

JAPAN POST GROUP

Annual Report

Year ended March 31, 2018

2018



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Editorial Policy

This Integrated Report (hereinafter, "this Report") is created from the dual perspectives of providing financial and non-financial information pertaining to an overview of Japan Post Group as well as its business strategies and management issues for the purpose of promoting an understanding among stakeholders of Japan Post Group's initiatives toward sustainable value creation.

This Report is combined with the Disclosure Report.

- Reference Guideline: *International Integrated Reporting Framework*, International Integrated Reporting Council (IIRC) (December 2013)

Subject of Reporting

Reporting Period: April 2017—March 2018 (Part of this Report includes information after this period.)

Scope of Report: Japan Post Holdings Co., Ltd. and its subsidiaries and affiliated companies

Others: In addition to this Report, please refer to the Integrated Reports of Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.

Please also refer to the most recent materials disclosed by Japan Post Holdings Co., Ltd. that include the Convocation of Ordinary General Meeting of Shareholders (Business Report, etc.), Annual Securities Report and Summary Report of Financial Results for detailed information on the state of business, financial condition and business results of Japan Post Holdings Co., Ltd. and each company of Japan Post Group.

Date of Publication: July 2018

Japan Post Group Management Philosophy & Group Management Policy

Japan Post Group Management Philosophy

Stressing the security and confidence of Japan Post Group network, the Group, as a private corporation, is demonstrating creativity and efficiency to the greatest extent possible and will provide customer-oriented services, support the lives of customers in local communities and aim for the happiness of customers and employees. The Group will also pursue managerial transparency on its own, observe rules and contribute to the development of society and the region.

Group Management Policy

1. We will duly consider our customers' lives, exercise our creativity and provide through our nationwide network a selection of products and services needed by customers in every stage of their lives.
2. We will establish effective corporate governance and compliance programs, including internal audits and internal controls.
3. We will maintain the transparency of the Group's operations through the timely and proper disclosure of information, the appropriate use of intra-group transactions and other activities.
4. We aim for the Group's sustainable growth and a mid-to-long term improvement in our corporate value.
5. We will create opportunities for all employees, business partners and the community to mutually cooperate and for each and every employee to grow.

Disclaimer with respect to forward-looking statements

This Report is a translation of the Disclosure Document (the written explanation in Japanese of the business and financial conditions of Japan Post Holdings Co. and Japan Post Group) that was prepared pursuant to Article 52-29 of the Banking Act and Article 271-25 of the Insurance Business Act. This Report is not prepared for the purpose of soliciting any shares or other securities of Japan Post Holdings Co. and its subsidiaries. This Report contains forward-looking statements regarding future performance and other matters of Japan Post Group and each company of Japan Post Group.

These forward-looking statements do not constitute guarantees of future performance and are subject to risks and uncertainties. Therefore, these statements are subject to the impact of a wide range of future risk factors that include changes in preconditions concerning the business environment, economic circumstances and economic trends, changes in laws and regulations, the occurrence of large-scale disasters, changes in the value of assets held, reputation and rumor risk and other risks. Accordingly, it should be noted that actual business results and other matters could differ from the details contained in this Report.

Figures and percentages shown in this Report have been rounded off, except for financial numbers in the accounting statements, etc., that have been truncated without rounding. As a consequence, sums of figures may not match the totals presented.

Figures and percentages, with exceptions as specifically indicated, are as of March 31, 2018.

Japan Post Group Value Creation Process

Aim to become a Total Lifestyle Support Group as Team JP with ensuring

Business environment surrounding Japan Post Group

Logistics Industry

- Continuation of declining trend in mail
- Continued expansion of the EC market



Financial Industry

- Enduring historically low interest rate environment
- Consideration of strengthening international financial regulations
- Principle of customer-oriented operation of business
- Diversification of settlement methods



Social, Economic, Technology

- Population decline, ultra-low birthrate and aging society (decline in productive age population)
- Increase in personnel expenses and burden of social security expenses
- Emergence of new technologies (AI, RPA*, automated driving, drones, Fintech, etc.)



Japan Post Group Medium-term Management Plan 2020

Strengths of Japan Post Group

Social and Relationship Capital

- A network of over 24,000 post offices throughout Japan
- Strong customer base of Japan Post Bank Co., the leading bank in Japanese (approximately 120 million ordinary deposits customers)
- 27.99 million Japan Post Insurance Co. customers*2

Human and Intellectual Capital

- Over 400,000 employees
- Provide community-based, customer-oriented services

Financial and Manufactured Capital

- Solid equity capital
- Three stable earnings foundations: postal and logistics, banking and insurance
- Group assets including land and buildings across Japan

*1 RPA (Robotic Process Automation) refers to the automation of business processes using robots.

*2 The number of customers is the total number of policyholders and insured persons (including individual life insurance and individual annuity insurance, and postal Life Insurance reinsured by Japan Post Insurance Co. commissioned under the Management Organization for Postal Savings and Postal Life Insurance).

Returning benefits

Aim for securing stable income and a start towards sustainable growth in a difficult environment

Basic Policies for FY2019/3 to FY2021/3

- ❶ Development of business that supports the total lifestyles of customers
- ❷ Securing stable income for the Group
- ❸ Development of environment that enables employees to demonstrate their full capabilities
- ❹ Development of new businesses aimed at future growth

Japan Post Co., Ltd. P.22

- Postal and domestic logistics business
 - ▶ Comprehensive review of product and operations systems and strengthening of service infrastructure to support an expansion in parcel

● Post office business

- ▶ Coexistence with local community by maintaining, strengthening and maximum utilizing the post office network through deployment of unique and diverse post offices in accordance with regional needs, etc.

● International logistics business

- ▶ Improvements in management of Toll and deployment of contract logistics in Japan through strengthening synergy between JP and Toll

Japan Post Bank Co., Ltd. P.28

● Banking business

- ▶ Diversification and sophistication of investment management, expansion of non-interest revenue, and efficient resource allocation

Japan Post Insurance Co., Ltd. P.30

● Life insurance business

- ▶ Reversal/Growth of policies in force through sales activities focusing on protection needs and improvement in solicitation quality

Japan Post Group CSR P.42

Japan Post Group Corporate Governance P.52

Value created by Japan Post Group

Customers

- Provide quality customer-oriented services



Local communities

- Contribute to the development and vitalization of local communities



Shareholders

- Enhance shareholder returns



Employees

- Offer a fulfilling workplace



Environment

- Create a sustainable society



to society

History of Japan Post Group

Path of Japan Post Group from Its Founding to the Present

Japan Post Group marks its 147th year since being founded by Hisoka Maejima in 1871. To this date, Japan Post Group remains close to its customers by offering a variety of products and services mainly through its three core businesses of postal services, banking and insurance centered on the post office network. In the future, under the slogan “*We work for you because we are close to you,*” we will continue to stride forward with the aim of becoming a “Total Lifestyle Support Group.”



Hisoka Maejima



Scene of postal receipt office and postal savings deposit office, Ninth illustration, Postal operations picture scroll

1871
Modern postal service established.

1875
Postal savings service established.

1877
Joined the Universal Postal Union.

1885
The Ministry of Communications established.

1887
The 〒 mark adopted as the logo for the Ministry of Communications.

1899
Special New Year's postcard delivery service launched.

1916
Postal life insurance service established.

1949
The Ministry of Posts and Telecommunications established.



The former Ministry of Posts and Telecommunications building

2001
The Postal Services Agency established.

2003
Japan Post established.

2007
Japan Post Group established when the Postal Service Privatization Act went into effect.

AEON MALL Makuhari
New City Post Office



Shimo-ono Post Office



Tokyo Hokubu Post Office



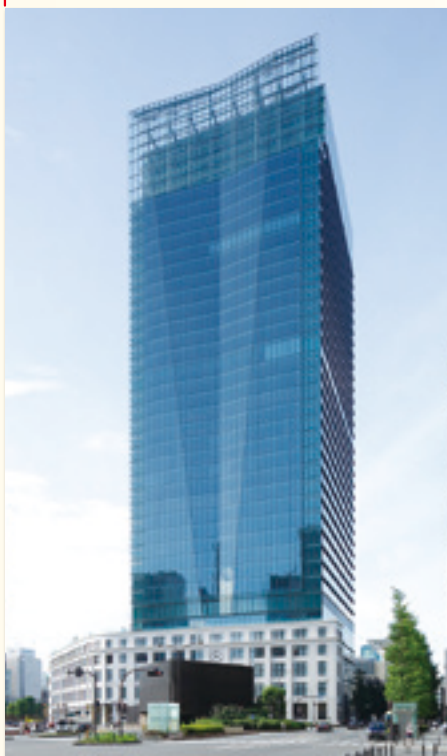
Total Lifestyle Support Group

2012

Japan Post Group reorganized into a four-company structure comprised of Japan Post Holdings Co., Japan Post Co., Japan Post Bank Co. and Japan Post Insurance Co.

2013

Grand opening of JP Tower



JP Tower

2017

JAPAN POST CAPITAL Co., Ltd. established.

2015

Toll Holdings Limited, an Australian logistics company, became our subsidiary.

Japan Post Holdings Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. listed on the First Section of the Tokyo Stock Exchange.



Listed on the First Section of the Tokyo Stock Exchange

2018

Japan Post Investment Corporation established.

Japan Post Real Estate Co., Ltd. established.

Japan Post Group Medium-term Management Plan 2020 announced.

Financial Highlights

Consolidated Results of Operations

Ordinary income

Year ended March 31, 2018

¥ 12,920.3 billion

Year ended March 31, 2017

¥ 13,326.5 billion

Net ordinary income

Year ended March 31, 2018

¥ 916.1 billion

Year ended March 31, 2017

¥ 795.2 billion

Net income (loss) attributable to Japan Post Holdings Co.

Year ended March 31, 2018

¥ 460.6 billion

Year ended March 31, 2017

¥ (28.9) billion

Japan Post Co. (Consolidated)

Year ended March 31, 2018

Ordinary income

¥ 3,887.4 billion

Net ordinary income

¥ 85.4 billion

Net income attributable to Japan Post Co.

¥ 58.4 billion

Japan Post Bank Co. (Non-consolidated)

Year ended March 31, 2018

Ordinary income

¥ 2,044.8 billion

Net ordinary income

¥ 499.6 billion

Net income

¥ 352.7 billion

Japan Post Insurance Co. (Consolidated)

Year ended March 31, 2018

Ordinary income

¥ 7,952.9 billion

Net ordinary income

¥ 309.2 billion

Net income attributable to Japan Post Insurance Co.

¥ 104.4 billion

Consolidated Financial Position

Total assets

As of March 31, 2018

¥ 290,640.1 billion

Total liabilities

As of March 31, 2018

¥ 275,896.9 billion

Net assets

As of March 31, 2018

¥ 14,743.2 billion

Per Share Data

Net income per share

Year ended March 31, 2018

¥ 112.97

Net assets per share

As of March 31, 2018

¥ 3,278.11

Dividends

Dividend per share

Year ended March 31, 2018

¥ 57

Ordinary dividend ¥50

Special dividend ¥7

Dividend payout ratio (Consolidated)

Year ended March 31, 2018

50.5 %

Rating

Japan Credit Rating Agency, Ltd. (JCR)

(Long-term Issuer Rating)

AA⁺

(As of September 22, 2017)

Non-Financial Highlights

The Strengths of Japan Post Group

Number of post offices

24,395



Number of ATMs

28,782



Number of postboxes

181,221



Number of Japan Post Insurance Co. customers*

27.99 million

(rounded down to the nearest 10,000)



* The number of customers is the sum of policyholders and insured persons (including individual insurance and individual annuities as well as Postal Life Insurance reinsured by Japan Post Insurance Co. under commission from the Management Organization).

Number of motorcycles for delivery

85,867



Number of employees in the four Group companies

420,000



Regular employees: 217,000

Non-regular employees: 203,000

(rounded down to the nearest 1,000)

Number of countries with international logistics bases

Approx. 50 countries



Together with Local Communities

Number of agreements/Agreement conclusion rate regarding cooperation with local communities

Prefectures*1: 19/40%

*1 Comprehensive partnership agreements executed by Japan Post Co. following privatization

Cities, wards, towns and villages*2: 1,635/94%

*2 Agreements for reporting any abnormalities that employees become aware of while on duty ("neighborhood watch activities," "provision of information on road damage," "provision of information on unlawful dumping")



Number of participations in Regional Vitalization Funds

12 funds



Financial lessons through school visits to elementary and junior high schools
Number of schools visited/Classes held (fiscal year ended March 31, 2018)

**63 schools/
109 times**



Countries to which Japanese postal infrastructure has been exported

**Republic of the Union of Myanmar
Socialist Republic of Viet Nam**

Number of schools holding letter-writing workshop programs (fiscal year ended March 31, 2018)

**Elementary schools: approx.
13,300 schools/3,100,000 students**

**Junior high schools: approx.
4,500 schools/1,050,000 students**

**High schools: approx.
1,980 schools/430,000 students**



JAPAN POST BANK Piggy Bank Design Contest
Number of schools entered/participants (fiscal year ended March 31, 2018)

Approx. 11,000 schools/770,000 students



Number of venues hosting Radio Exercise *Minna no Taiso* ("Exercise for Everyone")
Summer and Special Tours (fiscal year ended March 31, 2018)

**44 prefectures/
52 venues**



Total 2018 New Year's postcard donations

Social welfare programs, etc./

approx. ¥300.7 million

2020 Tokyo Olympics/

approx. ¥34.18 million



* Unless otherwise noted, descriptions are based on information as of March 31, 2018.

Together with the Earth

Greenhouse gas reduction rate
(compared with fiscal year ended March 31, 2014)*

5.3 %

* Facility output level for the three years from fiscal years ended March 31, 2015 to March 31, 2017

* Greenhouse gasses emitted by Japan Post Group's businesses covers CO₂.



Number of "HAKO POST" (delivery lockers)
installed

240 locations



Number of electric vehicles deployed

73 numbers



Number of trees planted for
"Tohoku Regeneration Green Wave" program

Approx. 600 trees



Number of used ink cartridge collection
box locations

**3,639
post offices**



Number of post offices with
electric power sales facilities using
solar power generation

**35
post offices**



Donations to environmental preservation
organizations based on number of
non-passbook general accounts
(fiscal year ended March 31, 2018)
(Yucho Eco Communication)

**13 organizations/
¥ 6.5 million**



Donations for environmental preservation based
on Online Contract Guidelines and policy
conditions (fiscal year ended March 31, 2018)

**32 organizations/
approx. ¥ 32 million**



Together with People

Number of female employees (as of April 1, 2018)

**153,619 /
35.8 %**

Number of women in management positions
(as of April 1, 2018)

2,608 / 7.8 %

Number of female executive officers
(as of April 1, 2018)

19 / 12.1 %



Number of persons taking childcare leave
(fiscal year ended March 31, 2018)

1,570

**Men: 101
Women: 1,469**

* Regular employees only



Number of reemployed retirement-age staff
(as of April 1, 2018)

10,435



Number of employees with disabilities
(as of June 2017)

6,256

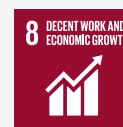


Average number of paid holidays taken
(fiscal year ended March 31, 2018)

17.7 days



Employer Brand Research 2018
Randstad Award
First in Financial/Insurance category



* Unless otherwise noted, descriptions are based on information as of March 31, 2018.

Message from the President



President & CEO
Director and Representative Executive Officer
Japan Post Holdings Co., Ltd.

Masatsugu (Mat) Nagato

Raison d'Être of Japan Post Group

What kind of group is Japan Post Group and why has it been able to keep going for so long? I believe our Raison d'Être lies in the answers to these questions.

Twenty years ago, the per capita GDP of Japan was the world's third highest, but now it stands at around 25th in the world. Per capita GDP, however, is not the sole indicator of wealth. I believe people can lead spiritually enriched lives if they enjoy a high level of happiness such as in the Kingdom of Bhutan. Japan Post Group has the potential to contribute to people's happiness and enrich their lives. We inaugurated postal deliveries 147 years ago, commenced banking services four years later and subsequently began insurance sales. This is the basis of our universal services and I am confident that other services can also contribute to people's spiritual richness. Companies do not exist solely for the purpose of undertaking social welfare activities and cannot exist perpetually without earning returns proportionate to costs. Nevertheless, getting closer to customers and, above all, interacting with them face-to-face is still of the utmost importance.

Today, a variety of opportunities have come into view as we leverage our main strength, the post office network—one that is closely connected with our customers.

An excellent example of such an opportunity is Fintech, which has developed rapidly in recent years, and how we build on it through our nationwide network of post offices. The adoption of Fintech allows us to contemplate an array of arrangements by integrating cutting-edge technologies with the post offices that are closely connected to the local community. I believe we are extremely privileged to work in such an environment.

In addition, we are witnessing a shift “from savings to asset-building.” Although the financial assets of individuals in Japan amount to approximately ¥1,830 trillion, the number of individuals who have begun to invest remains small, as evidenced by the exceedingly low balance of investment trusts at approximately ¥70 trillion. Japan Post Group operates approximately 18,000 post office counters where investment trusts can be introduced to our customers. In this way, we are well-positioned as a financial institution that is close to its customers to contribute to the move toward asset-building.

Although recently the main topic of dialogue between the management of other companies and institutional investors has centered on the environment, society and governance (ESG), Japan Post Group as a socially-focused company has always dealt with ESG. Actually, ESG initiatives are the key activities for fulfilling the mission of every company operating within society. Companies must make the utmost effort to contribute to and be acknowledged by society. Although they certainly need to generate profit,

companies are unlikely to survive unless they also focus on their role in society. Going forward, Japan Post Group will continue to be asked what it should do as a socially-oriented company, so we must continue to strive to answer this question.

Issues Facing Japan Post Group

Meanwhile, we also need to address any threats that may arise in the future. Many parts of our business are still handled by people, so the shrinking population of Japan is a serious issue when it comes to making our performance all the more sustainable. The population of Japan was approximately 33 million during the Meiji Restoration around 1868 and grew by almost 100 million over the following 150 years. Now, it is said that the population will decrease just as fast as it increased. In 2017, the number of births in Japan dipped below one million. Meanwhile, Japan Post Group has approximately 400,000 employees. Assuming that they work for 40 years, roughly 10,000 employees will resign every year, which means that we have to hire another 10,000 annually to compensate. This decline in labor supply capacity makes it extremely difficult to continue hiring people at past levels. On top of that, employee shortages are certain to drive up personnel expenses. Therefore, I have a sense that we will be forced into an extremely dire situation over the long term unless we sufficiently give serious consideration to how to address this issue.

There is another serious issue facing Japan Post Group over the long term. As provided in the Postal Service Privatization Act, Japan Post Holdings Co. will finally sell all of its shares in Japan Post Bank Co. and Japan Post Insurance Co., which are large contributors to our profits. When this happens, we will no longer be able to reflect the profits of both companies on a consolidated basis. For this reason, we must create new earnings sources—perhaps through M&A, equity investments, business alliances or other means. As one measure, we launched Japan Post Real Estate Co., Ltd. in April 2018, but it will require approximately 10 years to raise its performance and produce solid results. Because of the time required to nurture new businesses, we must start to prepare for building new earnings sources for the future, now. By establishing this company, management's message is that we are committed to positioning real estate as a core business to be undertaken as invaluable work. It is impossible to know what will succeed but I believe it is essential that we take these kinds of actions, and as frequently as possible.

Reflecting on the Previous Medium-term Management Plan and Looking Toward the Fiscal Year Ending March 2021

On May 15, 2018, Japan Post Group announced its new



Medium-term Management Plan for the period from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2021.

Before explaining the details of the new plan, let me briefly review the achievements of the previous Medium-term Management Plan (from the fiscal year ended March 31, 2016 to the fiscal year ended March 31, 2018). Under the previous plan, we implemented the following five strategies for business growth and development.

The first strategy was “revival of the postal and logistics business.” The number of Yu-Pack items topped 800 million, surpassing our target of 680 million in the fiscal year ended March 31, 2018 thanks to an increase in parcels on the back of an expansion of e-commerce markets and implementation of measures such as expanded pick-ups of Yu-Pack and other items at convenience stores and expanded installation of HAKO POST receiving lockers.

Second was “vitalization of the post office network.” In utilizing the post office network outside our three main businesses, we increased the number of post offices handling cancer insurance as an affiliated financial service to about 20,000 locations, broadened our product lineup and steadily expanded earnings in the merchandise business.

Third was “further increase in Japan Post Bank Co.’s revenues.” We increased the amount of sales and the balance of asset management products by enhancing those products and services such as investment trusts. Concurrently, we increased income from service transactions by expanding the installation of ATMs.

Fourth was “recovering from bottoming out of Japan Post Insurance Co.’s policies in force.” We achieved our target of ¥50 billion in contracted monthly premiums for new policies ahead of schedule in the fiscal year ended March 31, 2016 and further expanded insurance premiums

in the fiscal year ended March 31, 2017. Although actual insurance premiums for new policies declined in the fiscal year ended March 31, 2018 due to the impact of a revision of insurance premiums, sales of protection-type products increased due to strengthened sales that emphasize protection.

Fifth was “sophisticated asset management for revenue growth.” Our two financial institutions achieved progress in sophisticating and diversifying their asset management. Japan Post Bank Co. attained its target of increasing its satellite portfolio (SP) balance to ¥60 trillion ahead of schedule in the fiscal year ended March 31, 2016. Additionally, Japan Post Bank Co. progressed with global asset allocation and further expanded its SP balance.

As a result of these initiatives, net income attributable to Japan Post Holdings Co. in the fiscal year ended March 31, 2018 amounted to ¥460.6 billion, significantly exceeding the ¥400.0 billion target for the final fiscal year of the Medium-term Management Plan.

Despite these achievements, Japan Post Group is facing an exceedingly difficult operating environment such as prolonged, historically ultra-low interest rates. The next three years is expected to be perhaps the most severe period yet.

Under these conditions, we will implement our new Medium-term Management Plan. This plan embodies our desire to leverage the post office network and utilize universal services while implementing various initiatives for raising earnings. Specifically, we will implement the following policies.

The first policy is for the postal and domestic logistics business. Although mail volume continues trending downward, the home delivery market is expected to expand alongside growth in the e-commerce market. In this view, we will pursue greater flexibility in deploying our limited employee resources, such as shifting persons in charge of mail collection to the parcel operations, to also responding to the difficulty in securing labor amid rising labor unit costs. We will also promote mailbox posting, one of our strengths, by encouraging the use of smaller parcels.

Second is our policy for the post office business. The roles demanded of post offices differ by region. Therefore, rather than providing across-the-board, uniform products and services throughout Japan as in the past, we will deploy unique and diverse post offices that continually add products and services to meet the different needs of each community in addition to always offering universal services. Going forward, we will pursue initiatives that continuously take advantage of our network of post offices, which serve as points of contact with our valued customers.

Third is our policy for the international logistics business. We will steadily implement management improvement measures and aim to raise earnings through selection and

concentration of management resources such as deploying contract logistics in Japan by strengthening synergies with Toll Holdings Limited.

Fourth is our policy for the banking business. We will strive to expand service commissions such as those for ATMs and further raise the investment trust balance. In addition, we will strive to sophisticate and diversify investment management and expand risk assets and areas of strategic investments as we work to counter a severe operating environment.

Fifth is our policy for the life insurance business. We aim for a reversal and growth in annualized premiums of policies in force by strengthening sales of products that emphasize protection and improve solicitation quality. Moreover, we will improve customer service through the use of ICT and also reduce costs by enhancing operational efficiency.

We will also take measures to spur the development of our real estate business. With the establishment of Japan Post Real Estate Co., Ltd. in April 2018, we will effectively develop assets held by Japan Post Group and cultivate new sources of revenue by participating in joint projects and acquiring income-producing properties.

Regarding capital alliances and M&A, we will consider capital partnerships and M&A in a broad range of fields that lead to the growth of Japan Post Group as a “Total Lifestyle Support Group.” In this field, we aim to contribute to profits by considering investments of several hundred billion yen over the three-year period up to the fiscal year ending March 31, 2021.

Through the implementation of these policies, Japan

Post Holdings Co. aims to maintain stable dividends of ¥50 or higher per share.

Our new Medium-term Management Plan serves as a start toward securing stable profits and achieving sustainable growth amid the severe business environment. Japan Post Group will continue to work as one as we aim to be a “Total Lifestyle Support Group.”

Importance of Human Resources and Education for Management

I regard human resources and education as particularly crucial in executing the new Medium-term Management Plan.

Customers also change with the flow of the times and perceiving these changes and customizing products and services in response is absolutely essential. Organizations must be able to focus closely on what customers are demanding and the directions of the times while maintaining a sense of urgency to immediately adapt to such changes. As customer needs evolve rapidly throughout the world, it is certainly best to initially have the human resources with a deep understanding of these new developments.

However, we cannot stop doing new work just because we may lack suitable human resources. So long as there are needs, our approach should be “Let’s do it!” even if we lack the know-how. People can accomplish anything if they are determined to change themselves along with the changes happening around them. Therefore, I believe we should both introduce new human resources and focus on employee education at the same time.



Moreover, as a member of management, I always remember that we have to be a company that anyone would be proud of if we are to capitalize on our human resources.

Renowned novelist Raymond Chandler once remarked, *“If I wasn’t hard, I wouldn’t be alive. If I couldn’t ever be gentle, I wouldn’t deserve to be alive.”* I believe companies, too, must be organizations that are respected around the world. Especially since we are now a listed company, we will be unable to earn any respect without the strength to achieve adequate performance. At the same time, we must also strive to be an organization that makes people think, *“That’s an amazing company.”* Fortunately, Japan Post Group boasts a long history as a public institution and operates an extensive network of post offices across Japan. We are an organization that is strongly determined to serve our customers to the very end without withdrawing even from regions that seem to have lost vitality.

Reflecting back personally, rather than making money, I had hoped to discuss the state of the world and country with everyone around me and thought about how to serve my country, so I joined the former The Industrial Bank of Japan, Limited after graduating college. Now, I have a strong sense of personally having come full circle in joining Japan Post Group and returning to an organization that is essential to the nation. This is my calling, so I will devote my

utmost efforts for the future of Japan Post Group. At the same time, I am pleased to know I can contribute to something for Japan.

It will likely take another 10 to 20 years before Japan Post Group becomes an even more respected company. During my term in office and upon passing the baton to a younger successor, I would like to build Japan Post Group into such a company. There are many employees who joined Japan Post Group because of their strong affection for the post office, so I believe it is my mission to build an environment that will enable them to make their aspirations and dreams come true.

A Sense of Unity Is Also Important in Management

A “sense of unity” is also important when considering the medium- and long-term management of Japan Post Group. Although Japan Post Group is a single entity comprised of four companies, several difficulties arise when corporate systems are divided separately under such a structure. Three of these companies also made simultaneous listings. Therefore, we must pay attention and avoid triggering the types of forces that cause companies to move away from the core of Japan Post Group. As one management measure, it will be crucial to continually emphasize that Japan Post Group must constantly act as one team. With





this in mind, I have created the “*Team JP*” slogan to encourage thinking about synergies across the entire Japan Post Group.

To help maintain solidarity, I have asked each company to increase the combination of personnel between work sites and the head office when implementing personnel rotations. Employees who have continually remained at the head office should be dispatched to frontline work sites. I believe personnel strategies are the most recognizable message from top management, so we must employ various methods to disseminate and successfully implement the Team JP concept.

In Closing—To Our Stakeholders

I would like to express my wishes for the happiness of all of Japan Post Group’s stakeholders. For our shareholders, it will of course be essential to raise our stock price and reliably pay dividends as a listed company. Meanwhile, for our employees, we must set appropriate salary and compensation levels as well as consider important issues such as diversity, nursing care for family members and child-rearing. Besides dealing with these issues, it will also be necessary to focus our attention on the promotion of women and elimination of discrimination against the LGBT

community. Therefore, assuring the quality of work-life will become essential. In this regard, I would like to create an environment where employees can come to work each day with a sense of happiness. This requires that we make all-out efforts as Team JP to ensure the happiness of every single stakeholder. And for our newest employees, my ultimate goal is to build Japan Post Group into a company that they absolutely want to be a part of.

Japan Post Group Medium-Term Management Plan 2020

Review of Medium-Term Management Plan - New Japan Post Group Network Creation Plan 2017 (2015-2017)

Japan Post Group achieved most of its key numerical targets during the three-year period from the fiscal year ended March 2016.

Moreover, in keeping with the intent of privatization, we promoted Group strategies for attaining growth and development including the simultaneous listings of three companies, namely Japan Post Holdings Co., Japan Post Bank Co. and Japan Post Insurance Co., and the acquisition of Australia-based Toll Holdings Limited.

Three-year Business Targets		Results
Group consolidated net income (including income attributable to non-controlling interests)	Approx. 450.0 billion yen	including income attributable to non-controlling interests 512.0 billion yen
		excluding income attributable to non-controlling interests 460.6 billion yen
Japan Post Co.		
Consolidated net income	Approx. 30 billion yen	58.4 billion yen
Number of Yu-pack handled	Approx. 680 million	Approx. 880 million
Real estate business	Stable operating income of 25.0 billion yen	28.5 billion yen

Overview of Medium-Term Management Plan 2020 (2018 – 2020)

Aim for securing stable income and a start toward sustainable growth in a difficult environment.

Basic policies

- 1 Development of business that supports the total lifestyles of customers
- 2 Securing stable income for the Group
- 3 Development of environment that enables employees to demonstrate their full capabilities
- 4 Development of new businesses aimed at future growth

Basic policies by business

Business fields

1 Postal and domestic logistics business

Basic policies

Comprehensive review of product and operations systems and strengthening of service infrastructure to support an expansion in parcel

2 Post office business

Coexistence with local community by maintaining, strengthening and maximally utilizing the post office network through deployment of unique and diverse post offices in accordance with regional needs, etc.

3 International logistics business

Improvements in management of Toll and deployment of contract logistics in Japan through strengthening synergy between JP and Toll

4 Banking business

Diversification and sophistication of investment management, expansion of non-interest revenue and efficient resource allocation

5 Life insurance business

Reversal/Growth of policies in force through sales activities focusing on protection needs and improvement in solicitation quality

Numerical targets for FY2021/3 and dividend policy

Group consolidated

Earnings per share of at least **100 yen***

Dividend per share of at least **50 yen**
(Implementation of stable dividends)

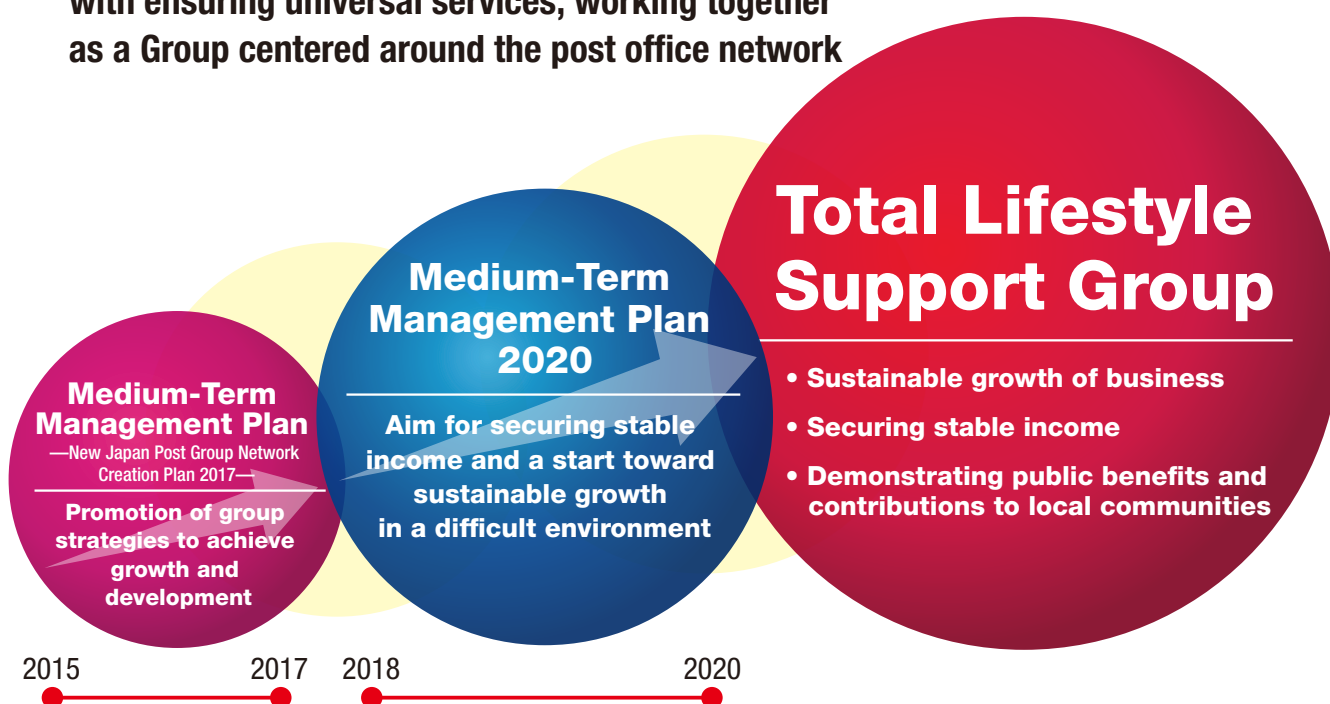
* Assuming the current number of issued shares (excluding treasury stock), net income attributable to Japan Post Holdings Co. of approximately 405 billion yen

Japan Post Co.

- Consolidated net operating income 90 billion yen
 - Postal and logistics business 40 billion yen
 - Post office business 30 billion yen
 - International logistics business 20 billion yen
- Consolidated net income 65 billion yen
- Number of Yu-pack handled Approx. +200 million (compared to FY2018/3)

Three-year Business Targets		Results
Japan Post Bank Co.		
Net income	Approx. 330.0 billion yen	352.7 billion yen
Expand assets under management (three years)	Deposits +3 trillion yen	+2.3 trillion yen
	Asset management products +1 trillion yen	+1.4 trillion yen
Japan Post Insurance Co.		
Net income	Approx. 80.0 billion yen	104.4 billion yen
Expand premiums for new policies	Achieve the 50 billion yen level in FY2017/3 and expand further	[FY2017/3] 55.3 billion yen

Aim to become a Total Lifestyle Support Group as Team JP with ensuring universal services, working together as a Group centered around the post office network



Japan Post Bank Co.	
• Consolidated net ordinary income	390 billion yen
• Consolidated net income	280 billion yen
(Reference) earnings per share	74 yen
• Secure capital adequacy ratio of about 10%	
* After consideration of strengthening of financial regulations	
• Assets under management (compared to FY2018/3)	Approx. +1.8 trillion yen
including Investment trusts balance Approx. +1.7 trillion yen	
Secure dividends per share of 50 yen (implementation of stable dividends)	
* The cumulative total of "sales amount - cancellation amount" for 3 years (not market price basis).	

Japan Post Insurance Co.	
• Annualized premiums for policies in force	Approx. 4.9 trillion yen
• Earnings per share	155 yen
(Reference) Consolidated net income	93 billion yen
• Aim to increase dividends to 76 yen per share while ensuring the soundness of management	

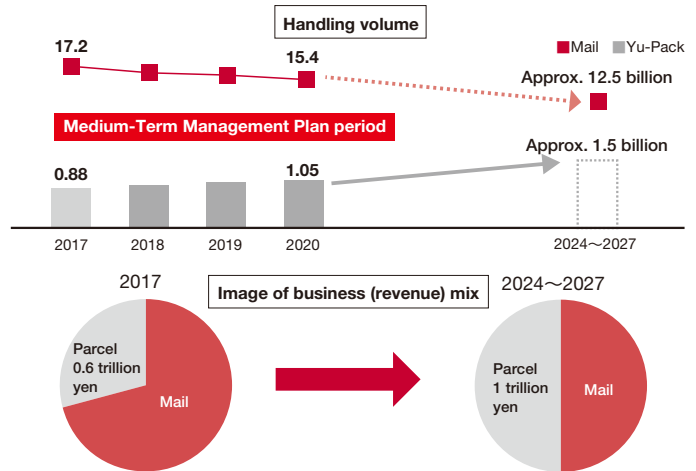
Note: Interest rates, foreign exchange rates stock prices which are the premise of each numerical target, are set based on the situation at the end of December 2017.

Basic policies by business

Postal and domestic logistics business

Conduct comprehensive review of product and operations systems, and strengthen service infrastructure to support an expansion in parcels in order to respond to a decrease in mail usage and expansion of e-commerce markets.

- ◆ Shift management resources to parcel field through review of services and operations, etc.
- ◆ Review of services and creation of high added value in consideration of changes in lifestyles
- ◆ Strengthen service infrastructure to support expansion of parcels
- +
- ◆ Improvements in convenience and productivity through active use of IoT and new technologies such as AI and automatic driving



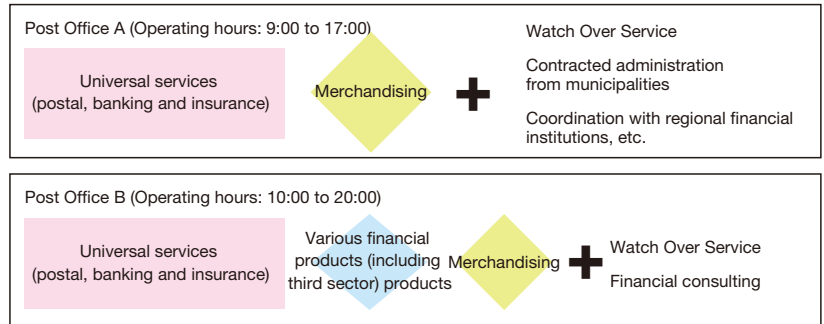
Post office business

Coexist with local community by maintaining, strengthening and maximum utilizing the post office network through deployment of unique and diverse post offices in accordance with regional needs, etc.

- ◆ Enhancement of products and services using post office network (Watch Over Service, contracted administration from municipalities, etc.)
- ◆ Provision of products and services in accordance with regional needs, and diversification of counter business hours, etc.
- +
- ◆ Improvements in sales productivity/efficiency of counter operation, etc.

(Provision of products and services in accordance with regional needs, and diversification of counter business hours, etc.)

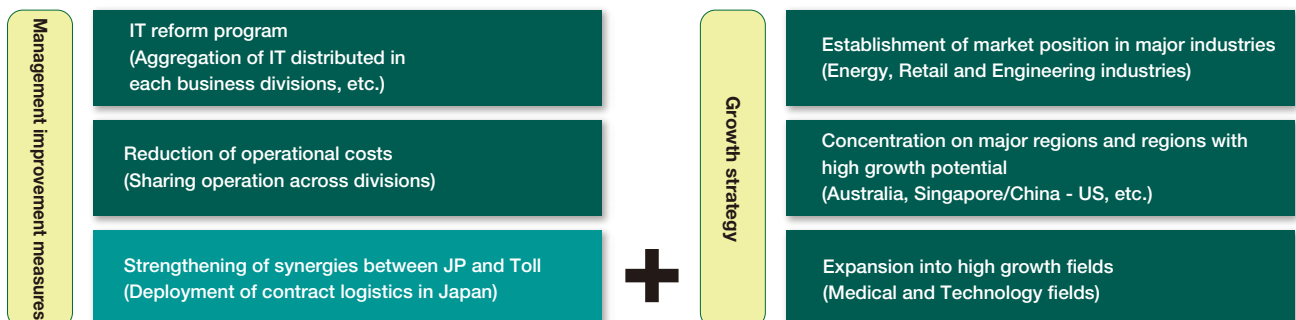
(Image)



International logistics business

Improve management of Toll and deploy contract logistics in Japan through strengthening synergy between JP and Toll to provide integrated solutions through the development of comprehensive logistics business in Japan and overseas

- ◆ Steadily implement management improvement measures while improving revenue through growth strategies
- ◆ Deploy contract logistics in Japan through strengthening synergies between JP and Toll



Banking business

Work toward sophistication and diversification of investment management, expansion of non-interest revenue, and efficient resource allocation to secure stable profits

Ensuring secure living

- ◆ Contribution to asset building

Investment trusts balance

+ 1.7 trillion yen* (FY2018/3→FY2021/3)

FY2018/3: 1.6 trillion yen → FY2021/3: 3.4 trillion yen → **FY2028/3: 10 trillion yen**

* The cumulative total of "sales amount - cancellation amount" for 3 years (not market price basis)

More convenience in everyday life

- ◆ Provision of "New Convenience"
 - Enhancement of payment services
 - Channel enhancement
 - Enhancement of product lineup
 - Expansion of ATM network
- ◆ Steady provision of existing services
 - Deposit, settlement services

Net fees and Commission +30% (FY2018/3→FY2021/3)

Securing stable, income over medium-to long term through diversification and sophistication of investment management

- ◆ Promotion of international diversified investments through effective utilization of capital

Risk assets* **Approx. 87 trillion yen** (2021/3) (2018/3: 79 trillion yen)

Outstanding amount in Strategic investment area ** **Approx. 8.5 trillion yen** (2021/3) (2018/3: 1.6 trillion yen)

* Assets other than yen interest-bearing assets (JGB, etc.) (existing SP+BP loans) (credit, foreign government bonds, equities, alternatives)

** Existing alternatives (PE, HF, real estate funds (equity)) + real estate funds (debt (non-recourse loans, CMBS)), direct lending funds

Redistribution of management resources

Front operations: Consulting services, Transaction operations, Back office operations (JC, PTC, etc.)

