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Items Disclosed on the Internet Concerning the Notice of the 13th Annual General Meeting of Shareholders

The 13th Term (from April 1, 2017 to March 31, 2018)

1. Notes to Consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2018
2. Notes to Non-consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2018

JAPAN POST HOLDINGS CO., Ltd.

Pursuant to laws and regulations and the provision of Article 16 of the Articles of Incorporation, notes to consolidated financial statements and notes to non-consolidated financial statements are disclosed to our shareholders through postings on our website (http://www.japanpost.jp/en/).

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: 264

Principal companies:

Japan Post Co., Ltd.

Japan Post Bank Co., Ltd.

Japan Post Insurance Co., Ltd.

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

(2) Non-consolidated subsidiaries: 1

A silent partnership investing in real estate 1

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

2. Application of the equity method

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

None

(2) Affiliates accounted for by the equity method: 22

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 was excluded from the scope of the equity method due to the additional purchases of its stock so that it would become a subsidiary from the fiscal year ended March 31, 2018 and other 1 of Toll's affiliates was excluded from the scope of the equity method due to the sale of its stock from the fiscal year ended March 31, 2018.

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

A silent partnership investing in real estate 1

(4) Affiliates that are not accounted for by the equity method: 1

BPO.MP COMPANY LIMITED

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

3. Fiscal year-end dates of consolidated subsidiaries

(1) Fiscal year-end dates of consolidated subsidiaries

June 30:	4
December 31:	29
March 31:	231

(2) 28 consolidated subsidiaries with a fiscal year-end date of December 31 and consolidated subsidiaries with a fiscal year-end date of June 30 are consolidated using the preliminary financial statements as of March 31. For the other 1 consolidated subsidiary with a fiscal year-end date of December 31, there was no closing date during the period between the establishment date and the consolidated fiscal year-end date of March 31, 2018. Accordingly, only its balance sheet as of the establishment date is consolidated.

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

4. Amortization of goodwill

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

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 average market prices during the final month of the fiscal year for stocks, and at market prices at the fiscal year end for others. Cost of securities sold is calculated using mainly the moving-average method. Available-for-sale securities which are

deemed to be extremely difficult to determine fair value are carried at cost using the moving-average method or amortized cost (the straight-line method).

Net unrealized gains (losses) on available-for-sale securities (including net unrealized gains (losses) arising from fluctuations in foreign exchange, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations), net of income taxes, are included in “Net assets”.

2) Securities included in “Money Held in Trust Classified as Trading” are carried at fair value and the cost of these securities sold is calculated using mainly the moving-average method. In addition, securities included in “Money Held in Trust Classified as Other than Trading and Held-to-Maturity” are carried using the same method used for securities mentioned above 1). Net unrealized gains (losses) on money held in trust classified as other than trading or held-to-maturity, net of income taxes, are included in “Net assets”.

(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 assets (excluding leased assets)

Amortization of intangible assets is computed using the straight-line method. The capitalized development costs of software intended for internal use are amortized over the expected useful lives (mainly 5 years) determined by the Company and its consolidated subsidiaries.

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 the banking subsidiary and insurance subsidiary, an allowance is provided for loans other than specific loans using a rate determined based on past bad debt experience. In addition, an allowance is provided for specific loans such as loans to bankrupt or effectively/substantially bankrupt borrowers at the estimated amount considered uncollectible based on review of the respective nature of loans.

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

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

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

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

All loans and claims are assessed initially by the relevant departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the relevant departments, reviews these self-assessments. The above allowances are 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), an allowance is provided for in the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. Reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amount written off for loans and other assets was ¥65 million as of March 31, 2018.

(6) Reserve for bonuses

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

(7) Reserve for employee stock ownership plan trust

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

(8) Reserve for management board benefit trust

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

(9) Reserve for reimbursement of deposits

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

(10) 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 (7-14 years) within the estimated average remaining service period for employees as incurred from the fiscal year in which the difference is incurred.
Actuarial difference	Actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (7-14 years) within the estimated average remaining service period for employees as incurred, from the fiscal year following the respective fiscal year in which the difference is incurred.

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

   The Company has established retirement benefit trusts for the above pension program.

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

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

3) Charges for the pension program of national public service personnel associated with pension benefits for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired by December 1958 (hereinafter referred to as "share of another public service pension") are recognized as part of "Liability for retirement benefits".

