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Items Disclosed on the Internet Concerning the Notice of the 17th Annual General Meeting of Shareholders

The 17th Term (from April 1, 2021 to March 31, 2022)

1. Notes to Consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2022

2. Notes to Non-consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2022

JAPAN POST HOLDINGS CO., Ltd.

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

Notes to Consolidated Financial Statements

Amounts of less than one million yen are rounded down.

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

Basis of Presentation of Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries: 245

Principal companies:

Japan Post Co., Ltd.

Japan Post Bank Co., Ltd.

Japan Post Insurance Co., Ltd.

From the fiscal year ended March 31, 2022, 4 companies and JP Rakuten Logistics, Inc., were included in the scope of consolidation due to their establishment, and Yusen Real Estate Corporation was included in the scope of consolidation due to the purchase of its stock. In addition, 10 subsidiaries of Toll Holdings Limited (hereinafter referred to as “Toll”) were excluded from the scope of consolidation due to the liquidation, and Japan Post Hotel Service Co., Ltd., and 9 subsidiaries of Toll were excluded from the scope of consolidation due to the sale of their stock from the fiscal year ended March 31, 2022.

Furthermore, Yusen Real Estate Corporation changed its name to Japan Post Properties Co., Ltd., on April 1, 2022.

(2) Non-consolidated subsidiaries: 6

Silent partnerships investing in real estate, etc.: 6

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

2. Application of the equity method

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

None

(2) Affiliates accounted for by the equity method: 13

JA Foods Oita Co., Ltd.

Ring Bell Co., Ltd.

Saison Asset Management Co., Ltd.

ATM Japan Business Service, Ltd.

JP Asset Management Co., Ltd.

Toll’s affiliates

From the fiscal year ended March 31, 2022, 2 of Toll’s affiliates were excluded from the scope of the equity method due to the liquidation.

(3) Non-consolidated subsidiaries that are not accounted for by the equity method: 6

Silent partnerships investing in real estate: 6

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

BPO.MP COMPANY LIMITED

A.I. Squared, Inc.

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, etc. of consolidated subsidiaries

(1) Fiscal year-end dates of consolidated subsidiaries

June 30:	5
December 31:	31
March 31	209

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

4. Amortization of goodwill

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

5. Summary of significant accounting policies

(1) Valuation criteria and methods for trading account securities

Trading account securities are carried at fair value.

(2) Valuation criteria and methods for securities

1) Held-to-maturity bonds are carried at amortized cost, and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method. In accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 21), policy-reserve-matching bonds are carried at amortized cost, and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method. Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost and the cost of these securities sold is calculated using the moving-average method. Available-for-sale securities are carried at fair value (cost of sales is mainly calculated using the moving-average method). But stocks without market price, etc., are carried at cost using the moving-average method.

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

2) Securities included in "Money Held in Trust" are carried using the same method used for securities mentioned above 1).

Net unrealized gains (losses) on money held in trust classified as other than trading or held-to-maturity, net of income taxes, are included in "Net assets".

(3) Valuation criteria and methods for derivative transactions

All derivative transactions are valued at fair value.

(4) Depreciation methods of fixed assets

1) Tangible fixed assets (excluding leased assets and right-of-use assets)

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

Useful lives of principal assets are as follows:

Buildings:	2-50 years
Others:	2-75 years

2) Intangible assets (excluding leased assets)

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

3) Leased assets

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

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

4) Right-of-use assets

Right-of-use assets related to lease transactions of Toll and its subsidiaries and affiliates are depreciated using the straight-line method over the useful life of the right-of-use asset or the lease term, whichever is shorter.

(5) Reserve for possible loan losses

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

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

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

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

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

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

For secured loans and guaranteed loans that were extended to borrowers in a state of legal bankruptcy, including legal bankrupt or civil rehabilitation, or that are considered substantially bankrupt, respective loan receivable amounts are directly written off for an estimated uncollectable amount, which is calculated as the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. The amount written off for these loans was ¥37 million for the fiscal year ended March 31, 2022.

(6) Reserve for bonuses

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

(7) Reserve for employee stock ownership plan trust

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

(8) Reserve for management board benefit trust

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

(9) Reserve for reimbursement of deposits

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

(10) Reserve for insurance claims and others

To provide for compensation for the disadvantages caused in relation to the cases which have been discovered as a result of the investigation of insurance policies to have potentially caused disadvantages to customers, not in line with their intentions, a reserve is provided for the estimated payments of insurance claims to be caused by the future termination of policies based on past performance.

(11) Accounting method for retirement benefits

1) In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit to the period up to the end of the fiscal year. Treatment of prior service cost and actuarial difference are accounted for as follows.

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

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

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

The actuarial difference is amortized using the straight-line method over a fixed period (7 years) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

The prior service cost is amortized using the straight-line method over a fixed period (7 years) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year in which the difference is incurred.

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

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

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

(12) Significant revenue and expenses

The details of principal performance obligations and the normal timing when performance obligations are satisfied (the normal timing of revenue recognition) related to revenue from contracts with customers in the main businesses of the Company and its consolidated subsidiaries are as given below.

1) Revenue related to mail and parcels in the postal and domestic logistics business

For the postal and domestic logistics business, postal services are generally provided for a uniform fee throughout the country. In addition, the Company undertakes shipping operations for delivery services (Yu-Pack, etc.) and mail services (Yu-Mail, etc.)

For revenue related to mail and parcels in the postal and domestic logistics business, it takes a certain amount of time from when items are received to when they are delivered; therefore, progress related to satisfying performance obligations is estimated, and the revenue proportional to progress is recognized.

2) Revenue from the merchandising business, catalog sales, etc.

The post office business involves the sale of products and rights, including the sale of local specialty products through catalogs, etc., the sale of frame stamps at post offices, etc., New year's postcards printing services, and sales and services related to products such as stationary.

For revenue related to the merchandising business, such as the sale of catalogs, the performance obligation is judged to have been satisfied at the time merchandise, etc. are delivered to customers and customers obtain control of such merchandise, etc., therefore, revenue is recognized at that time. Of the sale of merchandise, etc., for transactions in which the Company acts as an agent for sales to customers, the total amount of compensation received from customers less the amount paid to suppliers is recognized as revenue.

3) Revenue related to international logistics business

The international logistics business involves full-line international cargo shipping, mainly imports from and exports to Asia and Oceania (hereinafter "forwarding business") and providing services, such as shipping, warehouse management, and logistics in the field of resources and government services in Asia and Oceania (hereinafter "logistics business").

For revenue related to the forwarding business, performance obligations are satisfied over the shipping period based on the contract, therefore progress related to satisfying performance obligations is estimated, and revenue proportional to progress is recognized. For revenue related to the logistics business, performance obligations are judged to have been satisfied when the provision of services to customers is completed; therefore, revenue is recognized at that time.

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

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

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

(14) 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 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 Practical Guidance 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 or the fair value hedge 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.

(15) Reserve for price fluctuations

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

(16) Method of accumulating policy reserves

To prepare for the future performance of obligations under insurance contracts with respect to policies that have commenced as of the fiscal year-end, policy reserves are calculated in accordance with the statement of calculation procedures for insurance premiums and policy reserve (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) and accumulated, pursuant to Article 116, Paragraph 1 of the Insurance Business Act.

Among the policy reserves, insurance premium reserves are calculated based on the following methodology. The amount includes additional policy reserves accumulated for a portion of reinsurance contracts from the Organization for Postal Savings, Postal Life Insurance and Post Office Network (hereinafter referred to as "the Japan Postal Service Organization") and for lump-sum payment annuities, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

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.

Among the policy reserves, contingency reserves are accumulated to ensure the future performance of obligations under insurance contracts in the amount of risks that may accrue in the future, pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Insurance Business Act.

The Chief Actuary, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act, confirms whether the policy reserves have been appropriately accumulated as of the end of the fiscal year.

(17) Other

1) Presentation of gains (losses) on cancellation of investment trusts

Gains (losses) on cancellation of investment trusts at the banking subsidiary are recorded as interest and dividends on securities in “Banking business income” for those with bonds or assets equivalent to bonds as trust asset components, and as gains on sales of equity securities in “Banking business income” or losses on sales of equity securities in “Other ordinary expenses” for those with other trust asset components. In the event interest and dividends on securities from investment trusts is negative as a whole, they are recorded as losses on redemption of bonds in “Operating expenses”.

2) Recognition of insurance premiums

The first premium at the insurance subsidiary is recognized for premiums that have been collected and for which the policy has commenced, in the amount collected under “Life insurance business income”. Premiums thereafter are recognized in the amount of each collection under “Life insurance business income”.