Utilization of Fintech and digital technology

Allocation of resources to growth field (around +800 people)

Improvements in operational efficiency and productivity

Existing costs* -30 billion yen (2018/3→2021/3)

Improvements in operational efficiency Equivalent to 2,000 people (2018/3→2021/3)

* Operating expenses excluding expenses related to the hike in the consumption tax rate and the allocation of resources to growth fields

Life insurance business

Reversal/growth of policies in force through sales activities focusing on protection needs and improvement in solicitation quality to attain sustainable profit growth

Strengthening of sales activities focusing on protection needs, Improvement in solicitation quality, Cultivation of new customer base, Development of new products, Establishment of sales foundation

Annualized premiums for policies in force (trillion yen)

Annualized premiums for policies in force Approx. 4.9 trillion yen (FY2021/3 numerical target)

Improvement of customer service and enhancement of efficiency in back-office administration through use of ICT

- ◆ Introduction of screen notification/automated assessment system and insurance procedure support system
- ◆ Introduction of billing procedures utilizing digital technologies
- ◆ Digitalization of paper forms at Service Centers
- ◆ Saving labor in policy maintenance administration process

Reduction of administrative workload equivalent to 1,000 people

Diversification of asset management and sophistication of risk management

- ◆ Diversification of investment scope
- ◆ Expansion of in-house investment
- ◆ Cooperation with other life insurance companies including joint investment, etc.
- ◆ Advancement of ALM and risk management
- ◆ Strengthening of specialized human resources

Return-seeking assets 12.3% → Approx. 15% (2017→2020)

Development of real estate business

Japan Post Real Estate established to more effectively develop the assets held by the Group and secure new sources of revenue through joint ventures participation and acquisition of profit-making properties, etc.

Operating income and net operating income for real estate business overall

- ◆ Increase in rented building occupancy rates and increase in rent income from rental houses, etc. are expected
- ◆ Total investments (FY2019/3 to FY2021/3): 180 billion yen

	FY2018/3	...	FY2021/3
Operating income	28.5 billion yen		33.0 billion yen*

* Total operating income of Japan Post Real Estate and real estate business of Japan Post Co.

Large-scale scheduled development projects through assets held by the Group

- ◆ Gotanda project (formerly U-Port) Construction completion: FY2023/3 (planned)
- ◆ Toranomom/Azabudai project (Japan Post Co. Tokyo Regional Office, Azabu Post Office) Construction completion: FY2024/3 (planned)
- ◆ Osaka station-front project (formerly Osaka Central Post Office) Construction completion: FY2024/3 (planned)

Image of operating income target

(Billion yen)

Operations of Japan Post Co.



Kunio Yokoyama

President & CEO
Japan Post Co., Ltd.



Review of the Fiscal Year Ended March 31, 2018

In the fiscal year ended March 31, 2018, although the postal and domestic logistics business was faced with a difficult environment characterized by a decrease in the volume of mail handled and strained labor supply-demand conditions, the volume of Yu-Pack items handled surged by 25.6% over the previous year to 876 million on the back of an increase in demand for deliveries following expansion of the e-commerce market. Within this context, we worked to maintain delivery operations at post offices nationwide in order to provide services that continue to meet our customers' satisfaction.

In the post office business, amid continued, historically low interest rates, we supported asset-building for many more customers primarily through the provision of simple, easy-to-understand products and the expansion of post offices handling investment trusts. We are also striving to increase customer convenience through such measures as installing other banks' ATM machines in our post offices and starting the nationwide operation of the "Watch Over Service" where post office staff visit elderly customers to report their living conditions to family members.

In the international logistics business, we made efforts to boost performance at our subsidiary Toll Holdings Limited by steadily implementing measures to improve management that includes structural reform.

As a result of these initiatives, Japan Post Co. recorded operating income of ¥3,881.9 billion, net operating income of ¥86.5 billion and net income attributable to Japan Post Co. of ¥58.4 billion.

Operating Environment and Issues

With regard to the environment facing Japan Post Co., we expect a decrease in the volume of mail handled, persistently ultra-low interest rates and advancement in Japan's super-aged society while at the same time forecasting continued growth in Yu-Pack sales in line with dramatic developments in the e-commerce market and further acceleration in the trend of people shifting away from savings toward asset-building. We are aware of the issue facing management of putting our business on a stable growth trajectory by recognizing changes in the business environment early on and responding to them swiftly.

Strategy and Policy for the Fiscal Year Ending March 31, 2019

For the first fiscal year of Japan Post Group Medium-term Management Plan announced in May 2018, we aim to strengthen our postal and logistics functions and post office network and secure stable income by conducting a review of our operations and providing products and services that meet society's needs.

In the postal and domestic logistics business, we will seek to create a higher value-added Yu-Pack service by making it easier to send and receive parcels, amid growing opportunities for individual customers to use home delivery services. In addition, we continue to try to provide stable services, by augmenting facilities and building a framework for transport and delivery in response to the increase in parcel volume.

In the post office business, we will strive to expand sales of investment trusts and insurance as well as increase the number of new customers, centered on the young and middle-aged, through the provision of services that match the needs and life stages of each customer.

In the international logistics business, we will promote business development that leverages synergies with Toll Holdings Limited while continuing to steadily implement measures to improve management.

Moreover, we will keep striving to enhance compliance, particularly through the appropriate receipt of postage fees to earn even greater trust from our customers.

Going forward, we will continue working to boost the value of our post office network by taking a customer-first approach and providing diverse services that are unique to post offices.

We appreciate your patronage and continued use of our post offices.

Postal and Domestic Logistics Business Segment

Operating income

Year ended March 31, 2018

¥ 2,022.5 billion

Net operating income

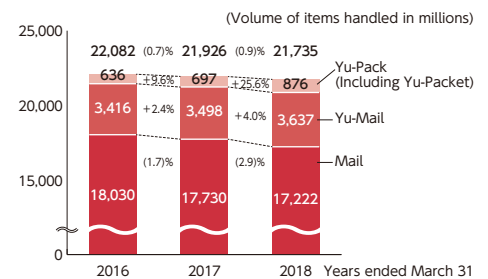
Year ended March 31, 2018

¥ 41.9 billion

Financial Results for the Year Ended March 2018

In the postal and domestic logistics business, operating income increased year-on-year mainly due to the impact by the revision in postage fees for standard mail, in addition to an increase in volume of Yu-Pack and Yu-Packet handled resulting from the expansion of the Electronic Commerce market. On the other hand, although operating expenses grew mainly owing to an increase in bonuses and a rise in volume of Yu-Pack and Yu-Packet handled, the increase of operating expenses was kept within the increase in operating income. As a result, operating income amounted to ¥2,022.5 billion (up ¥92.5 billion year-on-year) and net operating income amounted to ¥41.9 billion (up ¥29.8 billion year-on-year).

Trends in Volume of Items Handled



Initiatives in the Year Ended March 2018

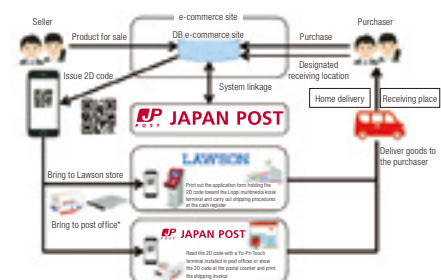
Improvement in Yu-Pack Service

Under the “send and receive with greater ease” concept, Japan Post Co. is making efforts to improve Yu-Pack service in response to changes in lifestyle and society, including expansion of the e-commerce market, and an increase in double-income and single-person households. As the first step toward this goal, Japan Post Co. started a service on March 1, 2018 that enables customers to specify a pickup day and time as well as have packages sent to one’s workplace or received at any post office throughout Japan for initial delivery. In addition, we launched Weighted Yu-Pack for packages over 25 kg up to 30 kg with improved Yu-Pack fees in order to maintain stable service.



Expansion of e-Shipping Service

Japan Post Co. expanded its e-shipping service to all post offices (excluding contracted post offices) in October 2017 to make it easier and more convenient to send items from flea market apps and auction sites. With this service, an invoice is made by scanning a two-dimensional code acquired through an e-commerce site at a post office counter or using dedicated printers called “Yu-Pri Touch,” which have been installed at approximately 5,700 post offices. This service is also being provided at Lawson convenience stores through Loppi machines. Certain e-commerce sites also allow privacy-protected shipping, through which the seller and purchaser do not exchange information, and receipt at convenience stores and other locations.



*Except for contracted post offices and some post offices with no postal counter or Yu-Yu counter. Yu-Yu counter: a special counter outside normal post office hours.

E-commerce sites on board:
Mercari, Mobaaku, Yahoo! Japan Auctions, Rakuma

Revision of Postage Fees

Japan Post Co. partially revised postage fees (for second-class mail and nonstandard-size items, etc.) in response to increasing costs in recent years caused by rising personnel expenses, a decline in mail, and an increase in the need for redelivery and returning large parcels to the post office when customers are not at home. Fees for 2018 New Year's postcards remained unchanged at ¥52, limited to those items sent during the specified period (December 15, 2017 to January 7, 2018), but will be raised to ¥62 for 2019 New Year's postcards.

Implementation	Summary
January 1994	✓ Revised fees for first-class mail (letters), second-class mail (postcards), etc.
April 2012	✓ Revised postage fee discounts (second-class advertising mail)
June 2016	✓ Revised postage fee discounts (advertising mail, sorted mail, special mail within the same postal area, etc.) ✓ Partially revised international mail postage fees
June 2017	✓ Revised second-class mail postage fees (postcards, excluding New Year's postcards) ✓ Revised fees for nonstandard-size mail postage fees

First basic postage fee revisions in 23 years

Nationwide Deployment and Increased Overseas Destinations of International ePacket Light

International ePacket Light permits confirmation of the delivery status via the Internet and provides delivery of postal items to the addressee's mailbox or to the addressee in person, within around two weeks, making it particularly suitable for light, relatively inexpensive items. A trial phase mainly for cross-border e-commerce sellers was launched on October 1, 2016, with full-scale operation starting on October 1, 2017. The service is now available at post offices throughout Japan to an increasing number of countries and territories overseas.

Post offices and countries/territories overseas offering International ePacket Light service

Start date	Number of post offices	Number of countries/territories overseas
October 2016	22 in Tokyo	6
November 2016	1,084	7
April 2017		32
October 2017	Post offices nationwide	37
January 2018		39

Post Logitech Innovation Program

Japan Post Co. launched its first open-innovation program in September 2017, working on joint developments with four start-up companies that have adopted the program. The Post Logitech Innovation Program was started with the aim of realizing a more enriched society through the provision of postal and logistics services befitting a new era. Details of the joint developments were announced at a demonstration day. Through trials and demonstration testing conducted with the adopting companies, efforts are being made to utilize drone delivery, optimize delivery routes using AI, introduce a parcel storage service, and make use of mobile infrastructure to find lost items using postal service vehicles.



Application of Technology Using the Postal Network

Japan Post Co. is selling a loss prevention tag called "MAMORIO" at certain post offices in conjunction with MAMORIO, Inc., one of the companies that have adopted the open-innovation program whose mission is "to help people stop losing things." We are also conducting demonstration testing for mounting MAMORIO receivers on postal service vehicles. The aim is to expand our network for mobile-type communications infrastructure and use it to search for lost items over a wider area while conducting postal services.



MAMORIO receiver mounted on a postal service vehicle

Post Office Business Segment

Operating income

Year ended March 31, 2018

¥ **1,358.7** billion

Net operating income

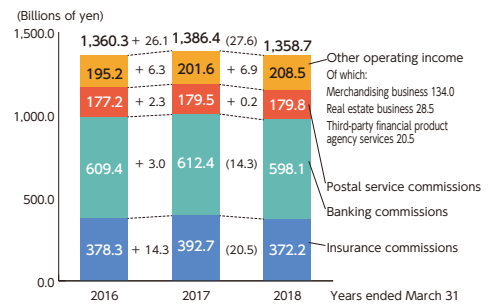
Year ended March 31, 2018

¥ **39.7** billion

Financial Results for the Year Ended March 2018

In the post office business, operating income decreased due to a fall in banking and insurance commissions, although operating income from third-party financial product agency services expanded and the real estate business is growing steadily. On the other hand, operating expenses remained nearly at the same level as the previous fiscal year despite a drop in personnel expenses resulting from a decrease in new policy sales at Japan Post Insurance Co. and various measures to improve efficiency as well as efforts to reduce other expenses. As a result, operating income amounted to ¥1,358.7 billion (down ¥27.6 billion year-on-year) and net operating income amounted to ¥39.7 billion (down ¥23.5 billion year-on-year).

Trends in the Earnings Structure

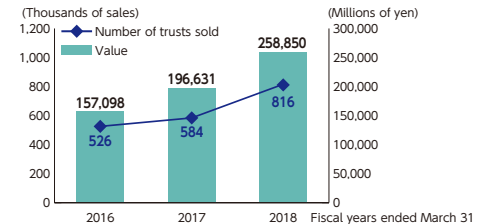


Initiatives in the Year Ended March 2018

Expanding Sales of Investment Trusts

Japan Post Co. is striving to expand sales of investment trusts in order to support asset-building in consideration of customers' life plans and needs amid a trend from savings toward asset-building. In the fiscal year ended March 31, 2018, we increased the number of post offices handling investment trusts to 1,416 and the number of post offices referring investment trusts that includes consultation on asset-building to around 18,000 nationwide. We also actively provided guidance on installment-type NISAs that started in January 2018.

Sales of Investment Trusts



* Of the investment trust products sold by Japan Post Bank Co., results indicate total sales handled through Japan Post Co.

Lineup of Affiliated Financial Services

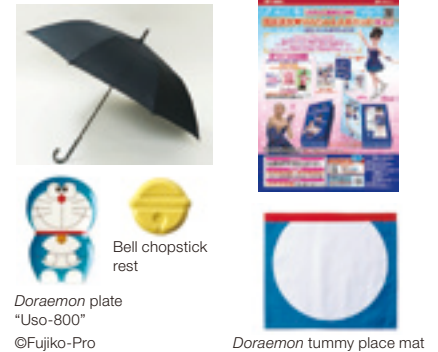
Japan Post Co. offers a variety of affiliated financial services in order to meet different needs, including: cancer insurance (all post offices handling insurance services (excluding contracted post offices)); medical insurance with eased underwriting conditions recommended for people who have passed on purchasing insurance for health reasons, under consignment from life and non-life insurance companies (1,467 post offices); individual variable annuities where pension payments, etc. fluctuate depending on management (1,079 post offices); life insurance for companies (for management-level personnel) in order to respond to a variety of needs for executives, such as retirement benefit-related measures for managers and executives, business insurance, business succession and inheritance countermeasures (200 post offices); and automobile insurance with the post office as a non-life insurance agency (1,495 post offices).

*The numbers of post offices handling each service stated in parentheses are as of April 1, 2018.



Merchandise Sales

Japan Post Co. has garnered immense praise from customers for the array of merchandise available in its catalogs and at post offices. Popular catalog products include a framed stamp set featuring Mao Asada and *Licca-chan* dolls, and limited edition *Doraemon* tableware. At post offices, we started selling “Pokitto-Orerundesu”, an innovative & environment-minded umbrella in June 2017 that was picked up by media and purchased by many customers.



Start of Watch Over Service

Japan Post Co. started providing the Watch Over Service at directly-operated post offices throughout Japan in October 2017. Services include: Visiting Service, where post office staff visit elderly customers on a regular basis to report their living conditions to family members via email; Phone Service, where daily, automated voice calls are made to confirm physical condition of customers, with the results reported to family members; and On-call Service, where personnel from a security firm rush to a customer’s home if requested in case of emergency. Over 10,000 people were using these services as of the end of the fiscal year ended March 31, 2018.



Effective Use of Underutilized Space

Japan Post Co. continues to strive to make use of underutilized space. Specifically, we have established paid parking spots at around 20 underutilized locations and leased unused post office space to other companies. These and other efforts have helped increase earnings. In addition, sharing space inside Japan Post Co. and leasing it to Group companies has led to the cancellation of external borrowings. We are also working hard to sell underutilized real estate that we foresee will not be used.



Developments in the Real Estate Business

The real estate business revolves around the leasing of offices and retail properties, residences, nursery schools and facility services for the elderly. KITTE, a retail facility located in JP Tower, one of the buildings we lease, celebrated fifth anniversary of opening on March 21, 2018 and has had over 123 million people since opening. We are also working the “JP noie” series of rental housings built mainly in the Tokyo area. We are aiming to get stable source of operating revenue. In addition, we built a nursery school and rented it to a nursery operator in support of children and child-raising in Itabashi-ku, Tokyo, in consideration of the recent social background and business feasibility. The nursery operator opened the authorized nursery in April 2018.



International Logistics Business Segment

Operating income

Year ended March 31, 2018

¥ 704.3 billion

Net operating income

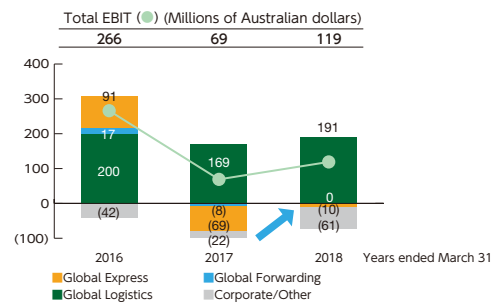
Year ended March 31, 2018

¥ 10.2 billion

Financial Results for the Year Ended March 2018

In the international logistics business, we proceeded with the Transformation plan measures such as revising Toll's organizational structure by unification and simplification of divisions and reducing headcount. In addition, Toll worked to improve its consolidated financial results by promoting growth strategies such as capturing the logistics needs in high growth fields such as health care, among other measures. As a result, operating income amounted to ¥704.3 billion (up ¥59.8 billion year-on-year) and net operating income amounted to ¥10.2 billion (up ¥4.6 billion year-on-year) owing to increases in operating income and net operating income in the Global Logistics business and a decrease in net operating loss in the Global Express business and the Global Forwarding business.

Trends in Net Operating Income (Loss) (EBIT)



Initiatives in the Year Ended March 2018

Maximizing Synergies between Japan Post Co. and Toll

Japan Post Co. is making efforts to build synergies with Toll by leveraging our nationwide infrastructure in Japan and Toll's management resources in over 50 countries. Through sales activities for Japanese companies in the Asia Pacific region, we have realized a collaboration on international logistics with a beverage manufacturer, and the transportation of coal through a Japanese-owned Australian mine, among other endeavors. Going forward, we aim to secure new business from multinational corporations that seek further global development, not only in the Asia Pacific region but also in Japan.



Completion of Toll City

Toll is making investments to drive future growth while considering returns on investment. In Singapore, Toll constructed Toll City, a logistics facility used as a hub to expand the provision of services to the Asia Pacific market. Toll City provides high-quality logistics services to customers in such high-growth fields as medical and healthcare through the use of cutting-edge technology. In addition, Toll is currently building two ships, for service between the Australian mainland and Tasmania, as well as a freight terminal in Auckland, New Zealand.



Operations of Japan Post Bank Co.



Norito Ikeda

Director, President and
Representative Executive Officer
Japan Post Bank Co., Ltd.



Review of the Fiscal Year Ended March 31, 2018

During the fiscal year ended March 31, 2018, which was the final year of our previous Medium-term Management Plan, we steadfastly implemented the plan and promoted business with a focus on three areas: Provision of high-quality customer-oriented financial services, Diversification and sophistication of investment management, and Funds flow to regional communities. These three pillars, announced at the end of March 2017, represent our vision to tackle the environment that we currently face. Amid such an adverse business environment, we carried out our business while leveraging our unique characteristics, such as the extensive customer base built upon the nationwide post office network and diverse human resources, and posted a net operating profit of ¥417.3 billion and net ordinary income of ¥499.6 billion. Meanwhile, net income amounted to ¥352.7 billion, exceeding our earnings forecasts of ¥350.0 billion by 0.7%.

Strategy and Policy for the Fiscal Year Ending March 31, 2019

In the fiscal year ending March 31, 2019, the three pillars will continue to be the foundation of the Bank's business model. Our efforts will be geared toward three goals: providing "new convenience" and "peace of mind" to customers; promotion of internationally diversified investments and supply of risk money to domestic industry through the effective utilization of capital; and contribution to development of the Japanese economy through vitalization of regional economies.

• Provision of High-quality Customer-oriented Financial Services

To support customers' asset-building efforts, we are increasing the number of, and nurturing, financial consultants. As of April 1, 2018, their numbers have grown to 1,600. We will also respond to customer needs through close collaboration with post offices. As one effort, the Bank's sales instructors have been supporting the

education and training of post office employees. Additionally, we will enhance our settlement services to provide greater convenience to customers. Furthermore, we continue to promote the use of immediate transfer services and settlements of the prepaid Visa card called "mijica," and we are preparing for the introduction of new services, including overdraft services linked to ordinary deposit accounts and "Yucho Pay", a smartphone settlement service.

• Funds Flow to Regional Communities

As of March 31, 2018, the regional vitalization funds we have invested in have increased to 12 funds. Along with promoting such investment, we will strengthen collaborative relationships with regional financial institutions through the joint use of our ATM network and common administration processes in order to contribute to the growth of regional economies.

• Diversification and Sophistication of Investment Management

Due to persistent low yen interest rates, interest income from Japanese government bonds is expected to decline sharply. Instead, we will seek stable earnings by promoting internationally diversified investments through the effective utilization of capital, increasing investment in risk assets and making use of derivatives and other transactions to improve profitability.

Japan Post Investment Corporation, a joint venture with Japan Post Insurance Co., will supply risk money mainly to buyouts (including business realignment, succession and rehabilitation) in Japan via funds it has established, and contribute to the development of domestic industries.

Even though an increase in risk assets is expected to result in a lower capital adequacy ratio, we intend to maintain at least a ratio of 10% to ensure financial soundness. In addition, we will introduce a risk appetite framework into our asset liability management (ALM) and asset management operations to increase the sophistication of our management system.

• Strengthening Our Business Management System

We will implement thorough cost management by increasing operational efficiency and productivity through the use of Fintech and other digital technologies. By reallocating and utilizing management resources effectively, we will work to enhance our customer services.

In the meantime, we will continue our efforts to protect customers of asset management products. At the same time, we will work to fulfill our corporate social responsibility by enhancing anti-money laundering measures and combating terrorist financing.

Our new corporate slogan, "Have more people say 'JP Bank, of course'," reflects our aspiration to establish a business model to be implemented by Japan Post Bank Co. so that we can always help customers to live securely and walk hand-in-hand towards the future while continuing to grow sustainably. Following this slogan, we will concentrate our strengths on achieving our targets and pursue even greater corporate value.

Japan Post Bank Co. (Non-consolidated)

Ordinary income

Year ended March 31, 2018

¥ 2,044.8 billion

Net ordinary income

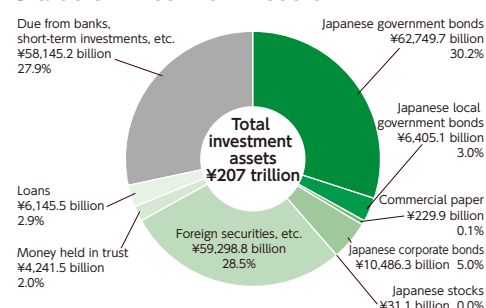
Year ended March 31, 2018

¥ 499.6 billion

Financial Results for the Year Ended March 2018

In the banking business, at Japan Post Bank Co., we made efforts toward “securing the customer base and strengthening fee businesses,” “promoting sophisticated and diversified investment” and “strengthen the business foundation.” Net interest income dropped mainly due to a decrease in interest on Japanese government bonds. Meanwhile, net other operating income (loss) increased mainly owing to a rise in gains (losses) on foreign exchanges. In the adverse business environment from factors such as a low interest rate trend, ordinary income amounted to ¥2,044.8 billion (up ¥147.5 billion year-on-year), net ordinary income amounted to ¥499.6 billion (up ¥57.5 billion year-on-year), and net income amounted to ¥352.7 billion (up ¥40.4 billion year-on-year).

Status of Investment Assets



Initiatives in the Year Ended March 2018

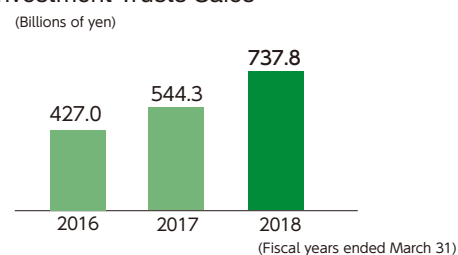
Strengthening consulting operations

Amid the trend from savings toward asset-building, customers' asset-building needs are clearly increasing. At Japan Post Bank Co., we have been nurturing the investment trust sales business as a major source of revenue.

In the fiscal year ended March 31, 2018, we expanded our sales structure by collaborating more closely with Japan Post Co.

Investment trust sales in the fiscal year ended March 31, 2018 amounted to ¥737.8 billion, a record-high since privatization. As a result, net assets of investment trusts currently stand at ¥1,642.3 billion.

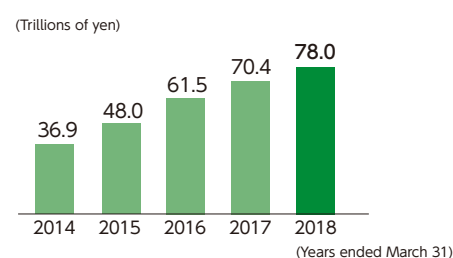
Investment Trusts Sales



Diversification and Sophistication of Investment Management

We mainly operate a “base portfolio” that seeks to secure stable earnings by investing mainly in Japanese government bonds, and a “satellite portfolio” that pursues higher returns predominantly through the allocation of global assets. In the fiscal year ended March 31, 2018, we continued to reorganize our overall portfolio based on these two pillars to achieve diversification and sophistication of investment management as well as respond to the changing market environment. Specifically, to compensate for a decline in earnings from our base portfolio caused by persistently low yen interest rates, we increased investment in foreign securities and alternative areas in the satellite portfolio. By implementing appropriate ALM and risk management, we have been working to further diversify revenue sources.

Annualized



Operations of Japan Post Insurance Co.



Mitsuhiro Uehira

Director and President, CEO,
Representative Executive Officer
Japan Post Insurance Co., Ltd.



We would like to express our deep appreciation for your kind support for Japan Post Insurance Co., Ltd.

In May 2018, Japan Post Group announced the “Japan Post Group Medium-term Management Plan 2020,” a new plan covering three years from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2021. The plan was formulated under a policy of aiming to be a “Total Lifestyle Support Group” that supports customers to realize safe, secure, comfortable and affluent lives and lifestyles.

At Japan Post Insurance Co., we will work toward the realization of our management philosophy, “*Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.*” With our fundamental management approach focused on “pursuing customer-first business operations,” “achieving sustainable growth” and “maintaining sound business operations,” we will seek to improve profits both in terms of sales and asset management, and aim to reverse a decrease in annualized premiums for policies in force and achieve growth in an extremely low interest rate environment.

As our key strategies to achieve these goals, we will implement the following initiatives.

Key Strategies

Sales and Product Strategies

- We will strengthen sales activities that focus on protection needs and implement comprehensive measures to improve solicitation quality. Through these efforts, we will achieve a major transformation in the sales style of post offices and Japan Post Insurance Co. and seek to attain growth.
- We will promote customer services, including health

promotion services and the “Family Registration Scheme,” a system to register family members as an insurance point of contract. At the same time, we will cultivate a new customer base to extend our reach to uninsured individuals and the young and middle-aged as well as strengthen sales activities in new markets such as worksites.

- We will develop new products, including those for the third sector, to diversify our protection-type products. We will also establish a sales foundation by introducing new mobile devices for sales and increasing offsite sales personnel at post offices.

Administrative Services Strategy

- In addition to utilizing information and communication technology (ICT), such as introducing claim procedures that use digital technologies, we will set up multiple points of contact with customers for service improvements and digitize the paper forms used at Service Centers for more efficient administrative operations.

Asset Management Strategy

- We intend to maintain financial soundness and increase profitability by promoting diversification of asset management while focusing on asset liability management (ALM) as well as by sophisticating risk management under the framework of enterprise risk management (ERM).

Strengthening of the Management Base

- As our systems strategy, we will improve the productivity of systems development and build our next generation open system suited for digitization.
- We will work to secure stable profits and sustainably increase our corporate value by maintaining financial soundness and improving profitability based on an ERM approach.
- Under our organizational and HR strategies, we will carry out human resources development through standardized operations and promote work style reforms to create an environment where each employee acts by always putting the customer first and demonstrates his or her ability to the fullest.

Japan Post Insurance Co. will steadily implement the Medium-term Management Plan and by doing so will work with the post office network to contribute to the local community. We will exert concerted efforts to achieve sustainable enhancement of corporate value.

In all our endeavors, we request and appreciate your continued support.

Japan Post Insurance Co. (Consolidated)

Ordinary income

Year ended March 31, 2018

¥ 7,952.9 billion

Net ordinary income

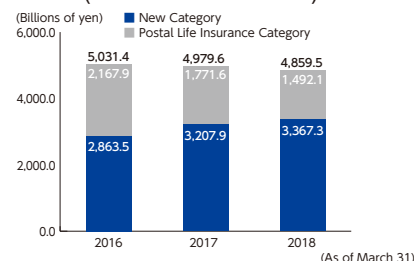
Year ended March 31, 2018

¥ 309.2 billion

Financial Results for the Year Ended March 2018

In the life insurance business, ordinary income amounted to ¥7,952.9 billion (down ¥706.4 billion year-on-year) mainly due to a decrease in the number of policies in force. On the other hand, net ordinary income amounted to ¥309.2 billion (up ¥29.4 billion year-on-year) and net income attributable to Japan Post Insurance Co. amounted to ¥104.4 billion (up ¥15.8 billion year-on-year) mainly due to a decrease in investment expenses. Annualized premiums from policies in force for individual insurance amounted to ¥4,859.5 billion including reinsured Postal Life Insurance Policies.

Annualized Premiums from Policies in Force (Individual Insurance)



*"New Category" shows individual insurance policies underwritten by Japan Post Insurance Co., and "Postal Life Insurance Category" shows Postal Life Insurance Policies reinsured by Japan Post Insurance Co. from the Management Organization for Postal Savings and Postal Life Insurance.

Initiatives in the Year Ended March 2018

Product Development

In October 2017, we rolled out three products to respond to customer needs as well as changes in the business environment, such as advances in medical technology, persistently low yen interest rates and an increase in longevity. Specifically, we added: new medical riders that cover initial hospitalization costs and outpatient surgeries; whole life insurance that offers the same coverage at lower premiums by reducing refunds upon policy cancellation, including during the premium payment period; and an annuity in which policyholders will receive a larger total sum of annuity payments as they live longer.

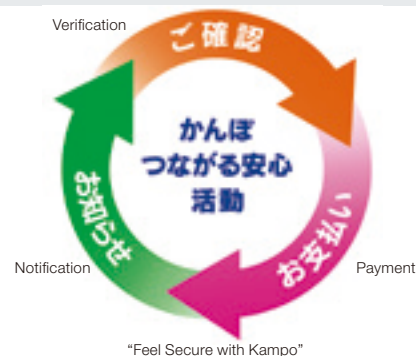


Reinforcement of Sales Capabilities

We engaged in sales activities to increase opportunities to meet more customers through "Feel Secure with Kampo" activities, life plan consulting sessions, campaigns and various other measures.

At the same time, we worked to improve the sales skills of personnel through training in order to promote sales of new products released in October 2017 and make proposals matched to customers' life plans and needs.

As a result, sales of products focusing on protection needs, such as ordinary whole life insurance and special endowment insurance, exceeded the previous fiscal year's achievements, indicating that we have made steady progress in our efforts to shift to protection-type products.



Establishment of New Subsidiaries

JAPAN POST CAPITAL Co., Ltd.

On November 1, 2017, Japan Post Holdings Co. established JAPAN POST CAPITAL Co., Ltd.

The new company aims to increase revenue of Japan Post Group over the medium to long term by investing in

growth companies while utilizing the network and brand strengths of Japan Post Group.



(Major Investees)

PhilCompany, Inc.

Engages in a business called "Phil Park" that utilizes the space above parking lots

Hacobu Co., Ltd.

Develops and sells MOVO, a cloud-based vehicle allocation and operation management system

Welby Inc.

Plans, develops and operates digital personal health record (PHR) services that provide treatment support for patients

Mercari, Inc.

Develops and operates Mercari and other consumer-to-consumer (CtoC) marketplaces and related businesses

JTOWER Inc.

Designs and builds telecommunication infrastructures, designs and develops communication-related solutions, and provides telecommunication services

Palma Co., Ltd.

Provider of self-storage business solutions

akippa Inc.

Operates "akippa," a parking lot reservation app

Japan Post Investment Corporation

On February 9, 2018, Japan Post Bank Co. and Japan Post Insurance Co. jointly established Japan Post Investment Corporation.

Japan Post Investment Corporation aims to further accelerate revenue growth through private equity investment. The new company will form new funds and supply risk money through these funds primarily to finance buyout deals in Japan (business realignment, succession, rehabilitations, etc.) to help nurture the country's industries.

In parallel, this company will support the growth of business enterprises by encouraging investment in technologies that could transform into Japan's core industries and in startup companies that are in the full-scale business expansion phase.



Japan Post Real Estate Co., Ltd.

On April 2, 2018, Japan Post Holdings Co. established Japan Post Real Estate Co., Ltd., which will undertake the real estate development business of Japan Post Group.

Until now, Japan Post Group conducted the real estate development business by developing former post office and company housing sites, which has contributed to an expansion of the Group's revenue. Going forward, Japan Post Real Estate Co. will assume the role of promoting the business in a more efficient manner and carry out real estate development tailored to the characteristics of

individual regions to contribute to regional growth.

The new company will also generate new revenue streams through such efforts as conducting joint development projects with other companies and expanding the real estate development business into a future revenue source for the Group.

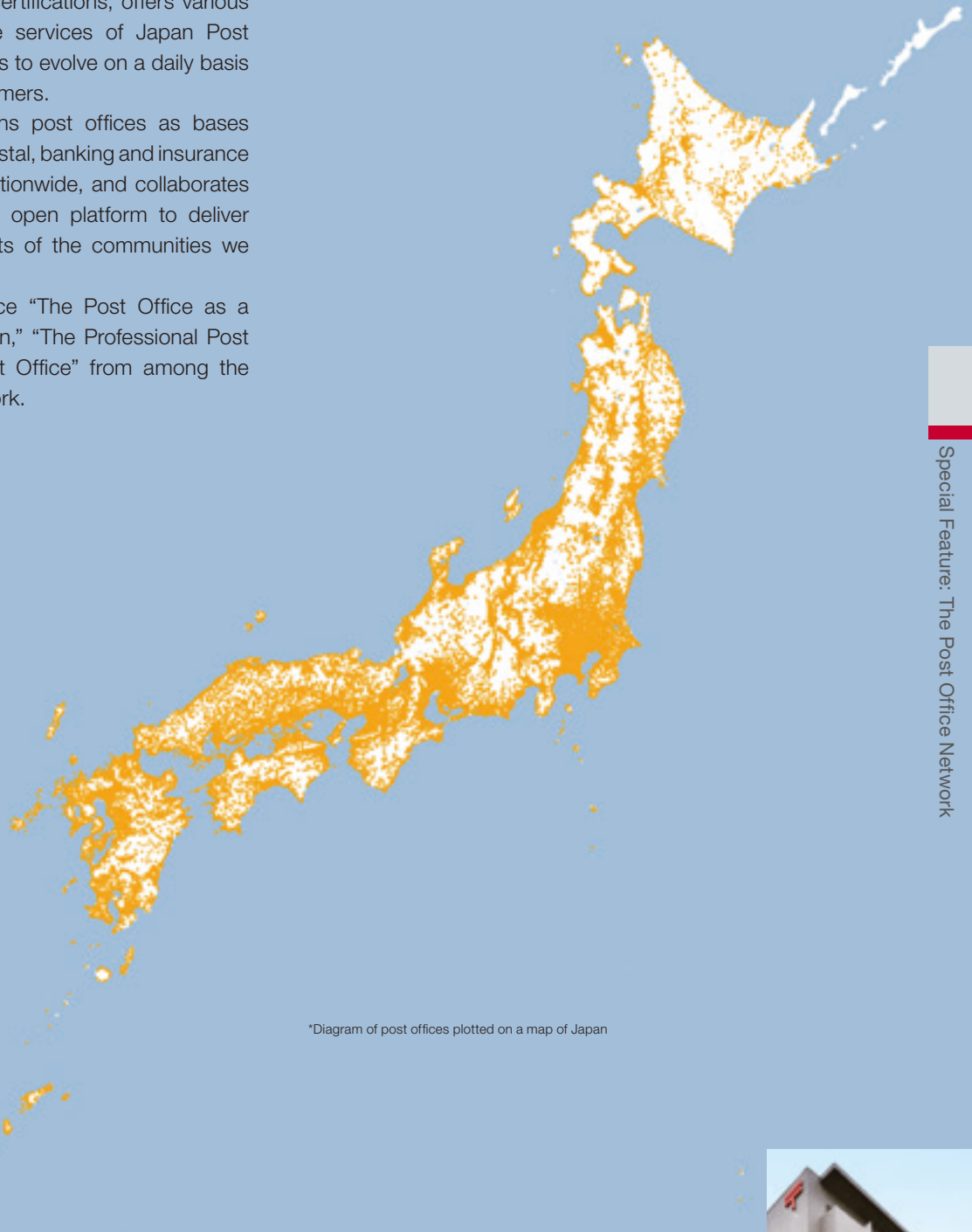


Special Feature: The Post Office Network

With 24,395 locations (as of March 31, 2018), our network of post offices covers every part of Japan, offering services to the entire country. This post office network, staffed by many employees who hold financial certifications, offers various postal, banking and insurance services of Japan Post Group. The post office continues to evolve on a daily basis to support the lives of our customers.

Japan Post Group maintains post offices as bases where customers can access postal, banking and insurance services in a unified manner nationwide, and collaborates with various companies as an open platform to deliver convenient services to residents of the communities we serve.

In this section, we introduce “The Post Office as a Familiar Institution Across Japan,” “The Professional Post Office” and “The Evolving Post Office” from among the features of the post office network.



*Diagram of post offices plotted on a map of Japan

Special Feature: The Post Office Network



The Post Office as a Familiar Institution Across Japan

Since renaming government mail offices and mail handling offices as “post offices” in 1875, the post office has reached its 143rd year in operation.