   The Company has established retirement benefit trusts for the above mutual aid pension program.

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

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

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

(12) Hedge accounting

1) Hedge accounting for interest rate risks

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

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

   As for portfolio hedges against a large number of small monetary obligations, the banking subsidiary applies deferred hedge accounting prescribed in the "Accounting and Auditing Treatment for Application of Financial Instruments Accounting Standard in the Banking Industry" (JICPA Industry Audit Committee Report No. 24). In assessing the effectiveness of portfolio hedges against a large number of small monetary obligations, the deposits to be hedged and interest rate swap transactions and other hedging instruments are grouped by certain maturities.

2) Hedge accounting for foreign exchange risks

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

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

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

(13) Reserve for price fluctuations

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

(14) Consumption taxes

All figures are net of consumption taxes.

(15) 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 Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).

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

Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, effective from the fiscal year ended March 31, 2011, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period for a portion of reinsurance contracts from the Management Organization for Postal Savings and Postal Life Insurance, which is an independent administrative institution. As a result, the additional amount of provision for policy reserves was ¥180,903 million for the fiscal year ended March 31, 2018.

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

(16) Others

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

New Accounting Pronouncements

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

1. Outline

It is comprehensive accounting standard concerning revenue recognition. Revenue shall be recognized after applying the following five steps:

Step 1: Identify contracts with customers.

Step 2: Identify performance obligations in contracts.

Step 3: Calculate transaction prices.

Step 4: Allocate transaction prices to performance obligations in contracts.

Step 5: Recognize revenue when performance obligations are fulfilled, or as they are being fulfilled.

2. Scheduled date of application

The Company scheduled to apply the accounting standard, etc., from the beginning of the fiscal year starting on April 1, 2021.

3. Impact of application of the accounting standards, etc.

The impact of this application is currently being evaluated.

Changes in Accounting Estimates

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

As a result, ordinary expenses decreased by ¥341 million while net ordinary income and income before income taxes increased by the same amount respectively for the fiscal year ended March 31, 2018.

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

As a result, ordinary expenses decreased by ¥6,187 million while net ordinary income and income before income taxes increased by the same amount respectively for the fiscal year ended March 31, 2018.

Additional Information

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

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

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

1. Outline of the transactions

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

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

2. The Company’s shares remaining in the trust

The Company’s shares remaining in the trust are recorded under net assets as treasury stock at the book value in the trust (excluding incidental expenses). The book value of the treasury stock was ¥981 million and the number of shares of the treasury stock was 698 thousand shares as of March 31, 2018.

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

Notes to Consolidated Balance Sheet

1. Total amount of stocks and investments in capital of non-consolidated subsidiaries and affiliates ¥23,533 million

2. Unsecured and secured loan securities for which borrowers have the right to sell or pledge in the amount of ¥1,911,005 million were included in Japanese government bonds and other in “Securities”.

   Unsecured borrowed securities and securities borrowed with cash collateral for which the Group has the right to sell or pledge amounted to ¥131,681 million for pledged securities and ¥11,903,620 million for securities held as of March 31, 2018 without being sold or pledged.

3. The amount of non-accrual loans was ¥0 million. There were no insolvent loans, past due loans (three months or more) and restructured loans. The total amount of insolvent loans, non-accrual loans, past-due loans (three months or more) and restructured loans was ¥0 million. The above loan amounts are before deduction of reserve for possible loan losses.

4. Assets pledged as collateral were as follows:

   Assets pledged as collateral:

Securities	¥19,887,925 million

   Liabilities corresponding to assets pledged as collateral:

Deposits	¥1,982,813 million
Payables under repurchase agreements	¥1,932,490 million
Payables under securities lending transactions	¥17,396,513 million
Other liabilities	¥2,400 million

   In addition to the above, cash and due from banks of ¥30 million and securities of ¥682,296 million are pledged as collateral for the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions and other transactions, and substituted for margins for future transactions.

   “Other assets” include margins for future transactions of ¥139,092 million, guarantee deposits of ¥15,703 million, margins with central counterparty of ¥511,672 million and cash collateral paid for financial instruments of ¥38,953 million.