Portions of collected insurance premiums corresponding to the unearned period as of the fiscal year-end are accumulated as policy reserves, pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

3) Recognition of insurance claims and others

When an insured event occurs and payment is made in the amount calculated based on the insurance contract, insurance claims and others (excluding reinsurance premiums) of the insurance subsidiary are recognized in the amount of such payment under “Operating expenses”.

Reserve for outstanding claims has been accumulated for insurance claims, etc. for which payment is due but has not been paid at the fiscal year-end, or insurance claims, etc. for which the occurrence of the insured event has not been reported but the Company deems that the insured event provided in the insurance contract has occurred, pursuant to Article 117 of the Insurance Business Act and Article 72 of the Ordinance for Enforcement of the Insurance Business Act.

4) Adoption of consolidated taxation system

The Company and its wholly owned domestic subsidiaries adopt the consolidated taxation system, under which Japan Post Holdings Co., Ltd. is the parent company.

Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company and some consolidated subsidiaries will transition from the consolidated taxation system to group tax sharing system from the next fiscal year. However, as for items regarding the transition to the group tax sharing system introduced in the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company and some consolidated subsidiaries have not applied the provisions of paragraph 44 of the “Implementation Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

From the beginning of the next fiscal year, the Company intends to adopt "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which stipulates accounting for and presentation of corporate tax, local corporate tax, and tax-effect account when applying group tax sharing system.

Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as "Revenue Recognition Standard") and relevant ASBJ regulations since the beginning of the fiscal year ended March 31, 2022, and it recognizes revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result of the application of Revenue Recognition Standard, revenue related to mail and parcels in the postal and domestic logistics business, which was previously recognized at time of receiving goods, is now recognized over a certain period from the time of receiving goods until the time of delivering the goods is completed. In addition, for revenue related to the merchandising business, such as catalog sales, etc., as a result of the application of Revenue Recognition Standard, the Company has changed the method for recognizing revenue from the total amount of compensation received from customers to the total amount of compensation received from customers less the amount paid to suppliers as the Company acts as an agent.

Regarding the application of Revenue Recognition Standard, in line with the transitional measures stipulated in the proviso to paragraph 84 of Revenue Recognition Standard, the cumulative amount assuming the new accounting policy has been retrospectively applied to periods prior to the beginning of the fiscal year ended March 31, 2022 is added to or deducted from the opening balance of retained earnings of the fiscal year ended March 31, 2022, and the new accounting policies are applied from such opening balance.

As a result, compared to the figures before the application of Revenue Recognition Standard, etc., other assets and other liabilities on the consolidated balance sheet for the fiscal year ended March 31, 2022 declined ¥5,024 million and increased ¥1,649 million, respectively. On the consolidated statement of income for the fiscal year ended March 31, 2022, ordinary income fell ¥62,793 million, ordinary expenses declined ¥60,854 million, and net ordinary income and income before income taxes each fell ¥1,938 million.

In addition, because the cumulative effect was reflected in net assets as of the beginning of the fiscal year ended March 31, 2022, the opening balance of retained earnings on the consolidated statement of changes in net assets decreased ¥4,972 million.

Impact on per-share information is given in the relevant section.

Application of Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations since the beginning of the fiscal year ended March 31, 2022, and it has applied the new accounting policies provided for by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). As a result of the application of Accounting Standard for Fair Value Measurement, etc., valuation method for stock with a market price was changed from fair value based on the average market price during the month preceding the end of the fiscal year to the fair value based on the market price on the last day of the fiscal year.

New Accounting Pronouncements

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

1. Overview

   The handling of the calculation of and notes on fair value of investment trusts and notes on the fair value of investments in partnerships whose net amount equivalent to equity interest is listed on the balance sheet are stipulated.

2. Effective date

   Effective from the beginning of the fiscal year ending March 31, 2023.

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

   The effects of the application are under assessment at the time of preparing these consolidated financial statements.

Significant Accounting Estimates

Items using accounting estimates recorded in the consolidated financial statements for the current fiscal year that have the possibility of significantly impacting the consolidated financial statements for the following fiscal year are as follows:

1. Fair value measurement of securities

   Amounts of securities measured by fair value held by the banking subsidiary and some consolidated subsidiaries are considerable and their effects on the consolidated financial statements are significant. Therefore, the fair value of securities is considered as an important factor in accounting estimates.

   (1) Amount recorded in the consolidated financial statements as of March 31, 2022

   Securities ¥193,172,232 million

   (2) Information that will facilitate the understanding of significant accounting estimates related to identified items

   1) Calculation methods and major assumptions

   The fair value of bonds is based on 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 third party, such as independent vendor or broker, and the fair value of investment trust beneficiary certificates is the funds' unit price. The principal assumptions of the price calculated using the comparable price method or the price provided by a third party are that they are inputs used in fair value measurements, are directly or indirectly observable in markets, such as yield curves and spreads estimated based on prices of similar securities, or inputs unobservable in markets, which include significant estimates.

   2) Impact on the consolidated financial statements for the following fiscal year

   The fair value of securities may fluctuate as a result of changes in input, which are principal assumptions, due to factors such as changes in the market environment.

2. Estimates on retirement benefit obligations

   (1) Amounts recorded in the consolidated financial statements as of March 31, 2022

   This information is provided in "Retirement Benefits".

   (2) Information that will facilitate the understanding of significant accounting estimates related to identified items

   Retirement benefit obligations of the Company and some consolidated subsidiaries are calculated based on actuarial assumptions. These assumptions include factors such as discount rates and retirement rates. As estimates on retirement benefit obligations involve a high degree of uncertainty, if assumptions differ from actual results or if assumptions are changed, it may impact retirement benefit obligations in the following fiscal year.

Changes in Accounting Estimates

The Company has changed the amortization period of actuarial differences and prior service cost concerning the Company's share of public service pension from 8 years to 7 years from the fiscal year ended March 31, 2022, due to a decrease in the estimated average remaining payment period for eligible personnel.

As a result, ordinary expenses decreased ¥3,736 million, while net ordinary income and income before income taxes each increased the same amount for the fiscal year ended March 31, 2022.

Additional Information

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

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

In accounting for the trust agreement, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (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 treasury stock was ¥507 million and the number of shares of treasury stock was 375 thousand shares as of March 31, 2022.

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 of the Company.

Notes to Consolidated Balance Sheet

1. Total amount of stocks and investments in capital of non-consolidated subsidiaries and affiliates ¥44,254 million

2. Unsecured and secured loaned securities for which borrowers have the right to sell or pledge included in Japanese government bonds and other in “Securities” amount to ¥3,657,589 million.

   Securities borrowed with cash collateral for which the Group has the right to sell or pledge but has not sold or pledged as of March 31, 2022 amount to ¥4,904,839 million.

3. Receivables based on the Banking Act and Act on Emergency Measures for the Revitalization of the Financial Functions are as follows. Receivables are bonds (ones for which the principal and interest are fully or partially guaranteed but limited to privately placed securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), loans, foreign exchange under “Securities” and accrued interest, suspense payments under “Other assets”, and customer’s liabilities for acceptances and guarantees and securities in the above 2. if it is loaned (only those based on a loan for use or lease agreement) on the consolidated balance sheet.

Claims provable in bankruptcy and equivalents	¥-million
Doubtful receivables	¥0 million
Past-due loans for 3 months or more	¥-million
Restructured loans	¥-million
Total	¥0 million

The above loan amounts are before deduction of reserve for possible loan losses.

Changes in presentation

Following the Cabinet Office Order Partially Amending the Regulation for Enforcement of the Banking Act (Cabinet Office Order No. 3, January 24, 2020) came into effect on March 31, 2022, the category “risk management loans” of the Banking Act was added to categories of disclosed receivables based on Act on Emergency Measures for the Revitalization of the Financial Functions.

4. Assets pledged as collateral were as follows:

   Assets pledged as collateral:

Securities	¥30,906,567 million

Liabilities corresponding to assets pledged as collateral:

Deposits	¥608,469 million
Payables under repurchase agreements	¥22,032,546 million
Payables under securities lending transactions	¥3,751,134 million
Borrowed money	¥5,603,600 million

In addition to the above, securities valued at ¥3,142,273 million are pledged as collateral for the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions and other transactions, and substituted for margins for future transactions.

“Other assets” include margins for future transactions of ¥158,969 million, guarantee deposits of ¥21,242 million, margins with central counterparty of ¥527,199 million and cash collateral paid for financial instruments of ¥743,560 million.

