of the Company, as President &amp; 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] There is no special interest between the candidate and the Company.</p>
<p style="text-align: center;">5</p> <p style="text-align: center;"><b>Mitsuhiko Uehira</b> (Feb. 19, 1956)</p> <p>Number of the Company's Shares Owned – shares</p> <p>[New]</p>	<p>Apr. 1979      Joined The Tokio Marine &amp; Fire Insurance Co., Ltd.</p> <p>Jun. 2012      Executive Officer of Tokio Marine Holdings, Inc.</p> <p>Jun. 2013      Managing Executive Officer of Japan Post Insurance Co., Ltd.</p> <p>Jun. 2015      Senior Managing Executive Officer of Japan Post Insurance Co., Ltd. (to present)</p> <p>[Significant concurrent positions] Senior Managing Executive Officer of Japan Post Insurance Co., Ltd.</p> <p>[Reasons for nomination as candidate for Director] Mr. Mitsuhiko Uehira has held key management positions including Executive Officer of Tokio Marine Holdings, Inc., and has been a member of the management team of Japan Post Insurance Co., Ltd., a major subsidiary of the Company, as Senior Managing 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. Uehira is currently Senior Managing Executive Officer and scheduled to become Director and President, CEO Representative Executive Officer of Japan Post Insurance Co., Ltd., which has entered into an agreement concerning group operations with the Company, on June 21, 2017. 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;">6</p> <p style="text-align: center;"><b>Riki Mukai</b> (Oct. 1, 1956)</p> <p>Number of the Company's Shares Owned – shares</p> <p style="text-align: center;">[New]</p>	<p>Apr. 1981      Joined The Sumitomo Trust and Banking Company, Limited</p> <p>Jun. 2006      Joined Japan Post Holdings Co., Ltd.</p> <p>Apr. 2007      Executive Officer of Japan Post</p> <p>Oct. 2007      Managing Executive Officer of Japan Post Bank Co., Ltd. (to present)</p> <p>Mr. Riki Mukai as a candidate for Director will retire Managing Executive Officer at Japan Post Bank Co., Ltd. on June 20, 2017.</p> <p>[Reasons for nomination as candidate for Director]</p> <p>Mr. Riki Mukai has held key management positions including Managing Executive Officer at Japan Post Bank Co., Ltd. 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 Director and the Company]</p> <p>There is no special interest between the candidate and the Company.</p>
<p style="text-align: center;">7</p> <p style="text-align: center;"><b>Miwako Noma</b> (Jul. 13, 1948)</p> <p>Number of the Company's Shares Owned 2,500 shares</p> <p>Tenure as Outside Director 4 years</p> <p>Attendance at Board of Directors' meetings 12/12 (100%)</p> <p>Attendance at Audit Committee's meetings 22/22 (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]</p> <p>Outside Director, Member of the Audit Committee</p> <p>[Significant concurrent positions]</p> <p>Representative Director of Nippon Gurashi Co., Ltd., Representative Director of Mochizuki Inc.</p> <p>[Reasons for nomination as candidate for Outside Director]</p> <p>Ms. Miwako Noma 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]</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;">8</p> <p style="text-align: center;"><b>Akio Mimura</b> (Nov. 2, 1940)</p> <p>Number of the Company's Shares Owned – shares</p> <p>Tenure as Outside Director 4 years</p> <p>Attendance at Board of Directors' meetings 10/12 (83.3%)</p> <p>Attendance at Nomination Committee's meetings 2/2 (100%)</p> <p>[Candidate for Outside Officer] [Independent Officer] [Reelection]</p>	<p>Apr. 1963      Joined Fuji Iron &amp; Steel Co., Ltd. (currently Nippon Steel &amp; Sumitomo Metal Corporation)</p> <p>Jun. 1993      Director of Nippon Steel Corporation (currently Nippon Steel &amp; 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 &amp; Sumitomo Metal Corporation</p> <p>Nov. 2013      Senior Adviser to the Board and Honorary Chairman of Nippon Steel &amp; Sumitomo Metal Corporation (to present)</p> <p>[Position and responsibilities] Outside Director, Chairperson of the Nomination Committee</p> <p>[Significant concurrent positions] Senior Adviser to the Board and Honorary Chairman of Nippon Steel &amp; 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] Mr. Akio Mimura has many years' experience on the management team of Fuji Iron &amp; Steel Co., Ltd. and Nippon Steel Corporation (now Nippon Steel &amp; Sumitomo Metal Corporation) as President and Chairman &amp; Representative Director. He 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;">9</p> <p style="text-align: center;"><b>Tadashi Yagi</b> (Jan. 2, 1948)</p> <p>Number of the Company's Shares Owned 2,500 shares</p> <p>Tenure as Outside Director 4 years</p> <p>Attendance at Board of Directors' meetings 12/12 (100%)</p> <p>Attendance at Audit Committee's meetings 22/22 (100%)</p> <p>Attendance at Compensation Committee's meetings 3/3 (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>Jun. 2016</p> <p>[Position and responsibilities]</p> <p>[Significant concurrent positions]</p> <p>[Reasons for nomination as candidate for Outside Director]</p> <p>[Special interest between candidate for Director and the Company]</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 K.K. Kyodo News</p> <p>Advisor of K.K. Kyodo News (to present)</p> <p>Outside Director, Chairperson of the Audit Committee (full-time), Member of the Compensation Committee</p> <p>Advisor of K.K. Kyodo News</p> <p>Mr. Tadashi Yagi 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. He can thus be expected to supervise and check the management of the Company by utilizing his extensive professional knowledge and experience.</p> <p>There is no special interest between the candidate and the Company.</p>
<p style="text-align: center;">10</p> <p style="text-align: center;"><b>Satoshi Seino</b> (Sep. 30, 1947)</p> <p>Number of the Company's Shares Owned 1,200 shares</p> <p>Tenure as Outside Director 3 years</p> <p>Attendance at Board of Directors' meetings 10/12 (83.3%)</p> <p>Attendance at Compensation Committee's meetings 3/4 (75%)</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>[Position and responsibilities]</p> <p>[Significant concurrent positions]</p> <p>[Reasons for nomination as candidate for Outside Director]</p> <p>[Special interest between candidate for Director and the Company]</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>Outside Director, Chairperson of the Compensation Committee</p> <p>Director and Chairman of East Japan Railway Company, Director of Tohoku Electric Power Co., Inc.</p> <p>Mr. Satoshi Seino has many years' experience on the management team of East Japan Railway Company as President and Representative Director and Chairman. He 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>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;"><b>Kunio Ishihara</b> (Oct. 17, 1943)</p> <p>Number of the Company's Shares Owned 2,500 shares</p> <p>Tenure as Outside Director 2 years</p> <p>Attendance at Board of Directors' meetings 12/12 (100%)</p> <p>Attendance at Nomination Committee's meetings 2/2 (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 &amp; Nichido Fire Insurance Co., Ltd.</p> <p>Jun. 2007      Director and Chairman of the Board of Tokio Marine &amp; 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 &amp; 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 Nomination Committee</p> <p>[Significant concurrent positions] Senior Adviser to the Board of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd., Corporate Auditor of Tokyu Corporation, Director of NIKON CORPORATION (Outside Officer)</p> <p>[Reasons for nomination as candidate for Outside Director] Mr. Kunio Ishihara has many years' experience on the management team of Tokio Marine &amp; Nichido Fire Insurance Co., Ltd. as Director and President/Chairman. He 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;">12</p> <p style="text-align: center;"><b>Yasuo Inubushi</b> (Feb. 10, 1944)</p> <p>Number of the Company's Shares Owned 3,800 shares</p> <p>Tenure as Outside Director 2 years</p> <p>Attendance at Board of Directors' meetings 12/12 (100%)</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] Mr. Yasuo Inubushi has many years' experience on the management team of Kobe Steel, Ltd. as President, CEO and Representative Director. He 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;">13</p> <p style="text-align: center;"><b>Charles Ditmars Lake II</b> (Jan. 8, 1962)</p> <p>Number of the Company's Shares Owned – shares</p> <p>Tenure as Outside Director 1 year</p> <p>Attendance at Board of Directors' meetings 9/10 (90%)</p> <p>[Candidate for Outside Officer] [Independent Officer] [Reelection]</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>Jun. 2016      Director of the Company (to present)</p> <p>[Position and responsibilities] Outside Director</p> <p>[Significant concurrent positions] Chairman and Representative of Aflac Japan, President and Member of the Board of Directors of Aflac International Incorporated and Director of Tokyo Electron Ltd.</p> <p>[Reasons for nomination as candidate for Outside Director] Mr. Charles D. Lake II 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). He can thus 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>



Name (Date of birth)	Career Summary and Position in the Company
<p style="text-align: center;">14</p> <p style="text-align: center;"><b>Michiko Hirono</b> (Michiko Fujii) (Mar. 18, 1961)</p> <p>Number of the Company's Shares Owned 400 shares</p> <p>Tenure as Outside Director 1 year</p> <p>Attendance at Board of Directors' meetings 9/10 (90%)</p> <p>[Candidate for Outside Officer] [Independent Officer] [Reelection]</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 Japan Post Co., Ltd.</p> <p>Jun. 2016      Director of the Company (to present)</p> <p>[Position and responsibilities] Outside Director</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.</p> <p>[Reasons for nomination as candidate for Outside Director] Ms. Michiko Hirono has many years' experience on the management teams of business corporations such as 21 Lady Co., Ltd. She 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>
<p style="text-align: center;">15</p> <p style="text-align: center;"><b>Norio Munakata</b> (Jan. 12, 1942)</p> <p>Number of the Company's Shares Owned – shares</p> <p>Tenure as Outside Director 1 year</p> <p>Attendance at Board of Directors' meetings 10/10 (100%)</p> <p>Attendance at Audit Committee's meetings 16/16 (100%)</p> <p>[Candidate for Outside Officer] [Independent Officer] [Reelection]</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>Jun. 2016      Director of the Company (to present)</p> <p>[Position and responsibilities] Outside Director, Member of the Audit Committee</p> <p>[Significant concurrent positions] Attorney, Advisor of Cabinet Secretary</p> <p>[Reasons for nomination as candidate for Outside Director] Mr. Norio Munakata 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. He 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, Nomination Committee meetings, Auditing Committee meetings, and Compensation Committee meetings refers to attendance in the fiscal year ended March 31, 2017. 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. Uehira will assume office as Director and President, CEO Representative Executive Officer of Japan Post Insurance Co., Ltd. on June 21, 2017.
4. Ms. Hirono will assume office as Member of the Board of NEC Networks & System Integration Corporation on June 23, 2017.