5. The consolidated balance sheet amount, fair value and the outline of the risk management policy of policy-reserve-matching bonds are as follows:

   (1) The consolidated balance sheet amount and the fair value of policy-reserve-matching bonds are ¥10,676,330 million and ¥11,769,615 million, respectively.

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

   The insurance subsidiary categorizes its insurance products into the sub-groups below based on the attributes of each product in order to manage risks arising from fluctuations in interest rates of assets and liabilities, and adopts the management policy 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 policies with a remaining period within 20 years)

   2) Japan Post Insurance life insurance contracts (general) (all insurance policies)

   3) Japan Post Insurance life insurance contracts (lump-sum payment annuity) (excluding some insurance types)

6. Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The banking subsidiary will make the loans upon the request of an obligor to draw down funds under such loan agreements, unless any terms or conditions stipulated in the relevant loan agreement are violated. The unused commitments on loans amounted to ¥19,364 million. Of this amount, there were no unused commitments with a term of less than one year or that may be cancelled unconditionally at any point of time.

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

   The unused commitments on loans amounted to ¥3,000 million at the insurance subsidiary.

7. Accumulated depreciation of tangible fixed assets ¥1,335,371 million

8. Deferred gains on tangible fixed assets not recognized for tax purposes ¥63,221 million

9. Changes in reserve for policyholder dividends

Balance at the beginning of the fiscal year	¥1,772,565 million
Policyholder dividends paid	¥(267,178) million
Interest accrual	¥7 million
Reduction due to the acquisition of additional annuity	¥(297) million
Provision for reserve for policyholder dividends	¥117,792 million
Balance at the end of the fiscal year	¥1,622,889 million

10. Reserve for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the said Ordinance was ¥515 million. In addition, policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the said Ordinance were ¥946 million.

11. The insurance subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥31,569 million as of March 31, 2018 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 the Management Organization for Postal Savings and Postal Life Insurance are provided at ¥38,351,137 million, which is an amount calculated based on the statement of calculation procedures for the insurance subsidiary's insurance premiums and policy reserves. Such amount is set not to fall below the amount calculated based on the statement of calculation procedures for the Postal Life Insurance policy reserves in accordance with the Act on the Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005).

In addition, contingency reserve of ¥1,665,082 million and reserve for price fluctuations of ¥665,523 million were provided for the category of the reinsurance.

13. Future payments on consignment contracts for system-related services (such as usage of hardware, software, telecommunication services and maintenance) are as follows:

Due within 1 year	¥790 million
Due after 1 year	¥662 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 lessors 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 was ¥80,929 million as of March 31, 2018.

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

Notes to Consolidated Statement of Income

1. Provision for reserve for policyholder dividends, which is provided for the Management Organization for Postal Savings and Postal Life Insurance based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance, was ¥96,174 million for the fiscal year ended March 31, 2018.

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 and leased post office buildings which require improvements for earthquake resistance.

   Accordingly, ¥25,213 million of "Post office refurbishment expenses" was recorded as extraordinary losses.

3. "Banking business income" included income from inactive deposits of ¥144,679 million recorded by the banking subsidiary, and "Other ordinary expenses" included provision for reserve for reimbursement of deposits of ¥84,473 million by the banking subsidiary.

4. "Gains on sales of fixed assets" include gains on sales of fixed assets of ¥85,034 million for the transfer of former Tokyo service center owned by the insurance subsidiary.

5. "Provision for reserve for price fluctuations" included the amount corresponding to gains on sales of fixed assets of ¥86,053 million recorded by the insurance subsidiary.

Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of shares issued

(Thousands of shares)

		April 1, 2017	Increase	Decrease	March 31, 2018	Remarks
Shares issued						
	Common stock	4,500,000	-	-	4,500,000	

2. Type and number of treasury stock

(Thousands of shares)

		April 1, 2017	Increase	Decrease	March 31, 2018	Remarks
Treasury stock						
	Common stock	384,037	72,833	33	456,837	(Notes)1, 2

Notes: 1. The number of treasury stock includes the shares of the Company held by the management board benefit trust of 731 thousand shares as of April 1, 2017. The number of treasury stock includes the shares of the Company held by the management board benefit trust of 698 thousand shares as of March 31, 2018.

