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Items Disclosed on the Internet Concerning the Notice of the 14th Annual General Meeting of Shareholders

The 14th Term (from April 1, 2018 to March 31, 2019)

1. Notes to Consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2019
2. Notes to Non-consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2019

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 (https://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: 265

Principal companies:

Japan Post Co., Ltd.

Japan Post Bank Co., Ltd.

Japan Post Insurance Co., Ltd.

Japan Post Real Estate Co., Ltd., 1 subsidiary of Toll Holdings Limited (hereinafter referred to as "Toll") and other 1 subsidiary were included in the scope of consolidation due to the establishment of these companies and System Trust Laboratory Co., Ltd. was included in the scope of consolidation due to the purchase of its stock from the fiscal year ended March 31, 2019. Japan Post Delivery Co., Ltd. and 1 subsidiary of Toll were excluded from the scope of consolidation due to liquidation and JP Logi Service Co., Ltd. was excluded from the scope of consolidation due to the sale of its stock from the fiscal year ended March 31, 2019.

(2) Non-consolidated subsidiaries: 2

Silent partnerships investing in real estate 2

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 included in the scope of the equity method due to establishment of the company and another 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, 2019.

(3) Non-consolidated subsidiaries that are not accounted for by the equity method: 2

Silent partnerships investing in real estate 2

(4) Affiliates that are not accounted for by the equity method: 2

BPO.MP COMPANY LIMITED

Palma Co., Ltd.

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

3. Fiscal year-end dates of consolidated subsidiaries

(1) Fiscal year-end dates of consolidated subsidiaries

June 30: 3

December 31: 32

March 31: 230

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

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, in principle, carried at average market prices during the final month of the fiscal year for stocks, and at market prices at the fiscal year end for others. Cost of securities sold is calculated using mainly the moving-average method. Available-for-sale securities which are deemed to be extremely difficult to determine fair value are carried at cost using the moving-average method or amortized cost (the straight-line method).

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

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 or 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 using the straight-line method over the lease term.

(5) Reserve for possible loan losses

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

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

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

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

3) Reserve for possible loan losses of the insurance subsidiary is provided pursuant to its standards for self-assessment of asset quality and its write-off and provision standards, and a general

allowance is provided using a rate determined by past bad debt experience. In addition, a specific allowance, which is determined after reviewing individual collectability of accounts, is recorded.

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

For secured loans and guaranteed loans that were extended to borrowers in a state of legal bankruptcy, including legal bankrupt or civil rehabilitation, or that are considered substantially bankrupt, respective loan receivable amounts are directly written off for an estimated uncollectable amount, which is calculated as the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. The amount written off for these loans was ¥232 million for the fiscal year ended March 31, 2019.

(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 its employees that are determined based on the rule set by the consolidated subsidiary, a reserve is provided based on the estimated amount of stock benefit obligations at the end of the fiscal year.

(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.

Assets and liabilities of foreign subsidiaries, etc. are mainly translated into Japanese yen at the exchange rates prevailing at the fiscal year-end and income and expenses are mainly translated into Japanese yen at the average exchange rates for the fiscal year. The resulting translation differences are included in "Foreign currency translation adjustments" and "Non-controlling interests" under "Net assets".

(12) Hedge accounting

1) Hedge accounting for interest rate risks

The Company and its consolidated subsidiaries mainly apply the deferred hedge method for hedges of interest rate risk arising from the financial assets and liabilities.

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

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

2) Hedge accounting for foreign exchange risks

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

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

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

(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. Insurance premium reserves are recognized based on the following methodology:

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

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

Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated in the fiscal year ended March 31, 2018, in preparation for future performance of obligations for lump-sum payment annuities.

In addition, 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 (name changed to "Organization for Postal Savings, Postal Life Insurance and Post Office Network" on April 1, 2019), which is an independent administrative institution. As a result, the amount of provision for additional policy reserves was ¥179,882 million for the fiscal year ended March 31, 2019.