The post office network has steadily expanded since then and we continue to stand by the side of our customers throughout Japan while maintaining a high level of service without hindering their daily lives. Going forward, the post office will remain close to our customers, acting as the infrastructure supporting their lives in Japan.

Close up on Shimo-ono Post Office (1932 Shimo-ono, Kihoku-cho, Kitauwa-gun, Ehime Prefecture)

Takayuki Urase

Postmaster of Shimo-ono Post Office

Looking back in history, I think our post office has been operating in this area for more than 100 years. It has been such a familiar part of the community for so long, and always enjoyed the patronage of local residents. Our stance is that the post office should be something that exists readily, almost like air. But imagine how inconvenient it would be for local residents if that was not the case.

In the Mishima region of Ehime Prefecture, where our post office is located, the younger population has been steadily shrinking, and now almost all of our customers are seniors. There are also fewer financial institutions nearby due to mergers and closings, so in the future, the only financial institution around will probably be the post office. In that sense, I think this post office has a very strong reason to be here.

There is a noteworthy event I recall when considering the significance of our post office. A member of the community made a request to us asking, “Residents of



Hiyoshi (present-day Kihoku-cho) have used the Japan Agricultural Cooperative to pay their fixed property taxes, but the cooperative is now gone from Hiyoshi due to mergers. Going all the way to another distant office is difficult for seniors, so could you make it possible to pay taxes at the post office?” To resolve this inconvenience faced by the people of the community, we coordinated with the Japan Post Co. Shikoku Regional Office and Japan Post Bank Co. to realize a tax payment process at the post office in a short period of time.

In the sense that we conduct business as usual, while also supporting the security and safety of local residents, it is also an important mission of the post office to be there to help customers when they are in need.

Even if there is just one person asking for help, we would like to continue our efforts to solve whatever problem he or she may have. In the future, I think the fate of the post office network will be determined by how well it can operate in depopulated regions. I intend to always work while considering what the post office can do for customers through the three businesses of post, banking and insurance, so that our customers can feel reassured because there is a post office in their community.



Customer Comment



Masami Tomita

I use the post office for everything, whether it is for banking, insurance, receiving my pension or sending small package gifts in the summer and for New Year's. The employees at the post office always take good care of me. Even if I forget my personal seal or insurance card, they kindly remind me, and when they see me carrying a large package to the post office, they rush out to help. I feel relieved and reassured when I go to the post office. I want it to always be here. That's my number one request.



VOICE Collaboration with The Miyazaki Bank, Ltd. Miyazaki Bank ATM established in the Kami-shiiba Post Office



Upon considering how to maintain customer convenience when relocating the Shiiba branch of Miyazaki Bank, we established an ATM in the Kami-shiiba Post Office in response to strong requests from town residents.

Using this as an opportunity, we started deliberations with Japan Post Co. on how to reinvigorate the community, and in February 2018, we concluded an "Agreement on Regional Revitalization and

Women's Empowerment." Now, we are taking full advantage of the post office's human and material resources as well as its network to plan events such as local product exhibitions with the purpose of expanding sales of local brands. We are also holding a women's pan-industry social event as a bold proposal to meet the challenges faced by the community. And we continue to strengthen our collaborations to achieve regional revitalization.

Keiji Hidaka

Director General Manager, Corporate Planning Division
The Miyazaki Bank, Ltd.

VOICE Collaboration with ATM Japan, Ltd. "Multi-Bank Shared Service Counter" opened in the Shinjuku Post Office

In September 2017, we opened the "Multi-Bank Shared Service Counter" Shinjuku Station Branch on the first floor of the Shinjuku Post Office. This counter offers transfer services such as changing addresses and reissuing cash cards to customers of regional banks who have moved to the Tokyo area. We opened our Tokyo Station branch in April 2015, making the Shinjuku branch our second in Tokyo.



We had searched for locations to set up our second branch near major terminal stations in the capital region, and post offices are often located near major

stations, making them convenient to access for customers as part of their community infrastructure, so we decided to open our new branch in the Shinjuku Post Office.

Our company aims to maintain and expand bank counter services not only in the capital region but also in communities with shrinking populations. The post office is an ideal partner with its many branches in every region of Japan, and we are actively looking at opening branches in more post offices in the future.

Kohei Sazawa

Manager, Shared Counter Promotion Office
Regional Reinvigoration Division
ATM Japan, Ltd.

The Professional Post Office

Within the vast network of post offices across Japan, there are many “professional” staff members who are experts in postal, banking and insurance services. Employees at every post office continue to hone their skills to offer safer, more convenient services to achieve customer satisfaction.

Number of certification holders at Japan Post Co. (as of March 31, 2018)

Securities Sales Representative Certification	Insurance Agent Certification	Financial Planner Certification
115,014	109,811	68,526

*Includes temporary and seconded employees

Close up on Teine Station Front Post Office (12-1-1 Maeda-ichijo, Teine-ku, Sapporo-shi, Hokkaido Prefecture)

Yasushi Sasaki

Postmaster of Teine Station Front Post Office

Teine Station is a high-traffic hub due to its proximity to government offices and general hospitals. Thanks to our convenient location near the station, our post office is used by a wide variety of customers including mainly local residents.

In financial business, sales and operations must act as two wheels on a cart. If we prioritize sales figures, then we may end up simplifying the explanation of risks. On the other hand, if we only offer products that customers ask for, we may not be able to offer other good products. Only when we are truly familiar with diverse products, and determine what the customer truly needs, can we make tailored proposals that are appropriate for this modern age in which many people live to 100 years old.

Our employees are constantly aware of this and



conscientious in studying our products and improving their skills. At our post office, all employees hold Financial Planner Level 3 certification, some even Level 2. They were not told to do this by the company, but acquired certifications of their own volition. Also, after operating hours, they hold insurance sales study sessions together in order to further improve their skills. If this pays off in the form of satisfied customers, then it serves as great motivation. Our ability to achieve our annual sales target at 100% or higher year after year is truly the fruit of these efforts.

Trust is tremendously important when performing financial operations. Of course we keep compliance in mind, but I make sure employees are truly mindful of their need to have a “deep understanding of our products.” Especially with older customers, it is of utmost importance to repeat key points when giving explanations and explaining details carefully. If we maintain a deep relationship with customers, they will ask us without hesitation when they



have any questions or concerns.

In addition, the post office must be easy and convenient to use, something that hasn't changed throughout the ages. To ensure this, I make certain that employees thoroughly pursue customer satisfaction. We focus on building an environment where customers can say, "I came to see you," or "I have a question for you."

Employees strive to make our post office more comfortable to use by standing to greet customers every day when the post office opens. Many of our customers have told us, "I always feel good when I come here," and this is now spreading from our post office to neighboring ones. I hope for customers to see us as the face of the community and as an institution they can trust.



VOICE Collaboration with Aflac Life Insurance Japan Ltd.
Handling Aflac cancer insurance at 20,000 post offices nationwide



When I meet the employees of the post office, I notice that they care about customers. I sense their sincere, professional manner from the way they strive to learn through training, not only about cancer insurance, but also about cancer itself, so that they can propose the best financial products for their customers.

Japan Post Group's principle of staying close to and supporting the lives of customers and their communities overlaps with the Aflac corporate philosophy of putting customers first. As an irreplaceable partner with shared aspirations, I hope that we can continue to provide reassurance to our customers through cancer insurance, and serve society together.



Masaki Horiuchi
Executive Officer,
Aflac Life Insurance Japan Ltd.

TOPIC: Logistics Solutions

Japan Post Co. provides a one-stop solution for logistics operations to deliver products to customers, including product storage and management.

In addition to the Japan Post Co. network that supports logistics bases and logistics nationwide, the company also uses its unique mail-order cloud system and warehouse management system (WMS) to offer total support from e-commerce website development to order acceptance and shipment.



The Evolving Post Office

The post office is steadily evolving in tandem with technological progress and changes in customer lifestyles. It will continue to evolve in the future so that it can always be a convenient part of the community infrastructure for its customers.

Post offices adjacent to convenience stores	Post offices in shopping centers	Post offices in local government facilities
82	27	15

*Number of post offices opened since privatization, operating as of March 31, 2018

Close up on AEON Mall Makuhari New City Post Office (1-1 Toyosuna, Mihama-ku, Chiba-shi, Chiba Prefecture)

Yoshiaki Tanaka

Postmaster of AEON Mall Makuhari New City Post Office

Because of our unique location inside a commercial facility, our post office mainly serves users in their late 20s to mid-40s. In addition to regular customers, we have many new customers coming in as well.

At our post office, our first idea was to do away with the image of the post office as a place where older people gather, and we have strived to make it easier for customers with children to enter and relax. We try to be creative with the space inside the post office so that people can step inside casually, have fun and enjoy the atmosphere.

For example, the entrance is designed to be wide so that customers who are in the middle of shopping can easily enter with their loaded shopping carts. Eye-catching product pamphlets are placed on the walls within easy reach of customers walking slowly with their children. We decorate the interior seasonally making use of the high ceiling. We have even handed out balloons on the weekends. While the employees were a bit hesitant when our post office first opened, now they enjoy proactively coming up with new ideas for what to do next.

I remind my employees daily about the importance of conversation. Of course the staff talk with customers at other post offices as well, but most of those conversations are made over the counter. At our post office, I direct the employees to go to the other side of the counter and speak with customers more naturally. This type of conversation puts communication first, not sales.

Our post office has a kids' space with a drawing table and projector for customers with children, and I think it's fine if customers stop by just to let their children play there.

As the customers sit and enjoy a short break while letting their children play, they might notice some insurance pamphlets placed in front of them. We may take that opportunity to approach them, which in turn may lead to



new subscriptions or encourage customers to visit the post office again.

Because our post office is situated as an extension of our customers' shopping trip, it is a welcoming place for them to accept this sort of communication.

Of course, it is also important to firmly hold onto our older regular customers. However, I think the future of the post office lies not in looking only at the present, but

carrying out operations in anticipation of the coming five to 10 years. This is to ensure that younger customers who normally use the commercial facility become fans of the post office and long-time users. It may be as simple as starting a conversation with customers, but I believe continuing this kind of development will create the foundation for the future of the post office.

VOICE Collaboration with ecbo Inc. Trials underway for luggage storage at post offices in collaboration with "ecbo cloak,"* a luggage storage service by ecbo Inc.

We decided to collaborate with the post office because it has over 24,000 branches nationwide and is a familiar institution that customers can trust and rely on. In fact, we have received high praise from customers since introducing the ecbo cloak luggage storage service at post offices, and I can truly feel the strong demand. Because the post office is recognized worldwide, even customers from abroad are using it as a familiar and reliable place. I am very grateful to say that we were able to introduce this new ecbo cloak service swiftly and each post office has actively worked to improve our service.

We are now considering expanding our service to areas where there is demand.

*ecbo cloak is a sharing service that connects people who need to store luggage with businesses that have the space to store them.



Shinichi Kudo
President and CEO
ecbo Inc.

TOPIC: Drone and Automated Driving Trials

In light of Japan's declining birthrate and shrinking working age population, initiatives are underway to use new technology such as drones, delivery robots and automated driving to provide stable and sustainable postal and logistics services. Proof-of-concept trials for drones were conducted in the fiscal years ended March 31, 2017 and March 31, 2018. Furthermore, delivery robot trials were conducted in Minami-soma, Fukushima Prefecture in December 2017, and for automated driving between the Head Office building and Ginza Post Office

in March 2018. There are still many challenges to overcome before we can incorporate these technologies into actual delivery services, including technical problems, development of a legal system, and public understanding, but these initiatives will continue with the aim of realizing practical use.



Drone



Delivery robot trial



Automated driving trial

Other Businesses

Hospital Business

Japan Post Holdings Co. has established six Teishin Hospitals around Japan. Teishin hospitals are open for not only Group employees and their families, but also for use by any member of the public, operating to contribute to everyone in the community.

In operating these hospitals, we actively endeavor to improve the quality of safe and secure medical care from the perspective of patients, collaborate with community medical institutions, and enhance emergency medical care.



Tokyo Teishin Hospital

Hotel Business

Japan Post Holdings Co. owns 11 MIELPARQUE hotels and 53 *Kanpo no Yado* inns across Japan.

MIELPARQUE hotels, which include banquet and wedding halls in addition to lodging facilities, are leased to other companies and operation by their hotel operation subsidiaries.

There are several different types of *Kanpo no Yado* inn facilities. *Kanpo no Yado* inns are traditional Japanese-style inns featuring hot springs, located primarily near tourist destinations. Rafre Saitama is a modern hotel located near Saitama Shintoshin Station. *Kanpo no Sato Shobara* is located in the great outdoors where guests can enjoy tennis and other sports. U-Port Recreation Center in Setagaya Ward, Tokyo, features tennis courts, a heated indoor swimming pool, and other sports facilities.

In operating these lodging facilities, we have steadily implemented several measures in recent years, including those to increase revenue via support for the growing demand from foreign visitors, and enhance the use of external websites, as well as measures to improve productivity such as through strict management of food costs and streamlining workflow.

Also, as part of our community contribution policy, we lend parts of *Kanpo no Yado* inn to preventive care facilities, and are working on trials of residential nursing homes, as well as facilities that provides opportunities to improve the physical functions of people who need support.



Kanpo no Yado inn Atami (Main Building)

SDGs Achievement Measures

Sustainable Development Goals (SDGs) are the 2016-2030 international development goals stated in the 2030 Agenda for Sustainable Development adopted during the United Nations summit held in September 2015. Japan Post Group will develop its business that contributes to the creation of a sustainable society in order to achieve these goals through

measures such as identifying priority issues (materiality) in its new CSR Basic Policy (see P. 42).

The following priority issues, future vision, measures and targets for the fiscal year ending March 31, 2021 are as stated in Japan Post Group Medium-term Management Plan 2020 announced in May 2018.

Priority Issues	Future Vision	Measures	FY2021/3 Targets	
1. Provision of universal services		Provide products and services necessary for every stage of life based on a post office network that is essential to the infrastructure of society and prioritizes the livelihood of customers	<ul style="list-style-type: none"> • Maintenance of post office network and provision of universal services 	<ul style="list-style-type: none"> • Provision of universal services through a seamless post office network
(Together with local communities) 2. Promotion of healthy living 3. Development of the next generation 4. Development and revitalization of regional communities	  	Create a secure and prosperous society where everyone can live a safe and healthy life, and a sustainable society that will lead us into the future	<ul style="list-style-type: none"> • Expansion of Watch Over Service • Promotion of Radio Exercise • Promotion of Kampo Platinum Life Service • Promotion of letter-writing • Financial education (on-site lessons at elementary and other schools, and Japan Post Bank Piggy Bank Design Contest for Children) • Partnerships with local municipal organizations 	<ul style="list-style-type: none"> • Continued promotion of Watch Over Service and other services
(Together with the Earth) 5. Reduction of greenhouse gas emissions 6. Effective use of resources and reduction of waste	 	Actively contribute to society through corporate activities that take into consideration climate change and global warming	<ul style="list-style-type: none"> • Regeneration of regional communities through development of green areas • Support for environmental conservation activities through expanded use of non-passbook general accounts • Implementation of donations based on online provision of contract guidelines and policy conditions 	<ul style="list-style-type: none"> • Reduction of CO₂ emissions by 47,000 tons (4.4%) compared to FY2017/3
(Together with people) 7. Development of human resources 8. Workstyle reform		Create an environment where each and every employee is motivated to actively demonstrate their full capabilities	<ul style="list-style-type: none"> • Training in accordance with career paths (training by level, frontline leader training, etc.) • Group joint training (for transferees, newly appointed executives, etc.) • Promotion of active participation of female employees (promotion to higher positions including management, etc.) • Promotion of employment of people with disabilities • Acceleration of understanding of gender diversity (LGBT) • Promotion of child and family care leaves • Workstyle reform (reduction of working hours, etc.) • Promotion of employee physical and mental health maintenance and improvement 	<ul style="list-style-type: none"> • Percentage of women in management Japan Post Co.: 10% or more Japan Post Bank Co.: 14% or more Japan Post Insurance Co.: 14% or more Japan Post Holdings Co.: 11% or more • Achievement and maintenance of Group target employment rate of 2.5% for people with disabilities
9. Fair business practices		Require transparent management, comply with regulations, and contribute to the development of society and the local community	<ul style="list-style-type: none"> • Thorough Group-wide compliance • Elimination of relationships with antisocial forces 	<ul style="list-style-type: none"> • Zero internal criminal activity • Continued elimination of relationships with antisocial forces

Japan Post Group CSR

Japan Post Group's corporate social responsibility (CSR) is to always be close and of service to customers and local communities. Together, we will strive to build an even better, more prosperous and sustainable society that enables all people to live safely and securely and can be handed down to future generations. To help realize such a society, we will maintain fair, transparent and sound management and work as a group to undertake our CSR activities as a company that provides universal services.

1. Revision of the Basic Policy

On April 1, 2018, Japan Post Group revised Japan Post Group CSR Basic Policy in consideration of the results of stakeholder engagement and other activities regarding Group CSR carried out from May to November 2017.

This revision makes it clear that being a company that lives and grows together with society is the fundamental concept of Japan Post Group CSR which itself is based on the concept of "sustainability." At the same time, the revision articulates our three basic CSR themes: "Together with Local Communities", "Together with the Earth", "Together with People."

New Basic Policy

Japan Post Group will achieve sustainable growth as a company and contribute to the creation of a sustainable society and future with the aim of being a "Total Lifestyle Support Group" that is of service to customers and local communities.

We will contribute to realizing a safe, secure and prosperous society by maintaining fair, transparent and sound management, while also faithfully fulfilling our role as a key infrastructure of local communities through our post office network and employees.

We will work as a group to address each of the following issues through all of our business activities, beginning with universal services in our postal, banking and insurance businesses.

1. Together with Local Communities

We shall strive for sustainable coexistence with local communities by understanding their issues and demands and communicating with stakeholders to provide the best services.

2. Together with the Earth

We shall strive to undertake business operations adapted to the impact of climate change and actively promote business and environmental conservation activities with consideration toward reducing our burden on the environment.







3. Together with People

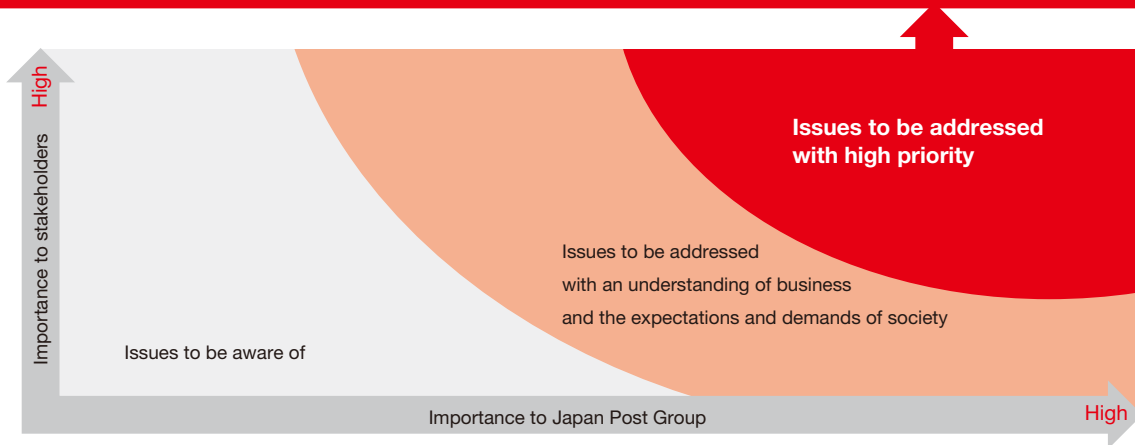
We shall respect the human rights of all people involved in the business activities of the Group and aim to ensure a safe and friendly working environment and build a fulfilling workplace where individual employees can exercise independence and creativity.

2. CSR Priority Issues (Materiality) of Japan Post Group

To contribute to the creation of a sustainable society and future in keeping with Japan Post Group CSR Basic Policy, Japan Post Group has conducted analyses from both the perspective of importance to Japan Post Group and that of society, including the expectations and demands of its stakeholders, and has identified CSR priority issues (materiality) to be addressed as a group.

Japan Post Group CSR Priority Issues (Materiality)

Category	Priority Issue (Materiality)	Corresponding SDGs
Society	Development and revitalization of local communities	 Goal 11 (Sustainable Cities and Communities) Make cities and anywhere people live more inclusive, safe, resilient and sustainable
	Nurturing the next generation	 Goal 4 (Quality Education) Provide inclusive, equitable and high-quality education to and promote lifelong learning opportunities for all people
	Promoting healthy living	 Goal 3 (Good Health and Well-Being) Ensure healthy lives and promote well-being for all ages
Environment	Reducing greenhouse gas emissions	 Goal 13 (Climate Action) Take urgent action to combat climate change and its impact
	Effective use of resources and reduction of waste	 Goal 15 (Life on Land) Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss
Employees	Workstyle reform	 Goal 8 (Decent Work and Economic Growth) Promote sustainable and inclusive economic growth, full and productive employment, and decent work (humane work with meaning) for all
	Development of human resources	



CSR Priority Issues (Materiality) Identification Process

CSR priority issues (materiality) are determined by the following process.

Step 1: Identify issues

Analyze demands from society such as external evaluations of various international standards including environmental, social and governance (ESG) criteria and SDGs, then identify CSR issues.

Step 2: Specify priority issues

Specify CSR priority issues by ranking those identified from the two perspectives of "importance to stakeholders" and "importance to Japan Post Group."

Step 3: Verify and decide priority issues

Decide which issues take priority through deliberation on their content and verification of their suitability by the CSR Committee and Group CSR Liaison Conference.

3. Initiatives in the Fiscal Year Ended March 31, 2018

1. Together with Local Communities

■ Development and Revitalization of Local Communities

Initiatives in Collaboration with Local Public Organizations



As of March 31, 2018, Japan Post Co. concluded comprehensive collaboration agreements with 19 prefectures for the purpose of contributing to regional revitalization and local communities.

As one example of an initiative based on such an agreement, the Fukushima Prefecture Local Revitalization Specialty Product Fair, aimed at reinvigorating local communities in Fukushima, was held on April 24, 2018 based on an agreement concluded with the prefecture on February 14, 2017.

We have also concluded agreements with 1,635 municipalities for “Community watch activities” “Information provided about road damage” and “Information provided about illegal dumping” in which employees report anything unusual they notice during the course of their work.

Additionally, to help ensure cooperation during disasters, we have concluded disaster prevention agreements with 1,529 municipalities and are building cooperative relationships for times of emergency.

Installation of Kiosk Terminals

Japan Post Co. installed kiosk terminals (multifunctional copy machines) at 14 post offices throughout Japan on October 2, 2017 to enhance local conveniences and encourage the standardization of the My Number card. We have started services for customers to use their My Number card or basic resident registration card at these terminals to directly acquire various formal documents (certificates of residency, proof of personal seal registration, etc.) issued by local public organizations.

Customers can also use various copying services in addition to acquiring documents.

Expanding Sales Channels for Local Products (Furusato (Hometown) Parcel)

Furusato (Hometown) Parcel is a service that delivers specialty foods from across Japan via Yu-Pack.

This service has won acclaim for its abundant selection of products procured through the post office network. In addition, by choosing products from various regions of Japan, this service supports sales activities and contributes to the vitalization of communities.

Public Facilities in the Real Estate Business

We hold various events at KITTE Atrium in Marunouchi, Tokyo to help create a vibrant atmosphere around Tokyo Station. In addition, to ensure this facility can also be used as a safe gathering space for stranded commuters in the event of disaster, KITTE Atrium is equipped with large built-in screens that broadcast news, weather reports and disaster information.

We also offer multilingual support for foreign visitors to Japan at the “Tokyo City i” business and sightseeing information center, and educational experimental activities at the JP Tower Academic Culture Museum “Intermediatheque,” which we operate in collaboration with the University Museum of The University of Tokyo.

Similarly, KITTE Nagoya Atrium plays a key role in invigorating the area around Nagoya Station and also houses disaster response capabilities.

Promoting International Cooperation by “Exporting Japan Post Infrastructure”

The postal service in Japan prides itself on world-class quality and has been highly praised by international agencies.* We strive to “export Japan Post infrastructure” to countries, such as those in Southeast Asia, as part of our international cooperation efforts through postal operations by leveraging our know-how and experience in postal services. Today, specific projects are underway in Myanmar and Vietnam.

* Third out of 170 countries in the Postal Operations Statistics published by the Universal Postal Union (UPU) (2017), and first out of 131 countries in the Enabling Trade Index published by the World Economic Forum (2016).



Local discussions with Vietnam Post



Training in Japan for Myanmar Post employees

■ Visa Prepaid Card “mijica”

Japan Post Bank Co. and Japan Post Co. are issuing “mijica,” a local version of the Visa Prepaid Card targeting a broad age group, at post offices in the cities of Sapporo, Sendai and Kumamoto as well as through Japan Post Bank and its website.

Through this service, we seek to contribute to the vitalization of the regional economy and promote cashless transaction settlement.

■ Participating in Regional Vitalization Funds

Japan Post Bank Co. has decided to participate in the following funds to cycle important customer capital throughout all of Japan and further deepen alliances with local financial institutions for the purpose of contributing to the growth of the local economy through cooperation and collaboration. By taking this opportunity, we will step up our ongoing efforts to contribute to regional vitalization and development.

■ Regional vitalization funds in which Japan Post Bank Co. participates

	Fund	Month/Year of Participation
1	Kyushu Wide Area Reconstruction Assistance Investment Fund	July 2016
2	KFG Regional Enterprise Support Investment Fund	November 2016
3	Hokkaido Growth Companies Support Investment Fund	November 2016
4	Chubu/Hokuriku Region Vitalization Investment Fund	April 2017
5	Shigagin New Business Support Fund	June 2017
6	Toho Business Succession Fund	August 2017
7	Kyushu Setouchi Potential Value Fund	October 2017
8	Miyako Kyoto University Innovation Fund	November 2017
9	1st MBC Shisaku Fund	December 2017
10	Michinoku Regional Vitalization Investment Fund	March 2018
11	Fukui Future Corporate Support Fund	March 2018
12	Ehime Regional Vitalization Investment Fund	March 2018

■ Nurturing the Next Generations Supporting the Letter Writing Workshop Program



With the aim to develop the ability in children to share and communicate, Japan Post Co. supports the Letter Writing Workshop Program that provides free educational materials, including real postcards, to elementary, junior and high schools (including special education schools) across Japan.

In the fiscal year ended March 31, 2018, this program was held at approximately 13,300 elementary schools (roughly 63.3% of all elementary schools), 4,500 junior high schools (roughly 39.6% of all junior high schools) and 1,980 high schools (roughly 29.1% of all high schools) in Japan with a total of about 4.58 million people participating.

■ Providing Financial Education

Japan Post Bank Co. conducts school visits and provides financial lessons at elementary and junior high schools.

Utilizing proprietary teaching materials, we help teach children the importance of financial management by giving them a sense of the value of money.

In the fiscal year ended March 31, 2018, we offered a total of 109 classes at 63 elementary and junior high schools.



■ The JAPAN POST BANK Piggy Bank Design Contest for Children

With the objective of increasing children’s interest in saving money and fostering their artistic creativity by making piggy banks, we hold the JAPAN POST BANK Piggy Bank Design Contest for elementary school children. This contest was launched in 1975 to commemorate the 100th anniversary of the postal savings business, and the 42nd contest was held in the fiscal year ended March 31, 2018 during which we received 770,084 entries from 11,026 elementary schools across Japan.

Additionally, Japan Post Bank Co. donated ¥10 for

every piggy bank entry received to the Japan Committee for UNICEF, the Japan International Cooperation Agency (JICA), and the Japanese Organization for International Cooperation in Family Planning (JOICFP), totaling ¥7,700,840.

■ Promoting Healthy Living Promotion of Post Office Watch Over Service



Japan Post Co. started providing the Post Office Watch Over Service at directly-operated post offices throughout Japan in October 2017.

The Post Office Watch Over Services include the Watch Over Visiting Service, which sends post office staff to periodically check on the living conditions of people who use the service and reports to the relevant party. There is also the Phone Service, which confirms the wellbeing of people who use the service through an automated voice guidance telephone call and reports the results to family members. In addition, as an optional service, we have a Emergency Service to dispatch personnel from a security firm when requested, such as by people who use the service, in case of emergency.

We are expanding these services to build an environment where elderly people can live with peace of mind.



Kampo Platinum Life Service (Service Focusing on Elderly Customers)

Japan Post Insurance Co. is conducting a company-wide initiative called “Kampo Platinum Life Service” to be the absolute choice for the growing number of elderly customers by offering age-friendly services based on a sense of security and trust that has been enabled by improving contacts with all customers from the perspective of our elderly customers.

This initiative aims to provide products and services matched to the needs of elderly customers. Under the initiative, we intend to encourage building a business model that is friendly to them and takes their perspective.

Festival of 10 Million People’s Radio Exercise and *Minna no Taiso* (“Exercise for Everyone”)

As one of our major Radio Exercise events, Japan Post Insurance Co. holds the Festival of 10 Million People’s Radio Exercise and *Minna no Taiso* every year at one venue through radio and television, aiming to get 10 million people around the country to participate together in Radio Exercise and *Minna no Taiso*.

Summer Touring Calisthenics and *Minna no Taiso* Special Touring Radio Exercise and *Minna no Taiso*

Japan Post Insurance Co. holds the Summer Touring Calisthenics and *Minna no Taiso* Events in 43 locations over 43 days across Japan from July 20th to August 31st every year (including the Festival of 10 Million People’s Radio Exercise and *Minna no Taiso*).

Additionally, we hold our Radio Exercise and *Minna no Taiso* Special Tour events primarily on Sundays and holidays at 10 venues throughout Japan from April to the end of October every year (excluding Summer Touring Calisthenics and *Minna no Taiso*).

In the fiscal year ended March 31, 2018, the Summer and Special Tour events were held at 52 locations in 44 prefectures across Japan.



New Year's Postcard and Stamp Donations Program

A donation of ¥5 is included in each New Year's postcard sold and ¥3 in each New Year's stamp sold. Funds raised through these sales are allocated to organizations that conduct social welfare projects. Since these New Year's donations were started in 1949, they have reached a cumulative total of nearly ¥50.5 billion, and in the fiscal year ending March 31, 2019, a total of ¥334.89 million was donated to 176 organizations.

Project	Number of Organizations	Funds Allocated (yen)
Projects to promote social welfare	112	176,183,000
Projects to assist victims of natural disasters and to prevent such disasters	4	8,731,000
Projects to research, treat and prevent cancer, tuberculosis, polio and other special diseases	2	7,500,000
Projects for emergency rescue of human life in traffic and water accidents and prevention of such accidents	2	3,361,000
Projects to protect cultural assets	1	450,000
Projects to provide social education for the sound development of youth	28	35,211,000
Projects to promote sports for maintaining health	1	363,000
Projects to support exchange students and trainees from overseas developing regions	1	3,360,000
Projects to preserve the global environment (broad and large-scale environmental changes affecting both Japan and overseas countries)	3	7,914,000
Projects to assist victims of the Great East Japan Earthquake of 2011 and the Kumamoto Earthquake of 2016 and to reconstruct these areas	21	57,628,000
Preparation and management of the 2020 Tokyo Olympic and Paralympic Games	1	34,184,648

"Japan Post Bank Deposits for International Aid"

Under the "Japan Post Bank Deposits for International Aid" program, our customers donate 20% of the interest received on their savings (after-tax). By using the JICA Fund established by the Japan International Cooperation Agency (JICA), these resources are used in such activities as improving living standards in developing countries and regions through non-governmental organizations (NGOs) and other groups.

2. Together with the Earth

■ Reducing Greenhouse Gas Emissions

Japan Post Group Environmental Statistics



Japan Post Group is working to reduce greenhouse gases emitted by its businesses*1 to realize a sustainable society taking climate change and global warming into consideration.

In the three years during the fiscal years ended March 31, 2015 to March 31, 2017, Japan Post Group set the goal of reducing emissions per basic unit by a yearly average of 1% or more (compared with results for the fiscal year ended March 31, 2014). We achieved this goal, with reductions of 5.3% from facilities*2 and 3.0% from vehicles*3 (both yearly averages per basic unit).

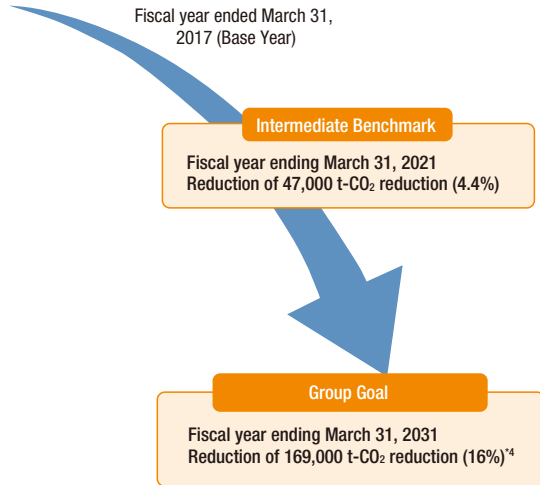
In view of domestic and international trends, Japan Post Group will continuously promote initiatives to reduce greenhouse gas emissions and has set its greenhouse gas reduction goal for the fiscal year ending March 31, 2031 as well as intermediate benchmarks up to the fiscal year ending March 31, 2021 to achieve this goal.

*1: Greenhouse gasses emitted by Japan Post Group's businesses refer to CO₂.

*2: Basic unit per facility = CO₂ emissions from facilities of the entire Group (t-CO₂)/Total floor area of the entire Group (m²)

*3: Basic unit per vehicle = CO₂ emissions from vehicles operated by the entire Group (t-CO₂)/Distance traveled by the vehicles (km)

■ Greenhouse gas emission reductions by Japan Post Group



*4: This corresponds to the greenhouse gas reduction goals in Japan's "Plan for Global Warming Countermeasures" (26% reduction compared with the fiscal year ended March 31, 2014) based on the Paris Agreement.

Reducing Redeliveries

Japan Post Co. is expanding various services for customers to easily pick up items at a place and time that is convenient for them.

As one part of these efforts, HAKO POST is a service for customers to pick up products purchased online and from other services easily at HAKO POST receiving lockers installed in various places such as post offices, stations, supermarkets and convenience stores. HAKO POST receiving lockers have been installed in 240 locations throughout Japan as of March 31, 2018.

In addition, we are also expanding a service for customers to pick up items at designated post offices and convenience stores as well as a service to deliver items and registered mail to delivery boxes installed in condominiums that began in June 2017.

These initiatives contribute not only to improving convenience for customers but also resolving a lack of labor related to redeliveries as well as reducing greenhouse gas emissions.



Modal Shift (Railway Transportation)

In anticipation of a shortage of truck drivers for long distance transportation, Japan Post Co. has been switching the transportation of some mail from trucks to trains (31-foot container transportation) between Shin-Osaka Post Office (Osaka Prefecture) and Kawasaki-Higashi Post Office (Kanagawa Prefecture) since April 2016. Furthermore, in the fiscal year ended March 31, 2018, some mail transportation using trucks between Osaka and Hokkaido was switched to 31-foot container railway transportation in line with efforts to respond to the shortage of drivers as well as reducing greenhouse gas emissions.

Introduction of Electric Vehicles

Japan Post Co. has proceeded with preparations toward the full-scale introduction of electric vehicles (EVs) with measures that included the start of demonstration testing in the fiscal year ended March 31, 2009 to verify the benefits and issues in terms of the environment and business aspects from various perspectives, and ask automakers for development cooperation.

As of March 31, 2018, we have deployed 3 EVs for commercial use, 50 EVs (four-wheeled mini-vehicles) for collection and delivery services, and 20 EVs for cargo transportation.



Safe and Eco-Friendly Driving

Japan Post Group encourages well-mannered, eco-friendly driving to prevent traffic accidents and lower greenhouse gas emissions through lower fuel consumption.

Japan Post Co. strives to raise awareness among mail delivery and sales personnel nationwide through various initiatives, such as holding its in-house driving contest “Safe Eco-Driving”.

Children’s Tree-Planting “Tohoku Regeneration Green Wave”

“The JP Children’s Tree-Planting Campaign activities” specially sponsored by Japan Post Group include “Tohoku Regeneration Green Wave” which has been expanding since 2012. In this activity, children from kindergartens, nursery schools and daycare centers across Japan raise acorns picked up by the children in areas affected by the Great East Japan Earthquake to send back to these areas through the post office network after the seedlings have grown for three years. On May 22, Green Wave Day, the seedlings are then replanted by children in the affected areas with the hope of recovering a green landscape in Tohoku.

Seedlings that grow into large trees at nurseries are replanted in “Shiitake no Mori”^{*} in Yamada-cho, Iwate Prefecture for use in the future as “bed logs” for cultivating shiitake mushrooms. Also, the nutrients from these acorns that have grown into trees flow down into nearby small streams into the ocean, which contributes to oyster cultivation, a regeneration industry for the region.

In this way, we are contributing to the conservation of biodiversity through “Tohoku Regeneration Green Wave.”

*A forest owned by Mr. Eizo Haga, who lives in Yamada-cho and won the Minister of Agriculture, Forestry and Fisheries Prize as a “Dry Log Shiitake Expert Grower.”

Environmentally Friendly Real Estate Business

Japan Post Co. has engaged in its real estate business nationwide incorporating the latest environmentally friendly technologies. Following the opening of JP Tower in 2013, we have completed construction of office buildings and commercial facilities in Sapporo, Omiya, Nagoya and Hakata as of April 2016.

In our real estate business, we have raised the environmental performance of buildings by introducing energy-saving equipment and using natural energy sources such as sunlight, wind and water, in addition to placing great importance on creating rich surrounding environments by greening roofs and walls. Besides preserving the global environment, we are also pursuing the development of high-level facilities that address such social issues as disaster countermeasures and business continuity plans (BCPs) in the event of earthquake or flooding.

Collection of Used Ink Cartridges

Japan Post Co. collects used ink cartridges jointly with five printer manufacturers (the “Ink Cartridge Collection Project”).

As of March 31, 2018, collection boxes have been installed at 3,639 post offices nationwide and certain facilities of local communities.

Used cartridges collected at these post offices and facilities are sent to sorting centers using our Yu-Pack service and then returned to the respective companies, which responsibly perform the recycling of these cartridges.

We also collect used or expired fire extinguishers and personal home computers at post offices or through our pickup service.

Electricity Sales Business Using Solar Power

To preserve the global environment by promoting the introduction of renewable energy and reduction of greenhouse gas emissions, Japan Post Co. has engaged in the electricity sales business using solar power generation since 2014. We have installed solar power generation systems on the roofs of 35 post offices nationwide and sell the electricity generated to electric power companies.

Effective Use of Resources and Reduction of Waste

Reducing Paper with Paperless Bank Accounts



As of March 6, 2016, Japan Post Bank Co. has been offering its “Japan Post Bank Direct+ (Plus)” bank accounts that do not require a bankbook.

The paperless Japan Post Bank Direct+ (Plus) account is a service that does not issue a bankbook but rather utilizes a cash card for cash deposits and withdrawals, and a website for checking account details.

By expanding use of this service, we are able to save money on those accounts by reducing the amount of paper used for bankbooks and various paper notifications to customers that had been sent by mail. This money can then be donated to organizations that work with the local community on environmental conservation activities that aim for its sustainable growth.

Contributions to Environmental Preservation through Provision of Online Contract Guidelines and Policy Conditions

On October 2, 2014, Japan Post Insurance Co. began offering online contract guidelines and policy conditions.

Previously, we provided contract guidelines and policy conditions to all customers in a paper booklet format. By selecting “web viewing,” policyholders now have the option of confirming their contract guidelines and policy conditions in PDF format on our website rather than by receiving a paper brochure.

Online contract guidelines and policy conditions will eliminate the need for conventional brochures, thereby enabling a reduction in the amount of paper used. In June 2017, we donated a total of ¥32 million to 32 environmental groups that are active in growing forests based on the number of customers who made use of the online contract guidelines and policy conditions in the year from October 2015 to September 2016.