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, 2016 – March 31, 2017)

## 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 post office business, the international logistics 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, 2017, a gradual recovery was seen on the back of steadily improving employment and income environment as well as a recovery in exports and production picked up a softening in the slowdown of emerging economies.

Overall, the global economy grew gradually, despite weakness that remain in some emerging economies.

In the financial and capital markets, the yield of ten-year Japanese government bonds rose out of negative territory in November 2016 because of quantitative and qualitative monetary easing with yield curve control, which the Bank of Japan decided to introduce in September 2016, and rising interest rates in the United States following the country's presidential election, and since then yields have remained largely unchanged overall. The Nikkei Stock Average fell below the ¥15,000 range due to Britain voting in late June to exit from the European Union, which momentarily heightened risk aversion by investors. Also, the market experienced volatility given the policy outlook presented by the new Trump administration in the United States. Nevertheless, strong earnings by corporate Japan helped the index climb above the ¥19,000 range temporarily.

In the logistics industry, the market is growing for small-size goods, such as courier services, given the expansion in e-commerce markets. At the same time, the industry must deal with labor shortages given the increased incidence of re-deliveries triggered by recipients not being home at the time of delivery, while there is severe competition as companies work to improve the quality of services in response to growing customer needs for service quality. For this reason, competition in the industry is fierce. In the postal business, the volume of mail continues to decline due 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, 2017, real deposits at banks nationwide increased year-on-year and loans also increased for six 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

The Group considered the fiscal year under review as a year for "Leaping ahead for growth and development" toward being a "Total Lifestyle Support Group" aimed at becoming a total life-style support company during the second year of the "Japan Post Group Medium-term Management Plan - New Japan Post Group Network Creation Plan 2017." In working to enhance the corporate value of the Group as a publicly traded group of companies, efforts continued to focus on the three points of

“expansion of profitability toward further growth and development of the Group,” “improvement of productivity to strengthen the Group’s management foundation,” and “corporate governance and a capital strategy appropriate for listed companies,” based on the current management environment.

The Company continues to secure transparency and reinforce internal controls aimed at appropriate business management in order to strengthen the Group’s corporate governance. As the Group’s holding company, the Company continues to oversee and understand each Group company’s progress in establishing and implementing a compliance program and their systems and status of internal audit, and provide the support and guidance required.

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.

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 Earthquake based on the Japan Post Group’s responsibility to society.

As a result of these initiatives, in the fiscal year under review, the Group posted consolidated ordinary income of ¥13,326.5 billion (a year-on-year decrease of 6.52%), and consolidated net ordinary income of ¥795.2 billion (a year-on-year decrease of 17.69%). The entire amount of goodwill and trademark rights and part of property, plant and equipment related to the international logistics business (Japan Post’s subsidiary Toll Holdings Limited; hereinafter, “Toll”) was marked down as an impairment loss, resulting in loss attributable to Japan Post Holdings of ¥28.9 billion (net income attributable to Japan Post Holdings of ¥425.9 billion in the previous year).

### **Postal and Domestic Logistics Business**

In Japan Post’s postal and domestic logistics business, efforts were made to maintain and increase the use of mail through SNS-linked services using smartphones and other devices for New Year’s cards, activities aimed at conveying the joy of writing letters, and an expansion of the Web Letter and Web Letax services, as initiatives aimed at reinforcing the earnings power. 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 terms of international mail business, efforts were made to increase usage by improving quality and expanding the number of post offices that offer Cool EMS. Furthermore, starting in October 2016, International ePacket Light services were commenced on a trial basis for mainly cross-border e-Commerce enterprises. Additionally, given the declining trend in domestic mail volume, partial changes were made to discounts for domestic mail and revisions were made to some international mail fees in June 2016 in order to maintain the stable provision of mail services and to address the rising cost of wages from labor shortages and rising burden incurred by various programs.

In the Yu-Pack and Yu-Mail businesses, efforts were made to thoroughly manage quality, while promoting services offering highly convenient delivery options, including expanding convenience store pickups, starting a service enabling pickups at a post office, and efforts to promote the greater use of home delivery lockers (“HAKO POST”) and new home delivery boxes for detached houses. 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. Also, in October 2016, a new basic shipping fees for Yu-Packet was introduced in an effort to expand the use of small parcel delivery services.

Moreover, with regard to digital message service MyPost, efforts were made to link it with the government’s My Number Portal and provide a one-stop service.

As initiatives to improve productivity and network value, the reorganization of the postal and logistics network was promoted through the opening of the Yamaguchi Post Office in January 2017, the Shizuoka Post Office in February 2017, and the Iwate Post Office in March 2017, as new regional sorting facilities in order to address the high concentration and mechanization of administrative work at collection and

delivery departments in an effort to optimize and advance the network. Additionally, efforts toward raising the productivity of collection and delivery operations and increasing transport efficiency continued in an effort to improve the operational efficiencies of post offices, while efforts were made to effectively recruit new employees and retain them so as to secure the necessary labor force for operations.

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 ¥1,933.0 billion (a year-on-year decrease of 0.95%) and net ordinary income of ¥14.3 billion (a year-on-year decrease of 39.62%). The postal and domestic logistics business consolidated to Japan Post Co. posted operating income of ¥1,929.9 billion (a year-on-year increase of 0.02%<sup>\*1</sup>) and net operating income of ¥12.0 billion (a year-on-year increase of 16.75%<sup>\*1</sup>).

With regard to the volume of items handled for the fiscal year ended March 31, 2017, the volume of mail handled decreased by 1.66% year-on-year to 17,730 million, the volume of Yu-pack handled increased by 9.05%<sup>\*2</sup> year-on-year to 632 million and the volume of Yu-Mail parcels handled increased by 2.60% year-on-year to 3,563 million.

\*1 The method of presentation has been changed for Japan Post Co. from the current fiscal year, whereby rental transactions of post offices, etc. which had previously been included in other income and other expenses, are included in operating income, operating costs and sales, general and administrative costs. Accordingly, year-on-year change figures have been reclassified to reflect this change in presentation.

\*2 The volume of Yu-Packet items handled, which has been included in that of Yu-Mail, is included in the volume of Yu-Pack items handled from October of the current fiscal year. Accordingly, year-on-year change figures have been reclassified to reflect this change in presentation.

## Post Office Business

In Japan Post's post office business carried out various initiatives to improve profitability. These included not only enhancing the sales ability of employees through training in collaboration with our contractees Japan Post Bank and Japan Post Insurance, and further instilling a sales style that emphasizes financial assets on deposit through sales of investment trusts and the re-deposit of fixed-amount savings, which saw a large number of maturities compared to other years, but also increasing new contracts and new customers by deploying measures commemorating the 100th anniversary of Postal Life Insurance Services. In terms of affiliated financial services such as cancer insurance, efforts were also made to strengthen the sales ability of employees through training and the number of post offices offering medical insurance with eased underwriting conditions was increased in October 2016. In the merchandising business, we have expanded and developed products through alliances with other companies while promoting diversification of sales channels. In the real estate business, we promoted the leasing business covering offices such as JP Tower, JP Tower Nagoya, and KITTE Hakata, which opened in April 2016, as well as commercial facilities, housing and parking lots.

Additionally, ongoing efforts were dedicated to optimize the post office network through new openings and relocations of post offices, as measures aimed at enhancing network value. For the handling of cash at post offices, we enhanced the fund management system by increasing the number of equipment installed, and worked to improve service quality by enhancing support and related tools for visitors to post offices.

Reviews are underway for the full-scale deployment of the Post Office Watch Over Service which aims to contribute to improved convenience for residents in rural areas.

As a result of these initiatives, in the fiscal year under review, the post office business consolidated to the Company recorded ordinary income of ¥1,387.9 billion (a year-on-year increase of 1.21%) and net ordinary income of ¥64.1 billion (a year-on-year increase of 58.19%). The post office business consolidated to Japan Post Co. recorded operating income of ¥1,386.4 billion (a year-on-year increase of 1.91%<sup>\*</sup>) and net operating income of ¥63.3 billion (a year-on-year increase of 61.15%<sup>\*</sup>).

\* As in the postal and domestic logistics business, year-on-year change figures have been reclassified to reflect the change in presentation.

## **International Logistics Business**

In Japan Post's international logistics business, the management team was revamped in January 2017 and measures are being taken to improve management results in order to recover earnings and establish a foundation for future growth, mainly involving efforts to reduce costs through workforce reductions and the integration and elimination of departments, because of deteriorating business performance at Toll given the drop in commodity prices and slowdown in China and Australia's economies.

As a result of these initiatives, in the fiscal year under review, the international logistics business consolidated to the Company generated ordinary income of ¥644.9 billion (a year-on-year increase of 18.45%) and net ordinary loss of ¥0.4 billion (net ordinary income of ¥13.7 billion in the previous year). The international logistics business consolidated to Japan Post Co. generated operating income (EBIT) of ¥644.4 billion (a year-on-year increase of 18.44%) and net operating income of ¥5.6 billion (a year-on-year decrease of 67.25%).

Overall, in the fiscal year under review, Japan Post Co. generated consolidated operating income of ¥3,758.9 billion (a year-on-year increase of 3.30%\*) and consolidated net operating income of ¥53.4 billion (a year-on-year increase of 36.63%\*).

\* As in the postal and domestic logistics business, year-on-year change figures have been reclassified to reflect the change in presentation.

## **Banking Business**

As for the life banking business, Japan Post Bank, efforts were made to “Securing our customer base and strengthening our fee business,” “Promoting sophisticated investment by enhancing assets in the satellite portfolio,” and “Enhancing the internal control system and strengthening our business foundation.”

Efforts to secure our customer base and strengthen our fee business involved working with Japan Post (and its approximately 24,000 post offices) to deepen stable and ongoing relationships with customers and to increase total assets on deposit, while strengthening the fee business, including boosting sales of asset management products and reinforcing the ATM business, among other measures.