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

(1) The consolidated balance sheet amount and the fair value of policy-reserve-matching bonds are ¥8,604,735 million and ¥9,106,029 million, respectively.

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

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

1) Postal Life Insurance Contracts (all insurance policies)

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

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

The sub-group Postal Life Insurance Contracts was previously insurance policies with a remaining period of less than 30 years, but the restriction on remaining period was eliminated, and the sub-group expanded to all insurance policies from the fiscal year ended March 31, 2022, because it has become easier to secure long-term bonds and possible to adjust the duration for longer-term insurance policies as there has been stable growth in the volume of 30- and 40-year Japanese government bonds issued. This change has no impact on income or loss.

6. Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The banking subsidiary will make the loans upon the request of an obligor to draw down funds under such loan agreements, unless any terms or conditions stipulated in the relevant loan agreement are violated. The unused commitments on loans amounted to ¥54,579 million. Of this amount, there was unused commitments of ¥20,221 million with a term of less than one year or that may be cancelled unconditionally at any point of time.

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

The unused commitments on loans amounted to ¥25,367 million at the insurance subsidiary.

7. Accumulated depreciation of tangible fixed assets ¥1,702,779 million

Note: The above does not include accumulated depreciation related to right-of-use assets.

8. Deferred gains on tangible fixed assets not recognized for tax purposes ¥89,959 million

9. Changes in reserve for policyholder dividends

Balance at the beginning of the fiscal year	¥1,342,855 million
Policyholder dividends paid	¥155,691 million
Interest accrual, etc.	¥9 million
Reduction due to the acquisition of additional annuity	¥278 million
Provision for reserve for policyholder dividends	¥73,113 million
Balance at the end of the fiscal year	¥1,260,009 million

10. Reserve for outstanding claims for reinsured part defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the said Ordinance was ¥525 million. In addition, policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance was ¥907 million.

11. The insurance subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation to be ¥33,449 million as of March 31, 2022, pursuant to Article 259 of the Insurance Business Act.

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

12. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Japan Postal Service Organization, 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 Organization for Postal Savings, Postal Life Insurance and Post Office Network (Act No. 101 of 2005). Accordingly, policy reserves (excluding contingency reserve) of ¥29,331,229 million was provided.

    In addition, contingency reserve of ¥1,203,243 million and reserve for price fluctuations of ¥695,157 million were provided for this category of reinsurance.

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

14. Contingent liabilities

    In the event that the Company's consolidated subsidiary cancels all or part of its lease contracts for post offices, the lessors shall be entitled to seek compensation for the cancellation. The amounts of compensation are calculated based on the amount of uncollectible investment. The possible amount of compensation was ¥61,334 million as of March 31, 2022.

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

Notes to Consolidated Statement of Income

1. For ordinary income, revenue from contracts with customers, and other revenue are not provided separately. The amount of revenue from contracts with customers is provided in “Notes on Revenue Recognition 1. Disaggregation of Revenue From Contracts With Customers”.
2. Provision for reserve for policyholder dividends, which is provided for the Management Organization for Postal Savings and Postal Life Insurance (name changed to “Organization for Postal Savings, Postal Life Insurance and Post Office Network” on April 1, 2019; hereinafter referred to as “Management Organization”) based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Management Organization, was ¥54,849 million for the fiscal year ended March 31, 2022.

Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of shares issued

(Thousands of shares)

		April 1, 2021	Increase	Decrease	March 31, 2022	Remarks
Shares issued						
	Common stock	4,500,000	-	732,129	3,767,870	(Note)

Note: The shares issued (common stock) fell 732,129 thousand shares is due to the cancelation of treasury stock.

2. Type and number of shares of treasury stock

(Thousands of shares)

		April 1, 2021	Increase	Decrease	March 31, 2022	Remarks
Treasury stock						
	Common stock	456,635	381,134	732,250	105,519	(Notes 1, 2)

Notes: 1. The number of shares of treasury stock at the beginning of the fiscal year includes 496 thousand shares of the Company held by the management board benefit trust. The number of shares of treasury stock at the end of the fiscal year includes 375 thousand shares of the Company held by the management board benefit trust.

2. The increase in number of treasury stock (common stock) of 381,134 thousand shares is due to 276,090 thousand shares acquired on June 11, 2021, based on a resolution passed at the Board of Directors’ meeting held on June 10, 2021; 105,043 thousand shares acquired between November 1, 2021 and March 31, 2022, based on a resolution passed at the Board of Directors Meeting held on October 6, 2021; the purchase of 0 thousand fractional shares. The decline in number of shares of treasury stock of 732,250 thousand is due to the cancellation of 732,129 thousand shares of treasury stock and 120 thousand shares provided to the management board benefit trust.

The acquisition of treasury stock based on a resolution passed at the Board of Directors’ meeting held on October 6, 2021, ended April 7, 2022. From April 1, 2022, to April 7, 2022, 5,028 thousand shares of treasury stock were acquired.

3. Information concerning dividends

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

(1) Dividends paid for the fiscal year ended March 31, 2022

Resolution	Class of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors’ meeting held on May 14, 2021	Common stock	202,193	50.00	March 31, 2021	June 15, 2021

Note: The total amount of dividends includes dividends of ¥24 million for the Company’s shares held by the management board benefit trust.

(2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2022 (scheduled)

Resolution	Class of shares	Total amount (Millions of Yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 13, 2022	Common stock	183,136	Retained earnings	50.00	March 31, 2022	June 20, 2022

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

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

Financial Instruments

1. Status of Financial Instruments

(1) Policy for handling financial instruments

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

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

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

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

(2) Features and risks of financial instruments

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

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

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

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

(3) Risk management framework for financial instruments

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

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

For risks such as market risk, credit risk and other types of risk, each company identifies risks that can be quantified and then uses value at risk (VaR), a measure of the maximum expected loss that could occur due to events with a certain probability, and other methods to measure these risks. The Company manages risk by confirming that the amount of risk measured at each of these 2 companies is kept within each company’s equity capital.

1) Credit risk management

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

2) Management of market risk

The banking subsidiary and insurance subsidiary use the VaR method to quantify and manage market risk exposure, in accordance with the respective rules of the companies on market risk management.

3) Management of liquidity risk related to fund raising activities

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

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

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

2. Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheet, fair values and the difference between them are as follows.

Stocks without market price, etc., and investments in partnerships, etc., are not included in the following table (see Note 1.)

In addition, cash and due from banks, call loans, receivables under resale agreements, payables under repurchase agreements, and payables under securities lending transactions have been omitted since their fair value is approximates the book value because they are settled in a short time.

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
(1) Monetary claims bought	436,845	436,845	-
(2) Trading account securities			
Trading securities	11	11	-
(3) Money held in trust	7,873,224	7,873,224	-
(4) Securities			
Held-to-maturity bonds	57,195,506	61,141,595	3,946,089
Policy-reserve-matching bonds	8,604,735	9,106,029	501,294
Available-for-sale securities	124,051,186	124,051,186	-
(5) Loans	8,693,923		
Reserve for possible loan losses (* 1)	(171)		
	8,693,751	8,922,524	228,772
Total	206,855,261	211,531,418	4,676,157
(1) Deposits	191,731,173	191,761,374	30,201
(2) Borrowed money	5,942,886	5,942,925	38
(3) Bonds	300,000	299,760	(240)
Total	197,974,059	198,004,059	30,000
Derivative transactions (* 2)			
Hedge accounting not applied	(83,231)	(83,231)	-
Hedge accounting applied*3	(1,242,371)	(1,242,371)	-
Total derivative transactions	(1,325,602)	(1,325,602)	-

(*1) This is net general reserve for possible loan losses and individual reserves for possible loan losses.

(*2) Derivative transactions recorded in “Other assets” or “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 borrowed money and securities. Therefore, their fair values are included in the relevant borrowed money and securities.

(*3) Banking subsidiary conducts hedging using interest swaps and other derivatives to offset changes in the market price of securities being hedged, and the deferred hedge method is primarily used. As for their hedge relationship, “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No. 40, March 17, 2022) is applied.

Note 1. The consolidated balance sheet amounts of stocks without market price, etc., and investments in partnerships, etc., are as follows and are not included in "Assets (3) Money Held in Trust" and "Assets (4) Securities" under financial instrument fair value information.

(Millions of yen)

Class		Consolidated balance sheet amount
Money held in trust (*1) (*2) (*3)		2,889,132
Securities		
	Unlisted stocks (*1)	66,271
	Investment trusts (*2)	3,161,984
	Investments in partnerships (*3)	92,549
	Other	-
Total (*4)		6,209,937

(*1) Unlisted stocks are not subject to disclosure of fair value based on paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) Some investment trusts that transitory measures were applied in line with paragraph 26 of the "Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019) (hereinafter "Fair Value Measurement Guidance") are subject to the previous treatment and not included in the scope of fair value disclosures.