2. An increase of 72,833 thousand shares of treasury stock is due to the purchase of 72,833 thousand shares of the Company based on the resolution of the Board of Directors' meeting held on September 11, 2017 and the purchase of 0 thousand fractional shares. A decrease of 33 thousand shares of treasury stock is due to the benefits paid of the shares of the Company by the management board benefit trust.

3. Information concerning dividends

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

(1) Dividends paid for the fiscal year ended March 31, 2018

Resolution	Class of shares	Total amount (Millions of yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2017	Common stock	102,917	25.00	March 31, 2017	June 23, 2017
Board of Directors' meeting held on November 14, 2017	Common stock	101,096	25.00	September 30, 2017	December 6, 2017

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

2. The total amount of dividends resolved by the Board of Directors' meeting held on November 14, 2017 includes dividends of ¥17 million for the Company's shares held by the management board benefit trust.

(2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2018 (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, 2018	Common stock	129,403	Retained earnings	32.00	March 31, 2018	June 21, 2018

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

2. The total amount of dividends includes dividends of ¥22 million for the Company's shares held by the management board benefit trust.

Per share amount includes special dividend of ¥7.00.

Financial Instruments

1. Status of Financial Instruments

(1) Policy for handling financial instruments

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

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

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

In addition, from the viewpoint of increasing profitability, both companies also work to invest in risk assets within an acceptable range while at the same time strengthening their risk management structures.

(2) Features and risks of financial instruments

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

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

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

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

(3) Risk management framework for financial instruments

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

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

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

1) Credit risk management

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

2) Management of market risk

The banking subsidiary and insurance subsidiary use the VaR method to quantify and manage 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

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

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

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

2. Fair Values of Financial Instruments

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

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

(*2) Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums.

Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses.

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

Notes: 1. Calculation method for fair values of financial instruments is as follows:

<u>Assets</u>

(1) Cash and due from banks

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

(2) Call loans and (3) Receivables under securities borrowing transactions

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

(4) Monetary claims bought

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

(5) Trading account securities

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

(6) Money held in trust

The fair value of securities invested in money held in trust is based on the price quoted by the exchange, etc. for shares and on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds. In addition, the fair value of derivative transactions is based on the price provided by information vendors, etc.

Notes to money held in trust by categories based on holding purposes are provided in Note “Money Held in Trust”.

(7) Securities

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

Notes to securities by categories based on holding purposes are provided in Note “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 significantly differs after the transaction. In such cases, book value serves as fair value. For loans with fixed interest rates, fair value is based on a net discounted present value of future cash flows.

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

<u>Liabilities</u>

(1) Deposits

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

(2) Payables under repurchase agreements, (3) Payables under securities lending transactions and (4) Commercial papers

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

<u>Derivatives</u>

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

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		Consolidated balance sheet amount
Money held in trust (* 1)		158,895
Securities		
	Unlisted stocks (* 2)	25,843
	Investment trusts (* 3)	457,183
	Investments in partnerships (* 4)	11,828
Total		653,751

(*1) Money held in trust, for which underlying assets held by the trust such as investment in private REIT are extremely difficult to determine their fair values, is not included in the scope of fair value disclosures.

(*2) Unlisted stocks are not included in the scope of fair value disclosures because there are no available market prices and it is extremely difficult to determine their fair values.

(*3) Investment trusts, for which underlying assets held by the trust such as unlisted stocks are extremely difficult to determine their fair values, are not included in the scope of fair value disclosures.

(*4) Investments in partnerships are not included in the scope of fair value disclosures because they consist of partnership asset components such as unlisted stocks which are extremely difficult to determine their fair values.

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	49,855,011	-	-	-	-	-
Call loans	745,000	-	-	-	-	-
Receivables under securities borrowing transactions	11,520,376	-	-	-	-	-
Monetary claims bought	178,784	21,471	36,533	30,696	39,746	144,633
Securities						
Held-to-maturity bonds	9,210,676	9,832,998	17,864,830	4,472,581	4,977,522	23,072,436
Policy-reserve-matching bonds	584,069	1,595,580	1,832,354	1,363,681	668,200	4,386,900
Available-for-sale securities with maturities	7,902,820	20,890,174	15,244,550	10,600,075	11,136,415	10,141,113
Loans	5,871,059	2,568,324	1,733,846	1,271,215	1,127,008	1,194,429
Total	85,867,797	34,908,549	36,712,115	17,738,250	17,948,892	38,939,514

4. Redemption schedule of deposits, 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 (*)	94,122,785	18,879,576	16,367,000	15,024,088	34,095,583	-
Payables under repurchase agreements	1,985,285	-	-	-	-	-
Payables under securities lending transactions	17,475,671	-	-	-	-	-
Commercial papers	191,869	-	-	-	-	-
Total	113,775,612	18,879,576	16,367,000	15,024,088	34,095,583	-

(*) 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 securities (As of March 31, 2018)

There were no valuation gains (losses) associated with trading securities recorded under gains or losses for the fiscal year ended March 31, 2018.