Environmentally Friendly Products

Japan Post Co. sells environmentally friendly products at post office counters.

Example: Umbrella (*Pokitto-Orerundesu*)

Featuring a structure with ribs that fold outward from the inside in strong wind gusts, this umbrella is long-lasting and resistant to breakage, which reduces waste from discarded umbrellas.



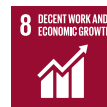
“Pokitto-Orerundesu” is a registered trademark of Chojiyu-No-Sato Co., Ltd.

3. Together with People

Workstyle Reform

Promoting Diversity Management

Promotion of the Active Participation of Women



Japan Post Group is implementing various initiatives to ensure that female employees can fully demonstrate their individuality and capabilities and to establish a pleasant workplace environment that continues to be motivating.

We have set the following targets for the percentage of women in management in our Group companies and are pushing ahead with initiatives that include training to raise awareness among women, support of women’s career development, and reform of workstyles to reduce long work hours.

Target percentage of women in management (up to April 1, 2021)

Japan Post Co.	Japan Post Bank Co.	Japan Post Insurance Co.	Japan Post Holdings Co.
10% or more	14% or more	14% or more	11% or more

Support for Balancing Work with Child or Nursing Care

Japan Post Group is working to create a system and workplace culture that enables each employee to choose diverse workstyles depending on his or her stage in life. We use systems that support the realization of work-life balance, including leave systems that go beyond legal requirements and subsidy systems for such things as childcare costs with the aim of ensuring harmony between work and child/nursing care. We are committed to ensuring that all employees find this balance, both female and male.

In addition, Japan Post Group has received the “KURUMIN” mark, a certification issued by the Ministry of Health, Labour and Welfare for companies supporting child-rearing.

Employment of Persons with Disabilities

Cognizant of the fact that providing suitable employment opportunities to persons with disabilities is our social responsibility as a corporation, we are working proactively to promote such employment and there are currently around 6,300 persons with disabilities working in active roles throughout Japan Post Group.

Empowerment of the Elderly

Japan Post Group re-employs permanent staff members who have reached retirement age but want to keep working up until the age of 65 in line with the Act on Stabilization of Employment of Elderly Persons. Approximately 10,000

such employees are currently working throughout Japan Post Group.

Proper Management of Work Hours and Health Management

● Proper Management of Work Hours

Group companies are engaging in proper management of work hours in their places of business, additionally conducting various initiatives to reduce overtime work through streamlining of business and workplace culture reform.

● Initiatives in Health Management

We believe that a healthy body and mind are vital for each individual employee to take full advantage of his or her skills and work energetically. Therefore, the Group companies are working together with employees to implement health maintenance and promotion measures. These measures include “reducing long work hours,” “health guidance toward prevention of lifestyle diseases” and “mental healthcare,” to realize the “health and happiness of employees and their families” and to “contribute to society through further productivity improvements.”

Each Group company conducts stress checks not only in offices with 50 or more employees, where such checks are mandatory, but also for approximately 100,000 employees at 19,000 nationwide offices with less than 50 employees. These stress checks are used for early detection of mental health problems and improvement of work environments.

■ Development of Human Resources

● Developing Human Resources Who Fulfill Their Expected Roles

Each Group company carries out employee development to nurture human resources to fulfill their expected roles according to their respective career paths. This includes on-the-job training (OJT), in which instruction and education are given through work in actual workplaces, and off-the-job training (Off-JT), in which employees acquire the necessary knowledge and skills by participating in training and seminars away from their workplaces (including stratified training when employees are promoted, and training for frontline leaders). Collectively, these companies assist with employee “self-development” to support the autonomous growth of employees.

Furthermore, Group companies implement business management and sales training as part of efforts to cultivate human resources who can fulfill their expected roles.

● Developing Human Resources Who Contribute to Improving the Group's Corporate Value

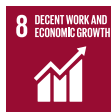
We actively promote personnel exchanges within the Group for integrated operation of the Group's businesses and for optimal assignment of personnel for the Group as a whole.

Also, with the aim of making the Group more competitive, we are conducting training at the Postal College to contribute to fostering a sense of Group unity and deploying synergies. In addition to training for newly appointed executives, we provide joint group training for executives and employees in Group companies that includes all employees hired for career-track positions and those transferred from the front line to career-track positions at the head office.

Crisis Management

Based on the Group agreements, each Group company in Japan Post Group has established a system to ensure appropriate response to crisis situations, including earthquakes and other natural disasters, large-scale accidents and major failures in information systems.

Group companies prepare manuals and establish plans that facilitate the required initial response and rescue measures immediately after a crisis occurs. In the event of a major crisis, a joint task force comprised of representatives of Group companies will be quickly established in an affected area to review and implement methods to enable the smooth provision of services to customers.



Japan Post Group Corporate Governance

Basic Views

Japan Post Holdings Co. shall develop the corporate governance structure of Japan Post Group based on the following concepts, with a view to ensuring sustainable growth of Japan Post Group and creating corporate value over the medium to long term.

1. Japan Post Holdings Co. shall continue to create new convenience for customers and pursue the provision of high quality services, while generating consistent value by providing universal services of Japan Post Group's three core businesses through Japan Post Group's post office network.
2. Fully recognizing its fiduciary responsibility to its shareholders, Japan Post Holdings Co. shall give consideration to appropriately secure rights and equal treatment of shareholders.
3. Japan Post Holdings Co. shall place emphasis on dialogue with all stakeholders including customers and shareholders with an aim to ensure appropriate collaboration and sustainable coexistence. To this end, Japan Post Holdings Co. shall strive to secure management transparency and commit to appropriate disclosure and provision of information.
4. Japan Post Holdings Co. shall carry out swift and decisive decision-making and business execution under the effective supervision of the Board of Directors, in order to promptly cope with changes in the social and economic environment and meet the expectations of all stakeholders.

Japan Post Holdings Co. sets out its "Basic Policy on Corporate Governance" concerning the basic views,

framework and operation policy regarding the corporate governance of Japan Post Holdings Co., with a view to ensuring sustainable growth of Japan Post Group and enhancing its corporate value over the medium to long term, and develops the corporate governance structure of Japan Post Group.

*For more information, please refer to the following website.

<https://www.japanpost.jp/en/group/governance/>

Japan Post Holdings Co. will continue to enhance internal controls and strive to enhance corporate governance of Japan Post Group from this perspective.

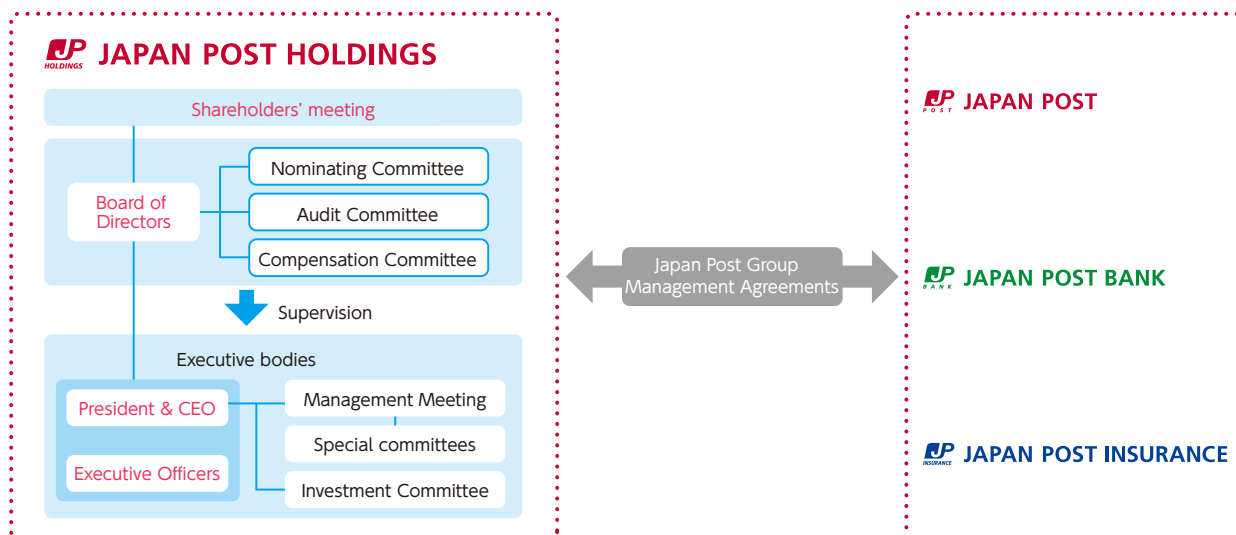
Overview of the Corporate Governance System

Japan Post Holdings Co. has adopted a structure of "company with nominating committee, etc."

Japan Post Holdings Co. has concluded agreements on Japan Post Group's operation and management (hereinafter "Japan Post Group Management Agreements") with and between Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. on Japan Post Group's common philosophy, policies and other basic matters concerning group management, thereby setting up a system to facilitate mutual collaboration and cooperation as well as exerting synergistic effects among Japan Post Group companies.

For matters that may have a significant effect on the entire Japan Post Group and those necessary for maintaining management transparency, Japan Post Group companies must receive approval from, have discussions with and report to the holding company on an individual basis. Through these activities, Japan Post Holdings Co.

Japan Post Holdings Co. Corporate Governance System



ensures corporate governance of Japan Post Group.

Moreover, in accordance with Japan Post Group Management Agreements, the Group Steering Committee was established to discuss and share a common understanding of important matters concerning group management among the management of Japan Post Group companies for the purpose of promoting effective and efficient operation of Japan Post Group.

Overview of Committees

Board of Directors

The Board of Directors, comprised of 15 Directors (including nine Outside Directors), determines the matters such as the basic management policy required by relevant laws and regulations, as well as the matters relating to the important execution of duties, and supervises the execution of duties by Directors and Executive Officers.

Nominating Committee

The Nominating Committee, comprised of three Directors (including two Outside Directors), submits proposals to the General Meeting of Shareholders concerning the election and dismissal of Directors.

In accordance with the provisions of the Act on Japan Post Holdings Co., resolutions for the election and dismissal of Directors of the Japan Post Holdings Co. shall not become effective without the approval of the Minister for Internal Affairs and Communications.

[Chairperson]

Akio Mimura (Outside Director)

[Members]

Kunio Ishihara (Outside Director)

Masatsugu Nagato (Director and Representative Executive Officer, President & CEO)

Compensation Committee

The Compensation Committee, comprised of three Directors (including two Outside Directors) establishes the policy for determining the amount of compensation for each Director and Executive Officer, and determines the amount for individual officers on the basis of this policy.

[Chairperson]

Tsuyoshi Okamoto (Outside Director)

[Members]

Tadashi Yagi (Outside Director)

Masatsugu Nagato (Director and Representative Executive Officer, President & CEO)

Audit Committee

The Audit Committee, comprised of five Directors (including four Outside Directors), audits the execution of duties by Directors and Executive Officers, and prepares reports on

the audit results, among other tasks. Also, the Audit Committee comprehensively evaluates the independent auditor's execution of its duties and, if deemed necessary, shall submit proposals to the General Meeting of Shareholders for the dismissal or non-reappointment of the independent auditor.

Riki Mukai, a member of the Audit Committee, possesses suitable knowledge relating to finance and accounting, which he has gained by serving in such roles as Managing Executive Officer of Japan Post Bank Co.

[Chairperson]

Tadashi Yagi (Outside Director, full-time)

[Members]

Miwako Noma (Outside Director)

Norio Munakata (Outside Director)

Miharu Koezuka (Outside Director)

Riki Mukai (Director, full-time)

Management Meeting

The Management Meeting is comprised of Executive Officers designated by the President & CEO as an advisory body to the President & CEO. In principle, they deliberate on matters to be resolved by the Board of Directors and those subject to the authority of the President & CEO, and report on Japan Post Group's important management conditions.

Management Condition of the Board of Directors

Management Condition

The Board of Directors is responsible for properly supervising the formulation and implementation of basic policies including Japan Post Group Management Philosophy, Japan Post Group Management Policy, the Group Charter of Corporate Conduct, the Group Medium-term Management Plan and other basic management policies in order to realize sustainable growth and create medium- and long-term corporate value for Japan Post Group.

The Board of Directors also conducts proper monitoring as a supervisory body that supports executive officers in making swift and critical decisions by establishing its "Policy Principles for the Establishment of the Internal Control System" based on the Companies Act, and by evaluating and analyzing its management conditions in response to regular reports from the executive officers in charge.

In particular, in the fiscal year ended March 31, 2018, the Board of Directors discussed important matters relating to business execution at Japan Post Holdings Co. and its subsidiaries, including resolutions of the Board of Directors based on the Companies Act, and received reports regarding management conditions of the internal control system, business performance and other important issues.

Meetings held by the Board of Directors	14
Average attendance rate	98%

*Fiscal year ended March 31, 2018

Compensation System for Directors and Executive Officers

The Compensation Committee has established the “Policy on Decisions Regarding Individual Compensation for Directors and Executive Officers,” and determines the amount of compensation paid to all Directors and Executive Officers of the Japan Post Holdings Co. on the basis of this policy.

A certain level of fixed monetary compensation is paid to Directors on the basis of their responsibilities considering their major role as management supervisors.

Compensation for Executive Officers is comprised of basic (fixed monetary) compensation at a certain level commensurate with their duties considering the differences in responsibilities dependent upon position, and stock compensation reflecting the degree of achievement of management plans and other considerations.

No bonuses are awarded to Directors or Executive Officers.

*For details, please refer to “Compensation Policies for Directors and Executive Officers by Individual” on the Basic Policy on Regarding Corporate Governance website.

<https://www.japanpost.jp/en/group/governance/index02.html>

Evaluation of Effectiveness of the Board of Directors

The Board of Directors, comprised of members with diverse experiences and expertise, makes full use of their respective knowledge and experience to actively hold discussions, and Japan Post Holdings Co. concludes that the Board is operating smoothly.

The Board of Directors of Japan Post Holdings Co. evaluates the effectiveness of the Board of Directors based on the results of the questionnaire completed by the Directors and opinions raised at Outside Directors’ meetings, among other considerations.

*For details, please refer to “Summary of Evaluation Results of the Effectiveness of the Board of Directors of Japan Post Holdings Co., Ltd.” on the Basic Policy on Regarding Corporate Governance website.

<https://www.japanpost.jp/en/group/governance/index02.html>

Policy on Appointment of Directors

The Nominating Committee decides and elects candidates for Directors based on the “Nominating Criteria for Candidates for Directors,” which stipulates the concepts regarding an appropriate balance of knowledge, experience and skill for the Board of Directors as a whole, membership diversity, and

appropriate size of the Board, as well as the qualifications for Directors required by Japan Post Holdings Co.

As part of its promotion of diversity, Japan Post Holdings Co. has set a target of 13% or more for a combined ratio of female Directors and Executive Officers by the end of the fiscal year ending March 31, 2021.

*For the reasons for the appointment of Outside Directors, please refer to the Corporate Governance Report in the Group Governance section of our website.

<https://www.japanpost.jp/en/group/governance/>

Training of Directors & Support System for Outside Directors

Training of Directors

Japan Post Holdings Co. provides opportunities for Directors to deepen their understanding and acquire necessary knowledge about such things as Japan Post Group’s businesses, issues to be addressed, and management strategies by implementing measures such as tours of Japan Post Group’s facilities, so that Directors may properly fulfill the roles and responsibilities expected of them.

Support System for Outside Directors

Japan Post Holdings Co. has developed an operation system for Outside Directors with consideration for the coordination of a flexible annual schedule, accurate provision of information as necessary, adequate advance explanation of proposal contents, and securing of time for preliminary consideration and question-asking by the Board of Directors to ensure smooth and effective operation of the Board and improve the effectiveness of supervision by Outside Directors.

In addition, Japan Post Holdings Co. has established the Office of the Board of Directors to streamline the deliberation and reporting processes of the Board of Directors and check on the progress of resolutions made by the Board, as well as to support management and ensure communication and coordination with Outside Directors to conduct Board of Directors’ meetings effectively and efficiently.

Dialogue with Shareholders and Investors

Japan Post Group discloses information accurately and fairly to all shareholders and investors, and strives to hold constructive dialogue with them, sharing requests made with the management team in order to contribute to sustainable growth and improved medium- and long-term corporate value.

- 13th Annual General Meeting of Shareholders
Date: June 20, 2018
Attendees: 1,382
- Briefing Sessions for Individual Investors for Fiscal Year

Ended March 31, 2018

Meetings Held: 17

Participants: Approximately 940

- Financial Results Briefings & Small Meetings for Fiscal Year Ended March 31, 2018 (for Institutional Investors & Analysts)

Meetings Held: 6

- Dialogue with Institutional Investors & Analysts (Fiscal Year Ended March 31, 2018)

Meetings Held: Approximately 120

- Participation in IR Conferences in Japan and Abroad (Fiscal Year Ended March 31, 2018)

Meetings Held: 3

Primary Legal Regulations

In conducting its business, Japan Post Group is subject to various legal regulations such as those described below.

(1) Regulations based on the Postal Act and other laws

Under the Postal Act, Japan Post Co., our consolidated subsidiary, has exclusive rights to conduct postal business in Japan. As such, it is subject to regulations specific to a business unlike that of other companies, such as the authorization system for business consignment and changes to postal agreements, the uniform nationwide fee system, fee limits on standard-size mail and the notification system for postage fees (including the authorization system for third-class and fourth-class mail).

(2) Regulations based on the Banking Act and the Insurance Business Act

The banking and life insurance businesses of Japan Post Group are subject to financial business regulations that are typically applied to such businesses, such as the Banking Act and the Insurance Business Act.

(a) Regulations pertaining to Japan Post Bank Co. and Japan Post Insurance Co.

Japan Post Bank Co., our consolidated subsidiary, engages in the banking business and Japan Post Insurance Co., also our consolidated subsidiary, engages in the life insurance business (hereinafter referred to as our “two financial subsidiaries” and are subject to supervision by the Financial Services Agency, based on the Banking Act and the Insurance Business Act. In particular, they are subject to broad oversight by the Commissioner of the Financial Services Agency, who is appointed by the Prime Minister, which includes revocation of their licenses if they violate any laws or regulations, as well as suspension of their business and conducting of on-site inspections when deemed necessary for the purpose of assuring sound and proper business operations.

Japan Post Bank Co. is not permitted to conduct business other than as set forth by the laws based on the Banking Act and other related business regulations. In terms of the capital adequacy ratio, which is the standard for achieving an adequate level of equity capital, Japan Post Bank Co. is required to maintain a ratio of at least 4.0% (Japanese standard). Japan Post Insurance Co. is also not permitted to conduct business other than as set forth by the laws based on the Insurance Business Act and other related business regulations. In addition, Japan Post Insurance Co. is required to maintain a solvency margin ratio of at least 200% as an indicator of whether it has a “payment reserve” that enables it to cope with risks that occur beyond normal expectations, such as catastrophic disasters or the massive collapse of stock prices. As of March 31, 2018, Japan Post Bank Co. has a consolidated capital adequacy ratio of 17.43% and Japan Post Insurance Co. has a consolidated solvency margin ratio of 1,131.8%, so both subsidiaries have maintained high levels compared with the ratios regulated by law.

(b) Regulations pertaining to Japan Post Co.

Based on the Banking Act and the Insurance Business Act, Japan Post Co. is subject to supervision by the Financial Services Agency with regard to the post office business of Japan Post Group as a banking agency and affiliated bank of Japan Post Bank Co. and as an insurance solicitor and affiliated insurance company of Japan Post Insurance Co.

As a banking agency, Japan Post Co. is not permitted to conduct business other than as set forth by law and is subject to such regulations as the obligation for separate management, the obligation to explain banking agency services it engages in to customers, and the prohibition of certain activities such as making definitive claims. Also, as an insurance solicitor, it is subject to such regulations as the obligation to provide explanations for customers and the prohibition of certain activities such as providing false explanations.

(c) Regulations pertaining to Japan Post Holdings Co.

As a bank holding company and insurance holding company, Japan Post Holdings Co. is also subject to supervision by the Financial Services Agency based on the Banking Act and the Insurance Business Act, and required to maintain a consolidated capital adequacy ratio of at least 4.0% (Japanese standard) and a solvency margin ratio of at least 200%. Furthermore, it is obligated to maintain a system for protecting the interests of customers and submitting business reports to regulatory authorities every business year.

As of March 31, 2018, Japan Post Holdings Co. has a consolidated capital adequacy ratio of 19.11% and a consolidated solvency margin ratio of 722.7%, so it has

maintained high levels compared to the ratios regulated by law.

(d) Licensing required by law

Japan Post Group has been licensed or authorized primarily as described in the table below.

(3) Regulations specifically applicable to Japan Post Group

Based on the Postal Service Privatization Act and other laws, Japan Post Holdings Co. and Japan Post Co. are obligated to provide postal services so that payment of simple savings, remittances, services for settlement of debts and credits, and services for easy-to-use life insurance are available to customers at post offices in an integrated format and in a manner that is easy to use by customers. They are also obligated by law to maintain the post office network to ensure fair use across all of Japan well into the future (provision of services through the post office network based on these obligations referred to hereinafter as “universal services”).

With regard to universal services, in October 2013 the Minister for Internal Affairs and Communications consulted with its consultative body, the Postal Policy Committee of the Telecommunications Council, about “Securing universal services of the postal business and the proper means for revitalizing the post and correspondence market,” and a report was issued by the Telecommunications Council on September 28, 2015.

In the report, with regard to securing universal services, it states that in the short term, “*Japan Post Holdings Co. and Japan Post Co. are required to maintain the current scope and level of services by their own management efforts,*” and, “*In addition, it is necessary for the national government to examine measures that will serve as incentives for securing universal services.*” The report

continues, stating that in the medium to long term, “*Considering changes in the environment of the postal business or in the scope and level of service expected by the people and users in response, it is necessary to continuously examine measures for securing universal services and how the cost burden is borne.*”

Although the Telecommunications Council estimates the cost of universal services to the postal business, it is an estimate made independently by the Council and not produced by Japan Post Group.

Also, Japan Post Holdings Co. and Japan Post Co. are required to receive authorization from the Minister for Internal Affairs and Communications to engage in new businesses, solicit shares, elect or dismiss directors (Japan Post Holdings Co. only), formulate business plans, amend articles of incorporation, conduct mergers, or split or dissolve companies based on the Act on Japan Post Holdings Co. and Act on Japan Post Co., respectively (however, only notification of new businesses to the Minister for Internal Affairs and Communications is required for Japan Post Co.). Furthermore, the two financial institutions, in addition to regulations based on the Banking Act and the Insurance Business Act, are required to receive authorization from the Prime Minister and the Minister for Internal Affairs and Communications based on the Postal Service Privatization Act to engage in new businesses, hold subsidiaries of financial institutions (Japan Post Bank Co.) and particular subsidiaries (Japan Post Insurance Co.), conduct mergers, split companies, or transfer and receive businesses in order to ensure equal competitive conditions with other companies engaged in similar business. Japan Post Bank Co. may not in itself have banks as subsidiaries and neither may Japan Post Insurance Co. have insurance companies as subsidiaries. In addition, although a review is currently being discussed by the Postal Service Privatization

■ Table: Licensing required by law

License	Related Law	Company	Expiration Date	Reasons for Cancellation, etc.
Bank Holding Company Authorization	Article 52-17, Paragraph 1 of the Banking Act	Japan Post Holdings Co.	None	Article 52-34, Paragraph 1 of the Banking Act
Insurance Holding Company Authorization	Article 271-18, Paragraph 1 of the Insurance Business Act	Japan Post Holdings Co.	None	Article 271-30, Paragraph 1 of the Insurance Business Act
Bank Agency Authorization	Article 52-36, Paragraph 1 of the Banking Act	Japan Post Co.	None	Article 52-56, Paragraph 1 of the Banking Act
Life Insurance Solicitor Registration	Article 276 of the Insurance Business Act	Japan Post Co.	None	Article 307, Paragraph 1 of the Insurance Business Act
Banking Business License	Article 4, Paragraph 1 of the Banking Act	Japan Post Bank Co.	None	Article 26, Paragraph 1; Article 27; Article 28 of the Banking Act
Insurance Business License	Article 3, Paragraph 4 of the Insurance Business Act	Japan Post Insurance Co.	None	Article 132, Paragraph 1; Article 133; Article 134 of the Insurance Business Act

Committee, the two financial institutions are subject to regulations different from other companies in the same industry, such as deposit limit regulations in the banking business and subscription limit regulations in the life insurance business.

(4) World Trade Organization (WTO): Government procurement rules

As successors of government-owned companies, Japan Post Holdings Co., Japan Post Co. and the two financial institutions are required to comply with procedures set forth by international agreements when procuring items subject to government procurement agreements and other international agreements.

Code of Conduct

Japan Post Group is committed to executing honest and fair corporate activities in order to earn even stronger, more solid trust from its customers and every segment of society. Therefore, Japan Post Group uses the following code of conduct as its standard for judgments made by and behavior of employees.

Japan Post Group Privacy Policy

Japan Post Group is committed to providing services that can achieve a high degree of customer satisfaction. Properly protecting and treating personal information is vital to accomplishing this goal. Accordingly, Japan Post Group has established its fundamental policy (hereinafter referred to as the "Privacy Policy") for protecting personal information.

For details, please refer to page 151.

Japan Post Group Conflicts of Interest Management Policy

Japan Post Group conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to conflicts of interest.

For details, please refer to page 153.

Japan Post Group Information Security Declaration

Japan Post Group understands that information security is essential for customers to use our services with confidence. Our activities reflect this awareness of the importance of information security.

For details, please refer to page 153.

Basic Policy on Antisocial Forces

Japan Post Group endeavors to eliminate any relationships with and prevent damage from antisocial forces, in keeping with the "Japan Post Group Charter of Corporate Conduct" and "Declaration by Top Management regarding the

Elimination of Relationships with Antisocial Forces."

Please refer to page 154 for the "Declaration by Top Management regarding the Elimination of Relationship with Antisocial Forces."

Disclosure Policy

Japan Post Group is determined to fulfill its responsibility to explain its operations by conducting highly transparent business operations and disclosing information in a fair manner to earn the trust of our customers. To achieve sustainable growth and medium- to long-term improvement of our enterprise value, Japan Post Holdings Co. shall disclose information in a fair and accurate manner to its shareholders, investors and other stakeholders. In addition, the management shall make efforts to be active in enabling open communication and sharing among its own staff the requests, expectations and other matters learned through such communication. Japan Post Group also properly responds to the Fair Disclosure Rules introduced by revisions to the Financial Instruments and Exchange Act in April 2018.

For details, please refer to page 154.

Directors



Masatsugu Nagato

Director and Representative Executive Officer, President & CEO
Member of the Nomination Committee
Member of the Compensation Committee

Significant Concurrent Positions

Director of Japan Post Co., Ltd.; Director of Japan Post Bank Co., Ltd.; Director of Japan Post Insurance Co., Ltd.

Career Summary

June 2000 Executive Officer of The Industrial Bank of Japan, Limited June 2001 Managing Executive Officer of The Industrial Bank of Japan, Limited April 2002 Managing Executive Officer of Mizuho Corporate Bank, Ltd. June 2003 Managing Executive Officer of Mizuho Corporate Bank, Ltd. June 2006 Corporate Executive Vice President of Fuji Heavy Industries Ltd. June 2007 Director of the Board, Corporate Executive Vice President of Fuji Heavy Industries Ltd. June 2010 Representative Director of the Board, Deputy President of Fuji Heavy Industries Ltd. June 2011 Director & Vice Chairman of Citibank Japan Ltd. January 2012 Director & Chairman of Citibank Japan Ltd. May 2015 President and Representative Executive Officer of Japan Post Bank Co., Ltd. June 2015 Director of the Company April 2016 Director and Representative Executive Officer, President & CEO of the Company (present); Director of Japan Post Co., Ltd. (to present); Director of Japan Post Bank Co., Ltd. (present) June 2016 Director of Japan Post Insurance Co., Ltd. (to present)



Yasuo Suzuki

Director and Representative Executive Officer, Senior Executive Vice President, in charge of Internal Control Management

Significant Concurrent Positions

Director, Japan Post Co., Ltd.

Career Summary

May 2005 Director-General of the Postal Services Policy Department, Ministry of Internal Affairs and Communications (MIC) July 2006 Director-General of the Information and Communications Policy Bureau, MIC July 2007 Vice-Minister for Policy Coordination (Postal Service & Communication), MIC July 2009 Administrative Vice-Minister for Management and Coordination, MIC January 2010 Advisor to MIC October 2010 Advisor to Sompō Japan Inc. (currently Sompō Japan Nipponkoa Insurance Inc.) June 2013 Director and Representative Executive Officer, Executive Vice President of the Company; Director of Japan Post Co., Ltd. (present) June 2015 Director and Representative Executive Officer, Senior Executive Vice President of the Company (present)



Norito Ikeda

Director

Significant Concurrent Positions

Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd.; Outside Director of FANCL CORPORATION

Career Summary

June 1996 Director of The Bank of Yokohama, Ltd. April 2001 Representative Director of The Bank of Yokohama, Ltd. June 2003 Director of The Bank of Yokohama, Ltd.; Representative Director and Chairman of Yokohama Capital Co., Ltd. December 2003 President of The Ashikaga Bank, Ltd. (Representative Director) June 2004 President of The Ashikaga Bank, Ltd. (Chief Executive Officer) September 2008 Special Advisor to A.T. Kearney February 2012 President and Representative Director of the Organization to Support Revitalization of Businesses Affected by the Great East Japan Earthquake April 2016 President and Representative Executive Officer of Japan Post Bank Co., Ltd. June 2016 Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd. (present); Director of the Company (present)



Kunio Yokoyama

Director

Significant Concurrent Positions

President & CEO (Representative Executive Officer) of Japan Post Co., Ltd.

Career Summary

February 2006 Executive Officer of the Company October 2007 Senior Managing Executive Officer of the Company October 2009 Executive Officer of Sumitomo Mitsui Banking Corporation April 2011 Managing Executive Officer of Sumitomo Mitsui Banking Corporation May 2013 Executive Deputy President of Sumitomo Mitsui Asset Management Company, Limited June 2013 Director and Deputy President, Executive Deputy President of Sumitomo Mitsui Asset Management Company, Limited April 2014 Representative Director, President & CEO of Sumitomo Mitsui Asset Management Company, Limited June 2016 President & CEO (Representative Executive Officer) of Japan Post Co., Ltd. (present); Director of the Company (present)



Mitsuhiro Uehira

Director

Significant Concurrent Positions

Director and President, CEO Representative Executive Officer of Japan Post Insurance Co., Ltd.

Career Summary

June 2012 Executive Officer of Tokio Marine Holdings, Inc. June 2013 Managing Executive Officer of Japan Post Insurance Co., Ltd. June 2015 Senior Managing Executive Officer of Japan Post Insurance Co., Ltd. June 2017 Director and President, CEO Representative Executive Officer of Japan Post Insurance Co., Ltd. (present); Director of the Company (present)



Riki Mukai

Director
Member of the Audit Committee (standing)

Significant Concurrent Positions

None

Career Summary

April 2007 Executive Officer of Japan Post Corporation (Nippon Yusen Kosha) October 2007 Managing Executive Officer of Japan Post Bank Co., Ltd. June 2017 Director of the Company (present)



Miwako Noma

Outside Director
Member of the Audit Committee

Significant Concurrent Positions

Representative Director of Nippon Gurashi Co., Ltd.; Representative Director of Mochizuki Inc.

Career Summary

February 1979 Established Noma Architectural Design Office January 1989 Representative Director of Noma Architectural Design Office Ltd. (currently Nippon Gurashi Co., Ltd.) (present) June 2013 Director of the Company (present)



Akio Mimura

Outside Director
Chairperson of the Nomination Committee

Significant Concurrent Positions

Senior Advisor to the Board and Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation; Chairman of the Japan Chamber of Commerce and Industry; Chairman of the Tokyo Chamber of Commerce and Industry; Outside Director of Development Bank of Japan Inc.; External Director of Innovation Network Corporation of Japan; Outside Director of Tokio Marine Holdings, Inc.; Outside Director of Nishin Seifun Group Inc.

Career Summary

June 1993 Director of Nippon Steel Corporation (NSC, currently Nippon Steel & Sumitomo Metal Corporation) April 1997 Managing Director of NSC April 2000 Representative Director and Executive Vice President of NSC April 2003 Representative Director and President of NSC April 2008 Representative Director and Chairman of NSC October 2012 Director and Senior Advisor to the Board of NSC June 2013 Director of the Company (present); Senior Advisor to the Board of Nippon Steel & Sumitomo Metal Corporation November 2013 Senior Advisor to the Board and Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation (present)



Tadashi Yagi

Outside Director
Chairperson of the Audit
Committee (standing)
Member of the
Compensation Committee

Significant Concurrent Positions

Adviser to K.K. Kyodo News

Career Summary

January 2008 Nagoya Bureau Chief (Equivalent to Director) of Kyodo News Service Incorporated Association (currently Kyodo News Service General Incorporated Association) June 2010 Managing Controller of Kyodo News Service June 2012 Special Advisor to Kyodo News Service June 2013 Director of the Company (present); Corporate Auditor of Kyodo Tsushin Kaikan Co., Ltd. June 2015 Corporate Auditor of K.K. Kyodo News June 2016 Advisor to K.K. Kyodo News (present)



Kunio Ishihara

Outside Director
Member of the
Nomination Committee

Significant Concurrent Positions

Senior Advisor to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.; External Corporate Auditor of Tokyu Corporation; External Director of NIKON CORPORATION

Career Summary

June 1995 Director of Tokio Marine and Fire Insurance Co., Ltd. (TMFI) June 1998 Managing Director of TMFI June 2000 Senior Managing Director of TMFI June 2001 Director and President of TMFI April 2002 Director and President of Millea Holdings, Inc. October 2004 Director and President of Tokio Marine & Nichido Fire Insurance Co., Ltd. June 2007 Director and Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.; Director and Chairman of the Board of Millea Holdings, Inc. July 2008 Director and Chairman of the Board of Tokio Marine Holdings, Inc. June 2013 Senior Advisor to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. (present) June 2015 Director of the Company (present)



**Charles Ditmars
Lake II**

Outside Director

Significant Concurrent Positions

Chairman and Representative Director of Aflac Life Insurance Japan Ltd.; President and Member of the Board of Directors of Aflac International Incorporated; Outside Director of Tokyo Electron Ltd.

Career Summary

August 1992 Director for Japan Affairs, Office of the U.S. Trade Representative July 1993 Director for Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative January 1995 Attorney at Dewey Ballantine LLP June 1999 Vice President and Counsel of Japan Branch, American Family Life Assurance Company of Columbus (Aflac Japan) July 2001 Deputy President of Aflac Japan January 2003 President and Representative of Aflac Japan April 2005 Vice Chairman and Representative of Aflac Japan July 2008 Chairman and Representative of Aflac Japan January 2014 President and Member of the Board of Directors of Aflac International Incorporated (present) June 2016 Director of the Company (present) April 2018 Chairman and Representative Director of Aflac Life Insurance Japan Ltd. (present)



**Michiko Hirono
(Michiko Fujii)**

Outside Director

Significant Concurrent Positions

President of 21 Lady Co., Ltd.; Representative Director and President of Illums Japan Co., Ltd.; Representative Director, Chairman and President of HIROTA Co., Ltd.; Outside Director of NEC Networks & System Integration Corporation

Career Summary

May 1997 Managing Director of PokkaCreate Co., Ltd. July 1998 Senior Vice-President of K.K. MVC July 1998 Vice President of Tully's Coffee Japan Co., Ltd. March 2000 Founded 21 Lady Co., Ltd., President (present) June 2002 Representative Director and President of HIROTA Co., Ltd. March 2010 Representative Director and President of Illums Japan Co., Ltd. (present) November 2011 Representative Director, Chairman and President of HIROTA Co., Ltd. (present) June 2014 Outside Director of Japan Post Co., Ltd. June 2016 Director of the Company (present) June 2017 Outside Director of NEC Networks & System Integration Corporation (present)



Norio Munakata

Outside Director
Member of the Audit
Committee

Significant Concurrent Positions

Attorney; Advisor to Cabinet Secretary

Career Summary

July 1993 Manager of Special Investigation Department, Tokyo District Public Prosecutors Office November 2000 Manager of Detective Department, Supreme Public Prosecutors Office July 2001 Chief Public Prosecutor of Takamatsu High Public Prosecutors Office February 2003 Chief Public Prosecutor of Nagoya High Public Prosecutors Office February 2004 Registered as Attorney (present) April 2004 Professor at Chuo University Law School June 2016 Director of the Company (present)



Tsuyoshi Okamoto

Outside Director
Chairperson of the
Compensation Committee

Significant Concurrent Positions

Director and Senior Corporate Advisor to Tokyo Gas Co., Ltd.

Career Summary

June 2002 Executive Officer of Tokyo Gas Co., Ltd. April 2004 Senior Executive Officer of Tokyo Gas Co., Ltd. June 2004 Director, Senior Executive Officer of Tokyo Gas Co., Ltd. April 2007 Representative Director, Executive Vice President of Tokyo Gas Co., Ltd. April 2010 Representative Director, President of Tokyo Gas Co., Ltd. April 2014 Director, Chairman of Tokyo Gas Co., Ltd. June 2016 Outside Director of Japan Post Bank Co., Ltd. April 2018 Director, Senior Corporate Advisor to Tokyo Gas Co., Ltd. (present) June 2018 Director of the Company (present)



Miharu Koezuka

Outside Director
Member of the Audit
Committee

Significant Concurrent Positions

Advisor to Takashimaya Company Limited; Director of Okayama Takashimaya Co., Ltd.; Advisor to Dear Mayuko Co., Ltd.

Career Summary

May 2007 Executive Officer of Takashimaya Company, Limited March 2009 Senior Executive Officer of Takashimaya Company, Limited February 2010 President (Representative Director) of Okayama Takashimaya Co., Ltd. May 2013 Director of Takashimaya Company, Limited September 2013 Senior Managing Director (Representative Director) of Takashimaya Company, Limited; Director of Okayama Takashimaya Co., Ltd. (present) March 2016 Director of Takashimaya Company, Limited May 2016 Advisor to Takashimaya Company, Limited (present) October 2016 Representative Director and President of Dear Mayuko Co., Ltd. March 2018 Advisor to Dear Mayuko Co., Ltd. (present) June 2018 Director of the Company (present)

Interview with Outside Director



Tadashi Yagi

Outside Director of Japan Post Holdings Co., Ltd.
Adviser to the Board of K. K. Kyodo News

Q1 What are the roles and responsibilities required of Outside Directors?

This will be my fifth year serving as an Outside Director. Three years ago, I witnessed the milestone event of the simultaneous listings of three Group companies, namely Japan Post Holdings Co., Japan Post Bank Co. and Japan Post Insurance Co. Japan Post Holdings Co. has adopted a structure of company with nominating committee, etc., under which the majority of directors are independent Outside Directors, and undertakes its management with a clear separation between supervision and business execution. Outside Directors fulfill the roles of supervising the executive bodies and providing advice that contributes to maintaining sustainability and increasing the value of the Japan Post Holdings Co.

Although a new Medium-term Management Plan has begun from the fiscal year ending March 31, 2019, the Japan Post Holding Co.'s principle of aiming to be a "Total Lifestyle Support Group" remains unchanged. Various types of Outside Directors made up of managers and lawyers, including women and foreign nationals, are

required to utilize their respective experiences and specialized knowledge to perform supervisory duties to determine whether executive bodies are making management decisions in accordance with this principle and meeting the expectations of shareholders, and whether employees share this principle and are taking actions that place the customer first. Outside Directors also try to frankly articulate their thoughts from a neutral standpoint. This requires us to deepen our understanding of the post office network that supports the overall postal business. We always make great efforts toward learning about the post office network, such as by attending study meetings that include executive officers and making on-site observation visits. As a result, I am strongly aware of the great depth of the postal business.

Q2 What is your evaluation of the Japan Post Group's governance system and initiatives?