(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. Overview

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

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

2. Effective date

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

3. Effects of the application of the standards

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

Toll and its subsidiaries and affiliates

“Leases” (IFRS 16, January 13, 2016)

1. Overview

   The new standard, in principle, requires lessees to recognize assets and liabilities for all leases.

2. Effective date

   Effective from the beginning of the fiscal year ending March 31, 2020.

3. Effects of the application of the standard

   The Company is currently in the process of determining the effects of this new standard on the consolidated financial statements.

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 ¥923 million and the number of shares of the treasury stock was 656 thousand shares as of March 31, 2019.

   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 ¥35,201 million

2. Unsecured and secured loaned securities for which borrowers have the right to sell or pledge in the amount of ¥1,887,211 million were included in Japanese government bonds and other in “Securities”.

   Unsecured borrowed securities and securities borrowed under resale agreements, etc. for which the Group has the right to sell or pledge amounted to ¥8,522,183 million for securities held as of March 31, 2019 without being sold or pledged.

3. There were no loans to bankrupt borrowers, non-accrual delinquent loans, past-due loans for three months or more and restructured loans.

4. Assets pledged as collateral were as follows:

   Assets pledged as collateral:

Cash and due from banks	¥10 million
Securities	¥17,536,796 million

   Liabilities corresponding to assets pledged as collateral:

Deposits	¥1,265,494 million
Payables under repurchase agreements	¥11,569,371 million
Payables under securities lending transactions	¥5,896,268 million
Other liabilities	¥3,980 million

   In addition to the above, cash and due from banks of ¥30 million and securities of ¥1,686,972 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 ¥146,257 million, guarantee deposits of ¥17,116 million, margins with central counterparty of ¥647,946 million and cash collateral paid for financial instruments of ¥28,966 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 ¥10,570,049 million and ¥11,724,384 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 whereby the duration gap between policy-reserve-matching bonds and policy reserves by sub-groups are reconciled within a certain range and the duration gap is periodically checked.

   1) Postal Life Insurance Contracts (insurance policies with a remaining period within 30 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)

The remaining period of insurance policies comprising the sub-group Postal Life Insurance Contracts used to be within 20 years, but has been changed to within 30 years from the fiscal year ended March 31, 2019, as the issuance of 30- and 40-year Japanese government bonds has expanded to facilitate duration gap adjustment of long-term insurance contracts. This change has no impact on profit or loss.

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 ¥16,997 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 ¥14,751 million at the insurance subsidiary.

7. Accumulated depreciation of tangible fixed assets ¥1,426,018 million

8. Deferred gains on tangible fixed assets not recognized for tax purposes ¥89,044 million

9. Changes in reserve for policyholder dividends

Balance at the beginning of the fiscal year	¥1,622,889 million
Policyholder dividends paid	¥(220,769) million
Interest accrual, etc.	¥7 million
Reduction due to the acquisition of additional annuity	¥(300) million
Provision for reserve for policyholder dividends	¥111,806 million
Balance at the end of the fiscal year	¥1,513,634 million

10. Reserve for outstanding claims for reinsured part defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the said Ordinance was ¥454 million. In addition, policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance was ¥985 million.

11. The insurance subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥33,174 million as of March 31, 2019 pursuant to Article 259 of the Insurance Business Act.

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

12. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance (name changed to "Organization for Postal

Savings, Postal Life Insurance and Post Office Network" on April 1, 2019) are provided at 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). Accordingly, policy reserves (excluding contingency reserve) of ¥35,566,089 million was provided.

In addition, contingency reserve of ¥1,491,491 million and reserve for price fluctuations of ¥661,836 million were provided for this category of reinsurance.

13. "Bonds" in the consolidated balance sheet is subordinated bonds with the special provision which ranks below other debts with regard to fulfillment of obligation.

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

Due within 1 year	¥628 million
Due after 1 year	¥527 million

15. 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 ¥73,885 million as of March 31, 2019.

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 (name changed to "Organization for Postal Savings, Postal Life Insurance and Post Office Network" on April 1, 2019; hereinafter referred to as "Management Organization") based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Management Organization, was ¥92,117 million for the fiscal year ended March 31, 2019.