2. Held-to-maturity bonds (As of March 31, 2018)

(Millions of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	57,654,130	64,274,218	6,620,087
	Japanese local government bonds	6,764,070	7,119,995	355,924
	Japanese corporate bonds	4,484,897	4,662,428	177,530
	Other	130,433	140,737	10,304
	Subtotal	69,033,531	76,197,379	7,163,847
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	739,744	703,829	(35,915)
	Japanese local government bonds	83,218	79,963	(3,254)
	Japanese corporate bonds	92,529	90,104	(2,425)
	Other	-	-	-
	Subtotal	915,492	873,896	(41,595)
Total		69,949,024	77,071,276	7,122,251

3. Policy-reserve-matching bonds (As of March 31, 2018)

(Millions of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	9,509,563	10,578,002	1,068,439
	Japanese local government bonds	532,353	558,501	26,148
	Japanese corporate bonds	228,510	237,827	9,316
	Subtotal	10,270,427	11,374,331	1,103,904
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	375,098	364,827	(10,271)
	Japanese local government bonds	29,100	28,753	(346)
	Japanese corporate bonds	1,704	1,704	(0)
	Subtotal	405,902	395,284	(10,618)
Total		10,676,330	11,769,615	1,093,285

4. Available-for-sale securities (As of March 31, 2018)

(Millions of yen)

	Type	Consolidated balance sheet amount	Cost	Difference
Those for which consolidated balance sheet amount exceeds cost	Stocks	154,820	138,838	15,981
	Bonds	47,713,984	46,377,550	1,336,433
	Japanese government bonds	33,596,823	32,466,827	1,129,996
	Japanese local government bonds	5,549,666	5,483,648	66,018
	Commercial papers	-	-	-
	Japanese corporate bonds	8,567,494	8,427,075	140,418
	Other	40,202,179	38,779,569	1,422,609
	Of which: foreign bonds	13,658,191	12,640,332	1,017,858
	Of which: investment trusts	26,410,488	26,008,737	401,750
	Subtotal	88,070,984	85,295,959	2,775,025
Those for which consolidated balance sheet amount does not exceed cost	Stocks	66,705	70,461	(3,756)
	Bonds	5,238,806	5,268,155	(29,348)
	Japanese government bonds	464,305	473,214	(8,909)
	Japanese local government bonds	1,960,366	1,966,504	(6,137)
	Commercial papers	229,998	229,998	-
	Japanese corporate bonds	2,584,136	2,598,438	(14,301)
	Other	25,805,946	26,592,512	(786,566)
	Of which: foreign bonds	10,691,219	11,325,250	(634,030)
	Of which: investment trusts	14,291,864	14,440,583	(148,718)
	Subtotal	31,111,458	31,931,129	(819,671)
Total		119,182,442	117,227,088	1,955,353

5. Held-to-maturity bonds sold during the fiscal year (From April 1, 2017 to March 31, 2018)

None

6. Policy-reserve-matching bonds sold during the fiscal year (From April 1, 2017 to March 31, 2018)

None

7. Available-for-sale securities sold during the fiscal year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

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

Money Held in Trust

1. Money held in trust classified as trading (As of March 31, 2018)

(Millions of yen)

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

2. Money held in trust classified as held-to-maturity (As of March 31, 2018)

None

3. Money held in trust classified as other than trading or held-to-maturity (As of March 31, 2018)

(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 or held-to-maturity	6,818,229	5,012,583	1,805,646	1,848,301	(42,654)

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 or Held-to-Maturity”, and whose fair value shows a substantial decline from their acquisition cost with no prospect of recovering to their acquisition cost, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation differences as losses in the fiscal year in which they are recognized. Impairment losses amounted to ¥1,650 million for the fiscal year ended March 31, 2018.