(*3) The fair value of investments in partnerships are not included in the scope of fair value disclosures based on paragraph 27 of "Fair Value Measurement Guidance"

(*4) Impairment losses of ¥5,661 million were recorded for the fiscal year ended March 31, 2022.

Note 2. Redemption schedule of monetary claims and securities with maturities were as follows:

(Millions of yen)

	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Monetary claims bought	22,873	8,732	85,126	82,105	36,843	200,482
Securities						
Held-to-maturity bonds	10,256,223	5,653,851	4,544,503	5,744,850	7,236,070	23,360,165
Policy-reserve-matching bonds	369,235	1,224,681	548,300	1,384,000	1,371,700	3,535,950
Available-for-sale securities with maturities	11,343,814	15,318,442	10,509,894	10,875,118	11,909,440	18,365,066
Loans	3,073,553	1,759,761	1,222,259	811,274	902,719	918,698
Total	25,065,700	23,965,469	16,910,084	18,897,349	21,456,773	46,380,365

(*) Loans does not include ¥0 million of claims whose redemption schedules are not expected, such as claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors.

Note 3. Redemption schedule of deposits, borrowed money and bonds were as follows:

(Millions of yen)

	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits (*)	121,457,781	12,086,520	13,565,375	23,932,579	20,688,915	-
Borrowed money	5,912,113	14,257	6,680	9,835	-	-
Japanese corporate bonds	-	-	-	-	-	300,000
Total	127,369,895	12,100,778	13,572,055	23,942,414	20,688,915	300,000

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

3. Matters concerning breakdown of financial instruments by fair value level

Fair values of financial instruments are categorized into the following 3 levels according to the observability and materiality of inputs used to calculate the fair value.

Level 1 fair value: fair value calculated using the market price of assets or liabilities whose fair value is being calculated that is formed in an active market as an observable input

Level 2 fair value: fair value calculated using other observable inputs than those for level 1

Level 3 fair value: fair value calculated using inputs that are unobservable

If multiple inputs that could have a material impact on the calculation of fair value are used, the fair value is categorized into the lowest level of the various inputs.

(1) Financial assets and liabilities whose amount carried on the consolidated balance sheet is based on fair value

(Millions of yen)

Class	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	-	19,999	416,846	436,845
Money held in trust (*1)	6,037,636	-	-	6,037,636
Trading account securities and securities				
Trading securities				
Japanese government bonds	11	-	-	11
Available-for-sale securities				
Stocks	573,902	-	-	573,902
Japanese government bonds	33,972,969	1,708,273	-	35,681,243
Japanese local government bonds	-	3,498,586	34,642	3,533,229
Japanese short-term corporate bonds	-	1,434,510	-	1,434,510
Japanese corporate bonds	7,945	7,491,001	1,837	7,500,784
Other (*1)	13,282,874	13,369,772	258,059	26,910,707
Total	53,875,339	27,522,144	711,386	82,108,870
Derivatives (*2)				
Interest rate related	-	(122,044)	-	(122,044)
Current related	-	(1,203,889)	-	(1,203,889)
Credit derivatives	-	330	-	330
Total derivative transactions	-	(1,325,602)	-	(1,325,602)

(*1) Investment trusts to which transitional measures stipulated in paragraph 26 of the “Fair Value Measurement Guidance” are applied are not included in the above table. The amount of such investment trusts on the consolidated balance sheet is ¥49,982,519 million.

(*2) Derivative transactions recorded in “Other assets” or “Other liabilities” are presented 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.

(2) Financial assets and liabilities whose amount carried on the consolidated balance sheet is not based on fair value

(Millions of yen)

Class	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	-	269,877	-	269,877
Securities				
Held-to-maturity bonds				
Japanese government bonds	47,893,013	-	-	47,893,013
Japanese local government bonds	-	6,111,476	4,130	6,115,606
Japanese corporate bonds	-	5,339,471	-	5,339,471
Other	246,165	1,534,335	13,002	1,793,504
Policy-reserve-matching bonds				
Japanese government bonds	7,378,646	-	-	7,378,646
Japanese local government bonds	-	531,162	25,634	556,796
Japanese corporate bonds	-	1,170,585	-	1,170,585
Loans	-	-	8,922,524	8,922,524
Total	55,517,825	14,956,910	8,965,291	79,440,028
Deposits	-	191,761,374	-	191,761,374
Borrowed money	-	5,942,925	-	5,942,925
Bonds	-	299,760	-	299,760
Total	-	198,004,059	-	198,004,059

Note 1. Explanation of evaluation method used to calculate fair value and inputs for calculating fair value

<u>Assets</u>

Monetary claims bought

For monetary claims bought, the value indicated by a third party, such as broker, is used as the fair value, and the fair value is primarily categorized as level 3 fair value.

Money held in trust

For securities representing trust assets in money held in trust, the fair value of stocks is based on the price on the stock exchange, the fair value of bonds is based on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, and the fair value is generally categorized as level 1. Beneficiary certificates of investment trusts are based on the fund's unit price, and transitional measures are applied in line with paragraph 26 of the "Fair Value Measurement Guidance". They are not categorized into a level.

Notes to money held in trust by category based on holding purpose are provided in "Money Held in Trust" notes.

Trading account securities

The Bank of Japan's purchase price is used as the fair value, and it is primarily classified as level 1 because an unadjusted market price in an active market can be used.

Securities

The fair value of stocks is based on an exchange's price, and it is primarily classified as level 1 because an unadjusted market price in an active market can be used.

The fair value of bonds is based on 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 third party, such as broker.

Of bonds for which the fair value is the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association or the price calculated using the comparable price method, the fair value of Japanese government bonds and treasury discount bills are categorized as level 1 and others are categorized as level 2. In addition, for bonds for which the fair value is the price indicated by a third party, such as independent vendor or broker, the fair value is categorized as level 1, level 2, or level 3 based on observability of the price obtained and inputs used to calculate the price in the market.

For bond subject to allocation, such as forward exchange contracts, the fair value reflects the fair value of the relevant forward exchange contract, etc.

Beneficiary certificates of investment trusts are based on the fund's unit price, and transitional measures are applied in line with paragraph 26 of the "Fair Value Measurement Guidance". They are not categorized into a level.

Notes to securities by categories based on holding purpose are provided in "Securities" notes.

Loans

For loans with variable interest rates, which reflect market interest rates only over the short-term, fair value approximates book value unless the borrower's credit standing significantly changes after the transaction. In such cases, book value serves as fair value. For loans with fixed interest rates, fair value is considered the net discounted present value of future cash flows, etc.

For loans whose amount is limited to a designated percentage of the amount of pledged assets, book values are used as fair values, because their fair values approximate book value based on the loan terms and conditions.

These fair values are categorized as level 3.

Liabilities

Deposits

For demand deposits, such as transfer accounts and ordinary accounts, the amount to be paid if requested on the last day of the fiscal period serves as the fair value, which is categorized as level 2 fair value.

For fixed-term deposits, deposits are group into designated terms, the present value of expected future cash flows serves as the fair value, and the fair value is categorized as level 2 fair value.

For fixed deposits, deposits are group into designated terms, the present value discounted using expected future cash flows that reflect the early cancellation rate calculated using past results serves as the fair value. If the impact of unobservable inputs is not material, it is classified as level 2 fair value, but if material unobservable inputs are used, it is classified as level 3 fair value.

The interest rate applicable to new savings is used as the discount rate.

Borrowed money

For borrowed money with variable interest rates, fair value approximates book value since it reflects market interest rates over the short-term and the credit standing of the Company and its consolidated subsidiaries has not changed significantly after the transaction. For borrowed money with fixed interest rates, fair value will be the present value calculated by discounting the total amount of principal and interest of the borrowed money classified by a certain period at the interest rate considered to be applicable to similar loans. For borrowed money for which the contract period is short (within a year), book value is used as fair value given that the fair value approximates the book value.

This fair value is categorized as level 2 fair value.

For borrowed money subject to interest rate swap exceptional treatment, the fair value reflects the fair value of that interest rate swap.

Bonds

For bonds issued by consolidated subsidiaries, the fair value is based on the public market price and categorized as a level 2 fair value.

Derivatives

For derivatives, the fair value of ones that use unadjusted market prices in active markets is categorized as a level 1 fair value.