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, ¥18,315 million of "Post office refurbishment expenses" was recorded as extraordinary losses.

3. "Banking business income" included income from derecognition of inactive deposits of ¥20,270 million recorded by the banking subsidiary.

Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of shares issued

(Thousands of shares)

		April 1, 2018	Increase	Decrease	March 31, 2019	Remarks
Shares issued						
	Common stock	4,500,000	-	-	4,500,000	

2. Type and number of treasury stock

(Thousands of shares)

		April 1, 2018	Increase	Decrease	March 31, 2019	Remarks
Treasury stock						
	Common stock	456,837	-	41	456,796	(Notes)1, 2

Notes: 1. The number of treasury stock at the beginning of the fiscal year includes the shares of the Company held by the management board benefit trust of 698 thousand shares. The number of treasury stock at the end of the fiscal year includes the shares of the Company held by the management board benefit trust of 656 thousand shares.

2. A decrease of 41 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, 2019

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, 2018	Common stock	129,403	32.00	March 31, 2018	June 21, 2018
Board of Directors' meeting held on November 14, 2018	Common stock	101,096	25.00	September 30, 2018	December 6, 2018

Notes: 1. The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2018 includes dividends of ¥22 million for the Company's shares held by the management board benefit trust.

Per share amount includes a special dividend of ¥7.00.

2. The total amount of dividends resolved by the Board of Directors' meeting held on November 14, 2018 includes dividends of ¥16 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, 2019 (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, 2019	Common stock	101,096	Retained earnings	25.00	March 31, 2019	June 20, 2019

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 ¥16 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 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.

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	52,244,467	52,244,467	-
(2) Call loans	550,000	550,000	-
(3) Receivables under resale agreements	8,368,139	8,368,139	-
(4) Receivables under securities borrowing transactions	2,792,202	2,792,202	-
(5) Monetary claims bought	650,638	650,638	-
(6) Trading account securities			
Trading securities	2	2	-
(7) Money held in trust	6,352,358	6,350,174	(2,184)
(8) Securities			
Held-to-maturity bonds	63,633,877	71,143,567	7,509,690
Policy-reserve-matching bonds	10,570,049	11,724,384	1,154,334
Stocks of subsidiaries and affiliates	1,181	989	(191)
Available-for-sale securities	120,182,325	120,182,325	-
(9) Loans	12,083,499		
Reserve for possible loan losses (* 1)	(153)		
	12,083,345	12,638,890	555,544
Total	277,428,589	286,645,783	9,217,194
(1) Deposits	179,625,834	179,711,000	85,165
(2) Payables under repurchase agreements	11,569,371	11,569,371	-
(3) Payables under securities lending transactions	5,896,268	5,896,268	-
(4) Commercial papers	28,029	28,029	-
(5) Bonds	100,000	100,830	830
Total	197,219,504	197,305,500	85,995
Derivative transactions (* 2)			
Hedge accounting not applied	(1,012)	(1,012)	-
Hedge accounting applied	(206,906)	(206,906)	-
Total derivative transactions	(207,919)	(207,919)	-

(*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

The fair value of due from banks that do not have a maturity date is approximately the same as their book value, and therefore the Company uses the book value as the fair value. For due from banks that have a maturity date, their contract tenors are short term (within one year) and their fair value is approximately the same as the book value, and therefore the Company uses the book value as the fair value.

(2) Call loans (3) Receivables under resale agreements and (4) Receivables under securities borrowing transactions

Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Company uses the book value as the fair value.

(5) Monetary claims bought

The Company uses the price provided by a broker, etc., as the fair value.

(6) Trading account securities

The Company uses the purchase price provided by the Bank of Japan as the fair value.

(7) Money held in trust

For invested securities representing trust assets in money held in trust, the Company uses the price at the exchange market, etc. for equities and the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds as the fair value. For derivative transactions, the Company uses prices quoted by information vendors, etc. as fair value. In addition, the Company uses a price obtained by discounting the total sum of the principal and interest by an interest rate that takes into account of the remaining period and credit risk of each loan as the fair value.