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 amounts required to be contributed to the retirement pension benefit plans by the Company and certain consolidated subsidiaries based on the "Act for Partial Amendment of National Government Officials' Retirement Allowance Act, etc. for the Purposes of Reviewing Benefit Levels of the Retirement Benefits for National Government Officials" (Act No. 96 of 2012) was ¥10,893 million for the fiscal year ended March 31, 2018.

2. Defined Benefit Plans

(1) Changes in retirement benefit obligations

	(Millions of Yen)
Balance at the beginning of the fiscal year	2,779,280
Service cost	120,230
Interest cost	17,398
Actuarial differences	(11,954)
Benefits paid	(207,441)
Other	(59)
Balance at the end of the fiscal year	2,697,454

(2) Changes in plan assets

	(Millions of Yen)
Balance at the beginning of the fiscal year	535,821
Expected return on plan assets	1,246
Actuarial differences	479
Contributions paid by the employer	243
Benefits paid	(53,059)
Balance at the end of the fiscal year	484,731

(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	441,248
Share of public service pension	433,411
Share of another public service pension	666
Corporate pension plan	7,170
Plan assets	(484,731)
Share of public service pension	(475,838)
Share of another public service pension	(454)
Corporate pension plan	(8,438)
	(43,482)
Unfunded retirement benefit obligations	2,256,205
Lump-sum severance indemnity	2,256,205
Net liability (asset) for retirement benefits	2,212,723
Liability for retirement benefits	2,256,418
Asset for retirement benefits	(43,694)
Net liability (asset) for retirement benefits	2,212,723

(4) Retirement benefit costs

	(Millions of Yen)
Service cost	120,230
Interest cost	17,398
Expected return on plan assets	(1,246)
Amortization of actuarial differences	(24,150)
Amortization of prior service cost	(28,701)
Other	4
Total	83,535

(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	(28,640)
Actuarial differences	(11,717)
Total	(40,357)

(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	198,883
Unrecognized actuarial differences	99,779
Total	298,662

(7) Plan assets

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

	(%)
Bonds	89
Stocks	0
Life insurance general accounts	0
Other	11
Total	100

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

(8) Actuarial assumptions

Actuarial assumptions as of March 31, 2018

	(%)
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 ¥13,986 million.

Real Estate for Rent

1. Status of real estate for rent

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

2. Fair value of real estate for rent

Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)
479,460	572,762

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

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

3. Real estate for rent under construction is not included in the above table since it is extremely difficult to determine its fair value. The consolidated balance sheet amount was ¥38,701 million.

Per Share Data

Net assets per share	¥3,278.11
Net income per share	¥112.97

Notes: 1. The number of treasury stock excluded from the number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share includes the number of shares of the Company held by the management board benefit trust. The number of shares of the Company held by the management board benefit trust excluded from the calculation of net assets per share was 698,100 shares as of March 31, 2018.

2. The number of treasury stock excluded from the average number of common stock outstanding during the fiscal year used for the calculation of net income per share includes the number of shares of the Company held by the management board benefit trust. The average number of shares of the Company held by the management board benefit trust excluded from the calculation of net income per share was 705,770 shares for the fiscal year ended March 31, 2018.

Subsequent Events

None

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 average market prices during the final month of the fiscal year for stocks, and at market prices at the fiscal year end for others. Cost of securities sold is calculated using 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 assets (excluding leased assets)

Amortization of intangible 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, an allowance is provided for loans other than specific loans using a rate determined based on past bad debt experience. In addition, an allowance is provided for specific loans such as loans to bankrupt or effectively/substantially bankrupt borrowers at the estimated amount considered uncollectible based on review of the respective nature of loans.

(2) 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) To provide for retirement benefits to employees, 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 (7 years) within the estimated average remaining service period for employees as incurred, from the fiscal year following the respective fiscal year in which the difference is incurred.

   The prior service cost is amortized using the straight-line method over a fixed period (7 years) within the estimated average remaining service period for employees as incurred from 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 until December 1958 for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of "Reserve for retirement benefits".

   The Company has established retirement benefit trusts for the above pension program.

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

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

3) Charges for the pension program of national public service personnel associated with pension benefits for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired by December 1958 (hereinafter referred to as "share of another public service pension") are recognized as part of "Reserve for retirement benefits".