As initiatives to contribute to regional economic revitalization through tie-ups with local financial institutions, we decided to participate in the Kyushu Wide Area Reconstruction Assistance Investment Limited Partnership, which intends to help restore and rebuild following the 2016 Kumamoto Earthquake, in July 2016, and a regional economic revitalization funds in the Hokkaido and Kyushu regions in November 2016. In addition, together with Japan Post, we have been issuing “mijica,” a prepaid Visa card with no commission for enrollment in Sendai and Kumamoto since January 2017.

In terms of promoting the sophistication and diversification of investment such as by enhancing assets in the satellite portfolio, on the asset liability management (ALM) side, efforts involved continuing to restructure the portfolio based on market environment and advance and diversify asset management, based on under a dual portfolio framework featuring a base portfolio that aims for stable fund procurement and returns by mainly assuming interest rate risk by investing in government bonds and a satellite portfolio that seeks higher returns, including capital gains, by investing in a diverse array of international financial instruments that mainly assume credit and market risks. Specifically, to address declining returns from the base portfolio due to the ongoing impacts of low interest rates, in the satellite portfolio, we increased investments in foreign securities, mainly investment grade bonds, and diversified procurement methods of foreign capital in order to utilize it in the purchase of foreign securities. Furthermore, we began investing in alternative assets, including hedge funds, real estate funds, and private equity, which invests in unlisted companies with growth potential.

Efforts to enhance internal control systems and strengthen our business foundation involved reinforcing the management system, including customer protections during sales of asset management products, and the greater penetration of compliance awareness through various training, based on the strong conviction that “a company cannot continue as a going concern without compliance.” As initiatives aimed at enhancing corporate governance, we strived to further improve the effectiveness of the board of directors by conducting analysis and evaluation concerning its effectiveness.

On March 31, 2017, we applied for a license, which entails account overdraft services, operations related to cooperation with regional financial institutions and market investment-related business, from the standpoint of further improving corporate value, based on the three points of “Provide high-quality financial services focused on customers,” “Facilitate fund circulation in communities,” and “Promote increasingly sophisticated and diversified investments.”

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 ¥179,434.6 billion (a year-on-year increase of 0.87%), ordinary income was ¥1,897.2 billion (a year-on-year decrease of 3.64%), and net ordinary income was ¥442.1 billion (a year-on-year decrease of 8.26%).

## **Life Insurance Business**

As for the life insurance business, Japan Post Insurance, has succeeded the social mission of the Postal Life Insurance Services, which marked its 100th anniversary in 2016, of “protecting the means of fundamental livelihood of the public through simple procedures,” and based on the management philosophy to “be a trustful partner for people, always being close at hand and endeavoring to protect their well-being,” we provided and simple, small-scale products and hospitable customer services. During the fiscal year under review, we mainly worked on the following measures.

In terms of system improvements for simplifying, speeding up and ensuring the accuracy of services, from underwriting to payment, in April 2016 we introduced paperless applications for insurance policies using a mobile tablet device used by sales staff. Also, we renewed our platform system in January 2017.

This renewal will enable improved system quality, development productivity, and operational efficiencies. Furthermore, in March 2017, we began the full-scale use of IBM Watson for our insurance benefit payment screening operations in order to improve the quality of these operations and speed up the payout process.

In terms of reinforcing sales abilities in sales channels, we enhanced sales by increasing contact points with customers by utilizing the campaign marking the 100th anniversary of Postal Life Insurance Services and life plan consultation meetings.

As for product development in tune with customer needs and enhancing services provided to seniors, we are modifying the way we operate and all contact points with customers with seniors in mind and providing senior-friendly services that deliver peace of mind and trust. In this manner, we promoted the “Kampo Platinum Life Service” so that the growing number of senior customers choose us for their insurance needs. Also, given Japan’s low interest rates and longer life spans, in August 2016 we reviewed the expected interest rate and expected mortality rate and revised insurance premiums. With regards to revised insurance premiums, we curbed the amount of increase among those policies for which insurance premiums rose, and lowered insurance premiums for policies mainly used by seniors and products focused on death benefits.

In terms of improving asset management returns, to ensure a stable profit margin given the low interest rate environment brought on by the government’s negative interest rate policy, we increased investments in riskier asset classes, mainly foreign bonds and stocks.

As for efforts to supplement and strengthen the internal control system, starting in April 2016, for seniors who apply for insurance policies, both the policyholder and the insured are sent a notice confirming the details of the application, as an initiative related to improving solicitation quality.

Also, we are working to establish a more sophisticated comprehensive risk management system. This will enable us to maintain financial soundness and improve capital efficiency, while working to secure stable profits and sustainably enhance corporate value.

Additionally, in March 2016, we concluded a comprehensive business alliance with Dai-ichi Life Holdings, Inc., under which we are cooperating in the three domains of “overseas life insurance business,” “asset management business,” and “joint research on new products and IT systems.”

As a result of these initiatives, in the fiscal year under review, Japan Post Insurance achieved consolidated ordinary income of ¥8,659.4 billion (a year-on-year decrease of 9.85%) and consolidated net ordinary income of ¥279.7 billion (a year-on-year decrease of 32.01%).

### **Issues to Be Addressed**

The Company, in fiscal year 2018 as well, is working to establish and secure implementation of each group company’s basic management policy in order to secure universal services of postal services, postal savings and easily-accessible life insurance services 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 Post 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 provide necessary support with deepening the collaboration between each group company. 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 and network value 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-volume customers and build a sales structure that responds collectively to a wide range of customer needs.

Furthermore, as the volume of mail continues to decrease, measures have been taken to reduce various costs and enhance productivity such as by mechanization. Yet, in consideration of the downturn of income and expenses of the postal office business due to the recent rise in unit personnel expenses and the like, part of postage rates will be revised in June 2017 so that stable provision of service in the future will be maintained.

Moreover, with regard to digital message service 'MyPost', efforts will be made to establish a greater user base, link it with the government's 'Mynaportal' and offer one-stop services.

#### 2) Measures to improve productivity and network value

With an aim to optimize and advance the network, Japan Post CO. will continue to make efforts to reorganize the postal and domestic logistic network by concentrating and mechanizing internal operation of the collection and delivery branches. It also aims to raise operating efficiency at 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.

### **Post Office Business**

The post office business is striving to increase income and enhance productivity and network value 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. 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.

The real estate business will promote leasing business including office buildings such as JP Tower, commercial facilities, housing and nurseries.

Furthermore, measures will continue to be taken toward a full-scale development of the Post Office Watch Over Service to contribute to the added convenience of the local community.

## 2) Measures to enhance productivity and network value

Aiming to further improve the efficiency of post office operations, Japan Post Co. will continue to optimize post office network by opening new branches and relocating existing branch placement. In addition, aiming to further improve the efficiency of post office operations, Japan Post Co. will continue to enhance operating efficiency by bolstering its cash 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 and increasing the availability of related tools for post office.

## **International Logistics Business**

In Japan Post CO.'s international logistics business, Toll will continue to play a central role in global expansion, while measures to improve management will be executed so as to contribute to the enhanced corporate value of the Group. Specifically, the organizational system will be revamped through the integration and simplification of departments and efforts will be made to reduce the workforce in conjunction with these changes and improve service quality.

## **Banking Business**

Japan Post Bank has been generating stable profits from the stable fund procurement supported by the retail marketing power centering on the post office network, its strong capital foundation, and the ALM and investment strategies using these specific characteristics. Under the challenging business environment, however, it will continue addressing issues incorporated in the Group's medium-term management plan with the company working in unison.

As returns from its base portfolio, including investing in government bonds, is expected to decline due to the continuing low interest rate, Japan Post Bank will particularly focus on strengthening its fee and commission income business, increasing returns on its satellite portfolio, including investing in a diverse array of international financial instruments, and efficiently using costs to secure stable returns.

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

Japan Post Bank will continue to promote its use by utilizing the retail marketing power based on Japan Post Co. (post office), providing products and services which meet customer needs.

Furthermore, Japan Post Bank will further strengthen its retail marketing power by increasing and training asset management consultants, and proposing asset management products such as investment trusts and variable annuity which are in line with the asset management needs and investment experience of customers. To widely absorb the asset management needs of customers, sales structure will also be strengthened by further utilizing the post office network and supporting the development of human resource.

As for ATMs and settlement services, Japan Post Bank will continue to promote strategic placement of ATMs and placement of smaller ATM in nationwide FamilyMart stores. Convenience will also be enhanced through the expansion of remittance settlement service.

Through such efforts, fee business will be strengthened so that it will be less affected by fluctuating interest rates.

### 2) Contribution to regional economic vitalization

Japan Post Bank will continue to invest in regional economic vitalization funds through the alliance with regional financial institutions in the future. By returning funds held with Japan Post Bank to the

regional community via the fund, contribution to the regional economic revitalization will be made. Furthermore, Japan Post Bank will strengthen its structure by accumulating knowledge and cultivating human resources relating to the fund investment. Alliance with areas other than the regional economic vitalization funds will be continued to be dealt with by way of business development and cooperation and the like.

### 3) Enhancement and diversification of management of satellite portfolio's asset composition

Although the environment surrounding asset management is under a severe situation due to the prolonged low interest rate environment, Japan Post Bank will aim to secure medium and long-term stable profits in its base portfolio by managing flexibly in accordance with the interest rate trend.

Higher returns will be aimed in the satellite portfolio. Therefore, in addition to international diversified investments, it will promote alternative investments in new investment areas which include private equity funds, real estate funds and hedge funds, with efforts made to manage flexibly in accordance with the market trend as well as in existing investment area. Continuous efforts will also be taken to diversify the fund procurement method of foreign currency funds, and to strengthen the management structure through recruitment and cultivation of talented professionals.

In the meantime, in anticipation of various future issues, Japan Post Bank will aim to advance risk management such as by improving stress tests. Furthermore, with the promotion of alternative investments, measures to strengthen the risk management structure and stability verification of foreign currency investment will be taken.

### 4) Efficient use of costs

While Japan Post Bank will actively invest in areas which enhance customer service and contribute to its growth, efforts will be made for cost efficiency by further reducing existing costs and promoting BPR (Business Process Re-engineering: enhancement of productivity by a transformation of business process) and the like.

### 5) Enhancement of internal control structure and development of management infrastructure

Japan Post Bank will work for a stronger internal control structure to enhance corporate value by to further increasing awareness of compliance through various training programs, as well as establishing policies to assure customer-first business management (fiduciary duty) and implementing such policies in sales of asset management products and others.