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

(8) Securities

For stocks, the Company uses the price at the exchange market, etc., while for bonds, the Company uses the price at the exchange market, the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, the price calculated by the comparable price method or the price provided by a broker, etc., as the fair value. The Company uses the funds’ unit price for investment trust as the fair value.

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

(9) Loans

Loans with floating interest rates reflect market interest rates within the short term. Unless a borrower’s credit standing has changed significantly after the loan was originated, the fair value is approximately the same as the book value, and therefore the Company uses the book value as the fair value. For fixed-rate loans, the Company uses a net discounted present value of future cash flows, etc. as the fair value.

For loans that are limited to within a designated percentage of the amount of pledged assets, the fair value is approximately the same as the book value based on the repayment period, interest rate conditions, etc., and therefore the Company uses the book value as the fair value.

Liabilities

(1) Deposits

For demand deposits, the Company uses the amount that might be paid on demand at the consolidated balance sheet date (the book value) as the fair value. For fixed-term deposits, the Company classifies the deposits by specified tenors and then calculates the present value by discounting the projected future cash flow. The Company uses the interest rates on newly accepted fixed-term deposits as the discount rate.

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

Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Company uses the book value as the fair value.

(5) Bonds

The Company uses the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association as the fair value.

Derivatives

Derivatives consist primarily of interest rate-related transactions (interest rate swaps), currency-related transactions (forward foreign exchange and currency swaps), 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, etc.

2. The consolidated balance sheet amounts of financial instruments for which fair values are deemed extremely difficult to determine are as shown below; they are not included in “Assets (7) Money held in trust” and “Assets (8) Securities” under information concerning fair values of financial instruments.

(Millions of yen)

Class		Consolidated balance sheet amount
Money held in trust (* 1)		425,977
Securities		
	Unlisted stocks (* 2)	29,505
	Investment trusts (* 3)	1,199,338
	Investments in partnerships (* 4)	30,830
Total		1,685,651

(*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	51,214,811	-	-	-	-	-
Call loans	550,000	-	-	-	-	-
Receivables under resale agreements	8,368,139	-	-	-	-	-
Receivables under securities borrowing transactions	2,792,202	-	-	-	-	-
Monetary claims bought	330,240	35,092	34,295	44,796	41,228	160,774
Securities						
Held-to-maturity bonds	5,635,397	12,086,936	13,681,561	2,087,326	6,550,505	23,095,039
Policy-reserve-matching bonds	1,178,716	1,444,146	1,732,837	549,616	1,757,100	3,672,009
Available-for-sale securities with maturities	10,249,308	18,249,369	17,727,099	6,388,829	12,275,625	12,781,204
Loans	5,222,694	1,956,026	1,604,632	1,141,738	1,031,976	1,122,244
Total	85,541,509	33,771,572	34,780,426	10,212,307	21,656,434	40,831,272

4. Redemption schedule of deposits, payables under repurchase agreements, payables under securities lending transactions, commercial papers and bonds 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 (*)	91,037,792	23,711,100	12,211,908	13,067,231	39,597,802	-
Payables under repurchase agreements	11,569,371	-	-	-	-	-
Payables under securities lending transactions	5,896,268	-	-	-	-	-
Commercial papers	28,050	-	-	-	-	-
Bonds	-	-	-	-	-	100,000
Total	108,531,483	23,711,100	12,211,908	13,067,231	39,597,802	100,000

(*) 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, 2019)

There were no valuation gains (losses) associated with trading securities recorded under gains or losses for the fiscal year ended March 31, 2019.