   The Company has established retirement benefit trusts for the above mutual aid pension program.

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

(6) Reserve for management board benefit trust

To provide for the payment of the Company's shares, etc. to Executive Officers that are determined based on the Stock Benefit Regulations by the Company, a reserve is provided 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 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 (15 years) within the estimated average remaining payment periods for eligible personnel incurred 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.

Changes in Accounting Estimates

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

As a result, operating expenses decreased by ¥341 million while net operating income, net ordinary income and income before income taxes increased by the same amount respectively for the fiscal year ended March 31, 2018.

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

As a result, operating expenses decreased by ¥6,187 million while net operating income, net ordinary income and income before income taxes increased by the same amount respectively for the fiscal year ended March 31, 2018.

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 the same contents are described in “Notes to Consolidated Financial Statements”.

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral

   Investments and other assets ¥45 million

   Other assets (Japanese 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 ¥36,087 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	¥221,634 million
Long-term monetary assets to subsidiaries and affiliates	¥3,226 million
Short-term monetary liabilities to subsidiaries and affiliates	¥30,976 million

5. Inventories

   Breakdown of inventories is as follows:

   Supplies ¥371 million

Notes to Non-consolidated Statement of Income

1. Transactions with subsidiaries and affiliates

Operating transactions	
Operating income	¥235,514 million
Operating expenses	¥8,236 million
Other transactions	¥29,696 million

2. Brand royalty income

   The Company receives brand royalty income from its subsidiaries for the use of the Japan Post Group brands and trademarks and other benefits derived from their membership in the 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 and leased post office buildings which require improvements for earthquake resistance.

   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 mainly due to insufficient implementation of past maintenance work, the Company, which engages in the Group's management, 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 for Internal Affairs and Communications pursuant to the provisions of Article 11 of the Act on Japan Post Holdings Co., Ltd.

(1) Dividends paid for the fiscal year ended March 31, 2018

Resolution	Class of shares	Total amount (Millions of yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2017	Common stock	102,917	25.00	March 31, 2017	June 23, 2017
Board of Directors' meeting held on November 14, 2017	Common stock	101,096	25.00	September 30, 2017	December 6, 2017

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

2. The total amount of dividends resolved by the Board of Directors' meeting held on November 14, 2017 includes dividends of ¥17 million for the Company's shares held by the management board benefit trust.

(2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2018 (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, 2018	Common stock	129,403	Retained earnings	32.00	March 31, 2018	June 21, 2018

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

2. The total amount of dividends includes dividends of ¥22 million for the Company's shares held by the management board benefit trust.

Per share amount includes special dividend of ¥7.00.

2. Type and number of shares of treasury stock as of March 31, 2018

Common stock 456,837,301 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	232,679
Reserve for retirement benefits	171,539
Reserve for bonuses	583
Other	14,172
Subtotal	418,974
Valuation allowance	(418,974)
Total deferred tax assets	-
Deferred tax liabilities	-
Net deferred tax assets (liabilities)	-

Related Party Transactions

Type	Company name	Ownership of voting rights held	Relationship with related party	Summary of transactions	Amount of transactions (Millions of yen)	Account name	Outstanding balance as of March 31, 2018 (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)	26,560	Accounts payable	26,560
Subsidiary	Japan Post Bank Co., Ltd.	Direct 89%	Significant subsidiary which operates banking business	Receipt of grants (Note 2)	5,679	-	-

The above amounts of transactions are net of 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 Japan Post Co., Ltd., which is equivalent to "Post office refurbishment expenses" recognized by Japan Post Co., Ltd., based on the agreement between the Company and 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 ¥1,966.31

Net income per share ¥48.13

Notes: 1. The number of treasury stock excluded from the number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share includes the number of shares of the Company held by the management board benefit trust. The number of shares of the Company held by the management board benefit trust excluded from the calculation of net assets per share was 698,100 shares as of March 31, 2018.

2. The number of treasury stock excluded from the average number of common stock outstanding during the fiscal year used for the calculation of net income per share includes the number of shares of the Company held by the management board benefit trust. The average number of shares of the Company held by the management board benefit trust excluded from the calculation of net income per share was 705,770 shares for the fiscal year ended March 31, 2018.

Subsequent Events

None