The Board of Directors convenes once a month and the Nominating Committee, Compensation Committee and Audit Committee each convene when necessary. All of

these committees are structured giving preference to outside members. The Nominating Committee and Compensation Committee are each composed of three members, including two Outside Directors and one internal director. The Audit Committee, which I chair, is composed of four Outside Directors and one internal director and convenes around 20 times annually. The Committee's duties are to assure that business is being executed legally and properly and to confirm the effectiveness of the internal control systems. The members monitor the status of business execution while attending important meetings such as the Management Meeting; regularly receiving reports from each executive officer in charge of internal controls, internal auditing, compliance, accounting, finance and risk management; and exchanging opinions with the president and vice president of Japan Post Holdings Co. and the presidents of the main subsidiaries.

The Internal Control General Meeting, composed of executive officers in charge of business planning and internal controls and headed by the Senior Executive Vice President, was established to strengthen internal controls. Each quarter, this Meeting confirms the status of the operation of the internal control systems. Full-time Audit Committee members also attend and share information and organize various improvement points and issues.

Two years ago, we experienced a tense situation when previous president Taizo Nishimuro was hospitalized due to poor health and the Japan Post Holdings Co. was temporarily without a president. However, the Nominating Committee quickly took action and nominated Mr. Nagato, who was serving as president of Japan Post Bank Co., as succeeding president for the Board of Directors' consideration. Meanwhile, the Compensation Committee revised a portion of the compensation for executive officers as performance-based stock compensation. I believe this is one example of how we contribute to the sustainability and growth of the Japan Post Holdings Co..

Management's fundamental policies are expressed in the new three-year Medium-term Management Plan. The plan serves as a start toward sustainable growth and includes measures such as raising earnings power in the postal and logistics business, sophisticating and diversifying asset management, and investing and creating new businesses in growth fields. I foresee an increased importance in the roles of the Group's governance system, and the Board of Directors, Nominating Committee, Compensation Committee and Audit Committee, which form the axis of the Group's governance system.

Q3 Please describe the current status and evaluation of and issues facing the Board of Directors.

Every year, we evaluate the Board of Directors utilizing

methods such as providing questionnaires that ask each director about the effectiveness of the Board. Besides these, we received the opinion of an Outside Director who asked whether the Board of Directors could be operated in a more meaningful and deliberate manner. In accordance with this opinion, we are making improvements for enabling discussions from diverse perspectives for important matters such as new investments, risk management and compliance. Thanks to these improvements, I sense that discussions held by the Board of Directors are now deepening and becoming more energetic.

The Board of Directors is also increasing the time allotted for discussing urgent matters such as the establishment of Japan Post Real Estate Co., JAPAN POST CAPITAL Co. and Japan Post Investment Corporation as well as for the formulation of the new Medium-term Management Plan. We are using creative means through the provision of information and preparation of materials that enable a deeper examination of issues within a limited time frame. For new businesses in particular, the Board of Directors considers responses from a variety of perspectives, such as profitability, including prospective income and expenditures, as well as risks, synergies, personnel and systems.

Q4 Going forward, what must Japan Post Group do to improve corporate value?

The environment surrounding Japan Post Group is becoming increasingly severe while Japan Post Bank Co. and Japan Post Insurance Co. are being affected by ultra-low interest rates. Meanwhile, the downtrend in the volume of mail continues and the Yu-Pack business suffers from the impact of rising personnel expenses and transport costs and difficulty in securing sufficient workers. Despite these challenges, the trustworthiness of Japan Post Group's brand image, "*Post offices that are close at hand and provide a sense of security,*" is deeply rooted.

We will realize secure, stable earnings and growth, and cultivate new businesses as employees maximize their strengths. In doing so, we will utilize the trust cultivated since the Meiji Era and the sincerity handed down to and inherited since then by our employees. We also aim to establish post offices that meet the distinctive needs of every community and thoroughly promote the effectiveness and efficiency of our post office network. Concurrently, we intend to raise awareness of compliance and become an organization that further responds to the trust of our customers. By affirming our origins, along with having the flexibility to accept changes demanded by society and the mettle to take on challenges required for new growth, corporate value will naturally increase. I believe we possess all the strengths required to accomplish this.

Japan Post Group Compliance Framework

We conduct rigorous compliance activities as one of the highest management priorities of Japan Post Group. As a part of these endeavors, Japan Post Co. took steps to eliminate cases involving the inappropriate receipt of fees discovered in FY2018/3 by, for example, establishing a department to ensure their appropriate receipt and creating position to survey. We continue to work towards preventing the recurrence of misconduct since we recognize that rigorous compliance activities are one of the highest management priorities of the Group.

All Group companies build an effective compliance framework giving due consideration to the public characteristics of the business.

Japan Post Group Compliance Framework

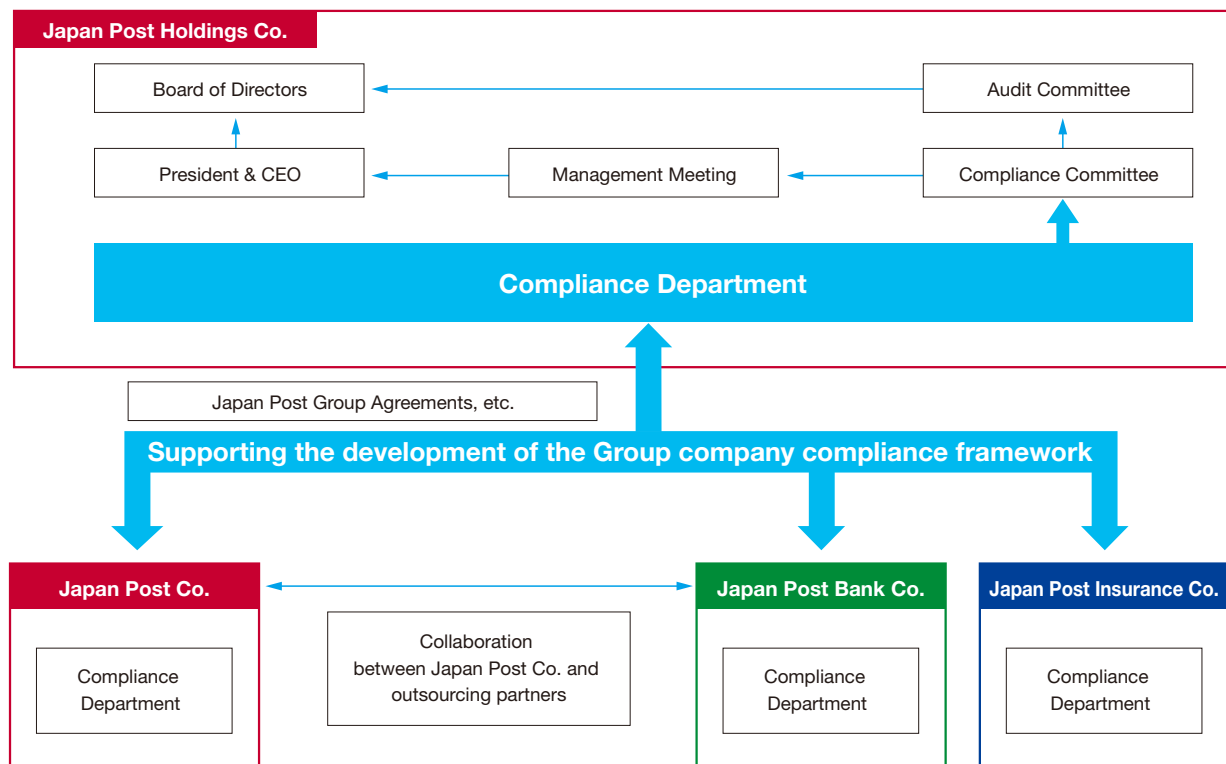
Japan Post Group employs a common compliance framework. Each Group company establishes a Compliance Department to conduct integrated management of compliance-related matters.

In addition, each Group company has a Compliance Committee that provides advice to its Management Meeting to review the compliance policy, framework, specific activities and associated issues. The director in charge of compliance then reports important matters discussed by the Compliance Committee to the Management Meeting and the Board of Directors.

A Compliance Department has been set up and placed under the control of a director in charge of compliance to propose measures to promote compliance and manage the progress of each measure.

In order to ensure Group-wide compliance, the Compliance Department of Japan Post Holdings Co. provides support in accordance with Japan Post Group Agreements, etc. to Group companies to help them establish their respective compliance frameworks, and by doing so, strives to maintain and improve compliance functions for the Group as a whole.

Japan Post Group Compliance Framework



Group Company Compliance Framework

Japan Post Group companies have built a compliance framework as outlined below and use various measures to promote compliance so that the compliance framework can function effectively.

1. Compliance Framework

(a) Line of responsibility for compliance activities

Each Group company has a Compliance Department that is independent from departments related to business execution in order to promote compliance activities throughout the company. This and other departments have a compliance officer who is responsible for executing specific compliance activities. In addition, compliance managers have been appointed at all head office departments, regional offices, post offices and branch offices in order to establish a line of reporting for compliance activities.

(b) Response to compliance violations

In the event of the discovery of any facts that raise suspicion of compliance violations at any Group company, we shall investigate and clarify the relevant facts and causes of the violations, and implement measures to prevent their recurrence.

2. Promotion of Compliance

(a) Establishment of compliance program

Each fiscal year, a compliance program is established to provide a plan for specific actions involving compliance. Progress is then checked on a regular basis.

(b) Activities related to compliance items

At Group companies, specific compliance items have been selected and departments have been assigned to take responsibility for individual compliance items in order to promote compliance in a focused manner. The Compliance Department oversees the compliance promotion activities undertaken by these units and conducts integrated management of compliance-related issues across the board.

(c) Internal reporting system

In each Group company, the Compliance Department has a compliance hotline that can be used by employees and others. In addition, a compliance hotline has been established at a designated external law firm. This reporting system makes it possible to quickly deal with compliance violations and prevent them from spreading while maintaining a structure to resolve issues at the earliest stage.

(c) Preparation and distribution of compliance manual

A compliance manual is prepared to serve as a practical guide to promote compliance. The manual explains the compliance framework, matters concerning areas of compliance and other subjects. All employees also receive a compliance handbook that summarizes the manual and is used in training programs and other activities to raise awareness among employees of the importance of compliance.

(d) Implementation of compliance-related training

Each Group company conducts a variety of training activities to promote a better understanding of legal matters and other areas, and to raise awareness of compliance.

Japan Post Group Risk Management

Japan Post Holdings Co., as the holding company of Japan Post Group, recognizes that properly managing risk within the Group is one of management's highest priorities and has formulated a basic policy concerning Group risk management. Based on the shared understanding of this policy among Group companies, Japan Post Holdings Co. establishes a risk management system for the entire Group.

Japan Post Holdings Co. is committed to preventing the transfer of risk from one Group company to another. Japan Post Holdings Co. is also committed to assuring that Japan Post Bank Co. and Japan Post Insurance Co., the Group's financial companies, continue to strengthen their risk management systems as independent financial institutions and implement autonomous risk management.

Group Risk Management Framework

As a basic policy concerning Group risk management, Japan Post Group has laid down basic principles of risk management and fundamental matters that should be observed by Group companies in implementing risk management, including categories of risks that should be managed by each company. Japan Post Group performs Group risk management based on this policy.

Directors and executive officers of Group companies recognize the importance of risk management and are responsible for notifying employees of risk management policy as well as working to develop and properly operate risk management systems.

In addition, Japan Post Holdings Co. has a Risk Management Department for the purpose of monitoring risk for the entire Japan Post Group. The Risk Management Department receives reports from and has discussions with Group companies on matters related to their risk management, thereby setting up a system to properly identify and monitor risk for the Group as a whole.

The executive officer in charge of risk periodically submits Group company risk management reports to the

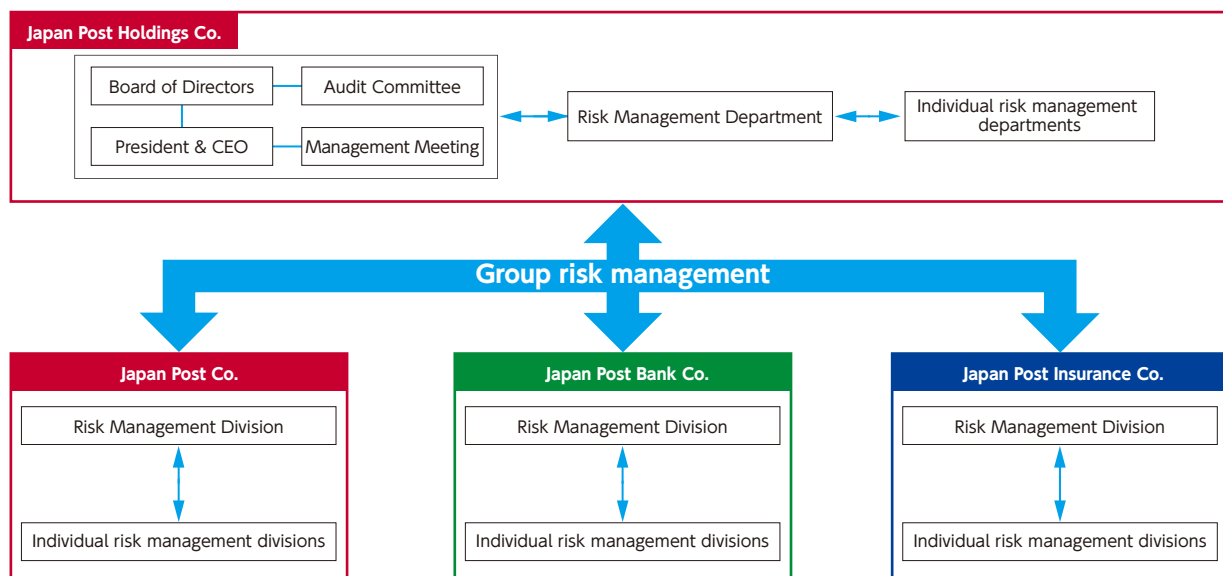
Board of Directors and the Management Meeting. The Management Meeting also discusses the Group's risk management policies and risk management systems. In addition, the Board of Directors appropriately supervises executive officers who execute business.

Japan Post Group pays particular attention to preventing any conflicts of interest when determining the authority and responsibility of organizations, executives and employees who engage in risk management and has a system in place that ensures appropriate checks and balances among these parties.

Japan Post Bank Co. and Japan Post Insurance Co. are exposed to market risk, credit risk and other types of risk that are unique to the provision of financial services. Each Group company identifies risks to be quantified and then uses VaR (value at risk, a measure of the maximum expected loss that could occur due to events with a certain probability) and other methods to objectively and appropriately measure these risks in a uniform manner.

Japan Post Holdings Co. manages risk by confirming that the amount of risk measured at each of these two

Risk Management Framework for Japan Post Group



companies is suitable in relation to each Group company's equity capital.

Japan Post Holdings Co. also checks the implementation status of stress tests conducted by Group companies to ascertain risks that cannot be determined through normal risk measurement, and reports this to the Board of Directors and the Management Meeting. In addition, Japan Post Holdings Co. and Japan Post Group follow internal and external financial regulations to carry out management corresponding to the capital adequacy ratio and solvency

Japan Post Group Risk Management System

Managing risk at Japan Post Group companies is recognized as one of management's highest priorities. After specifying risks associated with each business activity, each Group company has established a management system in accordance with the characteristics of each risk based on the basic policy for Group risk management and

margin ratio, as well as respond or make disclosures as necessary, such as by submitting reports in response to demands from regulatory authorities.

Operational risk is managed for the business activities of Japan Post Co., Japan Post Bank Co. and Japan Post Insurance Co. Operational risk management is monitored on a regular basis to properly supervise this risk. In addition, actions are taken to enable Group companies to work more closely together to prevent the recurrence of problems and strengthen risk management.

manages those risks autonomously. A department responsible for managing risk has been set up in each Group company and a system for checks and balances has been created together with the individual risk management departments.

Risk Categories and Definitions

Risk category	Definition
Insurance underwriting risk	The risk of losses arising due to change in economic conditions or insurance accident occurrence ratios as opposed to the projections made at the time when insurance premiums were set.
Credit risk	The risk of losses arising from the decline or elimination of the value of assets (including off-balance-sheet assets) due to deterioration in the financial condition of an entity to which credit is provided.
Market risk	The risk of loss resulting from changes in the value of assets and liabilities (including off-balance-sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates and stock prices and the risk of losses resulting from changes in earnings generated from assets and liabilities. There are three material market risks as follows:
1) Interest rate risk	The risk of losses resulting from changes in interest rates. As a result of a mismatch of interest rates on its assets and liabilities and/or timing differences in the maturity thereof, the company may suffer a loss or a decline in profit due to changes in interest rates.
2) Price volatility risk	The risk of declines in the value of assets due to changes in the prices of securities and other financial instruments.
3) Foreign exchange risk	The risk of losses resulting from the difference between assumed and actual foreign exchange rates in the case where the company has a long position or short position on a net basis with regard to its assets and liabilities denominated in foreign currencies.
Asset investment risk	The risk of losses arising from fluctuations in the values of assets or liabilities held (including off-balance-sheet items). Asset investment risk consists of the following credit, market and real estate investment risks.
1) Credit risk	Same as credit risk above

Risk category	Definition
2) Market risk	Same as market risk above
3) Real estate investment risk	The risk of losses due to decline in profitability of real estate caused by the changes of rental rates, or due to decrease in the value of real estate itself caused by factors such as changes in market conditions.
Liquidity risk	(1) Funding-liquidity risk: The risk of losses because a company finds it difficult to secure the necessary funds or is forced to obtain funds at far higher interest rates or the company must unavoidably trade at remarkably lower prices than usual under normal conditions because of a worsening financial condition. (2) Market-liquidity risk: the risk of losses arising due to an inability to conduct market transactions or the need to conduct transactions at far more unfavorable prices because of market turmoil.
Operational risk	The risk of losses resulting from inadequate operation processes, inadequate activities by officers and employees and inadequate systems or from external events. There are three categories of operational risk that apply to the entire Group: (1) administrative risk, (2) IT system risk and (3) information assets risk.
1) Administrative risk	The risk of losses resulting from the neglect by officers and employees to conduct administrative work properly, accidents caused by them and violation of laws conducted by them in the course of the administrative work process.
2) IT system risk	The risk of losses because of a breakdown or malfunctioning of computer systems or other computer system inadequacies, or because of improper use of computer systems.
3) Information assets risk	The risk of losses arising from the loss, falsification, inappropriate use, or external leakage of information due to IT system damage or inappropriate processing.

Japan Post Group Internal Audit System

Japan Post Group has established an effective internal audit system at each Group company in order to ensure sound administration and proper operations aimed at building customer trust.

Japan Post Group Internal Audit System Framework

Japan Post Group sets forth the fundamental matters necessary to create an internal audit system framework in the Group agreements.

Based on these agreements, each Group company develops an effective internal audit system framework befitting the nature of its business and the type and degree of risk.

The Internal Audit Department of Japan Post Holdings Co. monitors the audit regulations, audit plans and progress

of audits of the Internal Audit Departments of Japan Post Co., Japan Post Bank Co. and Japan Post Insurance Co. from the perspective of enhancing the internal audit system framework of the entire Group.

This Internal Audit Department also evaluates and examines the internal audit systems of Group companies and provides guidance and advice, as well as makes recommendations for improvements and directly undertakes audits when required.

Internal Audit System at Group Companies

1. Overview

Each Group company has an Internal Audit Department independent from the business-executing departments which conducts internal audits from an independent and objective standpoint.

In addition, the scope of the internal audits extends to all business sites and administrative affairs, so each Group company has set up an Internal Audit Department at its head office. Besides this, Japan Post Co., which has approximately 24,000 post offices, has established audit offices at 50 locations nationwide. This ensures that internal audits are carried out at a sufficient frequency and in appropriate detail.

2. Implementation of Effective Internal Audits

The Internal Audit Department of each Group company conducts risk-based internal audits, in which audit frequency and audit items are determined by evaluating specific types and extent of risks in the branches and departments or operations within the scope of the internal audit.

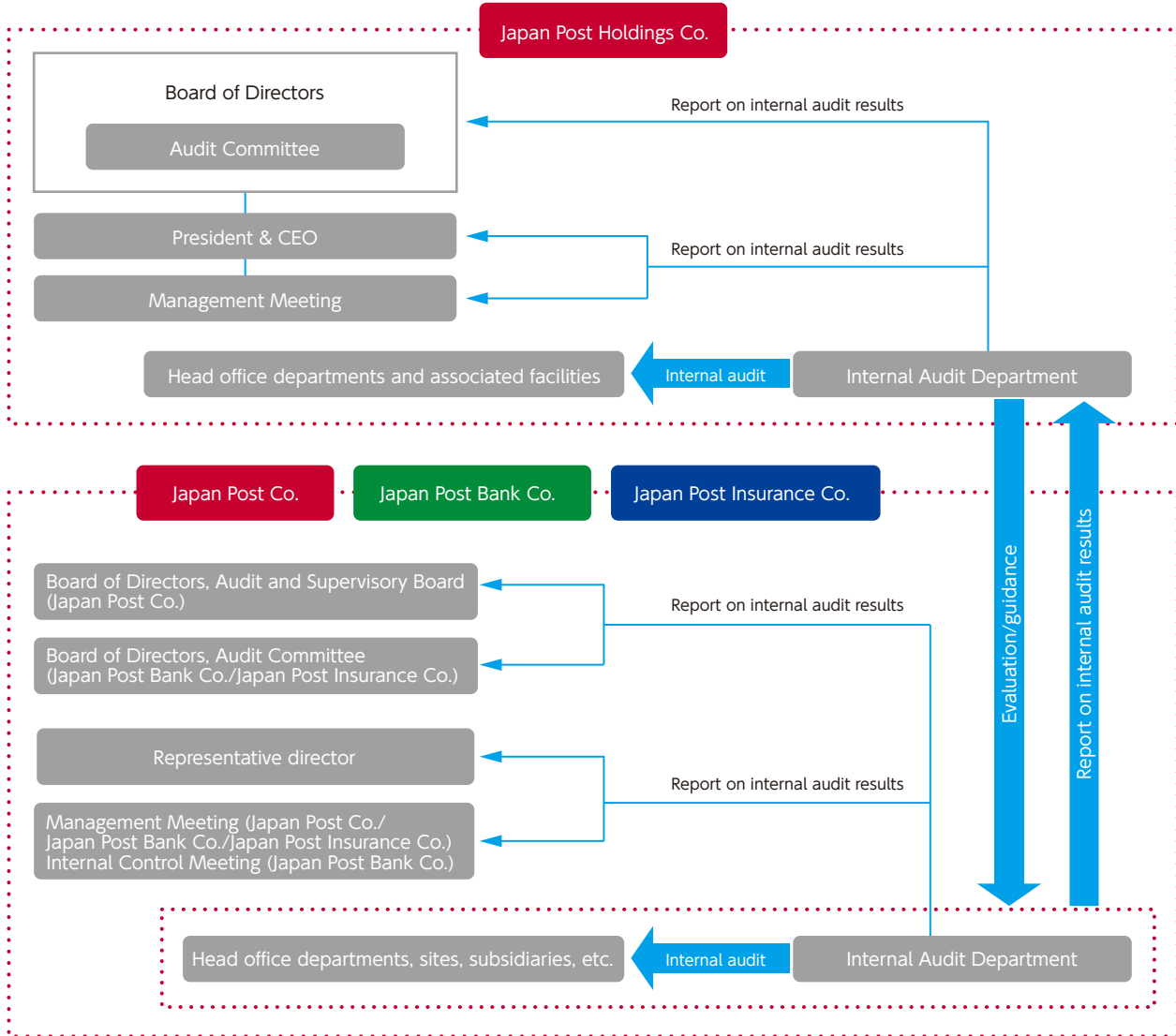
In addition, efforts are made to ensure efficient and effective internal audits through off-site monitoring that includes routinely attending various meetings and gathering relevant internally managed materials, as well as obtaining insights from audit firms and specialists through seminars and other occasions both internally and externally to improve the quality of audits.

3. Reporting on Results of Internal Audits and Making Improvements

The Internal Audit Department of each Group company reports on internal audit results to the business-executing departments as well as to the Board of Directors, representative director, Audit Committee and Board of Corporate Auditors.

Moreover, each Internal Audit Department works to improve operations at their respective companies. To this end, progress reports of improvement requests indicated in audit reports are periodically made to the representative director.

Japan Post Group Internal Audit Framework



Japan Post Group Customer Satisfaction

Customer-Oriented Business Conduct

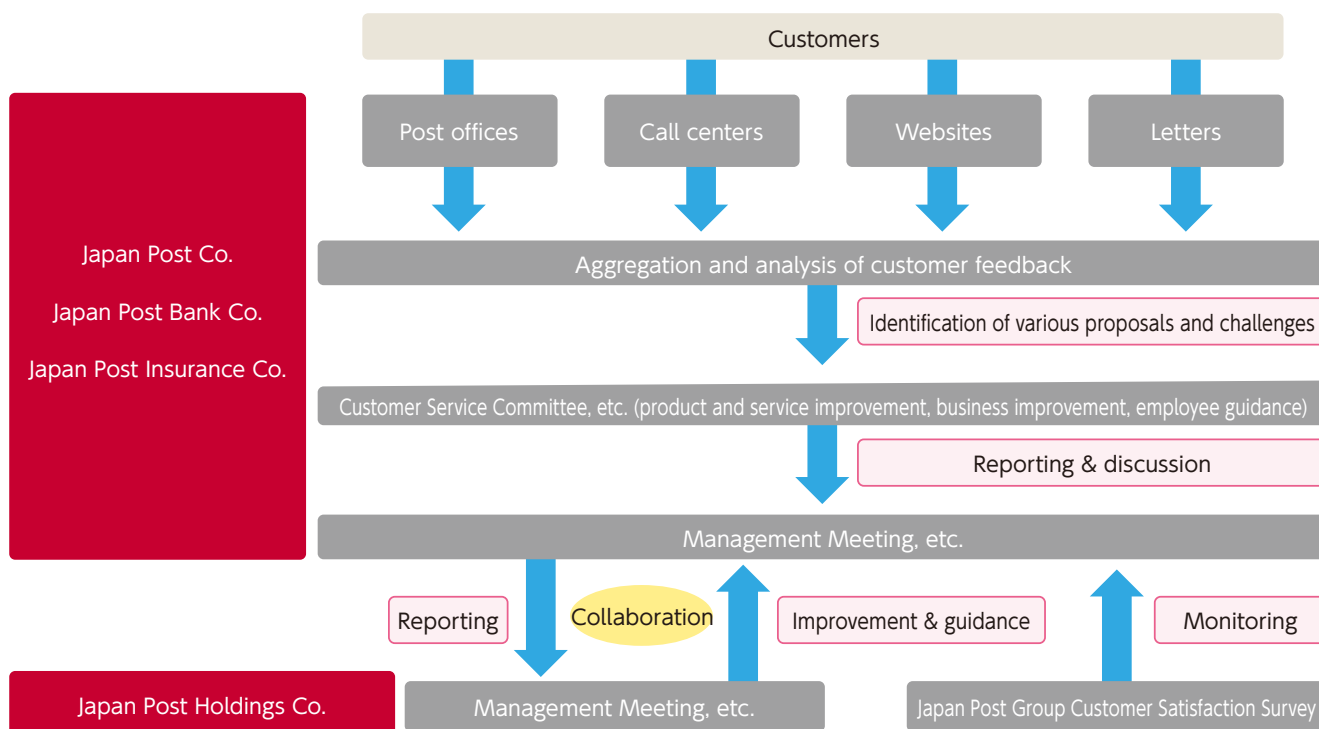
Japan Post Group works to conduct a customer-oriented business as it states in Japan Post Group Management Philosophy, “Stressing the security and confidence of Japan Post Group network, the Group, as a private corporation, is demonstrating creativity and efficiency to the greatest extent possible and will provide customer-oriented services, support the lives of customers in local communities and aim for the happiness of customers and employees.”

*For details, please refer to the Japan Post Holdings Co. website (<https://www.japanpost.jp/corporate/fiduciary.html>) (in Japanese).

Listening to Customers' Feedback

Japan Post Group aggregates and analyzes customer feedback and makes required improvements with the aim of providing products and services that bring customer satisfaction.

Initiatives to incorporate customer opinions into management



Example of improvements made based on customers' feedback

Company	Customers' feedback	Improvements
Japan Post Co.	I wish there were more self-adhesive stamps with simple designs I can use for business, not just those with flowery designs or animation characters.	Issued self-adhesive stamps with simple designs, “Greeting Stamps (Simple ¥82).”
Japan Post Bank Co.	I wish it was easier to find Japan Post Bank ATMs.	Introduced the “Japan Post Bank ATM Finder App” that allows users to search for their nearest Japan Post Bank ATM based on current or other specified location, and guides them to the ATM.
Japan Post Insurance Co.	So many documents require a personal seal, so I wish more processes could be done without one.	Expanded the range of processes that can be completed without a personal seal by having customers sign for processes that previously required a personal seal.

Initiatives to Improve Customer Satisfaction

Japan Post Group is working to improve customer satisfaction by enhancing response skills at post offices and sharing information about appreciation or praise received from customers.



Preventing damages from special of fraud



Post office helped to prevent damages from bank transfer fraud, which has recently become a major social problem, and received certificates of appreciation for these efforts.

Japan Post Group Customer Satisfaction Survey

Japan Post Holdings Co. conducts a survey on customer satisfaction levels and intentions of use at post offices in order to accurately ascertain customer opinions on products and services and respond to new needs.

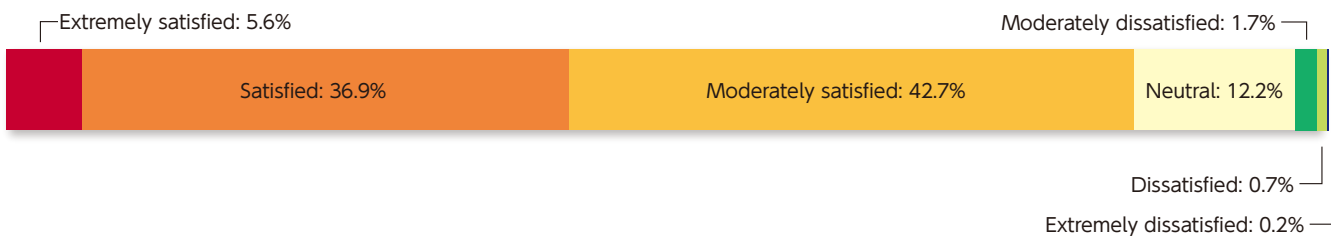
Japan Post Group will continue to regularly conduct surveys as a means of further improving customer satisfaction and the results of analysis of issues and other aspects learned through these surveys will be actively reflected in management operations.

Overall Group Satisfaction

How satisfied are you with post offices overall*?

* "Overall" refers to counter operations and telephone support, quantity and types of products and services handled by post offices, business days and hours, and facilities.

◇(Satisfied: 85.2% Dissatisfied: 2.6%)



For survey results regarding various Group services, please refer to <https://www.japanpost.jp/group/pdf/cs2017.pdf> (in Japanese).

Initiatives for Transportation Safety

Basic Approach

Top management at Japan Post Co. views the assurance of health and safety as fundamental to business management, so we are working together to realize a safe environment where employees can work with peace of mind.

Specifically, we are working on “maintenance, reform and improvement of health and safety management,” “compliance with laws and company regulations,” “strengthening of measures to ensure health and safety during collection and distribution, sales activities and other work done at post offices,” and “educating all employees on ensuring health and safety, while evaluating and improving on the results.”

Initiatives

General Initiatives

In order to improve hazard awareness, employees undergo several types of daily training before engaging in delivery and collection work every day. This includes hazard prediction training (SKYT), which teaches them to visualize latent hazards by viewing photos of delivery environments. Additionally, staff on two-wheeled vehicles must ride on a narrow elevated platform for a certain length of time, and for four-wheeled vehicles they must drive without drifting outside the designated boundary lines and then make a complete stop just before the stop line.

Regular safety education is also conducted at least once a year, with instructors accompanying delivery and collection staff outside of the post office to check their driving skills and provide guidance.

Safe Driving Instruction Leaders

Japan Post Co. stations safe driving instructors who are responsible for teaching safe driving techniques at post offices that conduct delivery and collection work.

The “Safe Driving Instruction Leader Contest” is held to further hone their skills. Instructors compete to see who has the most expert knowledge of advanced driving skills on two-wheeled and four-wheeled vehicles. (62 instructors competed in two-wheeled and four-wheeled vehicle contests for a total of 124 participants in the year ended March 31, 2018.)



Safe Driving Instruction Leader Contest



Daily training

Transportation Safety Record

Number of Serious Accidents

Goal: 0

Actual for the year ended March 31, 2018: 2 (1 fatal accident, 1 vehicle failure)

TOPICS

Sponsoring the Tokyo 2020 Olympic and Paralympic Games

Japan Post Co. is supporting the Tokyo 2020 Olympic and Paralympic Games after concluding the “Tokyo 2020 Official Partner (Postal Services)” Agreement as part of the Tokyo 2020 Sponsorship Programme with the Tokyo Organising Committee of the Olympic and Paralympic Games.

We will continue to contribute to the success of the Tokyo 2020 Games and the activities of participating Japanese athletes.



Tokyo 2020 Official Partner (Postal Services)

PyeongChang 2018 Winter Games — Official Commemorative Stamps of Japanese Medalists

Two days after medal ceremonies were held for Japanese athletes at the PyeongChang 2018 Olympic and Paralympic Winter Games held from February to March 2018, we launched these commemorative stamps for the medal-winning athletes (PyeongChang 2018 Winter Games — Official Commemorative Stamps of Japanese Medalists) at 10 central post offices across Japan, which were well received by the public.

We released a total of 23 commemorative stamps, 13 for the Olympic Games and 10 for the Paralympic Games.



JOC Officially Licensed Product
©JOC/TOKYO2020



JPC Officially Licensed Product
©JPC/TOKYO2020

*Japan Post Co. is a JOC/JPC (Japanese Olympic/Paralympic Committees) Official Partner (Postal Services).

Cooperation with the “Tokyo 2020 Medal Project: Towards an Innovative Future for All”

Japan Post Co. endorses the “Tokyo 2020 Medal Project: Towards an Innovative Future for All” conducted by the Tokyo Organising Committee of the Olympic and Paralympic Games. In September 2017, we provided approximately 30,000 mobile phones that were to be replaced at post offices across Japan to the Tokyo 2020 Games as their first sponsor.

Since March 2018, we have set up used mobile phone collection boxes at approximately 3,000 post offices nationwide and been calling for customer cooperation to donate their used mobile phones.



Japan Post Group's Support for Sports Activities

1 Women's Athletics Team

Japan Post Group Women's Athletics Team was founded in 2014 with the aims of fostering a sense of unity among Group employees and contributing to the community and society through sports. The team enters various middle- and long-distance running competitions, mainly road relay races (*ekiden*), where runners are connected by a sash much like how our postal services connect people by mail.

In the fiscal year ended March 31, 2018, two team members represented Japan at the International Association of Athletics Federations (IAAF) World Championships held in London. The team also competed in the 37th All-Japan Women's Corporate Ekiden Championships (Queens Ekiden in Miyagi) where they finished in third place and became seeded as a result. Moreover, Hanami Sekine made her marathon debut at the Nagoya Women's Marathon 2018 which marked a major milestone in the team's legacy when she earned a spot in the Marathon Grand Championship (MGC), the qualifying trial to represent Japan in the 2020 Tokyo Olympics. In the fiscal year ending March 31, 2019, the team will work as one to achieve even greater leaps forward.

Major Activities and Results in fiscal year ended March 31, 2018

Month/Year	Activity/Competition	Athlete	Result	Record
June 2017	101st Japan National Championships (women's 10000 m finals)	Ayuko Suzuki Hanami Sekine	2nd 6th	31:41.65 32:23.83
June 2017	101st Japan National Championships (women's 5000 m finals)	Rina Nabeshima Ayuko Suzuki	1st 2nd	15:19.87 15:20.50
August 2017	16th IAAF World Championships (London, 2017) (women's 10000 m finals)	Ayuko Suzuki	10th (out of 31 runners)	31:27.30*1
August 2017	16th IAAF World Championships (London, 2017) (women's 5000 m preliminary round)	Ayuko Suzuki Rina Nabeshima	14th in Heat 1 (26th overall) 9th in Heat 2 (18th overall)	15:24.86 15:11.83*2
November 2017	37th All-Japan Women's Corporate Ekiden (Queens Ekiden in Miyagi) Leg 1: Ayuko Suzuki Leg 2: Eri Utsunomiya Leg 3: Rina Nabeshima Leg 4: Chitose Shibata Leg 5: Hanami Sekine Leg 6: Nozomi Terauchi	Japan Post Group	3rd	2:17:54
March 2018	Nagoya Women's Marathon 2018	Hanami Sekine	3rd (1st of Japanese runners)	2:23:07*3

*1 Ranked 1st in Japan for women's 10000 m in the fiscal year ended March 31, 2018

*2 Ranked 2nd in Japan for women's 5000 m in the fiscal year ended March 31, 2018

*3 Fourth fastest marathon debut record in Japan; ranked 2nd in Japan for women's marathon in the fiscal year ended March 31, 2018



Ayuko Suzuki and Rina Nabeshima at awards ceremony of the 101st Japan National Championships 5000 m race
©PHOTO KISHIMOTO



Hanami Sekine at the Nagoya Women's Marathon 2018

©PHOTO KISHIMOTO



Members as of April 1, 2018

2 Japan Post Insurance Co. Becomes Top Partner of the Japan Wheelchair Tennis Association

In April 2018, Japan Post Insurance Co. became a top partner of the Japan Wheelchair Tennis Association (Chairperson: Eri Maeda).

In addition, the company served as a special supporter for the 34th International Wheelchair Tennis Championships in Iizuka (Japan Open 2018) held May 14-19, 2018 and hosted by the Japan Wheelchair Tennis Association and the Kyushu Wheelchair Tennis Association.

Japan Post Insurance Co. will continue to contribute to creating a more diverse society through its active support for wheelchair tennis.

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1. Outline of Japan Post Holdings Co., Ltd.

1 Company Outline

Company name (in Japanese):	Nippon Yusei Kabushiki Kaisha
Company name:	JAPAN POST HOLDINGS Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥3,500 billion
Date of establishment:	January 23, 2006
Legal basis:	Established under the Japan Post Holdings Co., Ltd. Act (Law No. 98 of October 21, 2005)
Lines of business:	Strategy formulation of Group management

2 Information on Shares

(As of March 31, 2018)

1. Number of Shares

Total number of authorized shares	18,000,000,000
Total number of issued shares	4,500,000,000
Total number of Shareholders	722,030

2. Major Shareholders

	Capital contribution to the company	
	Number of shares held	Shareholding ratio
Minister of Finance	2,559,524,700	63.29%
The Master Trust Bank of Japan, Ltd. (Trust Account)	64,897,200	1.60%
Japan Post Holdings Employee Shareholding Association	53,482,600	1.32%
Japan Trustee Services Bank, Ltd. (Trust Account)	48,946,200	1.21%
STATE STREET BANK WEST CLIENT - TREATY 505234	28,562,920	0.70%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	20,721,700	0.51%
JP MORGAN CHASE BANK 385151	17,866,948	0.44%
STATE STREET BANK AND TRUST COMPANY 505225	15,932,272	0.39%
STATE STREET BANK - WEST PENSION FUND CLIENTS - EXEMPT 505233	15,745,500	0.38%
THE BANK OF NEW YORK 133524	15,645,600	0.38%

Note 1: Japan Post Holdings Co. holds 456,139,201 shares of treasury stock, which are not included in the above list of major shareholders.

Note 2: The shareholding ratio is calculated by deducting treasury stock from the total number of issued shares.

3. Matters Concerning Stock Acquisition Rights

None.

3 Number of Employees

2,422 (as of March 31, 2018)

* The number of employees excludes employees assigned to other companies by Japan Post Holdings Co., Ltd. but includes employees assigned to Japan Post Holdings Co., Ltd. by other companies. The figures do not include part-time employees (including the indefinite-term employees (associates) based on the indefinite-term employment conversion system).