## **Life Insurance Business**

Japan Post Insurance will establish the necessary management platform for sustained growth based on the policy of "No. 1 Japanese insurance company selected by customers." Recognizing that continually working to earn the trust and credibility of customers on a daily basis will help it to realize "Customer-first Business Operations," it will implement the "Basic Policy for Customer-first Business Operations" released in April 2017 and heighten the familiarity and trust of customers, which represent Japan Post Insurance's strength.

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

Setting the upgrade of the core IT system as a starting point, Japan Post Insurance will further solidify quality and improve productivity of the administration and system. The development of a more simple, prompt, and precise administration and system will be promoted. Capabilities for system development, a basis of future growth and development, will be strengthened in the future as well.

## 2) Strengthening sales channels' marketing power

With thorough customer-first sales activities, Japan Post Insurance will conclude contracts which truly satisfy customers, appropriately responding to their needs. In addition, it will increase marketing opportunities and secure new contracts by promoting cultivation of marketing staffs through training programs, use of campaigns, the life plan consulting and the like.

Additionally, in April 2017, Japan Post Insurance established the Whole Sales Department in order to facilitate its efforts for selling insurance products to major corporations and addressing the insurance needs of large organizations and company employees. Under this new organization, we will work toward opening up new insurance markets, including developing markets for major corporations and large-scale solicitation targeting company employees.

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

To strengthen security-oriented sales, Japan Post Insurance applied for an authorization of a new product in March 2017. In consideration of the reduction of the standard rate used to calculate standard policy reserves, it has also revised the assumed interest rate in April 2017, comprehensively reviewing the premium at the same time. Premium will be mainly reduced in the hospitalization rider. While premium will increase mainly on the saving products, there are security products which the premium will be reduced. Solicitation of sales appealing the security which insurance fundamentally offers will be enhanced.

Japan Post Insurance will also pursue a warm, heartfelt business model to its elderly customers by further promoting the "Kampo Platinum Life Service."

## 4) Raising profitability of investment operations

Japan Post Insurance will aim to generate stable profits by continuously increasing investment in risk assets to secure returns, and alternative products to expand management objectives in order to appropriately respond to the market environment changes. It will also address issues such as the strengthening of the management structure.

## 5) Strengthening internal controls

Japan Post Insurance will ensure the quality of product solicitation and thorough compliance which form the basis of management. It will further make efforts to utilize customer feedback within the management, and enhance corporate governance as a listed company. In addition, Japan Post Insurance will make efforts to further enhance internal audit structure and risk management in order to secure the soundness and appropriateness of 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, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Ordinary income	15,240,126	14,258,842	14,257,541	13,326,534
Net ordinary income	1,103,603	1,115,823	966,240	795,237
Net income attributable to Japan Post Holdings	479,071	482,682	425,972	(28,976)
Comprehensive income	717,123	2,212,035	(177,994)	8,867
Net assets	13,388,650	15,301,561	15,176,088	14,954,581
Total assets	292,246,440	295,849,794	291,947,080	293,162,545

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, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Operating income	272,988	251,919	309,975	303,808
Dividend income	131,253	119,517	209,245	208,657
Japan Post Co., Ltd.	15,015	8,721	–	11,811
Japan Post Bank Co., Ltd.	93,487	93,987	184,717	166,851
Japan Post Insurance Co., Ltd.	22,750	16,808	24,527	29,904
Other subsidiaries, etc.	–	–	–	90
Subsidiaries	–	–	–	90
Net income	155,090	131,181	94,311	207,015
Net income per share	(Yen) 34.46	(Yen) 29.15	(Yen) 21.53	(Yen) 50.29
Total assets	9,740,129	9,107,178	8,418,459	8,261,109
Shares of Japan Post Co., Ltd.	400,000	1,000,000	1,000,000	1,000,000
Shares of Japan Post Bank Co., Ltd.	7,794,540	6,494,540	5,780,141	5,780,141
Shares of Japan Post Insurance Co., Ltd.	1,000,044	1,000,044	890,039	890,039
Shares of other subsidiaries, etc.	714	7,714	7,714	7,714
Shares of subsidiaries	714	7,714	7,714	7,714

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

2. Japan Post Bank Co., Ltd. operates banking business, and Japan Post Insurance Co., Ltd. operates life insurance business.
3. 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, 2014.

### (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, post office business and international logistics 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 24,069 post offices (including 3,978 contracted post offices).

Also, there are 56 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, 2016	As of March 31, 2017	Increase (decrease)
Postal and domestic logistics business	95,827	96,880	1,053
Post office business	102,240	101,614	(626)
International logistics business	28,549	25,592	(2,957)
Banking business	12,905	12,965	60
Life insurance business	7,890	7,965	75
Other	3,465	3,368	(97)
Other of the Company	2,886	2,761	(125)
Total	250,876	248,384	(2,492)

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	134,392
Post office business	48,875
International logistics business	40,465
Banking business	30,809
Life insurance business	43,376
Other	10,063
Total	307,983

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	61,557
	Reorganization of the postal and logistics network	34,571
Post office business	Renovations of aging post office buildings and other structures and facilities	15,239
	Installation of automatic teller machines	15,231
International logistics business	Logistics facility (Toll City)	10,545
Banking business	Development of Japan Post Bank Total Information System (ver. 5)	17,331
Life insurance business	Equipment and software related to the renewal of the overall information systems for Japan Post Insurance	14,271

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, post office business (including bank agent and life insurance solicitation) international logistics business	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

None.



## 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, 2017)

Name	Position and responsibilities	Significant concurrent positions	Others
Masatsugu Nagato	Director and Representative Executive Officer, President & CEO Member of the Nomination 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.	Became Representative Executive Officer, President & CEO of the Company on April 1, 2016.
Yasuo Suzuki	Director and Representative Executive Officer, Senior Executive Vice President In charge of Internal Control Management	Director of Japan Post Co., Ltd.	
Masami Ishii	Director	Director and Representative Executive Officer, President & CEO of Japan Post Insurance Co., Ltd.	
Norito Ikeda	Director	Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd. Director of FANCL CORPORATION (Outside Officer)	Became Director of the Company on June 23, 2016.
Kunio Yokoyama	Director	President & CEO, Representative Executive Officer of Japan Post Co., Ltd.	Became Director of the Company on June 28, 2016.
Miwako Noma	Director (Outside Officer) Member of the Audit Committee	Representative Director of Nippon Gurashi Co., Ltd. Representative Director of Mochizuki Inc.	
Akio Mimura	Director (Outside Officer) Chairperson of the Nomination 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 Member of the Compensation Committee	Advisor of K.K. Kyodo News	
Satoshi Seino	Director (Outside Officer) Chairperson of the Compensation Committee	Chairman & Director of East Japan Railway Company Director of Tohoku Electric Power Co., Inc. (Outside Officer)	

(As of March 31, 2017)

Name	Position and responsibilities	Significant concurrent positions	Others
Kunio Ishihara	Director (Outside Officer) Member of the Nomination Committee	Senior Adviser to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. Corporate Auditor of Tokyu Corporation (Outside Officer) Director of NIKON CORPORATION (Outside Officer)	
Yasuo Inubushi	Director (Outside Officer)	Emeritus Adviser to the Board of Kobe Steel, Ltd. Representative Director and Chairman of Kobe-Osaka International Port Corporation	
Toru Shimizu	Director (Outside Officer) Member of the Audit Committee	Advisor to the Board of Hitachi Insurance Service, Ltd.	
Charles Ditmars Lake II	Director (Outside Officer)	Chairman and Representative of Aflac Japan President and Member of the Board of Directors of Aflac International Incorporated Corporate Director of Tokyo Electron Limited (Outside Officer)	Became Director of the Company on June 23, 2016
Michiko Hirono	Director (Outside Officer)	President of 21 Lady Co., Ltd. Representative Director and President of Illums Japan Co., Ltd. Representative Director, Chairman and President of HIROTA Co, Ltd.	Became Director of the Company on June 23, 2016
Norio Munakata	Director (Outside Officer) Member of the Audit Committee	Attorney Advisor of Cabinet Secretary	Became Director of the Company on June 23, 2016
Susumu Atsuki	Representative Executive Officer, Executive Vice President In charge of the Internal Audit Division		
Toshihide Komatsu	Representative Executive Officer, Executive Vice President In charge of the IT Systems Division		
Yoshifumi Iwasaki	Representative Executive Officer, Executive Vice President In charge of the Real Estate Division		Became Representative Executive Officer, Executive Vice President of the Company on June 23, 2016
Ryosuke Haraguchi	Senior Managing Executive Officer In charge of the Corporate Planning Division		
Noboru Ichikura	Senior Managing Executive Officer In charge of the Accounting & Finance Division		
Kazuhide Kinugawa	Senior Managing Executive Officer In charge of the General Affairs & Human Resources Division		Became Senior Managing Executive Officer of the Company on June 23, 2016

(As of March 31, 2017)

Name	Position and responsibilities	Significant concurrent positions	Others
Hiroshi Yamada	Senior Managing Executive Officer In charge of the Compliance Division, the Corporate Planning Division (Supervisor of risk management, customer satisfaction promotion and related business) and the General Affairs & Human Resources Division (crisis management)		Became Senior Managing Executive Officer of the Company on June 23, 2016
Kenji Fukumoto	Managing Executive Officer In charge of the Hospitals & Hotels Management Division In sub-charge of the Corporate Planning Division (public relations)		
Kimihiko Oku	Managing Executive Officer In sub-charge of the Real Estate Division		
Yoshiharu Miyazaki	Managing Executive Officer In sub-charge of the Real Estate Division (Real Estate Strategy Department)	Managing Executive Officer of Japan Post Co., Ltd.	
Toru Inasawa	Managing Executive Officer Special assignment	Senior Managing Executive Officer of Japan Post Co., Ltd.	
Satoru Tatebayashi	Managing Executive Officer Special assignment	Managing Executive Officer of Japan Post Co., Ltd.	
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	Senior Executive Officer of Japan Post Insurance 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)		
Hidetake Kikuhara	Executive Officer In sub-charge of the IT Systems Division (Project management)		
Katsuyuki Takahashi	Executive Officer In sub-charge of the IT Systems Division (New Business)	Executive Officer of Japan Post Co., Ltd.	
Tsutomu Shomura	Executive Officer In sub-charge of the IT Systems Division (information security)		
Mamiko Izumi	Executive Officer In sub-charge of the General Affairs & Human Resources Division (General Affairs Department)		