However, the majority of derivatives are over-the-counter derivatives, and the fair value is calculated using a valuation technique, such as net present value method, depending on type of derivative, time until maturity, etc., because a public market price does not exist. The main inputs used for these valuation techniques are interest rate, exchange rate, etc. If unobservable inputs are not used or the impact is immaterial, the fair value is categorized as level 2. These include plain vanilla interest swaps, forward exchange contracts. If material unobservable inputs are used, the fair value is categorized as level 3.

Note 2. Information on level 3 fair value for financial assets and financial liabilities whose amount carried on the consolidated balance sheet is the fair value

(1) Quantitative information related to material unobservable inputs

This was omitted since consolidated subsidiaries do not estimate unobservable inputs themselves.

(2) Changes from balance at the beginning of the fiscal year to balance at the end of the fiscal year and gain (loss) on valuation recognized as gain (loss) for the fiscal year under review

(Millions of yen)

	Balance at the beginning of the fiscal year	Gain (loss) for the fiscal year and other comprehensive income		Net amount of purchases, sales, issuance, and payments	Reclassified as level 3 fair value (*2)	Reclassified from level 3 fair value (*3)	Balance at the end of the fiscal year	Of the amounts listed under gain (loss) for the fiscal year, gain (loss) on valuation of held financial assets and liabilities held on the date of the consolidated balance sheet (*1)
		Recorded as gain (loss) (*1)	Recorded as other comprehensive income					
Monetary claims bought	383,992	(8)	(1,995)	34,858	-	-	416,846	-
Securities								
Available-for-sale securities								
Japanese local government bonds	29,238	1,105	(958)	(759)	6,016	-	34,642	1,105
Japanese corporate bonds	3,951	(6)	(6)	(2,100)	-	-	1,837	-
Other	357,493	6,079	258	(48,649)	-	(57,122)	258,059	4,571

(*1) Primarily included in "banking business income", "life insurance business income", and "operating expenses" on the consolidated statement of income.

(*2) Reclassified from level 2 fair value to level 3 fair value. For Japanese local government bonds, this is because material observable data cannot be used. The reclassification is made at the beginning of the fiscal year.

(*3) Reclassified from level 3 fair value to level 2 fair value. For foreign bonds, this is because material observable data can be used. The reclassification is made at the beginning of the fiscal year.

(3) Explanation of fair value measurement process

At the banking subsidiary, the fair value verification department sets policies and procedures for measuring fair value, and each department that calculates fair value does so in line with those policies and procedures. For the calculated fair value, the fair value verification department, which is independent of the fair value measurement department, verifies the valuation technique and appropriateness of inputs used to measure the fair value. Based on the results of this verification, the fair value is categorized. The results of the verification are reported to the ALM Committee, which ensures the appropriateness of the fair value measurement policy and procedures.

When calculating the fair value, an evaluation model that can most appropriately reflect the character, attributes, and risks of individual financial instruments is used. Furthermore, even if a market price obtained from a third party is used, the appropriateness of the price is verified using a suitable method, such as confirming the valuation technique used and inputs and comparing against the fair value of a similar financial instrument.

For the insurance subsidiary, the department that measures the fair value stipulates the policy and procedures related to calculating fair value, measures the fair value, and determines the fair value level. Furthermore, if the risk management department sets procedures to verify the fair value evaluation of financial instruments and the market price obtained from a third party is used, the appropriateness of the price is verified using a suitable method, such as confirming the valuation technique used and inputs and comparing against the fair value of a similar financial instruments, which ensures the appropriateness of factors, such as method used to evaluate the fair value of financial instruments.

(4) Impact of changes in material unobservable inputs on fair value

This was omitted since consolidated subsidiaries do not estimate unobservable inputs themselves.

Securities

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

1. Trading securities (As of March 31, 2022)

There were no valuation gains (losses) associated with trading securities recorded under gains or losses for the fiscal year ended March 31, 2022.

2. Held-to-maturity bonds (As of March 31, 2022)

(Millions of Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	38,003,470	42,058,856	4,055,385
	Japanese local government bonds	3,453,953	3,620,009	166,055
	Japanese corporate bonds	2,161,921	2,244,078	82,156
	Other	573,309	587,450	14,140
	Subtotal	44,192,656	48,510,394	4,317,737
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	6,116,978	5,834,157	(282,821)
	Japanese local government bonds	2,520,633	2,495,597	(25,035)
	Japanese corporate bonds	3,130,052	3,095,392	(34,659)
	Other	1,235,185	1,221,125	(14,059)
	Subtotal	13,002,849	12,646,273	(356,576)
Total		57,195,506	61,156,667	3,961,161

3. Policy-reserve-matching bonds (As of March 31, 2022)

(Millions of Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	5,683,080	6,253,790	570,710
	Japanese local government bonds	407,633	421,913	14,280
	Japanese corporate bonds	332,465	340,577	8,111
	Subtotal	6,423,179	7,016,281	593,102
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	1,183,968	1,124,855	(59,113)
	Japanese local government bonds	137,892	134,883	(3,008)
	Japanese corporate bonds	859,694	830,008	(29,686)
	Subtotal	2,181,555	2,089,747	(91,808)
Total		8,604,735	9,106,029	501,294

4. Available-for-sale securities (As of March 31, 2022)

(Millions of Yen)

	Type	Consolidated balance sheet amount	Cost	Difference
Those for which consolidated balance sheet amount exceeds cost	Stocks	305,485	225,811	79,674
	Bonds	28,425,427	28,004,196	421,231
	Japanese government bonds	21,801,829	21,427,708	374,120
	Japanese local government bonds	2,658,327	2,649,646	8,681
	Japanese short-term corporate bonds	-	-	-
	Japanese corporate bonds	3,965,270	3,926,841	38,429
	Other	50,687,018	48,665,109	2,021,909
	Of which: foreign bonds	21,464,017	19,768,180	1,695,837
	Of which: investment trusts	29,103,342	28,779,100	324,242
	Subtotal	79,417,931	76,895,116	2,522,815
Those for which consolidated balance sheet amount does not exceed cost	Stocks	268,415	305,710	(37,294)
	Bonds	19,724,339	20,068,320	(343,980)
	Japanese government bonds	13,879,413	14,194,877	(315,463)
	Japanese local government bonds	874,901	877,451	(2,549)
	Japanese short-term corporate bonds	1,434,510	1,434,510	-
	Japanese corporate bonds	3,535,514	3,561,480	(25,966)
	Other	25,547,343	25,910,855	(363,511)
	Of which: foreign bonds	5,419,138	5,545,431	(126,293)
	Of which: investment trusts	19,313,466	19,549,404	(235,937)
	Subtotal	45,540,099	46,284,886	(744,786)
Total		124,958,031	123,180,003	1,778,028

5. Held-to-maturity bonds sold during the fiscal year (from April 1, 2021 to March 31, 2022)

This does not apply to held-to-maturity bonds sold during the fiscal year.

6. Policy-reserve-matching bonds sold during the fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of Yen)

	Sales	Gains	Losses
Bonds	428,238	6,800	-
Japanese government bonds	428,238	6,800	-
Total	428,238	6,800	-

7. Available-for-sale securities sold during the fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of Yen)

	Sales	Gains	Losses
Stocks	60,961	9,979	(3,071)
Bonds	2,045,311	1,351	(31,276)
Japanese government bonds	1,800,690	1,250	(30,184)
Japanese local government bonds	91,010	32	(119)
Japanese corporate bonds	153,610	68	(972)
Other	4,624,469	65,657	(259,717)
Of which: foreign bonds	3,731,655	19,052	(77,793)
Of which: investment trusts	892,813	46,605	(181,923)
Total	6,730,742	76,989	(294,065)

8. Securities incurred impairment losses

For securities other than trading securities (stocks without market price, etc., and investments in partnerships, etc.), those whose fair value declines significantly from their acquisition cost and there is no prospect of it recovering to their acquisition cost, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation difference as losses (hereinafter "recorded impairment loss") in the fiscal year in which they are recognized.

Impairment losses amounted to ¥876 million for the fiscal year ended March 31, 2022.

Money Held in Trust

1. Money held in trust classified as trading (As of March 31, 2022)

None

2. Money held in trust classified as held-to-maturity (As of March 31, 2022)

None

3. Money held in trust classified as other than trading or held-to-maturity (As of March 31, 2022)

(Millions of Yen)

	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading or held-to-maturity	7,873,224	5,555,610	2,317,614	2,434,352	(116,738)

Notes: 1. "Amount for which consolidated balance sheet amount exceeds cost" and "Amount for which consolidated balance sheet amount does not exceed cost" are sub-items of "Difference" respectively.