(As of June 22, 2018)

1. Directors

President & CEO (Representative Executive Officer).....	Masatsugu Nagato (Concurrently holds the positions of Director of Japan Post Co., Ltd., Director of Japan Post Bank Co., Ltd., and Director of Japan Post Insurance Co., Ltd.)
Senior Executive Vice President (Representative Executive Officer) ...	Yasuo Suzuki (Concurrently holds the position of Director of Japan Post Co., Ltd.)
Director	Norito Ikeda (Concurrently holds the position of Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd.)
Director	Kunio Yokoyama (Concurrently holds the position of President & CEO (Representative Executive Officer) of Japan Post Co., Ltd.)
Director	Mitsuhiko Uehira (Concurrently holds the position of Director and President, CEO Representative Executive Officer of Japan Post Insurance Co., Ltd.)
Director	Riki Mukai
Director (Outside)	Miwako Noma (Concurrently holds the position of Representative Director of Nippon Gurashi Co., Ltd.)
Director (Outside)	Akio Mimura (Concurrently holds the position of Senior Adviser to the Board and Honorary Chairman of Nippon Steel & Sumitomo Metal Corp.)
Director (Outside)	Tadashi Yagi (Concurrently holds the position of Adviser to K. K. Kyodo News)
Director (Outside)	Kunio Ishihara (Concurrently holds the position of Senior Adviser to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.)
Director (Outside)	Charles Ditmars Lake II (Concurrently holds the position of Chairman and Representative Director of Aflac Life Insurance Japan Ltd.)
Director (Outside)	Michiko Hirono (Concurrently holds the position of Representative Director and President of 21 Lady Co., Ltd.)
Director (Outside)	Norio Munakata (Attorney)
Director (Outside)	Tsuyoshi Okamoto (Concurrently holds the position of Director, Senior Corporate Adviser to Tokyo Gas Co., Ltd.)
Director (Outside)	Miharu Koezuka (Concurrently holds the position of Adviser to Takashimaya Co., Ltd.)

2. Executive Officers (Excludes persons with concurrent posts in the above 1. Directors)

Executive Vice President (Representative Executive Officer)	Toshihide Komatsu	Managing Executive Officer	Susumu Tanaka
Executive Vice President (Representative Executive Officer)	Yoshifumi Iwasaki	Managing Executive Officer	Nobuyasu Kato
Senior Managing Executive Officer	Noboru Ichikura	Executive Officer	Makoto Sakurai
Senior Managing Executive Officer	Kazuhide Kinugawa	Executive Officer	Tsutomu Shomura
Senior Managing Executive Officer	Atsuhiko Ikeda	Executive Officer	Mamiko Izumi
Senior Managing Executive Officer	Toru Inasawa	Executive Officer	Shinji Denishi
Senior Managing Executive Officer	Tetsuya Senda	Executive Officer	Noriko Kinoshita
Managing Executive Officer	Kenji Fukumoto	Executive Officer	Katsuhiko Sato
Managing Executive Officer	Kimihiko Oku	Executive Officer	Seiji Yukino
Managing Executive Officer	Yoshiharu Miyazaki	Executive Officer	Toshitaka Shima
Managing Executive Officer	Hiroaki Kawamoto	Executive Officer	Kozo Otaka
Managing Executive Officer	Kenji Ogata	Executive Officer	Nobuo Tsuruda
Managing Executive Officer	Chikashi Isayama	Executive Officer	Makoto Kazamatsuri
Managing Executive Officer	Kunio Tanigaki	Executive Officer	Hitoshi Arawaka

3. Nomination Committee

Chairperson	Akio Mimura
Member	Kunio Ishihara
Member	Masatsugu Nagato

4. Audit Committee

Chairperson	Tadashi Yagi
Member	Miwako Noma
Member	Norio Munakata
Member	Miharu Koezuka
Member	Riki Mukai

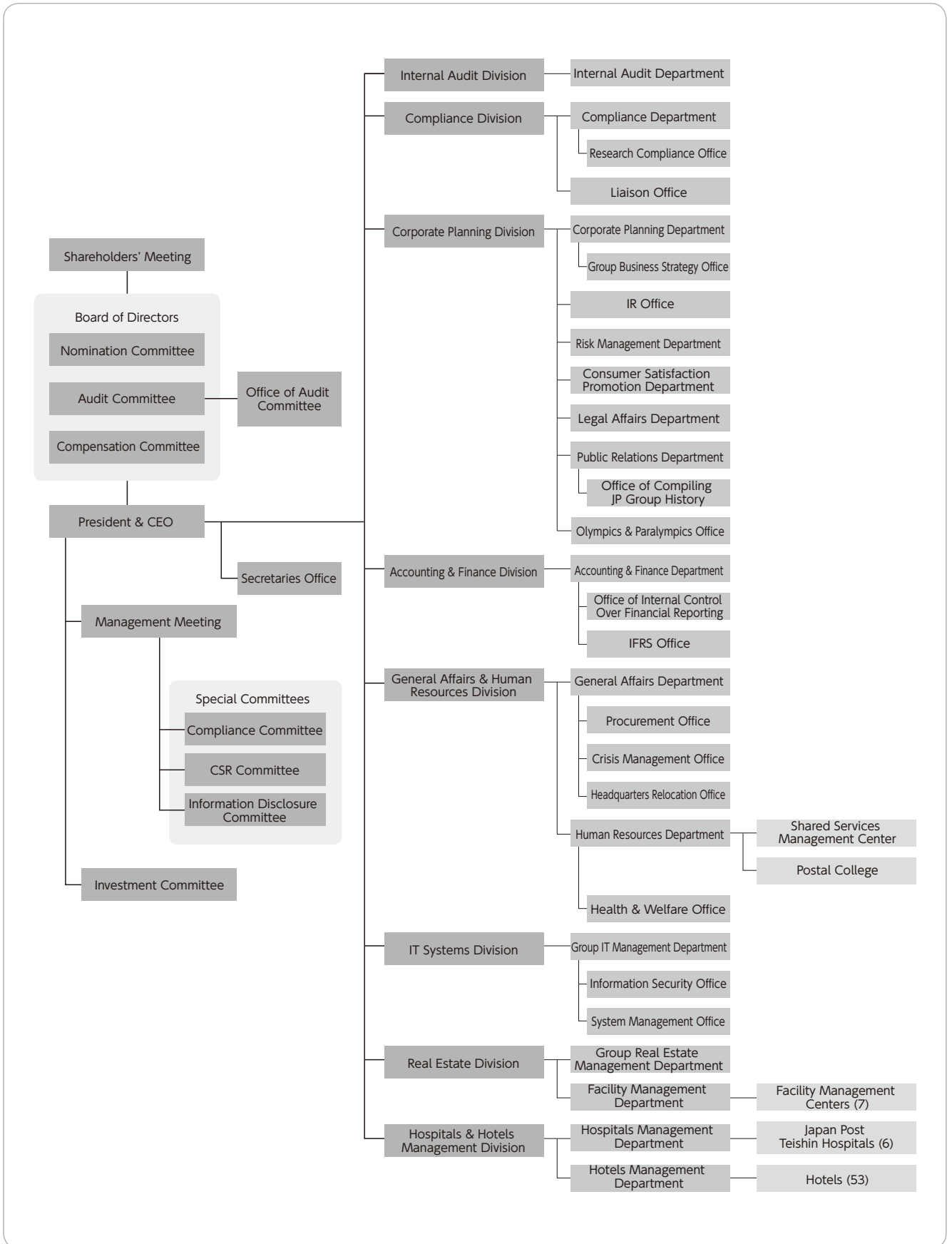
5. Compensation Committee

Chairperson	Tsuyoshi Okamoto
Member	Tadashi Yagi
Member	Masatsugu Nagato

5

Organization Chart

(As of July 1, 2018)



6

Principal Subsidiaries and Affiliates of Japan Post Holdings Co.

(As of March 31, 2018)

Affiliation	Company name	Location	Issued capital (millions)	Main business	Date of establishment	Percentage ownership of voting rights	
Consolidated subsidiaries	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000	Postal and logistics business, financial services counter sales business	October 1, 2007	100.0%	
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Truck cargo transportation	November 30, 2007	100.0% (100.0%)	
	Japan Post Delivery Co., Ltd.	Chuo-ku, Tokyo	¥400	Collection and delivery of Yu-Pack and other items	April 1, 2014	100.0% (100.0%)	
	JAPAN POST MAINTENANCE Co., Ltd.	Koto-ku, Tokyo	¥50	Automobile maintenance and machinery maintenance business, product sales business, vehicle maintenance and management business	March 31, 1991	100.0% (100.0%)	
	JP Logi Service Co., Ltd.	Chuo-ku, Osaka-shi, Osaka	¥34	Preparation and posting of postal items, parcels and mail items	October 15, 1968	67.6% (67.6%)	
	JAPAN POST SANKYU GLOBAL LOGISTICS CO., LTD.	Chuo-ku, Tokyo	¥300	International air freight forwarding	July 1, 2008	60.0% (60.0%)	
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Preparation and posting of postal items	February 1, 2006	58.5% (58.5%)	
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥300	Planning, development and sales of direct mail and contracted shipment of merchandise	February 29, 2008	51.0% (51.0%)	
	Tokyo Beiyu Co., Ltd.	Meguro-ku, Tokyo	¥22	Petroleum sales business	March 10, 1949	75.4% (75.4%)	
	Japan Post Trading Service Co., Ltd.	Koto-ku, Tokyo	¥100	Merchandise business, contracting business for merchandise operations	September 11, 2007	100.0% (100.0%)	
	Japan Post Building Management Co., Ltd.	Chiyoda-ku, Tokyo	¥150	Property management for commercial buildings	April 1, 2011	100.0% (100.0%)	
	Japan Post Communications Co., Ltd.	Minato-ku, Tokyo	¥350	Operations related to posting advertisements in post offices	August 8, 2014	100.0% (100.0%)	
	JAPAN POST OFFICE SUPPORT Co., Ltd.	Minato-ku, Tokyo	¥100	Merchandise sales, facilities management and contracting business	March 16, 1971	100.0% (100.0%)	
	JP GENERAL INSURANCE AGENCY Co., Ltd.	Chiyoda-ku, Tokyo	¥20	Non-life insurance and automobile liability insurance agency business	August 7, 1950	70.0% (70.0%)	
	JP MITSUKOSHI MERCHANDISING Co., Ltd.	Koto-ku, Tokyo	¥50	Mail-order business, wholesale, others	April 1, 2014	60.0% (60.0%)	
	YY Gift Co., Ltd.	Nishi-ku, Yokohama-shi, Kanagawa	¥20	Sales of catalog products, mail-order business, agency business for sales of alcohol	April 23, 1996	51.0% (51.0%)	
	JP TOKYO TOKUSENKAI Co., Ltd.	Taito-ku, Tokyo	¥30	Sales of catalog products, mail-order business	March 2, 2015	51.0% (51.0%)	
	Toll Holdings Limited	Melbourne, Australia	AUD2,978	Forwarding business, 3PL business, express business	June 20, 1986	100.0% (100.0%)	
	JAPAN POST BANK Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000	Banking business	September 1, 2006	89.0%	
	Japan Post Investment Corporation	Chiyoda-ku, Tokyo	¥750	Banking business (securities investment management business)	February 9, 2018	75.0% (75.0%) [25.0%]	
	JAPAN POST INSURANCE Co., Ltd.	Chiyoda-ku, Tokyo	¥500,000	Life insurance business	September 1, 2006	89.0%	
	JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.	Shinagawa-ku, Tokyo	¥500	Life insurance businesses (commissioning of design, development, maintenance and operation of information systems)	March 8, 1985	100.0% (100.0%)	
	JAPAN POST STAFF Co., Ltd.	Minato-ku, Tokyo	¥640	Others (temporary staffing service, contracted business)	July 3, 2007	100.0%	
	YUSEI CHALLENGED CO., Ltd.	Setagaya-ku, Tokyo	¥5	Other businesses (office cleaning)	November 20, 2007	100.0%	
	Japan Post Hotel Service Co., Ltd.	Chuo-ku, Saitama-shi, Saitama	¥39	Other businesses (contracted hotel management)	December 25, 1996	100.0%	
	Japan Post Information Technology Co., Ltd.	Shinjuku-ku, Tokyo	¥3,150	Other businesses (communication network maintenance and management)	January 30, 1987	100.0%	
	Japan Post Capital Co., Ltd.	Chiyoda-ku, Tokyo	¥1,500	Other businesses (investment business, consulting business for management and financial matters)	November 1, 2017	100.0%	
	JP TOWAY CONTACT Co., Ltd.	Nishi-ku, Osaka-shi, Osaka	¥182	Others (telemarketing services)	April 18, 1988	82.9% (82.9%)	
		and 236 other companies					

Affiliation	Company name	Location	Issued capital (millions)	Main business	Date of establishment	Percentage ownership of voting rights
Affiliated companies accounted for under the equity method	SAISON ASSET MANAGEMENT Co., Ltd.	Toshima-ku, Tokyo	¥1,000	Type II financial instruments business operation and investment trust management business, others	June 12, 2006	40.0% (40.0%)
	JA FOODS OITA CO., LTD.	Kitsuki-shi, Oita	¥493	Processing and sales of agricultural products, fruits and vegetables	December 2, 1991	20.0% (20.0%)
	RINGBELL Co., Ltd.	Chuo-ku, Tokyo	¥354	Planning, production and sales of gift catalogs, others	July 3, 1987	20.0% (20.0%)
	JP Asset Management Co., Ltd.	Chuo-ku, Tokyo	¥500	Type II financial instruments business operation and investment management business (investment trust management business)	August 18, 2015	50.0% (50.0%)
	SDP Center Co., Ltd.	Chuo-ku, Tokyo	¥2,000	Banking business (bank agency operations)	May 28, 1980	45.0% (45.0%)
	ATM Japan Business Service, Ltd.	Minato-ku, Tokyo	¥100	Banking business (ATM cash loading and collection as well as ATM management)	August 30, 2012	35.0% (35.0%)
	and 16 other companies					

Note: The figures in parentheses in the column showing percentage ownership of voting rights indicate the percentage of indirect ownership (within parentheses) through subsidiaries. The figures in brackets indicate "Those parties deemed to exercise voting rights for the same details as their own intentions because of the close relationships between themselves and investments, personnel, capital, technologies, business transactions, etc." or "Those parties that agree to exercise voting rights for the same details as their own intentions" (outside the parentheses).

2. Outline of Japan Post Co., Ltd.

1 Company Outline

Company name (in Japanese):	Nippon Yubin Kabushiki Kaisha
Company name:	JAPAN POST Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥400 billion
Date of establishment:	October 1, 2007
Legal basis:	Established under the Japan Post Co., Ltd. Act (Law No. 100 of October 21, 2005)
Lines of business:	Postal operations; banking counter operations; insurance counter operations; sales of documentary stamps; operations consigned by local government entities; bank and life and non-life insurance agency services other than those mentioned previously; domestic distribution and delivery business and international cargo transport and agency services for air cargo business; logistics business; real estate business; and merchandise sales

2 Management Philosophy

Management Philosophy

"Japan Post Co., Ltd. will fully utilize its resources that include its post office and delivery networks covering every corner of the country to provide safe, reliable and fast services tailored to the needs of each community while contributing to the realization of a society with an abundance of human contact by supporting people's lifestyles throughout their entire lives."

- We will provide the basic postal services of postal, banking and insurance services extensively across the country into the future.
- We will take on the challenge of providing innovative services that respond accurately to changes in society and enrich people's lives.
- We will fulfill our responsibilities as a corporate citizen by establishing corporate governance systems and strictly implementing compliance.
- Each and every employee will continue to grow to ensure we are appreciated by our customers and trusted and respected by local communities.

3 Information on Shares

(as of March 31, 2018)

1. Number of Shares

Total shares issued	10,000,000
---------------------	------------

2. Shareholder

Japan Post Holdings Co., Ltd.	Condition of holdings	
	Shares owned	Percentage of total issued
	10,000,000	100%

4 Number of Employees

193,910* (as of March 31, 2018)

* The number of employees excludes employees assigned to other companies by Japan Post Co., Ltd. but includes employees assigned to Japan Post Co., Ltd. by other companies. The figures do not include part-time employees (including the indefinite-term employees (associates) based on the indefinite-term employment conversion system).

(As of July 1, 2018)

1. Directors

Chairman	Toru Takahashi
President & CEO (Representative Executive Officer)	Kunio Yokoyama (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Senior Executive Vice President (Representative Director)	Tomohiro Yonezawa
Director	Yasuo Suzuki (Concurrently holds the position of Representative Director and Senior Executive Vice President of Japan Post Holdings Co., Ltd.)
Director	Masatsugu Nagato (Concurrently holds the position of Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director (Outside)	Risa Tanaka (Concurrently holds the position of President of The Graduate School of Project Design and Director of Media and Information of Sendenkaigi Co., Ltd.)
Director (Outside)	Kaori Sasaki (Concurrently holds the position of President and CEO of ewoman, Inc.)
Director (Outside)	Yoshikuni Sugiyama (Concurrently holds the position of Representative Director and President of Yomiuri Land Co., Ltd.)
Director (Outside)	Takako Suwa (Concurrently holds the position of Representative Director of Daiya Seiki Co. Ltd.)
Director (Outside)	Toyohiko Takabe (Formerly held the position of Representative Director and President of Nippon Telegraph and Telephone Corporation)
Director (Outside)	Akira Nokina (Concurrently holds the position of Representative Director and Vice President of Jyoko Securities Co., Ltd.)

2. Audit and Supervisory Board Member

Mitsuyuki Yamamoto
Toshiyuki Takano
Hiroshi Shidehara
Masayasu Oguro

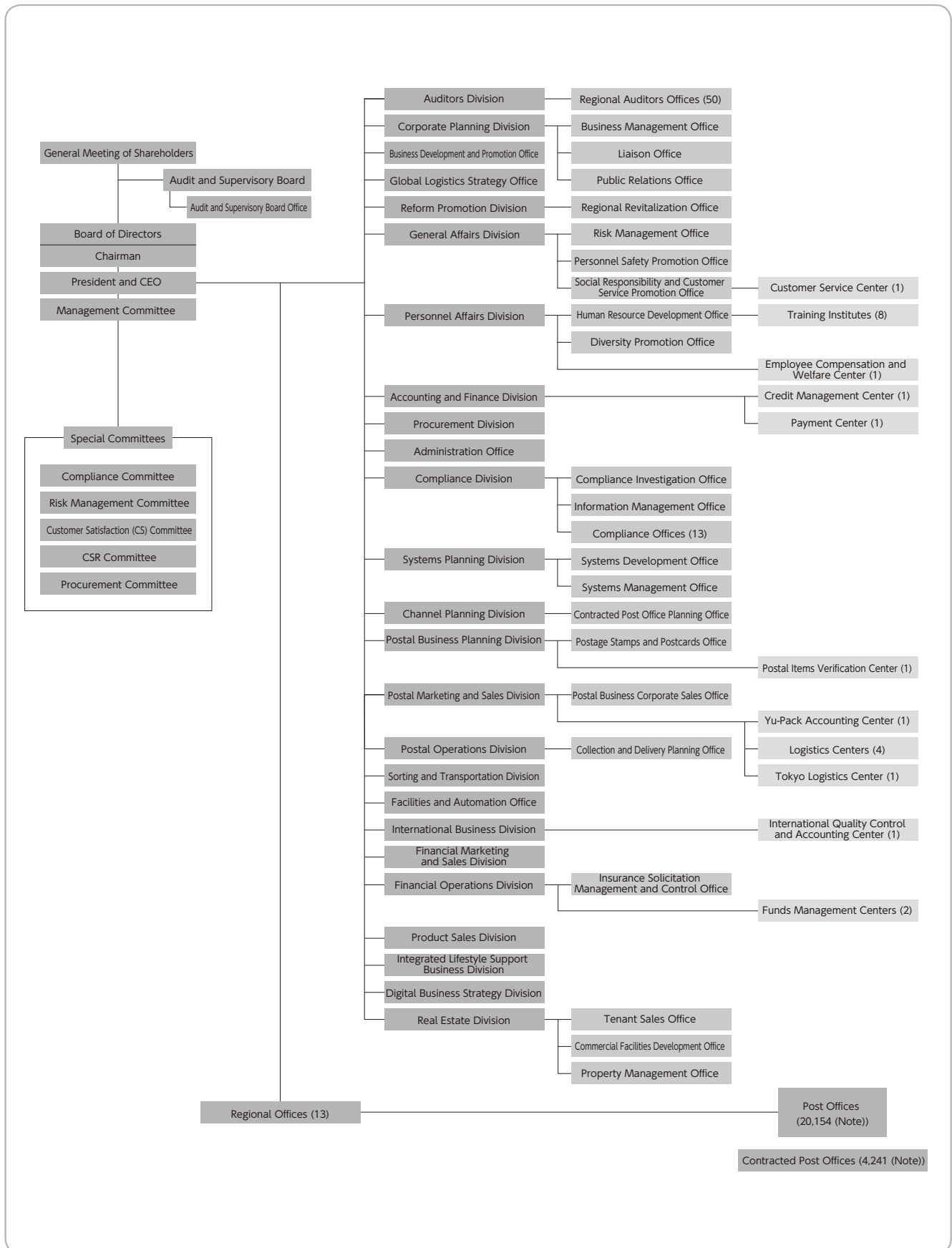
3. Executive Officers

Vice President (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Chikashi Isayama	Executive Officer (Concurrently holds the position of Executive Officer of Japan Post Holdings Co., Ltd.)	Hitoshi Arawaka (Concurrently holds the position of Executive Officer of Japan Post Holdings Co., Ltd.)
Vice President (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Kunio Tanigaki	Executive Officer	Masahiko Metoki
First Executive Officer	Makoto Osawa	Executive Officer	Atsushi Fuchie
First Executive Officer	Taneki Ono	Executive Officer	Kanako Asami
First Executive Officer	Yoshinori Suzuki	Executive Officer	Koji Kamiozaki
First Executive Officer	Yoshiyuki Higuchi	Executive Officer	Katsuyo Yamazaki
Senior Executive Officer	Tsunehiko Matsuyama	Executive Officer	Akihito Nishiguchi
Senior Executive Officer	Ryutaro Yamamoto	Executive Officer	Hiroaki Yasuda
Senior Executive Officer	Satoru Tatebayashi	Executive Officer	Yasuhiro Takahashi
Senior Executive Officer	Norio Wakasa	Executive Officer	Atsushi Hasegawa
Senior Executive Officer (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)	Yoshiharu Miyazaki	Executive Officer	Kazuyuki Negishi
Senior Executive Officer	Satoshi Higashikozono	Executive Officer	Michio Kaneko
Senior Executive Officer	Kimikazu Sano	Executive Officer	Shinya Koike
		Executive Officer	Masaaki Yamazaki

6

Organization Chart

(As of July 1, 2018)



Note: The number of directly managed post offices and contracted post offices is as of March 31, 2018.

3. Outline of Japan Post Bank Co., Ltd.

1 Company Outline

Company name (in Japanese):	Kabushiki Kaisha Yucho Ginko
Company name:	JAPAN POST BANK Co., Ltd.
Head office location:	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone:	03-3504-4411 (Japan Post Group main number)
Paid-in capital:	¥3,500 billion
Date of establishment:	September 1, 2006 (On October 1, 2007, the name was changed from Yucho Co., Ltd. to Japan Post Bank Co., Ltd.)
Line of business:	Banking
Financial institution code number:	9900

2 Management Philosophy

Management Philosophy

Japan Post Bank Co. aims to become "the most accessible and trustworthy bank in Japan," guided by the needs and expectations of our customers.

Trust:	We comply with laws, regulations, and other standards of behavior and value trusted relationships with customers, markets, shareholders, and employees and consistently serve as a responsible corporate citizen.
Innovation:	We work sincerely to improve our management and business operations in response to requests from customers and changes in the business environment.
Efficiency:	We pursue improvements in speed and efficiency of our management and business operations in order to provide customer-oriented financial instruments and services.
Expertise:	We continually strive to strengthen our expertise for the aim of services meeting the expectations of our customers.

3 Information on Shares

(as of March 31, 2018)

1. Number of Shares

Total shares issued	4,500,000,000
---------------------	---------------

2. Major Shareholders

		Shares owned	Percentage of total issued (%)
1	Japan Post Holdings Co., Ltd.	3,337,032,700	74.15
2	Japan Trustee Services Bank, Ltd. (Trust Account)	23,294,900	0.51
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	19,563,100	0.43
4	Japan Trustee Services Bank, Ltd. (Trust Account 5)	10,680,400	0.23
5	Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,342,200	0.18
6	Japan Trustee Services Bank, Ltd. (Trust Account 1)	7,997,100	0.17
7	Japan Trustee Services Bank, Ltd. (Trust Account 2)	7,901,700	0.17
8	Japan Post Bank Employee Shareholding Association	7,196,000	0.15
9	STATE STREET BANK WEST CLIENT - TREATY 505234	7,063,358	0.15
10	THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	6,301,200	0.14

Note 1: Japan Post Bank Co. holds 750,524,950 shares of treasury stock (16.67% of total issued), which are not included in the above list of major shareholders.

Note 2: The number of treasury stock does not include shares owned by the employee stock ownership trust (544,400 shares).

Note 3: Percentage of total issued has been rounded down to the second decimal place.

4 Number of Employees

13,009* (as of March 31, 2018)

* The number of employees excludes employees assigned to other companies by Japan Post Bank Co., Ltd. but includes employees assigned to Japan Post Bank Co., Ltd. by other companies. The figures do not include part-time employees (including the indefinite-term employees (associates) based on the indefinite-term employment conversion system).

5

List of Directors, Executive Officers and Management Committees

(As of July 1, 2018)

1. Board of Directors

President and Representative Executive Officer.....	Norito Ikeda (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Representative Executive Vice President.....	Susumu Tanaka (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Director	Masatsugu Nagato (Concurrently holds the position of Director and Representative Executive Officer and President & CEO of Japan Post Holdings Co., Ltd.)
Director	Ryoichi Nakazato
Outside Director	Tomoyoshi Arita (Attorney-at-Law)
Outside Director	Sawako Nohara (Concurrently holds the position of President and CEO of IPSe Marketing, Inc.)
Outside Director	Tetsu Machida (Independent Economic Journalist)
Outside Director	Nobuko Akashi (Concurrently holds the position of Board chairman of a non-profit organization, Japan Manners & Protocol Association)
Outside Director	Katsuaki Ikeda (Formerly held the position of Corporate Auditor of MS&AD Insurance Group Holdings, Inc.)
Outside Director	Hirofumi Nomoto (Concurrently holds the position of President & Representative Director of Tokyu Corporation)
Outside Director	Ryoji Chubachi (Concurrently holds the position of President of National Institute of Advanced Industrial Science and Technology)

2. Executive Officers (Excludes persons with concurrent posts in the above 1. Board of Directors)

Executive Vice President	Yoshinori Hagino	Executive Officer	Yoko Makino
Senior Managing Executive Officer	Masahiro Murashima	Executive Officer	Kunihiko Amaha
Senior Managing Executive Officer	Hiroichi Shishimi	Executive Officer	Makoto Shinmura
Senior Managing Executive Officer	Kunio Tahara	Executive Officer	Satoru Ogata
Managing Executive Officer	Masahiro Nishimori	Executive Officer	Toshiharu Ono
Managing Executive Officer	Masaya Aida	Executive Officer	Shigeyuki Sakurai
Managing Executive Officer	Harumi Yano	Executive Officer	Masatoshi Ishii
Managing Executive Officer	Suzunori Hayashi	Executive Officer	Takayuki Tanaka
Managing Executive Officer	Atsuko Onodera	Executive Officer	Shinobu Nagura
Managing Executive Officer	Kenichi Kozuka	Executive Officer	Ikuyo Kondo
Managing Executive Officer	Masato Tamaki	Executive Officer	Toshiyuki Yazaki
Managing Executive Officer	Minoru Kotouda	Executive Officer	Nobuhiro Fukuoka
		Executive Officer	Ryotaro Yamada

3. Nomination Committee

Chairman	Masatsugu Nagato
Member	Tomoyoshi Arita
Member	Hirofumi Nomoto
Member	Ryoji Chubachi

4. Audit Committee

Chairman	Tomoyoshi Arita
Member	Ryoichi Nakazato
Member	Sawako Nohara
Member	Tetsu Machida
Member	Katsuaki Ikeda

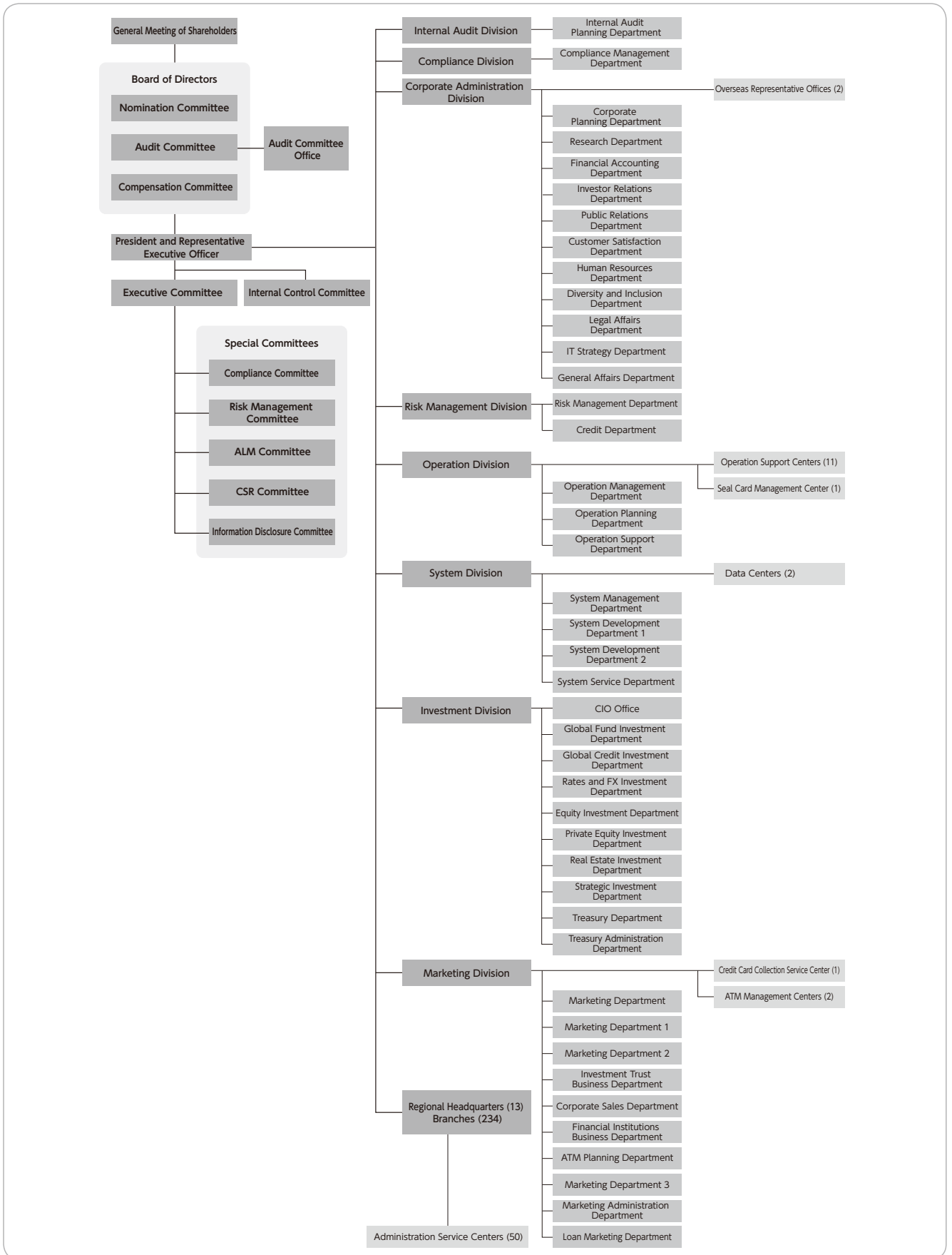
5. Compensation Committee

Chairman	Hirofumi Nomoto
Member	Masatsugu Nagato
Member	Katsuaki Ikeda
Member	Ryoji Chubachi

6

Organization Chart

(As of July 1, 2018)



4. Outline of Japan Post Insurance Co., Ltd.

1 Company Outline

Company name (in Japanese) : Kabushiki Kaisha Kanpo Seimei Hoken
Company name: JAPAN POST INSURANCE Co., Ltd.
Head office location: 3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan
Telephone: 03-3504-4411 (Japan Post Group main number)
Paid-in capital: ¥500 billion
Date of establishment: September 1, 2006
(The name of the company was changed from Kampo Co., Ltd. to Japan Post Insurance Co., Ltd., on October 1, 2007.)
Line of business: Life insurance

2 Management Philosophy and Management Policy

Management Philosophy

Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.

Management Policy

We aim to become the No.1 Japanese insurance company selected by customers.

1. We are always close to people's lives, offering easy-to-understand products and high-quality services.
2. We always ensure that employees who have contact with our customers make full use of their strengths to offer better customer services.
3. We create a working environment in which all employees can develop their talents and work with energy and vitality.
4. We practice sound management based on strong corporate governance, constantly creating new value to achieve sustainable growth.
5. We actively contribute to health promotion, environmental protection, and the development of local communities and society as a whole.
6. We work to communicate closely with all stakeholders.

3 Information on Stocks

(as of March 31, 2018)

1. Number of Shares

Issued stocks	600,000,000
---------------	-------------

2. Major Shareholders

	Investments in Japan Post Insurance Co., Ltd.	
	Number of stocks held (thousands of shares)	Ratio of number of stocks held (%)
Japan Post Holdings Co., Ltd.	534,000	89.00
Japan Trustee Services Bank, Ltd. (Trust Account)	3,706	0.62
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,377	0.40
Japan Post Insurance Employee Shareholding Association	2,022	0.34
THE BANK OF NEW YORK - JASDECNON - TREATY ACCOUNT	1,577	0.26
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,424	0.24
Japan Trustee Services Bank, Ltd. (Trust Account 2)	1,062	0.18
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1,058	0.18
Japan Trustee Services Bank, Ltd. (Trust Account 9)	898	0.15
JP MORGAN CHASE BANK 385151	890	0.15

Note 1: Number of stocks held has been truncated without rounding.

Note 2: The shareholding ratio is expressed rounding off to two decimal points.

4

Number of Employees

7,490* (as of March 31, 2018)

* The number of employees excludes employees assigned to other companies by Japan Post Insurance Co., Ltd. but includes employees assigned to Japan Post Insurance Co., Ltd. by other companies. The figures do not include part-time employees (including the indefinite-term employees (associates) based on the indefinite-term employment conversion system).

5

List of Directors, Executive Officers and Management Committees

1. Directors

(As of July 1, 2018)

Director and President, CEO, Representative Executive Officer	Mitsuhiro Uehira	(Concurrently holds the position of Director, Japan Post Holdings Co., Ltd.)
Director and Deputy President, Representative Executive Officer	Masaaki Horigane	
Director	Yasuhiro Sadayuki	
Director	Masatsugu Nagato	(Concurrently holds the position of Representative Executive Officer, President & CEO, Japan Post Holdings Co., Ltd.)
Outside Director	Shinji Hattori	(Concurrently holds the position of Chairman & Group CEO, Seiko Holdings Corporation)
Outside Director	Masako Suzuki	(Concurrently holds the position of Director, Vice President, Benefit One Inc.)
Outside Director	Tamotsu Saito	(Concurrently holds the position of Chairman of the Board of IHI Corporation)
Outside Director	Michiaki Ozaki	(Attorney-at-law)
Outside Director	Meyumi Yamada	(Concurrently holds the position of Executive Director of istyle Inc.)
Outside Director	Yoshie Komuro	(Concurrently holds the position of President of Work-Life Balance Co., Ltd.)
Outside Director	Kazuyuki Harada	(Concurrently holds the position of President & Representative Director of Keikyu Corporation)

2. Executive Officers (Excludes persons holding concurrent posts in addition to the above. 1. Directors)

Senior Managing Executive Officer	Yoshito Horie	Executive Officer	Kieko Onoki
Senior Managing Executive Officer	Yoshihiko Ido	Executive Officer	Toru Onishi
Managing Executive Officer	Yoshio Inoue	Executive Officer	Hidekazu Sakamoto
Managing Executive Officer	Hiroshi Nagaso	Executive Officer	Junko Koie
Managing Executive Officer	Atsushi Tachibana	Executive Officer	Masamichi Yokoyama
Managing Executive Officer	Shinji Ando	Executive Officer	Motonori Tanaka
Managing Executive Officer	Nobuyasu Kato	Executive Officer	Masato Hashiba
(Concurrently holds the position of Managing Executive Officer, Japan Post Holdings Co., Ltd.)			
Managing Executive Officer	Yasuaki Hironaka	Executive Officer	Takashi Iida
Managing Executive Officer	Tomoaki Nara	Executive Officer	Shinsuke Fujii
Managing Executive Officer	Nobuatsu Uchikoba	Executive Officer	Norihiro Fujimori
Managing Executive Officer	Yasumi Suzukawa	Executive Officer	Hajime Saito
Managing Executive Officer	Yoshiki Miyanishi		
Managing Executive Officer	Michiko Matsuda		

3. Nomination Committee

Chairman	Masatsugu Nagato
Member	Shinji Hattori
Member	Kazuyuki Harada

4. Audit Committee

Chairman	Michiaki Ozaki
Member	Yasuhiro Sadayuki
Member	Masako Suzuki
Member	Meyumi Yamada

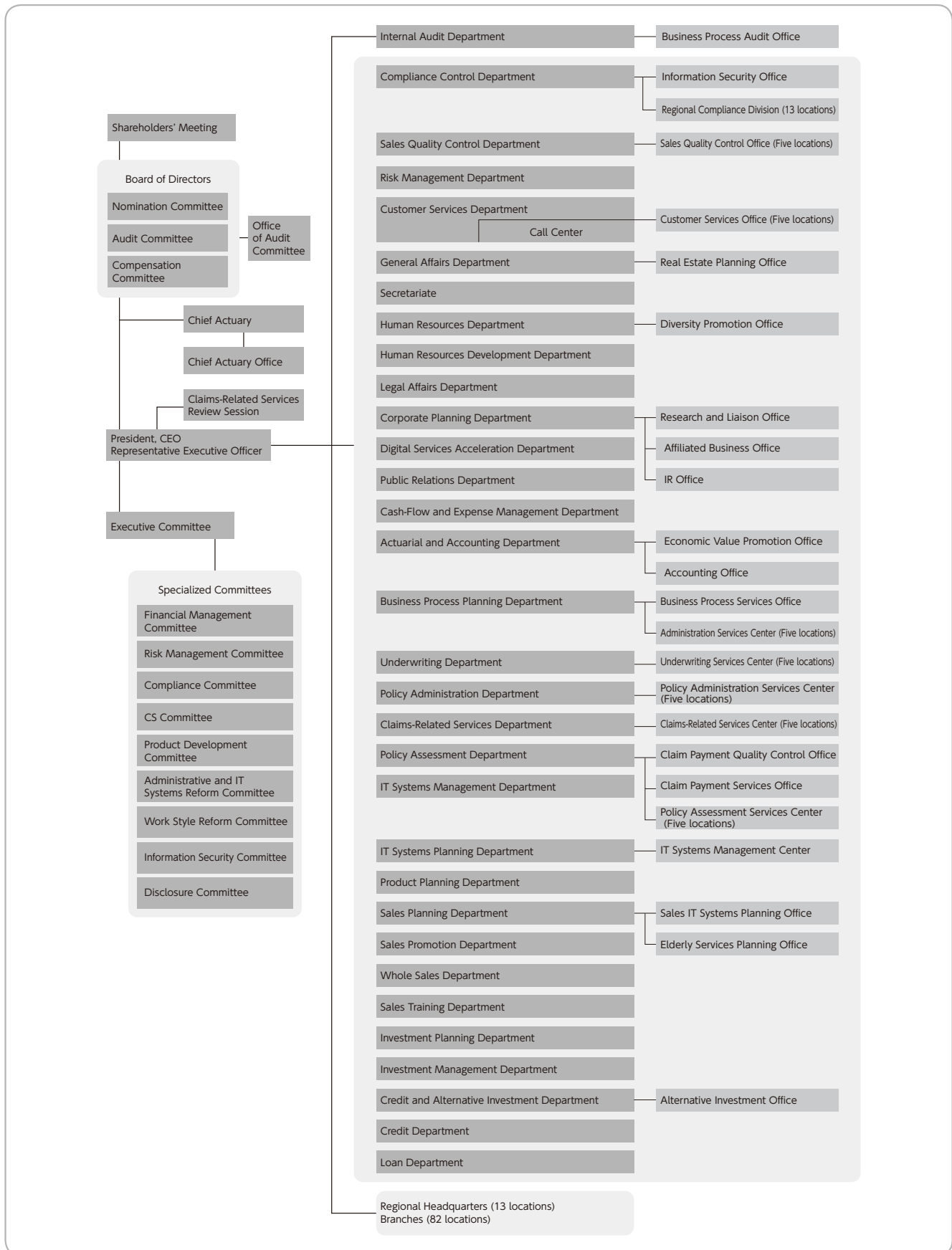
5. Compensation Committee

Chairman	Tamotsu Saito
Member	Masatsugu Nagato
Member	Shinji Hattori

6

Organization Chart

(As of July 1, 2018)



5. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

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

Notes:

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

Japan Post Holdings Co. (Non-consolidated)

(Millions of yen)

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

Japan Post Co. (Consolidated)

(Millions of yen)

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

Notes:

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

[Postal and domestic logistics business segment (Consolidated)]

(Millions of yen)

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

Note:

The method of presentation has been changed for Japan Post Co. from the fiscal year ended March 31, 2017, whereby rental transactions of post offices, etc., which had previously been included in other income and other expenses, are included in operating income, operating costs and sales, general and administrative costs. Accordingly, figures for the fiscal year ended March 31, 2016 have been reclassified to reflect this change in presentation.