(As of March 31, 2017)

Name	Position and responsibilities	Significant concurrent positions	Others
Mitsuyuki Yamamoto	Executive Officer In sub-charge of the Compliance Division (Compliance Department)		
Katsumi Amano	Executive Officer In sub-charge of the IT Systems Division		
Shinji Denishi	Executive Officer In sub-charge of the Hospitals & Hotels Management Division (Hospitals Management)		
Masamichi Moribe	Executive Officer In sub-charge of the General Affairs & Human Resources Division (Labor)		
Noriko Kinoshita	Executive Officer In sub-charge of the Corporate Planning Division (public relations, the Olympics and the Paralympics)		Became Executive Officer of the Company on April 1, 2016
Kenji Ogata	Executive Officer In sub-charge of the Corporate Planning Division (Corporate Planning Department)		Became Executive Officer of the Company on June 23, 2016
Toshiyuki Yazaki	Executive Officer Special assignment	Executive Officer of Japan Post Co., Ltd.	Became Executive Officer of the Company on September 1, 2016

- 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, Ms. Miwako Noma, Mr. Akio Mimura, Mr. Tadashi Yagi, Mr. Satoshi Seino, Mr. Kunio Ishihara, Mr. Yasuo Inubushi, Mr. Toru Shimizu, Mr. Charles Ditmars Lake II, Ms. Michiko Hirono and Mr. Norio Munakata are such independent officers as provided for by Tokyo Stock Exchange, Inc.
4. Ms. Hirono's name on her family register is Michiko Fujii.
5. Major changes in officers during this fiscal year are as follows:

Name	Position after change	Position before change	Date of change
Ryosuke Haraguchi	Senior Managing Executive Officer	Managing Executive Officer	June 23, 2016
Noboru Ichikura	Senior Managing Executive Officer	Managing Executive Officer	June 23, 2016
Kimihiko Oku	Managing Executive Officer	Executive Officer	June 23, 2016
Yoshiharu Miyazaki	Managing Executive Officer	Executive Officer	June 23, 2016

Officers of the Company that Resigned during this Fiscal Year

Name	Position and responsibilities	Significant concurrent positions	Others
Akihito Nishiguchi	Executive Officer In sub-charge of the Corporate Planning Division	-	Became Executive Officer of the Company on June 23, 2016 Resigned from Executive Officer of the Company on January 26, 2017

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	14	98
Executive Officer	29	676
Total	43	775

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 4 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 5 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.
4. Executive officer compensation includes ¥82 million in stock compensation recorded as an expense in the fiscal year under review.

### **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) Compensation paid to the Company’s executive officers shall comprise basic compensation (fixed compensation) based on their duties and performance-linked stock compensation as a mechanism to function as a sound incentive for the sustained growth of the Company.

#### 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

Compensation for the Company’s executive officers is paid out as basic compensation (fixed compensation) following a predefined standard based on their duties given differences in responsibilities for each position and performance-linked stock compensation that considers the extent to which the management plan has been achieved.

The level of basic compensation is commensurate with the extent of the executive officer’s duties and the current situation of the Company; 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 the basic compensation by using the compensation level of another company as a standard.

Stock compensation shall be paid out in the form of stock based on the total number of points accumulated at retirement and a cash amount obtained from the realization of a certain percentage of stock, in which points are calculated every year by multiplying basic points for duties and evaluation points for individual evaluations by a coefficient that fluctuates based on the extent to which the management plan has been achieved, from the perspective of providing a sound incentive for the sustained growth of the Company.

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).

### (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.
Norito Ikeda	
Kunio Yokoyama	
Miwako Noma	
Akio Mimura	
Tadashi Yagi	
Satoshi Seino	
Kunio Ishihara	
Yasuo Inubushi	
Toru Shimizu	
Charles Ditmars Lake II	
Michiko Hirono	
Norio Munakata	

Note: The names in the above list are those of directors who had limited liability agreement as of March 31, 2017.

### 3. Outside Officers

#### (1) Concurrent Positions and Other Statuses of Outside Officers

(As of March 31, 2017)

Name	Concurrent Positions and Other Status
Miwako Noma	Representative Director of Nippon Gurashi Co., Ltd. Representative Director of Mochizuki Inc.
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	Advisor of K.K. Kyodo News
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) Director of NIKON 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.
Charles Ditmars Lake II	Chairman and Representative of Aflac Japan President and Member of the Board of Directors of Aflac International Incorporated Corporate Director of Tokyo Electron Limited (Outside Officer)
Michiko Hirono	President of 21 Lady Co., Ltd. Representative Director and President of Illums Japan Co., Ltd. Representative Director, Chairman and President of HIROTA Co, Ltd.
Norio Munakata	Attorney Advisor of Cabinet Secretary

Note: 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.
Miwako Noma	3 years and 9 months	Attended all 12 Board of Directors' meetings and all 22 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.
Akio Mimura	3 years and 9 months	Attended 10 of 12 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	3 years and 9 months	Attended all 12 Board of Directors' meetings and all 22 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.
Satoshi Seino	2 years and 9 months	Attended 10 of 12 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	1 year and 9 months	Attended all 12 Board of Directors' meetings during this fiscal year.	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	1 year and 9 months	Attended all 12 Board of Directors' meetings during this fiscal year.	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.
Toru Shimizu	1 year and 6 months	Attended 11 of 12 Board of Directors' meetings and all 22 Audit Committee meetings during this fiscal year.	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.
Charles Ditmars Lake II	9 months	Attended 9 of 10 Board of Directors' meetings during this fiscal year since taking office.	Charles Ditmars Lake II 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.
Michiko Hirono	9 months	Attended 9 of 10 Board of Directors' meetings during this fiscal year since taking office.	Michiko Hirono 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.

Name	Term of office	Attendance at Board of Directors' meetings, etc.	Statement and other activities at Board of Directors' meetings, etc.
Norio Munakata	9 months	Attended all 10 Board of Directors' meetings and all 16 Audit Committee meetings during this fiscal year since taking office.	Norio Munakata expressed his views, which are necessary for dealing with the Company's management issues, on the basis of his experience and insight in the legal profession.

Notes: 1. The terms of office stated above are the current terms as of March 31, 2017.

2. The terms of office stated above have 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	13	92	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, 2017):** 503,636
- (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	46,506	1.12
Japan Trustee Services Bank, Ltd. (Trust Account)	21,521	0.52
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,629	0.42
Japan Trustee Services Bank, Ltd. (Trust Account 5)	10,016	0.24
Japan Trustee Services Bank, Ltd. (Trust Account 9)	9,669	0.23
Japan Trustee Services Bank, Ltd. (Trust Account 1)	7,490	0.18
Japan Trustee Services Bank, Ltd. (Trust Account 2)	7,328	0.17
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	6,743	0.16
State Street Bank West Client - Treaty 505234	6,572	0.15

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).

#### 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 Kazuhiko Azami Designated Limited Liability Partner Yoichi Ozawa Designated Limited Liability Partner Takahiro Toyama	230	The Company pays a fee to the independent auditor for advisory services, etc. related to the internal audit training 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. Within the accounting audit contract between the Company and accounting auditor, the compensation paid for the audit under the Companies Act and the compensation paid for the audit under the Financial Instruments and Exchange Act are not distinguished, and as such the total amount is presented because these categories cannot be distinguished effectively.
3. 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.
4. Total amount of money and other economic benefits to be paid by the Company and its subsidiaries was ¥966 million.

The above amount excludes ¥66 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 concluded the JP Group Management Agreements with the Three Business Companies, whereby a consensus has been reached on basic matters related to the Group’s common philosophy, policies and other aspects of Group management, and a system is in place for approving or consulting, or reporting, necessary matters for achieving proper and smooth operation of the Group.
- In accordance with the JP Group Management Agreements, the Company receives reports of important intragroup transactions from the Three Business Companies, and verifies that intragroup transactions are carried out appropriately after conducting its own inspection.

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 reported quarterly to the Compliance Committee, Management Meeting, Audit Committee and the Board of Directors.
- Each Group company has prepared and distributed a “Compliance Handbook,” and is taking initiatives to enhance awareness of compliance to officers and employees through training programs and other means.
- Reporting rules are in place for compliance violations, while an internal compliance hotline has been set up both inside and outside the Company. The use of such hotline is made known to executive officers and employees through training and other means.



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 quarterly 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 internal controls regarding financial reporting pursuant to the “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” (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. Authorization procedures have been digitized since February 2017 in order to speed up decision making procedures for operational execution at the head office and to heighten 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 decision-making body concerning dividends from surplus is set to be the Board of Directors as per the provisions of the Articles of Incorporation in order to ensure flexible management operations. In addition, it is stipulated that dividends from surplus be paid with March 31 and September 30 of each year as record dates.

The full-year dividend for the fiscal year under review will be 50 yen per share for common stock (including the 25 yen per share interim dividend), based on a comprehensive determination of earnings and other matters.