2. For securities included as trust assets in "Money Held in Trust Classified as Other than Trading or Held-to-Maturity" (excluding stocks without market price, etc., and investments in partnerships, etc.) if their fair value declines significantly from their acquisition cost and there is no prospect of it recovering to its acquisition cost, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation difference as losses in the fiscal year in which they are recognized.

Impairment losses amounted to ¥10,124 million for the fiscal year ended March 31, 2022.

Retirement Benefits

1. Outline of Retirement Benefits

(1) The Company and major consolidated subsidiaries have lump-sum severance indemnity plans as a defined benefit plan. Certain consolidated subsidiaries adopt the simplified method in calculating their retirement benefit obligations. The charges concerning share of public service pension and share of another public service pension are included in the Company's retirement benefit obligations.

The Company has established retirement benefit trusts for the share of public service pension and share of another public service pension.

(2) Certain consolidated subsidiaries have defined contribution pension plans. In addition, the amount required to be contributed to the retirement pension benefit plans by the Company and certain consolidated subsidiaries based on the "Act for Partial Amendment of National Government Officials' Retirement Allowance Act, etc. for the Purposes of Reviewing Benefit Levels of the Retirement Benefits for National Government Officials" (Act No. 96 of 2012) was ¥10,355 million for the fiscal year ended March 31, 2022.

2. Defined Benefit Plans

(1) Changes in retirement benefit obligations

	(Millions of Yen)
Balance at the beginning of the fiscal year	2,497,192
Service cost	111,924
Interest cost	16,267
Actuarial differences	(9,742)
Benefits paid	(146,738)
Prior service cost	(408)
Other	268
Balance at the end of the fiscal year	2,468,764

(2) Changes in plan assets

	(Millions of Yen)
Balance at the beginning of the fiscal year	351,103
Expected return on plan assets	820
Actuarial differences	(1,879)
Contributions paid by the employer	236
Benefits paid	(34,927)
Balance at the end of the fiscal year	315,352

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

	(Millions of Yen)
Funded retirement benefit obligations	245,834
Share of public service pension	240,665
Share of another public service pension	219
Corporate pension plan	4,949
Plan assets	(315,352)
Share of public service pension	(308,792)
Share of another public service pension	(97)
Corporate pension plan	(6,462)
	(69,517)
Unfunded retirement benefit obligations	2,222,929
Lump-sum severance indemnity	2,222,929
Net liability (asset) for retirement benefits	2,153,412
Liability for retirement benefits	2,223,051
Asset for retirement benefits	(69,639)
Net liability (asset) for retirement benefits	2,153,412

(4) Retirement benefit costs

	(Millions of Yen)
Service cost	111,924
Interest cost	16,267
Expected return on plan assets	(820)
Amortization of actuarial differences	(21,651)
Amortization of prior service cost	(24,206)
Other	(149)
Total	81,365

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

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

	(Millions of Yen)
Prior service cost	(23,797)
Actuarial difference	(13,788)
Total	(37,586)

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

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

	(Millions of Yen)
Unrecognized prior service cost	112,619
Unrecognized actuarial differences	59,356
Total	171,976

(7) Plan assets

1) Breakdown of plan assets

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

	(%)
Bonds	76
Stocks	1
Life insurance general account	0
Other	23
Total	100

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

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

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

(8) Actuarial assumptions

Actuarial assumptions as of March 31, 2022

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

3. Defined Contribution Plans

The amount required to be contributed to the defined contribution plans by certain consolidated subsidiaries was ¥11,534 million.

Business Combinations

(Transaction under common control)

Partial sale of stocks of subsidiaries

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

1. Outline of the transactions

(1) Overview and purpose of the transaction

In accordance with the Postal Service Privatization Act, the Company is required to dispose of its entire equity interests in Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd. (hereinafter “2 financial companies”) as early as possible, taking into consideration the business condition of the 2 financial companies, impact on fulfilling its obligation to secure universal services, and other factors. In line with this intent, the Company states in its Medium-term Management Plan that it plans to lower its equity interests in the 2 financial companies to no more than 50% as quickly as possible, but no later than 2025.

Based on the above plan, the Company sold a portion of the shares of common stock of Japan Post Insurance Co., Ltd., in response to a share repurchase undertaken by Japan Post Insurance Co., Ltd., and made the sale through a stock disposal trust. Therefore, the Company’s equity interest in Japan Post Insurance Co., Ltd. fell below 50%.

(2) Name and description of business of party to the business combination

Name: Japan Post Insurance Co., Ltd.

Business description: Life insurance business

(3) Date of business combination

1) Sale through the share repurchase undertaken by Japan Post Insurance Co., Ltd.

May 17, 2021

2) Sale through stock disposal trust

From June 10 to June 17, 2021

(4) Legal form of business combination

Sale of a portion of equity interests for cash consideration

(5) Name of company after business combination

No change

2. Overview of the accounting treatment

This transaction is treated as a transaction with non-controlling shareholders, which falls under the category of a transaction under common control, etc., based on “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Statement No. 10, January 16, 2019).

3. Matters concerning changes in the Company’s equity interest as a result of transaction with non-controlling shareholders

(1) Main cause for change in capital surplus

Partial sale of stocks of subsidiaries

(2) Decreased amount of capital surplus as a result of transaction with non-controlling shareholders

¥76,576 million

(Business divestiture)

The Company, Japan Post Co., Ltd. and Toll Holdings Limited (hereinafter "Toll"), which are consolidated subsidiaries of the Company, transferred Toll's global express business to Australian Parcels Group Pty Ltd, Australian Parcels Pty Ltd, Tasmania Maritime Pty Ltd and NZ Logistics Holdings Limited, affiliates of Allegro Funds Pty Ltd (collectively "Allegro") on August 31, 2021. Furthermore, accompanying the transfer, 9 companies, including Toll IPEC Pty Ltd., were removed from the scope of consolidation.

1. Overview of business divestiture

(1) Names of the successor companies

Australian Parcels Group Pty Ltd, Australian Parcels Pty Ltd, Tasmania Maritime Pty Ltd, NZ Logistics Holdings Limited

(2) Details of the divested business

The global express business of Toll

(3) Main reason for the business divestiture

The Japan Post Group has considered various business strategical options to enhance Toll's growth, but ultimately decided that the best option would be to sell the global express business, which has experienced a continuing deterioration in business performance. As a result of careful consideration by the Japan Post Group, Toll consented to enter into an agreement to transfer its global express business to Allegro.

(4) Date of business divestiture

August 31, 2021

(5) Overview of other transactions including legal procedures

Transfer of businesses with compensation received only cash, etc.

2. Overview of the accounting treatment

(1) Gain (loss) on transfer

Loss on transfer of business ¥10,898 million

Based on the terms of the transfer agreements, the amount of the transfer gain (loss) may change slightly when the final transfer price is decided.

(2) Appropriate book value of assets and liabilities related to the transferred business

Total assets	¥137,075 million
Total liabilities	¥136,351 million

(3) Accounting treatment

Investments related to the transferred global express business are assumed to have been liquidated, and the difference between the fair value of assets received as compensation for the transfer and an amount equivalent to shareholders' equity is recorded as an extraordinary loss, "loss on transfer of business".

3. Estimate of gain (loss) related to divested businesses recorded on the consolidated statement of income for the fiscal year under review

Ordinary income	¥99,212 million
Net ordinary income	¥5,490 million

Real Estate for Rent

1. Status of real estate for rent

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

2. Fair value of real estate for rent

(Millions of Yen)

Consolidated balance sheet amount	Fair value
529,122	744,486

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

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

3. Real estate for rent under construction is not included in the above table since it is extremely difficult to determine its fair value. The consolidated balance sheet amount was ¥216,418 million.

Revenue Recognition

1. Disaggregation of Revenue From Contracts With Customers

Of revenue from contracts with Group customers, the main revenue is disaggregated as given below. The relationship between these disaggregated revenue and segment revenue are as follows.

(Millions of yen)

	Revenue from contracts with customers	Other revenue	Income from third parties
Postal and domestic logistics business segment	1,999,942	3,142	2,003,084
Postal operations, etc.	1,902,472		
Other	97,469		
Post office business segment	53,173	35,461	88,635
Merchandising	37,596		
Third-party financial	7,585		
Other	7,991		
International logistics business segment	686,777	802	687,579
Banking business segment	155,607	1,820,397	1,976,004
Life insurance business segment	–	6,454,191	6,454,191
Other business	30,950	21,876	52,826
Total	2,926,450	8,335,872	11,262,323

Note “Other business” includes the hotel business and hospital business, etc., which are not included in reportable segments.