[Post office business segment (Consolidated)]

(Millions of yen)

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

Note:

The method of presentation has been changed for Japan Post Co. from the fiscal year ended March 31, 2017, whereby rental transactions of post offices, etc., which had previously been included in other income and other expenses, are included in operating income, operating costs and sales, general and administrative costs. Accordingly, figures for the fiscal year ended March 31, 2016 have been reclassified to reflect this change in presentation.

[International logistics business segment (Consolidated)]

(Millions of yen)

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

Note:

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

Japan Post Bank Co. (Consolidated)

(Millions of yen)

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

Notes:

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

Japan Post Insurance Co. (Consolidated)

(Millions of yen)

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

Notes:

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

6. Japan Post Group Companies

—Consolidated Financial Data

CONSOLIDATED BALANCE SHEETS MARCH 31, 2018 AND 2017

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

See the accompanying notes to consolidated financial statements.

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

See the accompanying notes to consolidated financial statements.

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

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

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

See the accompanying notes to consolidated financial statements.

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

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

See the accompanying notes to consolidated financial statements.

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

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

(Millions of yen)

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

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

See the accompanying notes to consolidated financial statements.

2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2016	¥ 3,500,000	¥ 4,134,853	¥ 3,525,932	¥ (730,964)	¥ 10,429,821
Changes in the fiscal year:					
Cash dividends			(205,834)		(205,834)
Net loss attributable to Japan Post Holdings			(28,976)		(28,976)
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		560			560
Purchases of treasury stock				(1,042)	(1,042)
Disposals of treasury stock				13	13
Changes in the scope of consolidation			3,009		3,009
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	560	(231,801)	(1,028)	(232,269)
BALANCE, MARCH 31, 2017	¥ 3,500,000	¥ 4,135,414	¥ 3,294,130	¥ (731,992)	¥ 10,197,552

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income (loss)		
BALANCE, APRIL 1, 2016	¥ 3,318,181	¥ (373,232)	¥ (56,856)	¥ 379,835	¥ 3,267,928	¥ 1,478,338	¥ 15,176,088
Changes in the fiscal year:							
Cash dividends							(205,834)
Net loss attributable to Japan Post Holdings							(28,976)
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							560
Purchases of treasury stock							(1,042)
Disposals of treasury stock							13
Changes in the scope of consolidation							3,009
Net changes in items other than shareholders' equity in the fiscal year	(213,018)	269,442	(23,873)	(46,264)	(13,714)	24,476	10,762
Net changes in the fiscal year	(213,018)	269,442	(23,873)	(46,264)	(13,714)	24,476	(221,506)
BALANCE, MARCH 31, 2017	¥ 3,105,162	¥ (103,790)	¥ (80,730)	¥ 333,571	¥ 3,254,213	¥ 1,502,815	¥ 14,954,581

See the accompanying notes to consolidated financial statements.

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

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

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

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

See the accompanying notes to consolidated financial statements.

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

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

See the accompanying notes to consolidated financial statements.

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

See the accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2018 AND 2017

1. BASIS OF PRESENTATION

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation and Equity Method

1) Scope of consolidation

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

A) Consolidated subsidiaries

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

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

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

B) Non-consolidated subsidiaries

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

The non-consolidated subsidiaries are excluded from the scope of consolidation because their assets, income, net income (loss) (amount corresponding to the Group's equity position), retained earnings

(amount corresponding to the Group's equity position), accumulated other comprehensive income (amount corresponding to the Group's equity position) and others are immaterial, and the exclusion of these companies from the scope of consolidation does not hinder a reasonable understanding of the Group's financial position and results of operations.

2) Application of the equity method

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

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

B) Affiliates accounted for by the equity method

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

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

During the fiscal year ended March 31, 2017, 1 of Toll's affiliates was included in the scope of the equity method due to the acquisition of its stock. 1 of Toll's affiliates was excluded from the scope of the equity method due to the sale of its stock.

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

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

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

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

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

3) Fiscal year-end dates of consolidated subsidiaries

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

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

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

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

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

(2) Trading Account Securities

Trading account securities are carried at fair value.

(3) Securities

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

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

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

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

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

(4) Derivative Transactions

All derivative transactions are valued at fair value.

(5) Hedge Accounting

1) Hedge accounting for interest rate risks

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

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

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

2) Hedge accounting for foreign exchange risks

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

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

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

(6) Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation of tangible fixed assets is computed using the straight-line method.

Useful lives of principal assets are as follows:

Buildings: 2-50 years

Others: 2-75 years

2) Intangible assets (excluding leased assets)

Amortization of intangible assets is computed using the straight-line method. The capitalized development costs of software intended for internal use are amortized over the expected useful lives (mainly 5 years) determined by the Company and its consolidated subsidiaries, and trademark rights are amortized over a period determined in accordance with their causes of occurrence (mainly 20 years).

3) Leased assets

Leased assets under finance lease arrangements that transfer the ownership of leased property to the lessee are depreciated using the same method applied to company-owned tangible assets. These leased assets are mainly buildings included in "Tangible fixed assets".

Leased assets under finance lease arrangements that do not transfer the ownership of leased property to the lessee are depreciated to the residual value of zero or guaranteed value using the straight-line method over the lease term. These leased assets are mainly personal properties included in "Tangible fixed assets" and software included in "Intangible assets".

(7) Amortization of Goodwill

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

(8) Reserve for Possible Loan Losses

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

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

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

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

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

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

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

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

was ¥65 million (\$1 million) and ¥214 million for the fiscal years ended March 31, 2018 and 2017, respectively.

(9) Policy Reserves

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

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

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

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

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

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

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

(10) Reserve for Bonuses

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

(11) Reserve for employee stock ownership plan trust

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

(12) Reserve for management board benefit trust

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

(13) Reserve for reimbursement of deposits

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

(14) Retirement Benefits

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

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

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

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

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

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

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

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

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

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

(16) Reserve for Price Fluctuations

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

(17) Statement of Cash Flows

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

(18) Consumption Taxes

All figures are net of consumption taxes.

(19) Consolidated Tax Payment System

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

(20) New Accounting Pronouncements

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

1. Overview

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

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

2. Effective date

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

3. Effects of the application of the standards

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

(21) Changes in Accounting Estimates

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

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

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

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

(22) Additional Information

For the fiscal years ended March 31, 2018 and 2017

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

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

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

1. Outline of the transactions

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

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

2. The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded under net assets as treasury stock at the book value in the trust (excluding incidental expenses). The book value of the treasury stock was ¥981 million (\$9 million) and ¥1,028 million, and the number of shares of the treasury stock was 698 thousand shares and 731 thousand shares as of March 31, 2018 and 2017, respectively.

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

For the fiscal year ended March 31, 2017

Adoption of Revised Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year ended March 31, 2017, the Company and its domestic subsidiaries have adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

3. CASH AND CASH EQUIVALENTS

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

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

4. SECURITIES

(1) Securities

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

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

Notes:

1. Stocks and investments in capital include investments in non-consolidated subsidiaries and affiliates of ¥15,382 million (\$145 million) and ¥16,889 million as of March 31, 2018 and 2017, respectively.

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

(2) Policy-Reserve-Matching Bonds

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

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

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

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

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

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

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

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

1) Held-to-maturity bonds

Millions of Yen

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

Millions of Yen

March 31	2017				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 65,772,891	¥ 72,659,578	¥ 6,886,686	¥ 6,949,977	¥ (63,290)
Japanese local government bonds	7,509,348	7,924,563	415,215	420,630	(5,414)
Japanese corporate bonds	5,328,769	5,545,399	216,629	221,053	(4,424)
Other	162,911	178,028	15,117	15,117	—
Total	¥ 78,773,920	¥ 86,307,569	¥ 7,533,648	¥ 7,606,778	¥ (73,129)

Millions of U.S. Dollars

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

2) Policy-reserve-matching bonds

Millions of Yen

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

Millions of Yen

March 31	2017				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 11,869,126	¥ 13,012,106	¥ 1,142,980	¥ 1,166,866	¥ (23,886)
Japanese local government bonds	515,707	543,841	28,134	28,619	(484)
Japanese corporate bonds	132,501	141,461	8,960	8,960	—
Total	¥ 12,517,334	¥ 13,697,410	¥ 1,180,075	¥ 1,204,445	¥ (24,370)

Millions of U.S. Dollars

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

3) Available-for-sale securities

Millions of Yen

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

Millions of Yen

March 31	2017				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	¥ 54,097	¥ 50,208	¥ 3,888	¥ 4,220	¥ (331)
Bonds	52,418,931	50,861,999	1,556,931	1,617,057	(60,126)
Japanese government bonds	33,910,451	32,611,009	1,299,442	1,335,890	(36,447)
Japanese local government bonds	7,283,975	7,197,123	86,851	95,964	(9,112)
Japanese short-term corporate bonds	233,998	233,998	—	—	—
Japanese corporate bonds	10,990,505	10,819,868	170,637	185,203	(14,566)
Other	59,103,313	57,319,000	1,784,312	2,268,466	(484,153)
Of which: foreign bonds	24,327,289	22,963,002	1,364,287	1,820,148	(455,860)
Of which: investment trusts	34,023,386	33,599,193	424,192	445,009	(20,816)
Total	¥ 111,576,341	¥ 108,231,208	¥ 3,345,132	¥ 3,889,744	¥ (544,611)

Millions of U.S. Dollars

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

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

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

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

Millions of Yen

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

Millions of Yen

Year ended March 31	2017		
	Sales	Gains	Losses
Stocks	¥ 4,722	¥ 359	¥ (53)
Bonds	434,705	2,518	(1,912)
Japanese government bonds	216,688	1,134	—
Japanese local government bonds	55,716	126	(138)
Japanese corporate bonds	162,301	1,258	(1,773)
Other	3,666,475	94,187	(137,049)
Of which: foreign bonds	3,664,702	94,098	(137,049)
Of which: investment trusts	1,773	88	—
Total	¥ 4,105,903	¥ 97,064	¥ (139,015)

Millions of U.S. Dollars

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

(4) Money Held in Trust

1) Money Held in Trust Classified as Trading

Millions of Yen

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

Millions of U.S. Dollars

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

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

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

Millions of Yen

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

Millions of Yen

March 31	2017				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading or held-to-maturity	¥ 5,930,309	¥ 4,450,932	¥ 1,479,377	¥ 1,502,853	¥ (23,476)

Millions of U.S. Dollars

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

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

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

5. ASSETS PLEDGED AS COLLATERAL

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

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

In addition to the above, the following assets are pledged as collateral for the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions and other transactions, and substituted for margins for future transactions as of March 31, 2018 and 2017:

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

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

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

6. LOANS

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

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

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

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

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

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

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

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

7. TANGIBLE FIXED ASSETS

(1) Accumulated Depreciation

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

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

(2) Deferred Gains on Tangible Fixed Assets Not Recognized for Tax Purposes

Deferred gains on tangible fixed assets not recognized for tax purposes as of March 31, 2018 and 2017 were as follows:

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

(3) Real Estate for Rent

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

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

Notes:

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

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

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

Notes:

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

8. REINSURANCE

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

Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance were ¥946 million (\$9 million) and ¥768 million as of March 31, 2018 and 2017, respectively.

9. OBLIGATIONS TO THE LIFE INSURANCE POLICYHOLDERS PROTECTION CORPORATION OF JAPAN

The insurance subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥31,569 million (\$297 million) and ¥28,868 million as of March 31, 2018 and 2017, respectively, pursuant to Article 259 of the Insurance Business Act. These obligations are recognized as operating expenses when they are paid.

10. RESERVE FOR POLICYHOLDER DIVIDENDS

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

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

11. BORROWINGS, LEASE OBLIGATIONS AND COMMERCIAL PAPERS

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

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate ¹	Due
	2018	2017	2018	2018	2018
Borrowings	¥ 239,344	¥ 200,909	\$ 2,253	1.54%	April 2018 - September 2020
Lease obligations	20,624	21,351	194	— ²	April 2018 - March 2040

Notes:

1. The interest rates above are calculated using the weighted-average method based on the interest rate and balance at the fiscal year-end date.
2. The average interest rate of lease obligations is not presented above because interest included in the total amount of lease payments is allocated to each period using the straight-line method in certain consolidated subsidiaries.
3. Borrowings and lease obligations are included in "Other liabilities" in the accompanying consolidated balance sheets.

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

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

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

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

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

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

12. ASSET RETIREMENT OBLIGATIONS

(1) Outline of Asset Retirement Obligations

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

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

(2) Calculation Method of Asset Retirement Obligations

The Group calculated the asset retirement obligations by estimating the period of service between 6 months and 47 years and applying discount rates ranging from 0.0% to 2.3%.

(3) Changes in Asset Retirement Obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Balance at the beginning of the fiscal year	¥ 15,576	¥ 15,216	\$ 147
Obligations incurred due to acquisition of tangible fixed assets	268	48	3
Time progress adjustments	33	41	0
Obligations settled	(1,770)	(883)	(17)
Other ¹	7,522	1,154	71
Balance at the end of the fiscal year	¥ 21,630	¥ 15,576	\$ 204

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

13. RETIREMENT BENEFITS

(1) Outline of Retirement Benefits

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

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

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

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

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

2) Changes in plan assets

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

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

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

4) Retirement benefit costs

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

5) Adjustments for retirement benefits (before tax effect)

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

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

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

7) Plan assets

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

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

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

8) Actuarial assumptions

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

Years ended March 31	2018	2017
Discount rate	0.2% - 0.7%	0.2% - 0.7%
Long-term expected rate of return on plan assets	0.1% - 2.0%	0.1% - 2.0%

(3) Defined Contribution Plans

The amounts required to be contributed to the defined contribution plans by certain consolidated subsidiaries were ¥13,986 million (\$132 million) and ¥13,536 million for the fiscal years ended March 31, 2018 and 2017, respectively.

14. RESERVES RELATED TO REINSURANCE CONTRACTS

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

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

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

15. DEFERRED TAX ASSETS AND LIABILITIES

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

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

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in aggregate, would result in a statutory tax rate of approximately 30.9% for the fiscal years ended March 31, 2018 and 2017, respectively.

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

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

16. NET ASSETS

(1) Type and Number of Shares Authorized and Issued

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

Year ended March 31, 2017	Thousands of shares			
	April 1, 2016	Increase	Decrease	March 31, 2017
Shares authorized:				
Common stock	18,000,000	—	—	18,000,000
Shares issued:				
Common stock	4,500,000	—	—	4,500,000

(2) Type and Number of Treasury Stock

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

Notes:

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

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

Notes:

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

(3) Information on Dividends

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

1) Dividends paid

Dividends paid for the fiscal year ended March 31, 2018

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

Notes:

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

Dividends paid for the fiscal year ended March 31, 2017

Resolution	Class of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 13, 2016	Common stock	¥ 102,917	¥ 25.00	March 31, 2016	June 24, 2016
Board of Directors' meeting held on November 14, 2016 ¹	Common stock	¥ 102,917	¥ 25.00	September 30, 2016	December 6, 2016

Note: 1. The total amount of dividends resolved by the Board of Directors' meeting held on November 14, 2016 includes dividends of ¥18 million for the Company's shares held by the management board benefit trust.

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

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

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

Notes:

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

17. INACTIVE DEPOSITS

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

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

18. OTHER INCOME

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

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

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

19. OTHER EXPENSES

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

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

Notes:

1. For the fiscal year ended March 31, 2017, "Losses on impairment of fixed assets" include impairment losses of ¥400,328 million (¥368,213 million for goodwill, ¥24,113 million for trademark rights, and ¥8,002 million for tangible fixed assets) related to Toll, a consolidated subsidiary. The Group conducts the grouping of assets based on units whose business performance is separately reported for internal management purposes.

Due to the slowdown in the Australian economy and other reasons, Toll's financial results had declined below the level of the fiscal year ended March 31, 2016. Under such circumstances, as a result of a review of the financial results forecast, future cash flows were expected to decrease sharply. Therefore, the book values of goodwill, trademark rights and part of tangible fixed assets were reduced to their recoverable value, and the reduced amount was recognized as losses on impairment of fixed assets in "Other expenses".

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

2. "Provision for reserve for price fluctuations" for the fiscal year ended March 31, 2018 includes the amount corresponding to gains on sales of fixed assets of ¥86,053 million (\$810 million) recorded by the insurance subsidiary.

3. In order to prevent further deterioration of facilities and other assets, the Group has invested in construction work and prioritized spending on assets exceeding their economical useful lives and leased post office buildings which require improvements for earthquake resistance.

4. Provision for reserve for policyholder dividends, which is provided for the Management Organization for Postal Savings and Postal Life Insurance based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance, was ¥96,174 million (\$905 million) and ¥137,061 million for the fiscal years ended March 31, 2018 and 2017, respectively.

20. OTHER COMPREHENSIVE LOSS

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

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

21. FINANCIAL INSTRUMENTS

(1) Policy for Handling Financial Instruments

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

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

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

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

(2) Features and Risks of Financial Instruments

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

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

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

redemption of principal and interest.

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

(3) Risk Management Framework for Financial Instruments

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

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

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

1) Credit risk management

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

2) Management of market risk

A) Banking subsidiary

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

amount of capital allocation, as determined by taking into account the amount of the company's equity capital.

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

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

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

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

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

With respect to derivative transactions, the banking subsidiary has created separate departments for the execution of transactions,

assessment of hedge effectiveness, and administration, and has established an internal control system, in accordance with its derivative transaction regulations.

B) Insurance subsidiary

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

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

3) Management of liquidity risk related to fund raising activities

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

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

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

(5) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the difference between them as of March 31, 2018 and 2017 are as follows. Unlisted stocks and others for which fair values are extremely difficult to determine are not included in the table below.

Millions of Yen

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

Millions of Yen

March 31	2017		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	¥ 53,313,498	¥ 53,313,498	¥ —
2) Call loans	620,000	620,000	—
3) Receivables under securities borrowing transactions	12,239,627	12,239,627	—
4) Monetary claims bought	279,776	279,776	—
5) Trading account securities			
Trading securities	9	9	—
6) Money held in trust	5,930,309	5,930,309	—
7) Securities			
Held-to-maturity bonds	78,773,920	86,295,819	7,521,898
Policy-reserve-matching bonds	12,517,334	13,697,410	1,180,075
Available-for-sale securities	110,881,565	110,881,565	—
8) Loans	12,125,022		
Reserve for possible loan losses ¹	(174)		
	12,124,848	12,877,313	752,464
Total	¥ 286,680,892	¥ 296,135,330	¥ 9,454,438
1) Deposits	178,004,318	178,301,521	297,203
2) Call money	45,436	45,436	—
3) Payables under repurchase agreements	960,937	960,937	—
4) Payables under securities lending transactions	18,583,361	18,583,361	—
5) Commercial papers	40,324	40,324	—
Total	¥ 197,634,378	¥ 197,931,581	¥ 297,203
Derivative transactions ²			
Hedge accounting not applied	¥ 3,728	¥ 3,728	¥ —
Hedge accounting applied	(223,448)	(223,448)	—
Total derivative transactions	¥ (219,719)	¥ (219,719)	¥ —

Millions of U.S. Dollars

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

Notes:

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

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

Assets

- 1) Cash and due from banks
For funds due from banks with no maturity date, fair value approximates book value, which is therefore used as fair value. For funds due from banks with a maturity date where the contract period is short (within a year), fair value approximates book value, which is therefore used as fair value.
- 2) Call loans and 3) Receivables under securities borrowing transactions
These are settled within a short-term (one year), and their fair values approximate book value, which is therefore used as fair value.
- 4) Monetary claims bought
Pricing offered by the broker and other third parties serves as fair value.
- 5) Trading account securities
The purchase price of the Bank of Japan serves as fair value.
- 6) Money held in trust
The fair value of securities invested in money held in trust is based primarily on the price on the stock exchange for stocks and on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds. In addition, the fair value of derivative transactions is based on the price provided by information vendors, etc.
Notes to money held in trust by categories based on holding purposes are provided in Note 4 (4) "Money Held in Trust".
- 7) Securities
The fair value of bonds is based on the price quoted by the exchange, the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, the price calculated using the comparable price method, or the price provided by a broker, etc. The fair value of stocks is based primarily on the price on the stock exchange, and the fair value of investment trusts is based primarily on the fund's unit price.
Notes to securities by categories based on holding purposes are provided in Note 4 (3) "Fair Value Information on Securities and Policy-Reserve-Matching Bonds".
- 8) Loans
For loans with variable interest rates, which follow market interest rates only over the short-term, fair value approximates book value unless the obligor's credit standing significantly differs after the transaction. In such cases, book value serves as fair value. For loans with fixed interest rates, fair value is based on a net discounted present value of future cash flows.
For loans where amounts are limited to the values of corresponding collateral and which have no fixed date of repayments, book values are used as fair values, because their fair values approximate book value considering the loan terms and conditions.

Liabilities

- 1) Deposits
For demand deposits, the payment amount (book value) if demanded on the consolidated balance sheet date is deemed to be the fair value of such demand deposits. For fixed-term deposits, fair value is based on the net discounted present value of estimated future cash flows, following a division into certain periods. The interest rate applicable to new savings is used as the discount rate.
- 2) Call money, 3) Payables under repurchase agreements, 4) Payables under securities lending transactions and 5) Commercial papers
These are settled within a short-term (one year), and their fair values approximate book value, which is therefore used as fair value.

Derivatives

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

The consolidated balance sheet amounts of financial instruments for which fair values are deemed extremely difficult to determine are as shown below; they are not included in "Assets 6) Money held in trust" and "Assets 7) Securities" under information concerning fair values of financial instruments.

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Money held in trust ¹	¥ 158,895	¥ 14,641	\$ 1,496
Securities			
Unlisted stocks ²	25,843	23,289	243
Investment trusts ³	457,183	122,477	4,303
Investments in partnerships ⁴	11,828	1,942	111
Total	¥ 653,751	¥ 162,350	\$ 6,154

Notes:

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

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

Millions of Yen

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

Millions of Yen

March 31	2017					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 52,339,927	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	620,000	—	—	—	—	—
Receivables under securities borrowing transactions	12,239,627	—	—	—	—	—
Monetary claims bought	22,437	59,793	45,683	10,706	25,310	112,829
Securities	22,117,940	33,997,924	30,708,943	29,378,530	13,624,335	35,467,021
Held-to-maturity bonds	10,305,359	14,840,900	12,022,926	13,509,462	3,213,436	24,331,730
Japanese government bonds	8,062,330	11,170,045	9,369,700	11,130,800	2,720,900	22,776,200
Japanese local government bonds	833,436	1,762,530	2,060,555	1,395,134	413,322	1,037,670
Japanese corporate bonds	1,377,114	1,875,892	494,671	983,528	79,214	517,860
Other	32,478	32,433	98,000	—	—	—
Policy-reserve-matching bonds	2,863,055	1,762,786	1,444,146	1,732,837	947,316	3,638,100
Japanese government bonds	2,844,400	1,653,400	1,355,800	1,507,200	848,800	3,533,100
Japanese local government bonds	18,655	86,149	64,313	189,515	77,899	77,200
Japanese corporate bonds	—	23,237	24,033	36,122	20,617	27,800
Available-for-sale securities with maturities	8,949,524	17,394,238	17,241,869	14,136,230	9,463,583	7,497,191
Japanese government bonds	3,672,816	5,847,002	7,084,521	9,395,284	3,673,622	2,828,700
Japanese local government bonds	664,118	2,072,610	1,988,059	993,006	1,377,562	27,412
Japanese short-term corporate bonds	234,000	—	—	—	—	—
Japanese corporate bonds	1,351,965	3,133,882	2,344,062	872,763	1,244,381	1,835,087
Other	3,026,624	6,340,742	5,825,226	2,875,176	3,168,017	2,805,992
Loans	3,394,340	2,751,707	1,834,316	1,406,407	1,417,208	1,318,884
Total	¥ 90,734,274	¥ 36,809,426	¥ 32,588,942	¥ 30,795,645	¥ 15,066,854	¥ 36,898,735

Millions of U.S. Dollars

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

Redemption schedule of deposits, call money, payables under repurchase agreements, payables under securities lending transactions and commercial papers were as follows:

Millions of Yen

March 31	2018					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits ¹	¥ 94,122,785	¥ 18,879,576	¥ 16,367,000	¥ 15,024,088	¥ 34,095,583	¥ —
Call money	—	—	—	—	—	—
Payables under repurchase agreements	1,985,285	—	—	—	—	—
Payables under securities lending transactions	17,475,671	—	—	—	—	—
Commercial papers	191,869	—	—	—	—	—
Total	¥ 113,775,612	¥ 18,879,576	¥ 16,367,000	¥ 15,024,088	¥ 34,095,583	¥ —

Millions of Yen

March 31	2017					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits ¹	¥ 90,622,931	¥ 19,724,134	¥ 25,644,654	¥ 13,861,706	¥ 28,150,891	¥ —
Call money	45,436	—	—	—	—	—
Payables under repurchase agreements	960,937	—	—	—	—	—
Payables under securities lending transactions	18,583,361	—	—	—	—	—
Commercial papers	40,388	—	—	—	—	—
Total	¥ 110,253,055	¥ 19,724,134	¥ 25,644,654	¥ 13,861,706	¥ 28,150,891	¥ —

Millions of U.S. Dollars

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

Note:

1. Demand deposits are included in "Within 1 year."

22. DERIVATIVE TRANSACTIONS

(1) Derivative Transactions to Which the Hedge Accounting Method Is Not Applied

The following tables set forth the contract amount or the amount equivalent to the principal, fair value and valuation gains (losses) at the end of the fiscal year by transaction type, and calculation method of fair value with respect to derivative transactions to which the hedge accounting method is not applied. Contract amount does not indicate the market risk related to derivative transactions.

1) Interest rate-related derivatives

Millions of Yen

March 31	2018			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Interest rate swaps:				
Receivable fixed rate / Payable floating rate	¥ 21,248	¥ 21,248	¥ (2,115)	¥ (2,115)
Receivable floating rate / Payable fixed rate	8,711	8,711	1,752	1,752
Total			¥ (363)	¥ (363)

Millions of Yen

March 31	2017			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Interest rate futures:				
Sold	¥ 561,510	¥ 561,510	¥ 33	¥ 33
Bought	561,510	—	(80)	(80)
Over-the-counter transactions				
Interest rate swaps:				
Receivable fixed rate / Payable floating rate	22,438	22,438	(1,787)	(1,787)
Receivable floating rate / Payable fixed rate	9,199	9,199	1,621	1,621
Total			¥ (212)	¥ (212)

Millions of U.S. Dollars

March 31	2018			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Interest rate swaps:				
Receivable fixed rate / Payable floating rate	\$ 200	\$ 200	\$ (20)	\$ (20)
Receivable floating rate / Payable fixed rate	82	82	16	16
Total			\$ (3)	\$ (3)

Notes:

- The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of operations.
- Fair value of financial instruments exchange transactions is based on the final price on Chicago Mercantile Exchange.
Fair value of over-the counter transactions is calculated using discounted present value.

2) Currency-related derivatives

Millions of Yen

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

Millions of Yen

March 31	2017			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Sold	¥ 626,128	¥ —	¥ 6,994	¥ 6,994
Bought	631,509	—	(3,087)	(3,087)
Total			¥ 3,906	¥ 3,906

Millions of U.S. Dollars

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

Notes:

1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of operations.
2. Fair value is calculated using discounted present value and other methods.

3) Stock-related derivatives

Millions of Yen

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

Millions of U.S. Dollars

March 31	2018			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Stock index futures:				
Sold	\$ 249	\$ —	\$ (2)	\$ (2)
Total			\$ (2)	\$ (2)

Notes:

1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of operations.
2. Fair value is based on the final price on Osaka Exchange.

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

4) Bond-related derivatives

Millions of Yen

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

Millions of Yen

March 31	2017			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Sold	¥ 16,262	¥ —	¥ 50	¥ 50
Bought	5,989	—	(16)	(16)
Total			¥ 34	¥ 34

Millions of U.S. Dollars

March 31	2018			
	Contract amount		Fair value ²	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Bought	\$ 150	\$ —	\$ 1	\$ 1
Total			\$ 1	\$ 1

Notes:

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

5) Credit-related derivatives

Millions of Yen

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

Millions of U.S. Dollars

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

Notes:

- The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of operations.
- Fair value is calculated using discounted present value.
- "Sold" represents transactions which the credit risk has been assumed.

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

(2) Derivative Transactions to Which the Hedge Accounting Method Is Applied

The following tables set forth the contract amount or the amount equivalent to the principal and fair value at the end of the fiscal year by transaction type and hedge accounting method, and calculation method of fair value with respect to derivative transactions to which the hedge accounting method is applied. Contract amount does not indicate the market risk related to derivative transactions.

1) Interest rate-related derivatives

Millions of Yen

March 31	Type of derivative	Major hedged item	2018		
			Contract amount	Contract amount due after 1 year	Fair value ²
Hedge accounting method	Interest rate swaps: Receivable fixed rate / Payable floating rate	Securities Loans Deposits	¥ 1,821,750	¥ 1,816,150	¥ 3,217
			4,535,521	4,368,620	(159,670)
Exceptional treatment for interest rate swaps	Interest rate swaps: Receivable fixed rate / Payable floating rate	Loans	39,750	30,100	— ³
Total					¥ (156,452)

Millions of Yen

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

Millions of U.S. Dollars

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

Notes:

- In principle, these derivatives are accounted for using deferred hedge accounting.
- Fair value of over-the-counter transactions is calculated using discounted present value, option pricing models and other methods.
- Interest rate swaps subject to the exceptional treatment are accounted for in combination with the loans that are subject to the hedge. Therefore their fair value is included in the fair value of the relevant loans in Note 21 "FINANCIAL INSTRUMENTS."

2) Currency-related derivatives

Millions of Yen

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

Millions of Yen

March 31	Type of derivative	Major hedged item	2017		
			Contract amount	Contract amount due after 1 year	Fair value ²
Hedge accounting method					
Deferral hedge method	Currency swaps	Securities	¥ 2,981,597	¥ 2,432,382	¥ (10,409)
	Forward foreign exchange	Foreign currency- denominated forecasted transactions	82,803	13,123	(22,330)
	Cross currency interest rate swaps		5,613	—	11
Allocation method	Currency swaps	Securities	59,220	32,433	— ³
	Forward foreign exchange		5,863	—	— ³
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	6,957,458	—	59,639
Total					¥ 26,910

Millions of U.S. Dollars

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

Notes:

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

23. CONTRACTS

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

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

24. LEASE TRANSACTIONS

Operating Leases

(1) As lessee

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

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

(2) As lessor

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

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

25. CONTINGENT LIABILITIES

In the event that the Company's consolidated subsidiary cancels all or part of its lease contracts for post offices, the lessors shall be entitled to seek compensation for the cancellation. The amounts of compensation are calculated based on the amounts of uncollectible investment. The possible amounts of compensation were ¥80,929 million (\$762 million) and ¥87,418 million as of March 31, 2018 and 2017, respectively.

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

26. SEGMENT INFORMATION

(1) Outline of Reportable Segments

The Group's reportable segments are categorized based on certain criteria for which discrete financial information is available and reviewed regularly by the management in order to make decisions about resources to be allocated to the segment and assess its performance.

The Group assesses business performance primarily by assessing the performance of each individual consolidated subsidiary and as such recognizes each consolidated subsidiary as an identifiable business segment unit except for Japan Post Co., Ltd., which is classified into postal and domestic logistics business segment and post office business segment. The Group determines its reportable segments by aggregating business segment units with similar economic characteristics, market selling products and services, customer type and other factors.

The Group's reportable segments are (1) postal and domestic logistics business and (2) post office business operated mainly by Japan Post Co., Ltd., (3) international logistics business operated mainly by Toll, (4) banking business operated mainly by Japan Post Bank Co., Ltd., and (5) life insurance business operated mainly by Japan Post Insurance Co., Ltd.

(2) Method of Calculating Income, Profit and Loss, and Assets and Other Items by Reportable Segment

Accounting policies applied to the reportable segments are the same as those described in Note 2 "SIGNIFICANT ACCOUNTING POLICIES." Intersegment income is determined based on market prices or total cost.

(3) Selected Financial Information on Reportable Segment

Millions of Yen

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

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

Millions of U.S. Dollars

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

Notes:

- Income is presented instead of net sales which is typical for companies in other industries.
- Other business includes the hotel business and the hospital business. Segment profit in other business includes dividend income from subsidiaries and affiliates recorded by the Company in the amount of ¥198,891 million (\$1,872 million) and ¥208,657 million for the fiscal years ended March 31, 2018 and 2017, respectively.

(4) Reconciliation of Amounts Reported on Reportable Segments and Consolidated Financial Statements

1) Reconciliation of amounts reported on reportable segments and on the consolidated statements of operations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Total income of reportable segments ¹	¥ 14,088,984	¥ 14,522,761	\$ 132,615
Income of other business ¹	342,248	354,984	3,221
Eliminations of intersegment transactions	(1,512,695)	(1,554,039)	(14,238)
Adjustments ²	1,838	2,828	17
Subtotal	¥ 12,920,375	¥ 13,326,534	\$ 121,615
Gains on sales of fixed assets	88,182	958	830
Gains on negative goodwill	568	—	5
Compensation for transfer	190	1,329	2
Compensation income	176	66	2
Settlement received	1,001	4,041	9
Gains on transfer of business	2,005	3,653	19
Other	15	219	0
Total income on the consolidated statements of operations	¥ 13,012,517	¥ 13,336,802	\$ 122,482

Notes:

- Income is presented instead of net sales which is typical for companies in other industries.
- "Adjustments" are due to differences in the calculation methods used for income for the international logistics business segment and the consolidated statements of operations, etc.

2) Reconciliation between total segment profit (loss) of reportable segments and income before income taxes on the consolidated statements of operations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Total segment profit (loss) of reportable segments	¥ 900,141	¥ 799,973	\$ 8,473
Segment profit in other business	220,154	229,137	2,072
Eliminations of intersegment transactions	(199,813)	(209,522)	(1,881)
Adjustments ¹	(4,337)	(24,351)	(41)
Subtotal	¥ 916,144	¥ 795,237	\$ 8,623
Gains on sales of fixed assets	88,182	958	830
Gains on negative goodwill	568	—	5
Compensation for transfer	190	1,329	2
Compensation income	176	66	2
Settlement received	1,001	4,041	9
Gains on transfer of business	2,005	3,653	19
Losses on sales and disposal of fixed assets	(4,762)	(5,757)	(45)
Losses on impairment of fixed assets	(17,964)	(419,479)	(169)
Provision for reserve for price fluctuations	(128,031)	(6,444)	(1,205)
Post office refurbishment expenses	(25,213)	(20,309)	(237)
Provision for reserve for policyholder dividends	(117,792)	(152,679)	(1,109)
Other	(5,371)	(29,728)	(51)
Income before income taxes on the consolidated statements of operations	¥ 709,134	¥ 170,887	\$ 6,675

Note: 1. For the fiscal year ended March 31, 2018, "Adjustments" are primarily due to differences in the calculation methods used for segment profit for the international logistics business segment and income before income taxes on the consolidated statements of operations.

For the fiscal year ended March 31, 2017, "Adjustments" includes amortization of goodwill, etc. amounting to ¥(21,874) million which are not included in segment loss for the international logistics business segment and other items.

3) Reconciliation between total segment assets of reportable segments and total assets on the consolidated balance sheets

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Total segment assets of reportable segments	¥ 292,566,963	¥ 295,003,678	\$ 2,753,831
Segment assets in other business	8,200,394	8,322,668	77,187
Eliminations of intersegment transactions	(10,127,203)	(10,163,800)	(95,324)
Total assets on the consolidated balance sheets	¥ 290,640,154	¥ 293,162,545	\$ 2,735,694

4) Reconciliation between other items on reportable segments and the amounts of items equivalent to those items on the consolidated financial statements

Year ended March 31	Millions of Yen			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 261,646	¥ 17,701	¥ (182)	¥ 279,165
Amortization of goodwill	—	167	—	167
Interest and dividend income	2,655,916	1	—	2,655,917
Interest expenses	338,191	0	—	338,191
Equity in earnings (losses) of affiliates	348	—	—	348
Gains on sales of fixed assets	90,378	61	(2,258)	88,182
Gains on negative goodwill	568	—	—	568
Losses on sales and disposal of fixed assets	4,250	62	449	4,762
Losses on impairment of fixed assets	11,716	6,256	(9)	17,964
Provision for reserve for price fluctuations	128,031	—	—	128,031
Post office refurbishment expenses	—	25,213	—	25,213
Provision for reserve for policyholder dividends	117,792	—	—	117,792
Income taxes	204,852	(7,745)	—	197,107
Investments in affiliates accounted for by the equity method	15,369	—	—	15,369
Increase in tangible fixed assets and intangible assets	253,609	21,622	(5,062)	270,169

Millions of Yen

Year ended March 31	2017			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 233,184	¥ 16,674	¥ (141)	¥ 249,717
Amortization of goodwill	20,552	168	—	20,720
Interest and dividend income	2,794,614	7	(25)	2,794,596
Interest expenses	358,013	0	(25)	357,987
Equity in earnings (losses) of affiliates	1,670	—	—	1,670
Gains on sales of fixed assets	828	129	—	958
Gains on negative goodwill	—	—	—	—
Losses on sales and disposal of fixed assets	5,736	26	(5)	5,757
Losses on impairment of fixed assets	417,143	2,337	(2)	419,479
Provision for reserve for price fluctuations	6,444	—	—	6,444
Post office refurbishment expenses	—	20,309	—	20,309
Provision for reserve for policyholder dividends	152,679	—	—	152,679
Income taxes	159,571	(4,473)	—	155,097
Investments in affiliates accounted for by the equity method	16,871	—	—	16,871
Increase in tangible fixed assets and intangible assets	297,920	10,063	6,431	314,415

Millions of U.S. Dollars

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

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

Millions of Yen

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

Millions of Yen

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

Millions of U.S. Dollars

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

(6) Information on Gains on Negative Goodwill by Reportable Segment

The international logistics business segment recorded gains on negative goodwill of ¥568 million (\$5 million) due to the acquisition of the port and harbor transportation business by a consolidated subsidiary of Toll for the fiscal year ended March 31, 2018.