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, 2017)

(Millions of yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
Cash and due from banks	53,313,498	Deposits	178,004,318
Call loans	620,000	Call money	45,436
Receivables under securities borrowing transactions	12,239,627	Payables under repurchase agreements	960,937
Monetary claims bought	279,776	Policy reserves and others	72,525,176
Trading account securities	9	Reserve for outstanding claims	577,376
Money held in trust	5,944,951	Policy reserves	70,175,234
Securities	202,320,530	Reserve for policyholder dividends	1,772,565
Loans	12,125,022	Payables under securities lending transactions	18,583,361
Foreign exchanges	78,646	Commercial papers	40,324
Other assets	1,792,201	Foreign exchanges	407
Tangible fixed assets	3,206,394	Other liabilities	3,587,312
Buildings	1,178,216	Reserve for bonuses	101,979
Land	1,567,222	Liability for retirement benefits	2,279,156
Construction in progress	123,214	Reserve for management board benefit trust	253
Other tangible fixed assets	337,742	Reserve for reimbursement of deposits	2,096
Intangible fixed assets	345,889	Reserve for price fluctuations	788,712
Software	325,700	Deferred tax liabilities	1,288,491
Goodwill	3,053		
Other intangible fixed assets	17,136		
Asset for retirement benefits	35,697	<b>Total liabilities</b>	<b>278,207,964</b>
Deferred tax assets	868,118	<b>Net assets</b>	
Reserve for possible loan losses	(7,819)	Capital stock	3,500,000
		Capital surplus	4,135,414
		Retained earnings	3,294,130
		Treasury stock	(731,992)
		Total shareholders' equity	10,197,552
		Net unrealized gains (losses) on available-for-sale securities	3,105,162
		Net deferred gains (losses) on hedges	(103,790)
		Foreign currency translation adjustments	(80,730)
		Accumulated adjustments for retirement benefits	333,571
		Total accumulated other comprehensive income	3,254,213
		Non-controlling interests	1,502,815
		<b>Total net assets</b>	<b>14,954,581</b>
<b>Total assets</b>	<b>293,162,545</b>	<b>Total liabilities and net assets</b>	<b>293,162,545</b>

**Consolidated Statement of Income**  
(For the year ended March 31, 2017)

(Millions of yen)

Items	Amount	
<b>Ordinary income</b>		<b>13,326,534</b>
Postal business income	2,524,315	
Banking business income	1,895,552	
Life insurance business income	8,659,363	
Other ordinary income	247,302	
<b>Ordinary expenses</b>		<b>12,531,297</b>
Operating expenses	9,672,884	
Personnel expenses	2,594,617	
Depreciation and amortization	249,717	
Other ordinary expenses	14,078	
<b>Net ordinary income</b>		<b>795,237</b>
<b>Extraordinary gains</b>		<b>10,268</b>
Gains on sales of fixed assets	958	
Compensation for transfer	1,329	
Compensation income	66	
Settlement received	4,041	
Gains on transfer of business	3,653	
Other extraordinary gains	219	
<b>Extraordinary losses</b>		<b>481,938</b>
Losses on sales and disposal of fixed assets	5,757	
Losses on impairment of fixed assets	419,479	
Provision for reserve for price fluctuations	6,444	
Post office refurbishment expenses	20,309	
Other extraordinary losses	29,947	
Provision for reserve for policyholder dividends		152,679
<b>Income before income taxes</b>		<b>170,887</b>
Income taxes current	279,057	
Income taxes deferred	(123,960)	
<b>Total income taxes</b>		<b>155,097</b>
<b>Net income</b>		<b>15,790</b>
Net income attributable to non-controlling interests		44,767
<b>Net loss attributable to Japan Post Holdings</b>		<b>(28,976)</b>

## Consolidated Statement of Changes in Net Assets

(For the year ended March 31, 2017)

(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	4,134,853	3,525,932	(730,964)	10,429,821
Changes in the fiscal year					
Cash dividends			(205,834)		(205,834)
Net loss attributable to Japan Post Holdings			(28,976)		(28,976)
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		560			560
Purchases of treasury stock				(1,042)	(1,042)
Disposals of treasury stock				13	13
Changes in the scope of consolidation			3,009		3,009
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	-	560	(231,801)	(1,028)	(232,269)
Balance at the end of the fiscal year	3,500,000	4,135,414	3,294,130	(731,992)	10,197,552

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income (loss)		
Balance at the beginning of the fiscal year	3,318,181	(373,232)	(56,856)	379,835	3,267,928	1,478,338	15,176,088
Changes in the fiscal year							
Cash dividends							(205,834)
Net loss attributable to Japan Post Holdings							(28,976)
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							560
Purchases of treasury stock							(1,042)
Disposals of treasury stock							13
Changes in the scope of consolidation							3,009
Net changes in items other than shareholders' equity in the fiscal year	(213,018)	269,442	(23,873)	(46,264)	(13,714)	24,476	10,762
Net changes in the fiscal year	(213,018)	269,442	(23,873)	(46,264)	(13,714)	24,476	(221,506)
Balance at the end of the fiscal year	3,105,162	(103,790)	(80,730)	333,571	3,254,213	1,502,815	14,954,581

## 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: 274

Principal companies:

Japan Post Co., Ltd.

Japan Post Bank Co., Ltd.

Japan Post Insurance Co., Ltd.

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

- (2) Non-consolidated subsidiaries: 1

Tokyo Beiyu Co., Ltd.

This non-consolidated subsidiary is excluded from the scope of consolidation because its 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 this company 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.

Ring Bell Co., Ltd.

Saison Asset Management Co., Ltd.

SDP Center Co., Ltd.

ATM Japan Business Service, Ltd.

JP Asset Management Co., Ltd.

Toll's affiliates

1 of Toll's affiliates is included in the scope of the equity method from the current fiscal year due to the acquisition of its stock. 1 of Toll's affiliates is excluded from the scope of the equity method from the current fiscal year due to the sale of its stock.

- (3) Non-consolidated subsidiaries not accounted for by the equity method: 1

Tokyo Beiyu Co., Ltd.

This non-consolidated subsidiary is excluded from the scope of the equity method because its 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 this company 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 dates of consolidated subsidiaries

June 30: 5

December 31: 35

March 31: 234

- (2) Subsidiaries with a fiscal year-end date of June 30 and December 31 are consolidated using the preliminary financial statements.

### 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, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations), net of income taxes, are included in net assets.

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

Leased assets under finance lease arrangements that transfer the ownership of leased property to the lessee are depreciated using the same method applied to company-owned tangible assets.

Leased assets under finance lease arrangements that do not transfer the ownership of leased property to the lessee are depreciated to the residual value of zero or guaranteed value using the straight-line method over the lease term.

(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.

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 ¥214 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) Reserve for management board benefit trust

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

(8) Reserve for reimbursement of deposits

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

(9) 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 for the above pension program.

The actuarial difference is amortized using the straight-line method over a fixed period (10 years) within the estimated average remaining payment periods for eligible personnel 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 for the above pension program.

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

- (10) 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.

- (11) 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.

- (12) Reserve for price fluctuations

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

- (13) Consumption taxes

All figures are net of consumption taxes.

- (14) 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 ¥180,359 million.

(15) Others

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

### **Additional Information**

1. Adoption of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year ended March 31, 2017, the Company has adopted Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016).

2. Transactions granting the Company's shares, etc. through a trust to Executive Officers and Directors of Japan Post Group

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

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

(1) Outline of the transactions

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

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

(2) The Company's shares remaining in the trust

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

A stock compensation system utilizing a trust has been also introduced at the Company's subsidiaries Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.

### **Notes to Consolidated Balance Sheet**

1. Total amount of stocks of non-consolidated subsidiaries and affiliates ¥16,889 million
2. Unsecured borrowed securities and securities borrowed with cash collateral for which the Group has the right to sell or pledge amounted to ¥12,415,331 million.
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 ¥30,128,061 million

Liabilities corresponding to assets pledged as collateral:

Deposits ¥11,150,781 million

Payables under repurchase agreements ¥960,937 million

Payables under securities lending transactions ¥18,583,361 million

In addition to the above, cash and due from banks of ¥61 million and securities of ¥697,785 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.

“Other assets” include deposits for variation margins of future market transactions of ¥124,102 million, guarantee deposits of ¥15,180 million, deposits for variation margins to Central Counterparty of ¥125,475 million and cash collateral paid for financial instruments of ¥38,062 million.

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 ¥12,517,334 million and ¥13,697,410 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 (insurance contracts with less than 20 years remaining)
- 2) Japan Post Insurance life insurance contracts (general) (all insurance contracts)
- 3) Japan Post Insurance life insurance contracts (lump sum payment annuity) (excluding certain types of insurance)

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

6. Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. Japan Post Bank Co., Ltd. will make the loans upon the request of an obligor to draw down funds under such loan agreements based on various terms and conditions stipulated in the relevant loan agreement. The unused commitments on loans amounted to ¥19,548 million. Of this amount, there were no loans with a term of less than one year and loans that may be cancelled unconditionally at any point of time.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows of Japan Post Bank Co., Ltd. Conditions are included in certain loan agreements that allow Japan Post Bank Co., Ltd. to decline the request for a loan draw-down when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect Japan Post Bank Co., Ltd.'s credit. At the inception of contracts, Japan Post Bank Co., Ltd. has the obligor pledge collateral to Japan Post Bank Co., Ltd. in

the form of real estate, securities, etc., if considered to be necessary. Subsequently, Japan Post Bank Co., Ltd. reviews the obligor's financial condition in accordance with Japan Post Bank Co., Ltd.'s established internal procedures and takes necessary measures to protect its credit.

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

7. Accumulated depreciation of tangible fixed assets ¥1,269,215 million

8. Deferred gains on tangible fixed assets not recognized for tax purposes ¥63,071 million

9. Changes in reserve for policyholder dividends

Balance at the beginning of the fiscal year	¥1,936,494 million
Policyholder dividends paid	¥(316,351) million
Interest accrual	¥25 million
Reduction due to the acquisition of additional annuity	¥(283) million
Provision for reserve for policyholder dividends	¥152,679 million
Balance at the end of the fiscal year	<u>¥1,772,565 million</u>

10. Reserve for outstanding claims for reinsured parts defined in Article 71, paragraph 1 of the Enforcement Regulations of the Insurance Business Act, which is referred to in Article 73, paragraph 3 of the Regulations was ¥399 million. In addition, policy reserves provided for reinsured parts defined in Article 71, paragraph 1 of the Regulations were ¥768 million.

11. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥28,868 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 ¥42,010,637 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 ¥1,838,804 million and reserve for price fluctuations of ¥648,432 million were provided for the category of reinsurance.

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

One year or less	¥589 million
Over one year	¥624 million

14. Contingent liabilities

In the event that the Company's consolidated subsidiary cancels all or part of its 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, 2017 was ¥87,418 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 ¥137,061 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, ¥20,309 million of "post office refurbishment expenses" were recorded as extraordinary losses.

3. "Impairment losses" include impairment losses of ¥400,328 million (¥368,213 million for goodwill, ¥24,113 million for trademark rights, and ¥8,002 million for tangible fixed assets) for goodwill and trademark rights (hereinafter referred to as "goodwill, etc.") as well as part of tangible fixed assets related to Toll, a consolidated subsidiary. The Group conducts the grouping of assets based on units that conduct independent business performance reports for internal management purposes.

Due to the slowdown in the Australian economy, Toll's financial results have declined below the level of the previous fiscal year. Under such circumstances, based on a review of the financial results forecast, future cash flows are expected to decrease sharply. Therefore, the book value of goodwill, etc. and part of tangible fixed assets was reduced to recoverable value, and the reduced amount was recognized as impairment losses under extraordinary losses.