2. Fundamental information for understanding revenue from contracts with customers

(1) Postal and domestic logistics business

The postal and domestic logistics business consists primarily of the postal business, sale of stamps, issuance of items such as New year’s postcards, domestic logistics business, and other businesses. The domestic logistics business also includes the general logistics business. The domestic logistics business involves not only the general motor truck transportation business, consigned freight forwarding business, and incidental operations related to domestic cargo but also operations equivalent to parcel and mail delivery operations (Yu-Pack, Yu-Mail).

For revenue related to mail and parcels in the postal operations, etc. it takes a certain amount of time from when items are received to when they are delivered; therefore, progress related to satisfying performance obligations is estimated, and the revenue proportional to progress is recognized.

In addition, compensation received before performance obligations are satisfied is recognized as contract liabilities.

For revenue related to mail and parcels, compensation for deferred-payment mail is generally received within one month based on separately stipulated payment terms, and for receivables based on contracts with these customers, material financing elements are not included.

(2) Post office business

The post office business involves not only customer counter operations, banking customer counter operations, and insurance customer counter operations related to the postal and domestic logistics business conducted by directly-managed post offices established throughout the country as sales bases to provide services to customers but also merchandise business, real estate business, third-party financial services and other related businesses.

For revenue related to the merchandising business, such as the sale of catalogs, customers are judged to obtain control of merchandise, etc., and the performance obligation to be satisfied when the merchandise is delivered to customers; therefore, revenue is recognized at that time.

For the catalog sales, etc., the Company is judged to be a distributor, and the total amount of compensation received from customers less the amount paid to suppliers is recognized as revenue.

Compensation for catalog sales, etc., is generally collected within one year of delivering products, etc., to customers, and for receivables based on contracts with these customers, material financing elements are not included.

(3) International logistics business

The international logistics business involves full-line international cargo shipping, mainly imports from and exports to Asia and Oceania (hereinafter “forwarding business”) and providing services, such as shipping, warehouse management, and logistics in the field of resources and government services in Asia and Oceania (hereinafter “logistics business”).

For revenue related to the forwarding business, performance obligations are satisfied over the shipping period based on the contract, therefore progress related to satisfying performance obligations is estimated, and revenue proportional to progress is recognized.

For revenue related to the logistics business, performance obligations are judged to be satisfied when the provision of services to customers is completed; therefore, revenue is recognized at that time.

Compensation in the international logistics business is generally collected within one year of transferring items to customers through the provision of services to customers, and for receivables based on contracts with these customers, material financing elements are not included.

3. Relationship between satisfying performance obligations based on contracts with customers and cash flows from those contracts and amount of revenue projected to be recognized in the following fiscal year and after from contracts with existing customers as of the end of the fiscal year under review

(1) Balance of contract assets and contract liabilities

Receivables, contract assets, and contract liabilities from contracts with customers are as follow.

Receivables and contract assets from contracts with customers are included in “Other assets”, and contract liabilities are included in “Other liabilities”.

(Millions of yen)

	Fiscal year under review (March 31, 2022)
Receivables from contract with customers (balance at the beginning of the fiscal year)	280,812
Receivables from contract with customers (balance at the end of the fiscal year)	270,339
Contract assets (balance at the beginning of the fiscal year)	6,423
Contract assets (balance at the end of the fiscal year)	8,523
Contract liabilities (balance at the beginning of the fiscal year)	44,142
Contract liabilities (balance at the end of the fiscal year)	46,266

Contract assets are primarily those related to rationally estimated revenue proportional to progress in satisfying performance obligations for received mail and parcels employing deferred payment in the postal and domestic logistics business that have not been delivered by the end of the fiscal period. Contract assets are reclassified as receivables from contracts with customers when the right to compensation becomes unconditioned. Compensation related to mail employing deferred payment is generally received within 1 month based on separately stipulated payment conditions.

Contract liabilities are primarily the rationally estimated amount proportional to the degree that performance obligations have been satisfied when delivery has not been completed by the end of the fiscal year for received mail and parcels in the postal and domestic logistics business (excluding deferred payment, etc.), and the rationally estimated amount of unused items at the end of the fiscal period based on factors such as the value of remaining inventory of postal stamps at locations that sell postal stamps compared to value of purchased postal stamps. Contract liabilities are written down as revenue is recognized.

Of the revenue recognized during the fiscal year under review, the amount included in balance of contract liabilities at end of the fiscal year was ¥43,792 million.

In addition, there was no material amount of revenue recognized in the fiscal year under review from performance obligations satisfied (or partially satisfied) in past periods.

(2) Transaction price allocated to remaining performance obligations

For the Company and its consolidated subsidiaries, notes have been omitted and operational shortcuts are applied because there are no material transactions for which the initially expected contract period exceeds 1 year.

Notes to Per Share Data

Net assets per share ¥3,361.06

Net income per share ¥131.93

Notes: 1. The number of shares 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 375,400 shares as of March 31, 2022.

2. The number of shares of treasury stock excluded from the average number of common stock outstanding during the fiscal year used for the calculation of net income per share includes the number of shares of the Company held by the management board benefit trust. The average number of shares of the Company held by the management board benefit trust excluded from the calculation of net income per share was 413,423 shares for the fiscal year ended March 31, 2022.

3. As noted in "Changes in Accounting Policies", Revenue Recognition Standard, etc. were applied starting with the consolidated financial statements for the fiscal year under review. As a result, net assets per share and net income attributable to Japan Post Holdings per share for fiscal year under review each fell ¥0.51.

Subsequent Events

Cancellation of treasury stock

At the Board of Directors' meeting held on April 25, 2022, a resolution was adopted to cancel treasury stock in accordance with the stipulations of Article 178 of the Companies Act.

1. Reason for cancellation of treasury stock

The Company cancelled treasury stock in order to eliminate concerns about future dilution.

2. Details of cancellation

   (1) Type of shares to be cancelled:
   common shares

   (2) Total number of shares to be cancelled:
   110,072,529
   (As percentage of total number of issued shares before cancellation: 2.92%)

   (3) Date of cancellation:
   May 20, 2022

Reference

Total number of shares after cancellation 3,657,797,700

Notes to Non-consolidated Financial Statements

Amounts of less than one million yen are rounded down.

Significant Accounting Policies

1. Valuation criteria and methods for securities

(1) Investments in subsidiaries and affiliates are carried at cost using the moving-average method, and available-for-sale securities are carried at fair value based on the market price on the last day of the fiscal year, etc. However, stocks without market price, etc., are carried at cost using the moving-average method.

Net unrealized gains (losses) on available-for-sale securities, net of income taxes, are included in "Net assets".

(2) Securities included in "Money Held in Trust" are carried using the same method used for securities mentioned above 1).

Net unrealized gains (losses) on money held in trust classified as other than trading or held-to-maturity, net of income taxes, are included in "Net assets".

2. Valuation criteria and methods for inventories

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

3. Depreciation methods of fixed assets

(1) Tangible fixed assets (excluding leased assets)

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

Useful lives of principal assets are as follows:

Buildings:	2-50 years
Others	2-60 years

(2) Intangible assets (excluding leased assets)

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

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

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

4. Criteria for allowances and reserves

(1) Reserve for possible loan losses

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

(2) Allowance for investment loss

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

(3) Reserve for bonuses

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

(4) Reserve for retirement benefits

1) To provide for retirement benefits to employees, reserve for retirement benefits is recorded based on the projected retirement benefit obligation at the end of the fiscal year.

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

The prior service cost is amortized using the straight-line method over a fixed period (7 years) within the estimated average remaining service period for employees as incurred from the fiscal year in which the difference is incurred.

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

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

The actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (7 years) within the estimated average remaining payment periods for eligible personnel incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

The prior service cost is amortized using the straight-line method over a fixed period (7 years) within the estimated average remaining service period for employees as incurred from the fiscal year in which the difference is incurred.

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 “share of another public service pension”) are recognized as part of “Reserve for retirement benefits”.

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

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

(5) Reserve for management board benefit trust

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

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

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

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

5. Material revenue and expenses

The Company primarily receives from subsidiaries brand royalty income as compensation for benefits of being able to use the Group's brand strength for its own business activities and offers services commissioned as indirect operations to improve the efficiency of Group sales. For this, performance obligations are judged to be satisfied over a set period, and the revenue is recognized in proportion to the percentage of performance obligations satisfied.

6. Other

(1) The Company employs the consolidated taxation system.