There were no gains on negative goodwill for the fiscal year ended March 31, 2017.

(7) Supplemental Information

1) Information by services

This information is omitted because similar information has been presented above for the fiscal years ended March 31, 2018 and 2017.

2) Information by geographic region

A) Income

This information is omitted because income to customers in Japan exceeded 90% of income in the consolidated statements of operations for the fiscal years ended March 31, 2018 and 2017.

B) Tangible fixed assets

This information is omitted because the balance of tangible fixed assets in Japan exceeded 90% of the total balance on the consolidated balance sheets for the fiscal years ended March 31, 2018 and 2017.

3) Information by major customer

This information is omitted because no customer accounted for 10% or more of income in the consolidated statements of operations for the fiscal years ended March 31, 2018 and 2017.

27. PER SHARE DATA

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

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

Notes:

1. Diluted net income per share is not presented for the fiscal years ended March 31, 2018 and 2017 as potential common stock did not exist.

2. Net assets per share is calculated based on the following:

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

Thousands of shares

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

3. The number of treasury stock excluded from the number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share includes the number of shares of the Company held by the management board benefit trust. The number of shares of the Company held by the management board benefit trust excluded from the calculation of net assets per share was 698,100 shares and 731,500 shares as of March 31, 2018 and 2017, respectively.

4. Net income (loss) per share is calculated based on the following:

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

Thousands of shares

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

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

28. SUBSEQUENT EVENTS

None



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of JAPAN POST HOLDINGS Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JAPAN POST HOLDINGS Co., Ltd. and its consolidated subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 20, 2018
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Capital Adequacy

Matters for Disclosure Concerning Composition of Capital

Capital structure

Consolidated capital adequacy ratio (domestic standard)

(Millions of yen)

Item	2018	Amounts excluded under transitional arrangements	2017	Amounts excluded under transitional arrangements
	(As of March 31, 2018)		(As of March 31, 2017)	
Core Capital: Instruments and reserves				
Directly issued qualifying common stock or preferred stock mandatorily converted into common stock capital plus related capital surplus and retained earnings	¥ 9,689,139		¥ 9,619,083	
of which: capital and capital surplus	7,653,156		7,653,104	
of which: retained earnings	3,007,643		2,811,200	
of which: treasury stock (deduction)	831,945		731,992	
of which: cash dividends to be paid (deduction)	139,714		113,228	
of which: other than those above	—		—	
Accumulated other comprehensive income (amount allowed to be included in Core Capital)	146,846		117,083	
of which: foreign currency translation adjustments	(85,870)		(80,730)	
of which: remeasurements of defined benefit plans	232,717		197,813	
Subscription rights to common stock and preferred stock with a compulsory conversion clause	—		—	
Adjusted non controlling interests (amount allowed to be included in Core Capital)	217,324		166,761	
Reserves included in Core Capital: Instruments and reserves	338		316	
of which: general reserve for possible loan losses	338		316	
of which: eligible provisions to expected losses	—		—	
Eligible noncumulative perpetual preferred stock subject to transitional arrangements (amount allowed to be included in Core Capital)	—		—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core Capital)	—		—	
Capital instruments issued through the measures for capital enhancement by public institutions (amount allowed to be included in Core Capital)	—		—	
45% of land revaluation differences (amount allowed to be included in Core Capital)	—		—	
Non controlling interests included in Core Capital subject to transitional arrangements	752,093		785,050	
Core Capital: instruments and reserves (A)	10,805,741		10,688,296	
Core Capital: regulatory adjustments				
Total intangible assets (excluding those relating to mortgage servicing rights)	93,859	22,743	68,574	43,681
of which: goodwill (including those equivalent)	2,885	—	3,053	—
of which: other intangible assets other than mortgage servicing rights	90,974	22,743	65,521	43,681
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	260	65	234	156
Shortfall of eligible provisions to expected losses	—	—	—	—
Securitization gain on sale	—	—	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—
Defined-benefit pension fund net assets	24,250	6,062	14,859	9,906
Investments in own shares (excluding those reported in the Net Assets section)	54	13	1	0
Reciprocal cross-holdings in common equity	—	—	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (hereinafter referred to as "Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—	—	—

(Millions of yen)

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

Note 1: The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006, hereinafter referred to as Holding Company Capital Adequacy Ratio Notice).
The data is calculated on a consolidated basis and according to the domestic standard.

Note 2: In accordance with Article 15, Paragraph 2 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd. is not included in the scope of consolidation.

Qualitative Disclosure

1. Scope of consolidation

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

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

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

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

- (2) Number of consolidated subsidiaries and names and details of main business activities of principal consolidated subsidiaries within the Group
As mentioned previously, the Group is composed of the Company and 263 companies under the Holding Company Capital Adequacy Ratio Notice.

Principal consolidated subsidiaries are Japan Post Co., Ltd. and Japan Post Bank Co., Ltd. For details of business activities of the principal consolidated subsidiaries, refer to pages 28 through 29 and 84 through 86 of this report.

- (3) Number of affiliated corporations engaged in financial businesses subject to application of Article 21 of the Holding Company Capital Adequacy Ratio Notice, names of affiliated companies engaged in the relevant financial businesses, total amounts of assets and total amounts of net assets on the balance sheets and details of principal businesses.
None

- (4) Names of companies belonging to the Group that are not included in the scope of consolidation and companies not belonging to the Group that are included in the scope of consolidation, total amounts of assets and total amounts of net assets on the balance sheets and details of principal businesses.

- 1) Companies belonging to the Group that are not included in the scope of consolidation
None

- 2) Companies not belonging to the Group that are included in the scope of consolidation
Japan Post Insurance Co., Ltd.
Refer to page 91 of this report for details on the total amount of assets and total amount of net assets for Japan Post Insurance Co., Ltd. and to pages 30 - 31 of this report for details about the company's main business activities.

- (5) Restrictions on transfer of funds and common stock among companies in the holding company group
None

2. Overview of capital instruments (This entire amount or partial amount are referred to as capital instruments and included in basic items of core capital as calculated under Article 14 of Holding Company Capital Adequacy Ratio Notice.)

The Company raises capital through equity financing (issuance of common stock).

3. Overview of method for evaluating the level of capital adequacy for the

Group

With regard to the current adequacy of capital, the consolidated capital adequacy ratio as of March 31, 2018 calculated in accordance with the Holding Company Capital Adequacy Ratio Notice was 19.11%. This level is substantially higher than the 4% capital adequacy ratio of the domestic standard. When calculating the consolidated capital adequacy ratio, the standardized approach is used for credit risk and the basic indicator approach is used for operational risk. A figure for market risk is not included.

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

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

4. Credit risk

- (1) Summary of risk management policy and procedures

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

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

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

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

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

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

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

Moreover, Japan Post Bank continuously monitors individual obligor's

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

(2) Portfolios where the standardized approach is applied

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

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

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

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

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

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

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

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

■ Types of qualified financial collateral

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

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

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

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

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

For the use of the netting of loans and self deposits, as prescribed in the

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. Securitization exposure

(1) Summary of risk management policy and risk characteristics

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

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

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

For securitization exposure risk, Japan Post Bank operates a structure that ascertains on a timely basis information concerning comprehensive risk

characteristics and performance. Specifically, in addition to the Bank periodically reviewing obligor ratings in the event that a decline in the quality of or change in the structure of underlying assets has an impact on obligor ratings, the Bank provisionally reviews the obligor ratings.

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

(3) Policies on using securitization transactions as a credit risk mitigation method

Japan Post Bank does not use securitization transactions as a credit risk mitigation method.

(4) Name of method used to calculate amount of credit risk assets for securitization exposure

Japan Post Bank uses the standardized approach prescribed in the Capital Adequacy Ratio Notice for calculating the amount of credit risk assets for securitization exposure.

(5) Name of method used for calculating an amount equivalent to market risk of securitization exposure

Not applicable

(6) Distinguishing types of conduits for securitization and whether the Group is exposed to risks associated with securitization from securitization transactions when using conduits for securitization in executing securitization transactions for third-party assets.

Japan Post Group does not use conduits for securitization to execute securitization transactions involving third-party assets.

(7) Among the Group's subsidiaries (excluding consolidated subsidiaries, etc.) and affiliate companies, names of those companies exposed to risk associated with securitization transactions carried out by the Group (including securitization transactions using conduits for securitization)

Not applicable

(8) Accounting policy on securitized transactions

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

(9) Name of qualified rating agencies used in making judgments on risk weight for securitization exposure by category

Japan Post Bank uses the ratings of the following credit rating agencies for the calculation of credit risk assets for securitization exposure:

Rating and Investment Information, Inc. (R&I)

Japan Credit Rating Agency, Ltd. (JCR)

Moody's Investors Service, Inc. (Moody's)

S&P Global Ratings (S&P)

8. Operational risk

(1) Summary of risk management policy and procedures

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

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

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

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

Japan Post Bank is making preparations for using systems to report actualized events such as clerical accidents or system problems. The content of

the reports analyzes the causes and tendencies of clerical accidents, system problems and other matters and is used as basic data for taking effective countermeasures.

(2) The name of method used for the calculation of an amount equivalent to operational risk

Japan Post Bank uses the "basic indicator approach" with regard to the calculation of an amount equivalent to operational risk.

9. Summary of risk management policy and procedures for investments, shares and other exposure in banking account

Japan Post Bank, which is a company engaged in the banking business that belongs to the Group as prescribed in Holding Company Capital Adequacy Ratio Notice, monitors and manages exposure to investments, stock, and other assets as owned by the bank in the banking account based on the framework of market risk management and credit risk management. It does so by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, based on the Bank's equity and other resources.

10. Interest rate risk in the banking account

(1) Summary of risk management policy and procedures

Interest rate risk is the risk of incurring a loss due to interest rate fluctuations and the risk of a decline in earnings or loss resulting from interest rate fluctuations when there is an interest rate or maturity mismatch between assets and liabilities.

At Japan Post Bank, market investments account for the majority of assets and TEIGAKU deposits account for the majority of liabilities. The Bank has a market risk management system that reflects the characteristics and risk profile of these operations.

Japan Post Bank uses a statistical method called VaR to quantify the amount of market risk. Risk is monitored and managed by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, based on the Bank's equity and other resources. In addition, Japan Post Bank performs stress tests to be prepared for extreme market volatility that exceeds the range that can be statistically foreseen. Furthermore, Japan Post Bank sufficiently recognizes the importance of interest rate risk and is building a system for multifaceted and proper ascertaining of interest rate risk through measures that include profit or loss simulations carried out based on various scenarios.

To provide a system of checks and balances for market risk management, Japan Post Bank has established the Risk Management Department, which is positioned as a middle office unit that is independent of front office and back office units. The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions concerning matters involving the establishment and operation of the market risk management system and the execution of market risk management.

For reaching proper decisions quickly, daily reports are submitted to senior management concerning the volume of market risk (VaR), compliance with limits for market risk exposure and loss limits for market risk and other items. In addition, Japan Post Bank analyzes risk on a regular basis by using back testing and stress testing and reports the results of these tests to the Executive Committee. These activities are aimed at consistently generating earnings while properly controlling market risk.

(2) Summary of method for calculating interest rate risk for internal management

Japan Post Bank adopts the historical simulation method for the internal model used to measure market risk (VaR). The VaR model is based on a one-tailed confidence level of 99%, a holding period of 240 business days (i.e., one year) and an observation period of 1,200 business days (i.e., five years).

To measure market risk relating to liquid deposits, the Bank has applied an internal model to allocate the estimated balance and termination dates of liquid deposits that have remained on deposit in the Bank for a long term without being withdrawn and calculates the interest rate risk amount for them. Market risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow model.

Quantitative Disclosure

1. Among subsidiaries that are Other Financial Institutions (referred to as Other Financial Institutions as prescribed under Article 18, Paragraph 6-1 of Holding Company Capital Adequacy Ratio Notice), names of the companies with shortage in the regulatory required capital and the total amounts of the regulatory required capital shortfall.

Not applicable as of March 31, 2018 and 2017.

2. Capital adequacy

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

(3) Total amount of consolidated required capital

(Millions of yen)

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

Note 1: The total amount of consolidated required capital is the denominator of the consolidated capital adequacy ratio x 4%.

Note 2: The amount of required capital for credit risk is the amount of credit risk assets x 4%.

Note 3: The amount of required capital for market risk equivalent amount is not applicable since the Group, based on Article 16 of Holding Company Capital Adequacy Ratio

Notice, does not include market risk equivalent amounts in the calculation formulae prescribed under Article 14 of the Notice.

Note 4: The amount of required capital for operational risk equivalent amount is operational risk equivalent amount divided by 8% x 4%.

3. Credit risk

(1) Credit risk exposure by region, industry and customer

(Millions of yen)

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

(Millions of yen)

Counterparts		2017 (As of March 31, 2017)				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	¥ 54,303,682	¥ 81,039,459	¥ —	¥ 74,002	¥ 135,417,144
	Financial institutions	37,109,409	10,896,066	336,236	918,580	49,260,291
	Corporates	462,513	6,425,822	—	333,416	7,221,751
	Small and medium-sized enterprises and individuals	—	—	—	206	206
	Others	7,425,820	4,728,209	3,051	3,034,000	15,191,081
	Domestic total	99,301,424	103,089,558	339,287	4,360,205	207,090,476
Overseas total		60,059	—	—	339,892	399,951
Investment trust, etc.		52,318	—	—	35,144,534	35,196,853
Total		¥ 99,413,802	¥ 103,089,558	¥ 339,287	¥ 39,844,632	¥ 242,687,281

Note 1: All subsidiaries other than Japan Post Bank do not engage in loan operations, in principle, and therefore do not categorize credit by industry sector. Accordingly, a breakdown by customer is presented in the above table.

Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (head office).

Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.

Note 4: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 5: "Derivatives" include forward foreign exchange and interest rate swaps, etc.

Note 6: "Sovereigns" include central governments, central banks, local governments, etc.

Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type I financial instruments business operators.

Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations, etc.

Note 9: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 10: The intangible assets and investments in own common shares that are subject to calculation of credit risk asset are not included due to transitional arrangements.

Note 11: Investment trusts and other funds are recorded in investment trust, etc.

(2) Credit risk exposure by maturity

(Millions of yen)

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

(Millions of yen)

Remaining period	2017 (As of March 31, 2017)				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	¥ 38,954,700	¥ 15,323,450	¥ 26,971	¥ 454,459	¥ 54,759,581
Over 1 year to 3 years	779,317	26,292,702	72,826	36	27,144,883
Over 3 years to 5 years	625,463	25,194,671	193,899	30	26,014,064
Over 5 years to 7 years	585,030	24,615,900	45,191	—	25,246,122
Over 7 years to 10 years	964,815	7,539,844	399	—	8,505,060
Over 10 years	271,404	4,122,988	—	—	4,394,392
No due date or perpetual	57,180,750	—	—	4,245,571	61,426,321
Investment trust, etc.	52,318	—	—	35,144,534	35,196,853
Total	¥ 99,413,802	¥ 103,089,558	¥ 339,287	¥ 39,844,632	¥ 242,687,281

Note 1: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.

Note 2: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 3: "Derivatives" include forward foreign exchange and interest rate swaps, etc.

Note 4: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 5: The exposure amount does not include in intangible assets and investments in own common shares that are subject to calculation of credit risk assets due to transitional arrangements.

Note 6: Investment trusts and other funds are recorded in investment trust, etc.

(3) Past-due loans for three months or more exposure by region, industry and customer

(Millions of yen)

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

Note 1: "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.

Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (head office).

Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.

Note 4: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 5: "Derivatives" include forward foreign exchange and interest rate swaps, etc.

Note 6: "Sovereigns" includes central governments, central banks, local governments, etc.

Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type I financial instruments business operators.

Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations, etc.

Note 9: Exposures of certain subsidiaries are included in "Others" (exposure) under "Others" (counterparts).

Note 10: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 11: Investment trusts and other funds are recorded in investment trust, etc.

(4) Year-end balances and changes during the period of general reserve for possible loan losses, specific reserve for possible loan losses, and loan loss reserve for specific overseas countries.

Year-end balance

(Millions of yen)

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

Change during the period

(Millions of yen)

	2018 (From April 1, 2017 to March 31, 2018)	2017 (From April 1, 2016 to March 31, 2017)
General reserve for possible loan losses	¥ 11	¥ (0)
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Note 1: Reserve for loan losses related to loans disclosed under the Financial Revitalization Law is listed.

Note 2: General reserve for loan losses is not classified by region, industry and customer.

(5) The amount of write-off of loans by industry and customer

There were no write-offs.

(6) Amount of exposure by risk weight category

(Millions of yen)

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

Note 1: Ratings are used for those rated by qualified rating agencies in principle.

Note 2: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 3: Regarding assets to which the Company applies credit risk mitigation techniques for a portion of its exposure, the Group records exposure amounts in weighted categories after the application of credit risk mitigation techniques.

Note 4: Regarding assets to which the Company applied transitional arrangements, the Company records these assets in risk-weighted categories in case of that transitional arrangements are not applied.

Note 5: Investment trusts and other funds are recorded in investment trust, etc. The weighted average of risk weights was 80.48% as of March 31, 2018 (compares with 71.43% as of March 31, 2017)

4. Credit risk mitigation methods

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

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

Note 1: Japan Post Bank accepts cash, self-deposits and securities as eligible financial collateral.

Note 2: Principal guarantors are central governments, etc. to which lower risk weight than the guaranteed obligations are applied.

Note 3: Credit derivative counterparties are the financial institutions to which lower risk weightings than the reference obligations are applied.

Note 4: The exposure included in investment trusts and other funds are not included herein.

5. Derivative transactions and long-term settlements transactions

(1) Derivative transactions and long-term settlements transactions

(Millions of yen)

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

Note 1: Credit equivalents are calculated by the "current exposure method."

Note 2: Regarding derivative transactions and transactions with long-term settlements, only those transactions requiring the calculation of credit equivalents are included.

Note 3: Derivative transactions and transactions with long-term settlements included in Investment trusts and other funds are not included herein.

Note 4: Limited to transactions on which gross reconstruction costs are not less than zero.

Note 5: Consideration is being given to the effectiveness of the amount of netting effect on credit equivalents under close-out netting agreements.

Note 6: Credit risk mitigation through collateral is considered through risk weighting, and credit equivalent amounts are not considered.

Note 7: The amount of netting effect on credit equivalents through netting is equal to an amount that subtracts credit equivalents prior to considerations of credit risk mitigation using collateral from the aggregate sum of amounts of gross reconstruction costs and aggregate sum of gross add-on amounts.

(2) Notional principal amounts of credit derivatives

(Millions of yen)

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

6. Securitization exposure

Securitization exposure in which the Group invests:

(1) Securitization exposure and breakdown by type of main underlying assets (excluding re-securitization exposure)

(Millions of yen)

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

Note 1: Amounts within parentheses are off balance sheet transaction amounts.

Note 2: Excludes securitization exposure included in investment trust, etc.

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

(Millions of yen)

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

Note 1: Amounts within parentheses are off balance sheet transaction amounts.

Note 2: Excludes re-securitization exposure included in investment trust, etc.

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

(Millions of yen)

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

Note 1: Amounts within parentheses are off balance sheet transaction amounts.

Note 2: Excludes securitization exposure included in investment trust, etc.

Note 3: Required capital is the amount of credit risk assets × 4%.

Note 4: Corporate loans are the underlying type of assets in securitization exposure to which the 1,250% risk weight is applied.

7. Market risk

Not applicable since the Group, based on Article 16 of Holding Company Capital Adequacy Ratio Notice, does not include the amount of market risk equivalent in the calculation formulae prescribed under Article 14 of the Notice.

8. Equity exposure

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

(Millions of yen)

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

Note 1: Shares with market quotations are listed.

Note 2: Shares without market quotations are listed.

Note 3: Shares held by the Bank's subsidiaries and their subsidiaries are listed. The exposure included in Investment trusts and other funds are not included herein. The same applies to the following.

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

(Millions of yen)

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

Note: Shares with market quotations are listed.

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

(Millions of yen)

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

Note 1: Amounts within parentheses are off balance sheet transaction amounts.

Note 2: Excludes re-securitization exposure included in investment trust, etc.

Note 3: There are no credit risk mitigation methods applied to re-securitization exposures.

Note 4: Required capital is the amount of credit risk assets × 4%.

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

9. Exposures calculated by credit risk asset supervisory formulae
Not applicable, since the standardized approach is used.

10. Interest rate risk
Gains and losses related to interest rate shock or changes in economic value used for management purposes in the Group for managing interest rate risk in the banking account

(Billions of yen)

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

Note 1: Interest rate shock range uses 1st and 99th percentiles for interest rate fluctuations based on a holding period of one year and an observation period of five years.

Note 2: Of liquid deposits, for those deposits that will not be withdrawn and will remain at the Bank over the long term (so-called core deposits), the Group uses an internal model for estimating outstanding balances and allocation to settlement dates and calculates interest risk volume.

Note 3: Assets other than those of Japan Post Bank are insignificant and therefore non-consolidated figures for Japan Post Bank are listed.

Compensation, etc. Subject to Disclosure

1. Matters concerning the establishment of an organizational system for subject executives and employees of the Company (Group)

(1) Scope of subject executives and employees

The following describes the scope of "subject executives" and "subject employees" (collectively referred to as "subject executives and employees") who are subject to disclosure as persons having a significant impact on the operation of the banking business and state of assets as prescribed by the notification (Japan Financial Services Agency Notification No. 21 of March 29, 2012) for deciding matters determined separately by the Commissioner of the Financial Services Agency as an item concerning compensation based on provisions of the Ordinance for Enforcement of the Banking Act, Article 19-2, Paragraph 1-6.

1) Scope of "subject executives"

Subject executives are the Company's directors and executive officers. Outside directors are excluded.

2) Scope of "subject employees"

Among Company executives (other than subject executives) and employees as well as executives and employees of subsidiaries, those "persons receiving high amounts of compensation" and who have a significant impact on the management of business operations and the state of assets of the Company or its principal subsidiaries are deemed "subject employees" who are subject to disclosure.

(a) Scope of "principal consolidated subsidiaries"

Principal consolidated subsidiaries are consolidated subsidiaries that have a significant impact on Group management. Specifically, the three business subsidiaries are in this category.

(b) Scope of "persons receiving high amounts of compensation"

"Persons receiving high amounts of compensation" are those persons receiving compensation exceeding standard amounts from the Company and its principal consolidated subsidiaries. The Company has set the Group standard amount at ¥24 million. The relevant standard amount is set based on the average basic compensation (excludes persons who assume positions or retire from positions during the term in each fiscal year) for the past three years for executives of the Company and Japan Post Bank and this serves as a common standard amount for the Group. However, because there are no large differences in compensation systems and levels for the Company's principal consolidated subsidiaries, these are also applied in common at principal consolidated subsidiaries.

(c) Scope of "persons having a significant impact on the management of the Group's business or the state of its assets"

"Persons having a significant impact on the management of the Group's business or the state of its assets" refers to persons who engage in regular business transactions and manage matters that have a considerably significant impact on the management of the Company, Japan Post Group and its principal consolidated subsidiaries, or persons who would exert a significant impact on the state of assets by incurring losses from business transactions or other matters. Specifically, this refers to executives of principal consolidated subsidiaries or executive officers with authority to execute the business of business departments in accordance with resolutions by the Board of Directors as well as to professional positions at Japan Post Bank. (Referred to hereafter as management employees for whom a performance-linked compensation system is applicable based on professional position salary regulations and who perform duties for the execution of business using especially sophisticated and expert knowledge in the Investment Division of Japan Post Bank).

(2) Determination of compensation for subject executives and employees

1) Determination of compensation for subject executives

The Company has established the Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for the Company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to decide policies for determining compensation as well as determine individual compensation.

2) Determination of compensation for subject employees

The determination of compensation for executives of principal

consolidated subsidiaries who are deemed subject employees is as follows.

(a) Japan Post

Executive compensation is determined under a structure whereby the total amount of executive compensation is determined at the Shareholders' meeting.

Individual allocation of directors' compensation is determined on a resolution by the Board of Directors, according to the total amount decided at the Shareholders' meeting.

Individual allocation of compensation for auditors is determined based on consultation by the auditors.

Compensation for executive officers is determined based on a resolution by the Board of Directors.

(b) Japan Post Bank and Japan Post Insurance

Japan Post Bank and Japan Post Insurance have respectively established a Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for each company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to determine policies for determining compensation as well as determine individual compensation.

The Human Resources Division, which is independent from the Corporate Administration Division, has established a performance-linked compensation system based on professional position salary regulations for professional positions at Japan Post Bank. Compensation based on this system is determined after deliberation at the Evaluation Committee that is composed of executive officers such as the President and Representative Executive Officer of Japan Post Bank.

(3) Determination of compensation for staff of the Risk Management Department and Compliance Department

Compensation for staff of the Risk Management Department and Compliance Department is determined based on salary rules and regulations. Specific amounts paid are decided by determining compensation separate from the sales promotion department by setting amounts based on employee performance evaluations, with the general manager of the relevant departments as the person making final decisions.

Assessment categories of employee performance evaluations encompass assessments of the execution of duties and attainment levels for targets for each job responsibility in the Risk Management Department and Compliance Department. These assessments reflect the level of contribution to the risk management structure and compliance readiness.

(4) Total amount of compensation paid to members of the Compensation Committee and number of times the Compensation Committee and other meetings convened

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

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

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

(1) Policies concerning compensation for "subject executives"

The Company determines compensation for the Company's directors according to job responsibilities based on the scope and size of responsibilities for management and other areas. For executive officers, the Company has designed a compensation system that considers job content as an executive officer, personal evaluations and job performance. As a specific executive compensation system, compensation for executives consists of base compensation.

(2) Policies concerning compensation for "subject employees"

In determining compensation for Company employees, the Company determines compensation for directors and auditors according to job responsibilities based on the scope and size of responsibilities for management and in other areas. For executive officers and executives, the Company has designed a compensation system that considers job content as an executive officer or executive, personal evaluations and job performance. As a specific compensation system, compensation consists of base compensation.

The Company determines compensation for employees based on employee evaluations to reflect the degree of attainment of targets and job behavior. As a specific compensation system for employees, compensation is determined based on salary rules and regulations.

3. Matters concerning consistency between the compensation system for subject executives and employees of the Company (Group) and risk management and the link between compensation and performance

In determining compensation for subject executives, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined.

In determining compensation for subject employees, compensation for directors and auditors of Japan Post is determined based on resolutions at the Shareholders' meeting, while compensation for executive officers is determined based on resolutions by the Board of Directors. Regarding executives of Japan Post Bank and Japan Post Insurance, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined. In determining compensation for professional positions at Japan Post Bank, the scheme for determining compensation is discussed at the Evaluation Committee, after which details of compensation for each individual are determined. Compensation for other employees is determined based on salary rules and regulations.

Compensation for subject executives and subject employees takes into consideration the state of employee evaluations and the appropriateness of amounts paid without excessive emphasis on performance based systems.

4. Matters concerning the types of compensation for subject executives and employees of the Company (Group), total amount paid and payment method
Total amount of compensation for subject executives and employees (From April 1, 2017 to March 31, 2018)

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

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

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

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

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

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

Consolidated Solvency Margin Ratio (Japan Post Group)

(Millions of yen)

Item		2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
Total amount of consolidated solvency margin (A)		¥ 19,026,975	¥ 19,375,176
Capital stock, etc.		11,696,279	11,580,137
Reserve for price fluctuations		916,743	788,712
Contingency reserve		2,114,348	2,254,027
Catastrophe loss reserve		—	—
General reserve for possible loan losses		399	376
Net unrealized gains (losses) on available-for-sale securities, net deferred gains (losses) on hedges (before taxes) × 90% (if negative, × 100%)		3,414,011	3,817,559
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		80,067	108,968
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)		298,658	338,720
Capital raised through debt financing, Excess of continued Zillmerised reserve		506,467	486,674
Excess of continued Zillmerised reserve		506,467	486,674
Capital raised through debt financing		—	—
Amounts within "excess of continued Zillmerised reserve" and "capital raised through debt financing" not calculated into the margin		—	—
Solvency margin concerning small-amount, short-term insurers		—	—
Deductions		—	—
Others		—	—
Total amount of consolidated risk $\sqrt{(\sqrt{R_1^2 + R_5^2} + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)		¥ 5,265,094	¥ 4,202,494
Insurance risk R ₁		147,403	153,070
General insurance risk R ₅		—	—
Catastrophe risk R ₆		—	—
Underwriting risk of third-sector insurance R ₈		63,087	69,104
Small amount and short-term insurance risk R ₉		—	—
Anticipated yield risk R ₂		150,450	158,838
Minimum guarantee risk R ₇		—	—
Investment risk R ₃		4,802,912	3,711,234
Business management risk R ₄		307,261	326,050
Consolidated solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$		722.7%	922.0%

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

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

(Millions of yen)

Item		2018 (As of March 31, 2018)	2017 (As of March 31, 2017)
Total amount of solvency margin	(A)	¥ 5,591,395	¥ 5,420,173
Capital stock, etc.		1,554,861	1,491,298
Reserve for price fluctuations		916,743	788,712
Contingency reserve		2,114,348	2,254,027
General reserve for possible loan losses		60	59
(Net unrealized gains (losses) on available-for-sale securities (before taxes)-Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		501,809	399,297
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		(2,896)	103
Excess of continued Zillmerized reserve		506,467	486,674
Capital raised through debt financing		—	—
Amounts within "excess of continued Zillmerized reserve" and "capital raised through debt financing" not calculated into the margin		—	—
Deductions		—	—
Other		—	—
Total amount of risk	(B)	¥ 989,104	¥ 840,902
Insurance risk	R ₁	147,403	153,070
Underwriting risk of third-sector insurance	R ₈	63,087	69,104
Anticipated yield risk	R ₂	150,450	158,838
Minimum guarantee risk	R ₇	—	—
Investment risk	R ₃	792,377	631,173
Business management risk	R ₄	23,066	20,243
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	1,130.5%	1,289.1%

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

7. Japan Post Group Privacy Policy

1

Japan Post Group Privacy Policy

Japan Post Group (“the Group”) is dedicated to providing services that can achieve a high degree of customer satisfaction. Properly protecting and the treatment of personal information is vital to accomplishing this goal. Accordingly, the Group has established the following fundamental policy (hereinafter referred to as “the Privacy Policy”) for protecting personal information.

(1) Compliance with laws and regulations

When handling personal information, the Group complies with all laws and regulations associated with protecting personal information, national government policies and the provisions of the Privacy Policy (“laws, regulations, etc.,” hereafter).

(2) Purpose of using personal information

The Group specifies the purpose of using personal information and does not use this information beyond the scope necessary for achieving this purpose.

The purposes for which Group companies use personal information are listed in the privacy policies on each company’s website and where applicable.

(3) Acquisition of personal information

The Group acquires personal information using methods that are legal and proper.

(4) Security measures for management of personal information

The Group uses an appropriate security management system to prevent leaks, losses or alterations of personal information. In addition, the Group properly supervises persons engaged in the business of handling personal information, outsourcing parties and others.

(5) Provision of personal information to third parties

Except in cases where required by laws and regulations, the Group does not supply personal information to third parties without the prior consent of each individual.

In cases where two or more Group companies share the same personal information, this sharing is performed only after providing prior notice or public announcements of items required by law.

Irrespective of the above, specific personal information shall not be provided to third parties or shared jointly except when prescribed by laws or ordinances.

(6) Procedures for requesting disclosure of personal data

The Group responds in a sincere manner in cases where there are requests for the notification of the purpose of use or for the disclosure, correction or termination of use of retained personal data as prescribed by laws, regulations, etc.

The disclosure request procedures for each company can be found on their respective websites and where applicable.

(7) Points of contact for inquiries

Requests regarding retained personal data set forth in the preceding section and inquiries and requests regarding treatment of personal information can be made to designated points of contact.

(8) Continuous improvements

The Group constantly reviews and improves its management and handling methods for the protection of personal information in response to advances in information technology and shifts in social demands.

Japan Post Group began with the October 2007 privatization of Japan's postal system. Japan Post Group companies consist of Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Insurance Co., Ltd. and several other subsidiaries and affiliated companies.

Each Japan Post Group company uses its respective specialized skills to provide high-quality services. The objective is to achieve even greater customer satisfaction.

To accomplish this goal, Japan Post Group wishes to share customers' personal data solely to the degree required and within the scope explained below. This data is used to conduct business activities performed directly by Group companies or through outsourcing parties.

The Group asks for customers' understanding and pledges that strict information management will be used during the shared use of personal data.

(1) Personal data items for shared use

Shared use covers names, birth dates, addresses, telephone numbers and other contact information, family members, occupations and data concerning business transactions with the Group. However, this excludes information about materials sent or delivered by postal mail or any sensitive information.

(2) Scope of parties involved in shared use

Shared use is limited to Japan Post Group. However, this applies only to companies included in the consolidated financial statements, including equity-method affiliates, of Japan Post Holdings, as prescribed by laws, regulations, etc., and is limited to the following companies:

Japan Post Holdings Co., Ltd, Japan Post Co., Ltd, Japan Post Bank Co., Ltd, Japan Post Insurance Co., Ltd.

(3) Purpose of use

- 1) Distribution of information about services and research and development involving services
- 2) Decisions involving the provision of services
- 3) For the proper management of Group business operations primarily for the purpose of monitoring and managing risks

(4) Name of party with responsibility for managing personal data

Japan Post Holdings Co., Ltd.

(5) Other items

- 1) Customer data from pre-privatization postal insurance policy contracts will be used for insurance sales activities only after receiving the prior consent of the applicable customers.
- 2) Prior consent of the applicable customers will be received before using data on savings transactions (private financial information) for insurance sales activities and before using data on transactions (private financial information) involving life insurance policies (including postal insurance) to sell savings products.

8. Japan Post Group Conflicts of Interest Management Policy

Japan Post Group (“the Group”) conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to a conflict of interest.

1. The following representative examples of companies in Japan Post Group (“Group companies”) fall within the scope of the Conflicts of Interest Management Policy.
 - Japan Post Bank Co., Ltd.
 - Japan Post Insurance Co., Ltd.
 - Japan Post Co., Ltd.
2. The Group will manage conflicts of interest for the transactions stipulated below.
 - (1) Transactions that may unduly impair the interests of customers among the following transactions:
 - Transaction with a customer that has an interest in one of the Group companies based on an agreement
 - Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
 - Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement
 - (2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest

3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:
 - (1) Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
 - (2) Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
 - (3) Discontinue the target transaction or the secondary transaction with the customer
 - (4) Properly disclose to the customer that the target transaction may unduly impair his or her interests
4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.
5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.

9. Japan Post Group Information Security Declaration

Services provided by Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. as Japan Post Group are used by a large number of customers. We believe that information about these customers must be strictly managed, and the services used by customers must be absolutely safe.

We understand that information security is essential for

customers to use our services with confidence. Our activities reflect this awareness of the importance of information security. We place priority on the following items in order to manage information about customers safely and to protect this information from leaks and alterations resulting from unauthorized access and from disruptions in services caused by accidents, natural disasters and other events.

1. Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. will establish information security policies and follow the policies for the purpose of conducting information security activities.
2. We will conduct a continuous information security training program for the purpose of maintaining a strong awareness among employees of the importance of information security and reinforcing that awareness.
3. We will conduct continuous inspections of information security activities and make revisions and improvements whenever needed for the purpose of maintaining and enhancing the effectiveness of information security activities.

10. Declaration by Top Management regarding the Elimination of Relationships with Antisocial Forces

To eliminate any relationships with antisocial forces and prevent damage to the organization, Japan Post Group has made the following declaration in line with the Fundamental Policy for Establishment of Internal Control Systems.

1. Organizational response

In firm recognition of its social responsibility and to strengthen management based on compliance, Japan Post Group, as an organization in its entirety, will ensure that any relationships with antisocial forces are eliminated.

2. Complete elimination of relationships, including transactions

Japan Post Group will have no relationships whatsoever with antisocial forces, including transactions.

3. Legal measures and prohibition of secret negotiations

Japan Post Group will strongly refuse any unjustified demands by antisocial forces and will take legal measures, either via a civil court

or a criminal court, or both. Japan Post Group will never negotiate in secrecy with antisocial forces, even if their unjustified demands are to conceal matters related to any misconduct of the Group's own activities or that of its staff.

4. Cooperation with outside experts

Japan Post Group will establish close relationships with outside experts in preparation for any unjustified demands by antisocial forces in order to ensure the safety of its staff against such demands.

5. Prohibiting financing for antisocial forces

Japan Post Group will never engage in financing for antisocial forces.

11. Disclosure Policy

Fundamental policy

Japan Post Group has stipulated in its Charter of Corporate Conduct to "fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner" to earn the trust of customers. To achieve sustainable growth and medium- to long-term improvement in our enterprise value, Japan Post Holdings Co., Ltd. (the "Company") shall disclose information in a fair and accurate manner to its shareholders, investors, and other stakeholders. In addition, the management shall make efforts to actively communicate with them and share among its own staff the requests, expectations, and so on obtained through this communication.

Standards for information disclosure

The Company shall comply with the Financial Instruments and Exchange Act of Japan, other applicable laws and regulations and the securities listing regulations stipulated by the Tokyo Stock Exchange, manage important information about the Company and its subsidiaries, and swiftly disclose it in a timely manner.

Moreover, the Company shall not only disclose information in accordance with the aforementioned laws and regulations and other relevant rules and regulations, but it shall also strive to voluntarily disclose information that will contribute to the deepening of understanding of the Company and its subsidiaries at occasions such as investor information meetings.

Establishment of internal systems

The Company shall strive to establish and reinforce its internal systems by appointing the executive officer in charge of the Corporate Planning Division to be responsible for establishing the internal system for our IR activities, so

that each division works together in an organic manner to ensure appropriate information disclosure. Furthermore, the Company has established the Disclosure Committee for discussions about information disclosure.

Method of disclosing information

The Company shall make disclosure as required based on the Financial Instruments and Exchange Act of Japan, other related laws and regulations, securities listing regulations of the Tokyo Stock Exchange, etc. through prescribed means including the Electronic Disclosure for Investors' NETWORK (EDINET), which is operated by the Financial Services Agency, the Timely Disclosure network (TDnet), which is operated by the Tokyo Stock Exchange, and through the Company's website.

Disclosure of information through methods other than the above shall be made through the Company's website and other means.

Future outlook

Information disclosed of the Company might include forward-looking statements. Such statements have been prepared in accordance with judgments made by the management based on the information available to the Company at the time of disclosure and on certain assumptions that the Company believes to be reasonable in making its predictions of the future, thereby containing various risks, as well as some degree of indeterminacy and uncertainty. Accordingly, actual figures and financial results may differ from the forward-looking statements included in the disclosed information depending on future business operation as well as changes in economic and other circumstances.

Nationwide Post Office Network

With 24,395 locations, our network of post offices covers all of Japan's 1,741 cities, towns, and villages*. These post offices, which serve as bases for various postal, banking, and insurance services that are offered by Japan Post Group, have been an integral part of local communities for many years, and the Japanese public has come to greatly appreciate this extensive network.

The Group looks forward to taking advantage of these post offices to provide convenient new services to residents of the communities we serve while ensuring their ability to access postal, banking, and insurance services in a unified manner throughout Japan.

*Includes Tokyo's 23 special wards (as of April 5, 2014).

■ Post Offices in Japan (As of March 31, 2018)

Directly operated post offices (including branch offices)	20,154
Contracted post offices	4,241
Total	24,359

Note: Includes 68 directly operated post offices and 294 contracted post offices that are temporarily closed.

■ Number of Japan Post Bank branches

234

■ Number of Japan Post Insurance branches

82