The recoverable value is determined based on the net realizable value, as the value in use calculated by discounting future cash flows at 8.2–19.3% is less than the net realizable value. The net realizable value is calculated based on the appraisal value.

## Notes to Consolidated Statement of Changes in Net Assets

### 1. Class and number of shares issued

(Thousands of shares)

	April 1, 2016	Increase	Decrease	March 31, 2017	Remarks
Shares issued					
Common stock	4,500,000	-	-	4,500,000	

### 2. Class and number of treasury stock

(Thousands of shares)

	April 1, 2016	Increase	Decrease	March 31, 2017	Remarks
Treasury stock					
Common stock	383,306	741	9	384,037	(Notes)1, 2

Notes: 1. The number of treasury stock at the beginning of the fiscal year does not include the shares of the Company held by the management board benefit trust. The number of treasury stock at the end of the fiscal year includes the shares of the Company held by the management board benefit trust of 731 thousand shares.

2. An increase of 741 thousand shares of treasury stock is due to the purchases of treasury stock by the management board benefit trust. A decrease of 9 thousand shares of treasury stock is due to the benefits paid of treasury stock by the management board benefit trust.

### 3. Information concerning dividends

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

#### (1) 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 13, 2016	Common stock	102,917	25.00	March 31, 2016	June 24, 2016
Board of Directors' meeting held on November 14, 2016	Common stock	102,917	25.00	September 30, 2016	December 6, 2016

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

#### (2) Cash dividends whose effective date falls after the end of the year ended March 31, 2017 (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 15, 2017	Common stock	102,917	Retained earnings	25.00	March 31, 2017	June 23, 2017

Notes: 1. Dividends are subject to approval from the Minister of Internal Affairs and Communications by the above effective date.

2. The total amount of dividends includes dividends of ¥18 million for the Company's shares held by the management board benefit trust.

## 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, currency swaps and foreign exchange futures.

Derivative transactions are identified as a key hedging method against interest rate risk and foreign exchange risk to our investment assets, and 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 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	53,313,498	53,313,498	-
(2) Call loans	620,000	620,000	-
(3) Receivables under securities borrowing transactions	12,239,627	12,239,627	-
(4) Monetary claims bought	279,776	279,776	-
(5) Trading account securities			
Trading securities	9	9	-
(6) Money held in trust	5,930,309	5,930,309	-
(7) Securities			
Held-to-maturity bonds	78,773,920	86,295,819	7,521,898
Policy-reserve-matching bonds	12,517,334	13,697,410	1,180,075
Available-for-sale securities	110,881,565	110,881,565	-
(8) Loans	12,125,022		
Reserve for possible loan losses (* 1)	(174)		
	12,124,848	12,877,313	752,464
<b>Total assets</b>	<b>286,680,892</b>	<b>296,135,330</b>	<b>9,454,438</b>
(1) Deposits	178,004,318	178,301,521	297,203
(2) Call money	45,436	45,436	-
(3) Payables under repurchase agreements	960,937	960,937	-
(4) Payables under securities lending transactions	18,583,361	18,583,361	-
(5) Commercial papers	40,324	40,324	-
<b>Total liabilities</b>	<b>197,634,378</b>	<b>197,931,581</b>	<b>297,203</b>
Derivative transactions (* 2)			
Hedge accounting not applied	3,728	3,728	-
Hedge accounting applied	(223,448)	(223,448)	-
<b>Total derivative transactions</b>	<b>(219,719)</b>	<b>(219,719)</b>	<b>-</b>

(\*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 bonds is based on the price on the stock exchange, the Reference Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, the price calculated using the comparable price method, the price provided by a broker, etc. The fair value of securities is based primarily on the price on the stock exchange, and the fair value of investment trusts is based primarily on the fund’s unit price.

Notes 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, (3) Payables under purchase agreements, (4) Payables under securities lending transactions and (5) Commercial papers

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

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 (6) Money held in trust” and “Assets (7) Securities” under information concerning fair values of financial instruments.

(Millions of yen)

Class	Amount on the consolidated balance sheet
Money held in trust (* 1)	14,641
Securities	
Unlisted stocks (* 2)	23,289
Investment trusts (* 3)	122,477
Investment in capital of partnership (* 4)	1,942
Total	162,350

- (\*1) Money held in trust includes trust asset components such as private REIT which are not included in the scope of fair value disclosures because it is extremely difficult to determine their fair values.
- (\*2) Unlisted stocks are not included in the scope of fair value disclosures because there are no available market prices and it is extremely difficult to determine their fair values.
- (\*3) Investment trusts include trust asset components such as unlisted stocks which are not included in the scope of fair value disclosures because it is extremely difficult to determine their fair values.
- (\*4) Investment in capital of partnership is not included in the scope of fair value disclosures because it consists of partnership asset components such as unlisted stocks which are 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	52,339,927	-	-	-	-	-
Call loans	620,000	-	-	-	-	-
Receivables under securities borrowing transactions	12,239,627	-	-	-	-	-
Monetary claims bought	22,437	59,793	45,683	10,706	25,310	112,829
Securities						
Held-to- maturity bonds	10,305,359	14,840,900	12,022,926	13,509,462	3,213,436	24,331,730
Policy-reserve- matching bonds	2,863,055	1,762,786	1,444,146	1,732,837	947,316	3,638,100
Available-for- sale securities with maturities	8,949,524	17,394,238	17,241,869	14,136,230	9,463,583	7,497,191
Loans	3,394,340	2,751,707	1,834,316	1,406,407	1,417,208	1,318,884
Total	90,734,274	36,809,426	32,588,942	30,795,645	15,066,854	36,898,735

4. Redemption schedule of deposits, call money, payables under repurchase agreements, payables under securities lending transactions and commercial papers 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 (*)	90,622,931	19,724,134	25,644,654	13,861,706	28,150,891	-
Call money	45,436	-	-	-	-	-
Payables under repurchase agreements	960,937	-	-	-	-	-
Payables under securities lending transactions	18,583,361	-	-	-	-	-
Commercial papers	40,388	-	-	-	-	-
Total	110,253,055	19,724,134	25,644,654	13,861,706	28,150,891	-

(\*) 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, 2017)

There were no valuation gains (losses) associated with trading account securities recorded under income or expenses for the fiscal year ended March 31, 2017.

### 2. Held-to-maturity bonds (As of March 31, 2017)

(Millions of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	64,645,267	71,595,244	6,949,977
	Japanese local government bonds	7,423,560	7,844,190	420,630
	Japanese corporate bonds	5,255,282	5,476,335	221,053
	Others	162,911	178,028	15,117
	Subtotal	77,487,020	85,093,799	7,606,778
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	1,127,623	1,064,333	(63,290)
	Japanese local government bonds	85,787	80,372	(5,414)
	Japanese corporate bonds	73,487	69,063	(4,424)
	Others	-	-	-
	Subtotal	1,286,899	1,213,770	(73,129)
Total		78,773,920	86,307,569	7,533,648

### 3. Policy-reserve-matching bonds (As of March 31, 2017)

(Millions of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	11,478,995	12,645,862	1,166,866
	Japanese local government bonds	508,507	537,126	28,619
	Japanese corporate bonds	132,501	141,461	8,960
	Subtotal	12,120,004	13,324,449	1,204,445
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	390,130	366,244	(23,886)
	Japanese local government bonds	7,200	6,715	(484)
	Japanese corporate bonds	-	-	-
	Subtotal	397,330	372,960	(24,370)
Total		12,517,334	13,697,410	1,180,075

4. Available-for-sale securities (As of March 31, 2017)

(Millions of yen)

	Type	Consolidated balance sheet amount	Cost	Difference
Those for which consolidated balance sheet amount exceeds cost	Stocks	44,133	39,913	4,220
	Bonds	47,054,996	45,437,938	1,617,057
	Japanese government bonds	32,400,176	31,064,286	1,335,890
	Japanese local government bonds	5,843,021	5,747,056	95,964
	Short-term corporate bonds	-	-	-
	Japanese corporate bonds	8,811,798	8,626,595	185,203
	Others	46,421,277	44,152,811	2,268,466
	Of which: foreign bonds	15,139,457	13,319,308	1,820,148
	Of which: investment trusts	31,193,935	30,748,925	445,009
	Subtotal	93,520,408	89,630,663	3,889,744
Those for which consolidated balance sheet amount does not exceed cost	Stocks	9,963	10,294	(331)
	Bonds	5,363,934	5,424,060	(60,126)
	Japanese government bonds	1,510,275	1,546,722	(36,447)
	Japanese local government bonds	1,440,953	1,450,066	(9,112)
	Short-term corporate bonds	233,998	233,998	-
	Japanese corporate bonds	2,178,707	2,193,273	(14,566)
	Others	12,682,035	13,166,189	(484,153)
	Of which: foreign bonds	9,187,832	9,643,693	(455,860)
	Of which: investment trusts	2,829,450	2,850,267	(20,816)
	Subtotal	18,055,933	18,600,544	(544,611)
Total		111,576,341	108,231,208	3,345,132

5. Held-to-maturity bonds sold during the fiscal year (From April 1, 2016 to March 31, 2017)

None

6. Policy-reserve-matching bonds sold during the fiscal year (From April 1, 2016 to March 31, 2017)

None

7. Available-for-sale securities sold during the fiscal year (From April 1, 2016 to March 31, 2017)

(Millions of yen)

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

## Money Held in Trust

1. Money held in trust classified as trading (As of March 31, 2017)

None

2. Money held in trust classified as held-to-maturity (As of March 31, 2017)

None

3. Money held in trust classified as other than trading and held-to-maturity (As of March 31, 2017)

(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	5,930,309	4,450,932	1,479,377	1,502,853	(23,476)

Notes: 1. "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.

2. For securities managed as trust assets included in money held in trust classified as other than trading and held-to-maturity, and whose fair value shows a substantial decline from their acquisition cost with no prospect of recovering to their acquisition cost, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation differences as losses in the fiscal year in which they are recognized. Impairment losses for the fiscal year ended March 31, 2017 amounted to ¥4,800 million.