2. Held-to-maturity bonds (As of March 31, 2019)

(Millions of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	53,097,795	60,071,909	6,974,114
	Japanese local government bonds	6,415,650	6,748,971	333,320
	Japanese corporate bonds	3,821,442	4,023,474	202,031
	Other	130,433	136,766	6,333
	Subtotal	63,465,320	70,981,121	7,515,800
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	95,560	95,322	(238)
	Japanese local government bonds	34,534	34,452	(81)
	Japanese corporate bonds	38,461	38,317	(143)
	Other	-	-	-
	Subtotal	168,556	168,092	(463)
Total		63,633,877	71,149,214	7,515,337

3. Policy-reserve-matching bonds (As of March 31, 2019)

(Millions of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	9,391,008	10,482,032	1,091,024
	Japanese local government bonds	545,243	573,068	27,825
	Japanese corporate bonds	585,026	621,060	36,033
	Subtotal	10,521,279	11,676,162	1,154,883
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	38,770	38,264	(506)
	Japanese local government bonds	7,200	7,170	(29)
	Japanese corporate bonds	2,800	2,787	(12)
	Subtotal	48,770	48,221	(548)
Total		10,570,049	11,724,384	1,154,334

4. Available-for-sale securities (As of March 31, 2019)

(Millions of yen)

	Type	Consolidated balance sheet amount	Cost	Difference
Those for which consolidated balance sheet amount exceeds cost	Stocks	146,014	128,361	17,653
	Bonds	49,958,429	48,588,674	1,369,755
	Japanese government bonds	33,584,486	32,406,834	1,177,651
	Japanese local government bonds	6,631,076	6,575,892	55,184
	Japanese short-term corporate bonds	-	-	-
	Japanese corporate bonds	9,742,866	9,605,947	136,919
	Other	42,925,336	41,471,565	1,453,771
	Of which: foreign bonds	17,928,510	16,806,394	1,122,115
	Of which: investment trusts	24,712,944	24,385,555	327,388
	Subtotal	93,029,780	90,188,601	2,841,179
Those for which consolidated balance sheet amount does not exceed cost	Stocks	177,231	196,672	(19,440)
	Bonds	1,633,224	1,636,094	(2,870)
	Japanese government bonds	190,362	190,449	(87)
	Japanese local government bonds	274,674	275,043	(368)
	Japanese short-term bonds	220,998	220,998	-
	Japanese corporate bonds	947,188	949,603	(2,414)
	Other	26,462,727	26,908,416	(445,688)
	Of which: foreign bonds	9,085,374	9,385,591	(300,217)
	Of which: investment trusts	16,517,494	16,662,945	(145,450)
	Subtotal	28,273,183	28,741,183	(468,000)
Total		121,302,964	118,929,784	2,373,179

5. Held-to-maturity bonds sold during the fiscal year (From April 1, 2018 to March 31, 2019)

None

6. Policy-reserve-matching bonds sold during the fiscal year (From April 1, 2018 to March 31, 2019)

None

7. Available-for-sale securities sold during the fiscal year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Sales	Gains	Losses
Stocks	116,978	7,773	(11,685)
Bonds	1,654,705	8,831	(2,898)
Japanese government bonds	1,516,682	7,495	-
Japanese local government bonds	23,572	27	-
Japanese corporate bonds	114,449	1,308	(2,898)
Other	1,992,836	35,106	(75,561)
Of which: foreign bonds	1,643,650	32,032	(69,858)
Of which: investment trusts	349,185	3,074	(5,703)
Total	3,764,519	51,712	(90,145)

8. Securities incurred impairment losses

For the securities (excluding trading securities) with market quotations, and in case whose fair value declines significantly from their acquisition cost, with no prospect of recovering to their acquisition cost, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation differences as losses in the fiscal year in which they are recognized. Impairment losses amounted to ¥8,063 million for the fiscal year ended March 31, 2019.

Money Held in Trust

1. Money held in trust classified as trading (As of March 31, 2019)

(Millions of yen)

	Consolidated balance sheet amount	Valuation gains (losses) included in the consolidated statement of income for the fiscal year ended March 31, 2019
Money held in trust classified as trading	39,290	(3)

2. Money held in trust classified as held-to-maturity (As of March 31, 2019)

None

3. Money held in trust classified as other than trading or held-to-maturity (As of March 31, 2019)

(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	6,313,068	4,796,958	1,516,109	1,589,719	(73,609)

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 with market quotations included as trust assets in "Money Held in Trust Classified as Other than Trading or Held-to-Maturity", and in case whose fair value declines significantly from their acquisition cost, with no prospect of recovering to their acquisition cost, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation differences as losses in the fiscal year in which they are recognized. Impairment losses amounted to ¥14,434 million for the fiscal year ended March 31, 2019.