Regarding the transition to the group tax sharing system established by the Act for Partial Revision of the Income Tax Act (Act No. 8 of 2020) and revisions to the single tax payment system when transitioning to the group tax sharing system, the amounts of deferred tax assets and liabilities are based on pre-amended tax law without applying paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) based on paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020).

Starting next fiscal year, the Company intends to adopt "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021), which stipulates accounting for and presentation of corporate tax, local corporate tax, and tax-effect account when applying the group tax sharing system.

(2) Accounting treatment for unsettled amounts of unrecognized actuarial differences and unrecognized prior service cost related to retirement benefits is different from the accounting treatment of such amounts on the consolidated financial statements.

Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter "Revenue Recognition Standard) and relevant ASBJ regulations since the beginning of the fiscal year under review, and it recognizes revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. Because of this, for the point system for the hotel business, expected costs required to exchange points in the future, which were previously recorded as a reserve, are now identified as performance obligations and deferred recognition of revenue is applied if the points provide customers material rights. In addition, for revenue from store sales, etc., in the hotel business, the total amount of compensation received from customers was previously recognized as revenue, but for items that the Company is judged to be a distributor, the total amount less amount paid to suppliers is now recognized as revenue. As for commissioned operation revenue, that related to construction management operations was previously recognized in a lump sum, but it is now recognized over the period from when operations start to when they are completed.

Regarding the application of Revenue Recognition Standard, etc., in line with the transitional measures stipulated in provisos of paragraph 84 of the Revenue Recognition Standard, the cumulative amount in the case of the retroactive application of new accounting policies from before the start of the fiscal year is reflected in the retained earnings at the start of the fiscal year, and the new accounting policies are applied starting from the end of the fiscal year.

As a result, on the statement of income for fiscal year under review, operating income declined ¥245 million, operating expenses fell ¥256 million, and net operating income, net ordinary income, and income before income taxes each increased ¥10 million yen compared to before the Revenue Recognition Standard was applied.

In addition, because the cumulative effect was reflected in net assets as of the beginning of the fiscal year under review, retained earnings on the consolidated statement of changes in equity as of the beginning of the fiscal year increased ¥11 million.

Application of the Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations since the beginning of the fiscal year under review, and it has decided to apply new accounting policies provided for by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). Because of this, the method for calculating the fair value of stock with a market price was changed from fair value based on the average market price during the month preceding the end of the fiscal year to the fair value based on the market price on the last day of the fiscal year.

Changes in Presentation

Statement of income

"Subsidy income" included in "Others" under "Other income" in the previous fiscal year has been separately presented from the current fiscal due to its increased significance.

Subsidy income for the previous fiscal year was ¥1,076 million.

Changes in Accounting Estimates

The Company has changed the amortization periods of actuarial difference and prior service cost for reserve for retirement benefits for share of public service pension from 8 years to 7 years due to the decrease of the estimated average remaining payment period for eligible personnel from the fiscal year ended March 31, 2022.

As a result, operating expenses decreased ¥3,736 million while net operating income, net ordinary income and income before income taxes increased by the same amount respectively for the fiscal year ended March 31, 2022.

Additional Information

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

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

Notes to Non-consolidated Balance Sheet

1. Accumulated depreciation of tangible fixed assets ¥31,633 million

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

3. Monetary assets and liabilities to subsidiaries and affiliates

Short-term monetary assets to subsidiaries and affiliates	¥214,964 million
Long-term monetary assets to subsidiaries and affiliates	¥62,406 million
Short-term monetary liabilities to subsidiaries and affiliates	¥4,796 million

4. Inventories

Breakdown of inventories is as follows:

Supplies ¥317 million

Notes to Non-consolidated Statement of Income

1. Transactions with subsidiaries and affiliates

Operating transactions

Operating income	¥261,618 million
Operating expenses	¥16,484 million
Other transactions	¥90,725 million

2. Brand royalty income

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

Notes to Non-consolidated Statement of Changes in Net Assets

1. Information concerning dividends

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

(1) Dividends paid for the fiscal year ended March 31, 2022

Resolution	Class of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 14, 2021	Common stock	202,193	50.00	March 31, 2021	June 15, 2021

Note: The total amount of dividends resolved by the Board of Directors' meeting held on May 14, 2021, includes dividends of ¥24 million for the Company's shares held by the management board benefit trust.

(2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2022 (scheduled)

Resolution	Class of shares	Total amount (Millions of Yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 13, 2022	Common stock	183,136	Retained earnings	50.00	March 31, 2022	June 20, 2022

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

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

2. Type and number of shares of treasury stock as of March 31, 2022

Common stock 105,519,251 shares

Deferred Tax Assets and Liabilities

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

	(Millions of Yen)
Deferred tax assets	
Tax losses carried forward	560,144
Reserve for retirement benefits	88,894
Reserve for bonuses	420
Other	21,285
Subtotal deferred tax assets	670,744
Valuation allowance for tax losses carried forward	(560,144)
Valuation allowance for the total of deductible temporary differences, etc.	(110,599)
Subtotal valuation allowance	(670,744)
Total deferred tax assets	-
Deferred tax liabilities	
Net unrealized gains (losses) on available-for-sale securities	(35,926)
Net deferred tax assets (liabilities)	(35,926)

Business Combination

Transaction under common control

Partial sale of stocks of subsidiaries

The Company sold a portion of its shares of common stock of Japan Post Insurance Co., Ltd., which is a consolidated subsidiary, as described below. Gains on sales of stocks of subsidiaries and affiliates of ¥87,530 million is recorded due to the sale.

1. Overview of transactions

(1) Overview and purpose of the transaction

In accordance with the Postal Service Privatization Act, the Company is required to dispose of its entire equity interests in Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd. (hereinafter “2 financial companies”) as early as possible, taking into consideration the business condition of the 2 financial companies, impact on fulfilling its obligation to secure universal services, and other factors. In line with this intent, the Company states in its Medium-term Management Plan that it plans to lower its equity interests in the 2 financial companies to no more than 50% as quickly as possible, but no later than 2025.

Based on the above plan, the Company sold a portion of the shares of common stock of Japan Post Insurance Co., Ltd., in response to a share repurchase undertaken by Japan Post Insurance Co., Ltd., and made the sale through a stock disposal trust. Therefore, the Company’s equity interest in Japan Post Insurance Co., Ltd. fell below 50%.

(2) Name and description of business of party to the business combination

Name: Japan Post Insurance Co., Ltd.

Business description: Life insurance business

(3) Date of business combination

1) Sales through the share repurchase undertaken by Japan Post Insurance Co., Ltd.

May 17, 2021

2) Sale through stock disposal trust

June 10, 2021 – June 17, 2021

(4) Legal form of business combination

Sale of a portion of equity interests for cash consideration

(5) Name of company after business combination

No change

2. Overview of the accounting treatment

This transaction is treated as a transaction with non-controlling shareholders, which falls under the category of a transaction under common control, etc., based on "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Statement No. 10, January 16, 2019).

Related Party Transactions

Type	Company name	Ownership of voting rights held	Relationship with related party	Summary of transactions	Amount of transactions (Millions of Yen)	Account name	Balance at the end of the fiscal year (Millions of Yen)
Subsidiary	Japan Post Real Estate Co., Ltd.	100% directly held	Main subsidiaries involved in real estate business	Loan of funds (Note)	146,724	Short-term loans receivable	32,149
				Repayment of funds	79,918	Long-term loans receivable	60,206
				Interest received (Note)	217	Investments and other assets	0

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

Note: For loans receivable, the interest rate is rationally set taking into consideration market interest rates.

Notes to Per Share Data

Net assets per share	¥1,567.50
Net income per share	¥85.59

Notes: 1. The number of shares 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 375,400 shares as of March 31, 2022.

2. The number of shares of treasury stock excluded from the average number of common stock outstanding during the fiscal year used for the calculation of net income per share includes the number of shares of the Company held by the management board benefit trust. The average number of shares of the Company held by the management board benefit trust excluded from the calculation of net income per share was 413,423 shares for the fiscal year ended March 31, 2022.

Subsequent Events

Cancellation of treasury stock

At the Board of Directors' meeting held on April 25, 2022, a resolution was adopted to cancel treasury stock in accordance with the stipulations of Article 178 of the Companies Act.

1. Reason for cancellation of treasury stock

   The Company cancelled treasury stock in order to eliminate concerns about future dilution.

2. Details of cancellation

   (1) Type of shares to be cancelled:
   common shares

   (2) Total number of shares to be cancelled:
   110,072,529
   (As percentage of total number of issued shares before cancellation: 2.92%)

   (3) Date of cancellation:
   May 20, 2022

Reference

Total number of shares after cancellation 3,657,797,700