## 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) was ¥10,785 million for the year ended March 31, 2017.



## 2. Defined Benefit Plans

### (1) Changes in retirement benefit obligations

	(Millions of Yen)
Balance at the beginning of the fiscal year	2,846,829
Service cost	121,143
Interest cost	17,612
Actuarial differences	(2,614)
Benefits paid	(203,920)
Other	229
Balance at the end of the fiscal year	<u>2,779,280</u>

### (2) Changes in plan assets

	(Millions of Yen)
Balance at the beginning of the fiscal year	593,019
Expected return on plan assets	1,358
Actuarial differences	(3,457)
Contributions paid by the employer	245
Benefits paid	(55,345)
Balance at the end of the fiscal year	<u>535,821</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	500,368
Share of public service pension	491,027
Share of another public service pension	857
Corporate pension plan	8,483
Plan assets	(535,821)
Share of public service pension	(526,244)
Share of another public service pension	(614)
Corporate pension plan	(8,963)
	<u>(35,453)</u>
Unfunded retirement benefit obligations	2,278,912
Lump-sum severance indemnity	<u>2,278,912</u>
Net liability (asset) for retirement benefits	<u>2,243,458</u>
Liability for retirement benefits	2,279,156
Asset for retirement benefits	(35,697)
Net liability (asset) for retirement benefits	<u>2,243,458</u>

### (4) Retirement benefit costs

	(Millions of Yen)
Service cost	121,143
Interest cost	17,612
Expected return on plan assets	(1,358)
Amortization of actuarial differences	(19,616)
Amortization of prior service cost	(26,678)
Other	124
Total	<u>91,226</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	(20,458)
Total	<u>(47,137)</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	227,362
Unrecognized actuarial differences	111,358
Total	<u>338,720</u>

(7) Plan assets

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

	(%)
Bonds	89
Stocks	0
Loans	0
Others	11
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 ¥13,536 million for the year ended March 31, 2017.

## 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)
483,204	553,087

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

2. The fair value is calculated primarily based on the real estate appraisal standard.

3. Investment and rental property under construction is not included in the above table since it is extremely difficult to determine its fair value. The consolidated balance sheet amount was ¥27,492 million.

## Per Share Data

Net assets per share ¥3,268.19

Net loss per share ¥(7.04)

Notes: 1. The number of treasury stock includes the number of shares of the Company held by the management board benefit trust which is excluded from the number of common stock at the fiscal year-end used for the calculation of net assets per share. The number of treasury stock at the fiscal year-end excluded from the calculation of net assets per share was 731,500 as of March 31, 2017.

2. The number of treasury stock includes the number of shares of the Company held by the management board benefit trust which is excluded from the average number of common stock outstanding during the year used for the calculation of net loss per share. The average number of treasury stock outstanding during the year excluded from the calculation of net loss per share was 636,063 for the year ended March 31, 2017.

## Subsequent Events

None



## Non-consolidated Statement of Income

(For the year ended March 31, 2017)

(Millions of yen)

Items	Amount	
<b>Operating income</b>		<b>303,808</b>
Brand royalty income	13,536	
Dividend income from subsidiaries and affiliates	208,657	
Income from business consignment	25,727	
Subsidy income equivalent to deposit insurance premiums	8,371	
Income from hospital business	21,245	
Income from hotel business	26,270	
<b>Operating expenses</b>		<b>76,844</b>
Expenses for business consignment	25,268	
Expenses for hospital business	26,826	
Expenses for hotel business	28,747	
Administrative expenses	(3,998)	
<b>Net operating income</b>		<b>226,964</b>
<b>Other income</b>		<b>3,376</b>
Interest income	78	
Rent income	2,356	
System modification fees	314	
Others	626	
<b>Other expenses</b>		<b>1,508</b>
Rent expenses	993	
System modification expenses	304	
Others	210	
<b>Net ordinary income</b>		<b>228,831</b>
<b>Extraordinary gains</b>		<b>173</b>
Gains on sales of fixed assets	129	
Compensation income	35	
Others	8	
<b>Extraordinary losses</b>		<b>27,848</b>
Losses on sales and disposal of fixed assets	18	
Losses on impairment of fixed assets	2,234	
Share of post office refurbishment expenses	21,963	
Others	3,631	
<b>Income before income taxes</b>		<b>201,157</b>
Income taxes current	(6,259)	
Income taxes for prior periods	400	
<b>Total income taxes</b>		<b>(5,858)</b>
<b>Net income</b>		<b>207,015</b>

## Non-consolidated Statement of Changes in Net Assets

(For the year ended March 31, 2017)

(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	784,812	784,812
Changes in the fiscal year						
Cash dividends					(205,834)	(205,834)
Net income					207,015	207,015
Purchases of treasury stock						
Disposals of treasury stock						
Net changes in the fiscal year	-	-	-	-	1,181	1,181
Balance at the end of the fiscal year	3,500,000	875,000	3,628,856	4,503,856	785,993	785,993

	Shareholders' equity		Total net assets
	Treasury stock	Total shareholders' equity	
Balance at the beginning of the fiscal year	(730,964)	8,057,703	8,057,703
Changes in the fiscal year			
Cash dividends		(205,834)	(205,834)
Net income		207,015	207,015
Purchases of treasury stock	(1,042)	(1,042)	(1,042)
Disposals of treasury stock	13	13	13
Net changes in the fiscal year	(1,028)	152	152
Balance at the end of the fiscal year	(731,992)	8,057,856	8,057,856

## 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.

#### 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 management board benefit trust

To provide for the payment of the Company’s shares, etc. to Executive Officers based on the Stock Benefit Regulations, a reserve is provided in the amount expected to be incurred at the end of the fiscal year based on the estimated amount of stock benefit obligations at the end of the fiscal year.

(7) 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. 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.

### **Additional Information**

*Transactions granting the Company's shares, etc. through a trust to Executive Officers*

Note for a performance-linked stock compensation system utilizing a trust for the Company's Executive Officers is omitted because same contents are described in "Notes to Consolidated Financial Statements."

### **Changes in Presentation**

*Non-consolidated Statement of Income*

"Compensation income," which amounted to ¥215 million and was included in "others" under "extraordinary gains" in the previous fiscal year, is separately presented from the current fiscal year due to an increase in materiality.

## 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    ¥32,906 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    ¥361,221 million

Long-term monetary assets to subsidiaries and affiliates    ¥3,369 million

Short-term monetary liabilities to subsidiaries and affiliates    ¥23,200 million

### 5. Inventories

Breakdown of inventories is as follows:

Supplies    ¥397 million

## Notes to Non-consolidated Statement of Income

### 1. Transactions with subsidiaries and affiliates

Operating transactions

Operating income    ¥255,857 million

Operating expenses    ¥8,525 million

Other transactions    ¥24,840 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

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

#### (1) 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 13, 2016	Common stock	102,917	25.00	March 31, 2016	June 24, 2016
Board of Directors' meeting held on November 14, 2016	Common stock	102,917	25.00	September 30, 2016	December 6, 2016

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

#### (2) Cash dividends whose effective date falls after the end of the year ended March 31, 2017 (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 15, 2017	Common stock	102,917	Retained earnings	25.00	March 31, 2017	June 23, 2017

Notes: 1. Dividends are subject to approval from the Minister of Internal Affairs and Communications by the above effective date.

2. The total amount of dividends includes dividends of ¥18 million for the Company's shares held by the management board benefit trust.

### 2. Class and number of shares of treasury stock

Common stock 384,037,500 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	226,076
Reserve for retirement benefits	196,048
Reserve for bonuses	507
Others	12,434
Subtotal	435,066
Valuation allowance	(435,066)
Total deferred tax assets	-
Deferred tax liabilities	-
Net deferred tax assets (liabilities)	-

## Related Party Transactions

Type	Name	Ownership of voting rights held	Relationship	Summary of transactions	Amount of transactions (Millions of yen)	Item	Outstanding balance at end of the fiscal year (Millions of yen)
Subsidiary	Japan Post Co., Ltd.	Direct 100%	Significant subsidiary which operates postal and domestic logistics business and post office business	Share of construction work expenses (Note 1)	21,963	Accounts payable	21,963
Subsidiary	Japan Post Bank Co., Ltd.	Direct 89%	Significant subsidiary which operates banking business	Receipt of grants (Note 2)	8,371	-	-

The above transaction amounts exclude consumption taxes.

Terms and conditions of transactions and the policy for determining terms and conditions of transactions, etc.

- Notes: 1. Construction work expenses refer to the actual expenses borne by the Company, which is equivalent to “post office refurbishment expenses” recognized by Japan Post Co., Ltd.
2. Grants were received pursuant to Article 122 of the Postal Service Privatization Act.

## Per Share Data

Net assets per share	¥1,957.71
Net income per share	¥50.29

- Notes: 1. The number of treasury stock includes the number of shares of the Company held by the management board benefit trust which is excluded from the number of common stock at the fiscal year-end used for the calculation of net assets per share. The number of treasury stock at the fiscal year-end excluded from the calculation of net assets per share was 731,500 as of March 31, 2017.
2. The number of treasury stock includes the number of shares of the Company held by the management board benefit trust which is excluded from the average number of common stock outstanding during the year used for the calculation of net income per share. The average number of treasury stock outstanding during the year excluded from the calculation of net income per share was 636,063 for the year ended March 31, 2017.

## Subsequent Events

None

## **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, 2017

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

KPMG AZSA LLC

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

Kazuhiko Azami (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yoichi Ozawa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Takahiro Toyama (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, 2017 and for the year from April 1, 2016 to March 31, 2017 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, 2017 and during its 12th business year, the period from April 1, 2016 to March 31, 2017. 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, 2017

Audit Committee of Japan Post Holdings Co., Ltd.

Standing Member of the Audit Committee  
Tadashi Yagi (Seal)

Member of the Audit Committee  
Miwako Noma (Seal)

Member of the Audit Committee  
Toru Shimizu (Seal)

Member of the Audit Committee  
Norio Munakata (Seal)

Note: Members of the Audit Committee Tadashi Yagi, Miwako Noma, Toru Shimizu and Norio Munakata 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, 2017

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

KPMG AZSA LLC

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

Kazuhiko Azami (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Yoichi Ozawa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Takahiro Toyama (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, 2017 and for the year from April 1, 2016 to March 31, 2017 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, 2017 and during its 12th business year, the period from April 1, 2016 to March 31, 2017. 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, 2017

Audit Committee of Japan Post Holdings Co., Ltd.

Standing Member of the Audit Committee  
Tadashi Yagi (Seal)

Member of the Audit Committee  
Miwako Noma (Seal)

Member of the Audit Committee  
Toru Shimizu (Seal)

Member of the Audit Committee  
Norio Munakata (Seal)

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