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 ¥10,886 million for the fiscal year ended March 31, 2019.

2. Defined Benefit Plans

(1) Changes in retirement benefit obligations

	(Millions of Yen)
Balance at the beginning of the fiscal year	2,697,454
Service cost	118,274
Interest cost	17,058
Actuarial differences	(6,993)
Benefits paid	(200,771)
Other	(458)
Balance at the end of the fiscal year	2,624,564

(2) Changes in plan assets

	(Millions of Yen)
Balance at the beginning of the fiscal year	484,731
Expected return on plan assets	1,107
Actuarial differences	2,012
Contributions paid by the employer	242
Benefits paid	(49,277)
Other	(311)
Balance at the end of the fiscal year	438,504

(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	388,477
Share of public service pension	381,700
Share of another public service pension	512
Corporate pension plan	6,264
Plan assets	(438,504)
Share of public service pension	(430,791)
Share of another public service pension	(326)
Corporate pension plan	(7,387)
	(50,027)
Unfunded retirement benefit obligations	2,236,087
Lump-sum severance indemnity	2,236,087
Net liability (asset) for retirement benefits	2,186,059
Liability for retirement benefits	2,236,273
Asset for retirement benefits	(50,214)
Net liability (asset) for retirement benefits	2,186,059

(4) Retirement benefit costs

	(Millions of Yen)
Service cost	118,274
Interest cost	17,058
Expected return on plan assets	(1,107)
Amortization of actuarial differences	(21,873)
Amortization of prior service cost	(28,410)
Other	1,000
Total	84,942

(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	(28,410)
Actuarial differences	(12,867)
Total	(41,278)

(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	170,641
Unrecognized actuarial differences	87,044
Total	257,685

(7) Plan assets

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

	(%)
Bonds	85
Stocks	0
Life insurance general account	0
Other	15
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, 2019

	(%)
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 ¥14,977 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)
471,634	618,477

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 ¥126,845 million.

Per Share Data

Net assets per share ¥3,287.86

Net income per share ¥118.57

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 656,800 shares as of March 31, 2019.

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 664,352 shares for the fiscal year ended March 31, 2019.

Subsequent Events

Sale of stocks of subsidiaries

The Company sold a portion of the shares of common stock of Japan Post Insurance Co., Ltd., which is a consolidated subsidiary, as described below.

1. Purpose of the sale

In accordance with the Postal Service Privatization Act, the Company is required to dispose of its entire equity interests in Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd. (hereinafter referred to as “two financial companies”) as early as possible, upon consideration of the condition of business of the two financial companies, impact on fulfilling its obligation to secure universal services and other factors. In compliance with the above effects, the Company plans to sell its equity interests in the two financial companies in stages to the extent that its holding ratio is lowered to around 50%.

In accordance with such policy, the Company sold a portion of the shares of common stock of Japan Post Insurance Co., Ltd. (hereinafter referred to as “Offering”) by considering the stock price of Japan Post Insurance Co., Ltd., the funding needs of the Company, the possible effects on consolidated financial results of the Company and other matters.

In addition, ahead of the above, the Company sold a portion of the shares of common stock of Japan Post Insurance Co., Ltd. through the share repurchase undertaken by Japan Post Insurance Co., Ltd. (hereinafter referred to as “Sale through the share repurchase undertaken by Japan Post Insurance Co., Ltd.”)

2. Timing of the sale

1) Offering
April 23, 2019

2) Sale through the share repurchase undertaken by Japan Post Insurance Co., Ltd.
April 8, 2019

3. Name of the subsidiary, business description of the subsidiary and detail of its transactions with the Company

Name of the subsidiary: Japan Post Insurance Co., Ltd.
Business description of the subsidiary: Life insurance business
Detail of its transactions with the Company: Payment of brand royalty fees to the Company and others

4. Number of stocks to be sold and selling price

1) Offering
Number of stocks to be sold: 136,670,900 shares
Selling price: ¥322,347 million

2) Sale through the share repurchase undertaken by Japan Post Insurance Co., Ltd.
Number of stocks to be sold: 34,596,700 shares
Selling price: ¥92,476 million

5. Impact of the sale and equity interest after the sale

Impact of the sale: An increase in capital surplus of ¥3,726 million will be recorded for the fiscal year ending March 31, 2020 due to the sale.
Equity interest after the sale: 64.50%

13,732,400 shares of common stock granted by Green Shoe Option related with the sale by way of over-allotment is not included in the above.

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: 2-47 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

   A reserve for the employee bonus payment 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.

(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, 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.

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. Accumulated depreciation of tangible fixed assets ¥20,973 million

2. Deferred gains on tangible fixed assets not recognized for tax purposes ¥11,290 million

3. Monetary assets and liabilities to subsidiaries and affiliates

Short-term monetary assets to subsidiaries and affiliates	¥166,165 million
Long-term monetary assets to subsidiaries and affiliates	¥3,086 million
Short-term monetary liabilities to subsidiaries and affiliates	¥22,465 million

4. Inventories

   Breakdown of inventories is as follows:

   Supplies ¥356 million

Notes to Non-consolidated Statement of Income

1. Transactions with subsidiaries and affiliates

Operating transactions	
Operating income	¥233,773 million
Operating expenses	¥9,196 million
Other transactions	¥30,173 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 the former 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, 2019

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, 2018	Common stock	129,403	32.00	March 31, 2018	June 21, 2018
Board of Directors' meeting held on November 14, 2018	Common stock	101,096	25.00	September 30, 2018	December 6, 2018

Notes: 1. The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2018 includes dividends of ¥22 million for the Company's shares held by the management board benefit trust.

Per share amount includes a special dividend of ¥7.00.

2. The total amount of dividends resolved by the Board of Directors' meeting held on November 14, 2018 includes dividends of ¥16 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, 2019 (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, 2019	Common stock	101,096	Retained earnings	25.00	March 31, 2019	June 20, 2019

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 ¥16 million for the Company's shares held by the management board benefit trust.

2. Type and number of shares of treasury stock as of March 31, 2019

Common stock 456,796,001 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	228,190
Reserve for retirement benefits	148,692
Reserve for bonuses	521
Other	11,745
Subtotal deferred tax assets	389,149
Valuation allowance for tax losses carried forward	(228,190)
Valuation allowance for the total of deductible temporary differences, etc.	(160,958)
Subtotal valuation allowance	(389,149)
Total deferred tax assets	-
Deferred tax liabilities	-
Net deferred tax assets (liabilities)	-

(Changes in the method of presentation)

(Changes associated with the adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018; hereinafter referred to as "Partial Amendments to Tax Effect Accounting") from the fiscal year ended March 31, 2019. Accordingly, the Company has added the contents stated in Note 8 (1) (excluding the total amount of valuation allowance) of "Notes to Accounting Standard for Tax Effect Accounting", which is defined in Paragraphs 4 of Partial Amendments to Tax Effect Accounting.

Business Combinations

(Transaction under common control)

Company split to consolidated subsidiary (simple absorption-type split)

The Company succeeded the business to develop, plan and manage its own real estate with high development potential, and the business to administer and manage its real estate for rent to Japan Post Real Estate Co., Ltd., which is a subsidiary of the Company, through a company split (simple absorption-type split) on October 1, 2018.

1. Overview of the company split

(1) Name of the succeeding company, etc.

1) Name: Japan Post Real Estate Co., Ltd.

2) Capital stock: ¥1,500 million

3) Description of business: -Ownership, leasing and management of real estate

-Development, preparation and sales of residential, commercial and industrial land, etc.

(2) Summary of the business to be split

-Development, planning and management of the Company's own real estate (in Gotanda and Kuramae) with high development potential

-Administration and management of the Company's real estate for rent (Mielparque)

(3) Purpose of the company split

In April 2018, the Company established Japan Post Real Estate Co., Ltd., as an entity conducting the real estate business of the Japan Post Group.

The company split is essential in establishing the management basis of Japan Post Real Estate Co., Ltd. by transferring the business mentioned in above (2) with the applicable real estate.

(4) Date of the company split

October 1, 2018

(5) Overview of the transaction including the legal procedure

This company split was a simple absorption-type split as stipulated in Article 784, Paragraph 2 of the Companies Act in which the Company is a splitting company and Japan Real Estate Co., Ltd. is a succeeding company.

2. Overview of the accounting treatment

This company split was processed as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, revised on September 13, 2013).

3. Matters related with the additional acquisition of stocks of subsidiaries

(1) Purchase price of additional acquisition of stocks of subsidiaries (Stocks in Japan Post Real Estate Co., Ltd.) and breakdown of consideration by type

Consideration of acquisition:	Current assets	¥1,016 million
	Non-current assets	¥46,096 million
	Current liabilities	¥285 million
	Non-current liabilities	¥1,347 million
	Purchase price	¥45,480 million

(2) Number of stocks of subsidiaries acquired by the Company

The Company acquired 1 share of common stock newly issued by Japan Post Real Estate Co., Ltd. in consideration of this company split.

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, 2019 (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)	20,216	Accounts payable	20,216
Subsidiary	Japan Post Bank Co., Ltd.	Direct 89%	Significant subsidiary which operates banking business	Receipt of grants (Note 2)	1,619	-	-

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	¥1,963.90
Net income per share	¥54.61

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 656,800 shares as of March 31, 2019.

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 664,352 shares for the fiscal year ended March 31, 2019.

Subsequent Events

Sale of stocks of subsidiaries

The Company sold a portion of the shares of common stock of Japan Post Insurance Co., Ltd., which is a consolidated subsidiary, as described below.

1. Purpose of the sale

In accordance with the Postal Service Privatization Act, the Company is required to dispose of its entire equity interests in Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd. (hereinafter referred to as "two financial companies") as early as possible, upon consideration of the condition of business of the two financial companies, impact on fulfilling its obligation to secure universal services and other factors. In compliance with the above effects, the Company plans to sell its equity interests in the two financial companies in stages to the extent that its holding ratio is lowered to around 50%.

In accordance with such policy, the Company sold a portion of the shares of common stock of Japan Post Insurance Co., Ltd. (hereinafter referred to as "Offering") by considering the stock price of Japan Post Insurance Co., Ltd., the funding needs of the Company, the possible effects on consolidated financial results of the Company and other matters.

In addition, ahead of the above, the Company sold a portion of the shares of common stock of Japan Post Insurance Co., Ltd. through the share repurchase undertaken by Japan Post Insurance Co., Ltd. (hereinafter referred to as "Sale through the share repurchase undertaken by Japan Post Insurance Co., Ltd.")

2. Timing of the sale

1) Offering
April 23, 2019

2) Sale through the share repurchase undertaken by Japan Post Insurance Co., Ltd.
April 8, 2019

3. Name of the subsidiary, business description of the subsidiary and detail of its transactions with the Company

Name of the subsidiary: Japan Post Insurance Co., Ltd.
Business description of the subsidiary: Life insurance business
Detail of its transactions with the Company: Payment of brand royalty fees to the Company and others

4. Number of stocks to be sold and selling price

1) Offering
Number of stocks to be sold: 136,670,900 shares
Selling price: ¥322,347 million

2) Sale through the share repurchase undertaken by Japan Post Insurance Co., Ltd.
Number of stocks to be sold: 34,596,700 shares
Selling price: ¥92,476 million

5. Impact of the sale and equity interest after the sale

Impact of the sale: Gains on sales of stocks of subsidiaries and affiliates of ¥129,365 million will be recorded for the fiscal year ending March 31, 2020 due to the sale.
Equity interest after the sale: 64.50%

13,732,400 shares of common stock granted by Green Shoe Option related with the sale by way of over-allotment is not included in the above.