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ITEMS NOT INCLUDED IN DELIVERED DOCUMENTS CONCERNING THE NOTICE OF THE 18TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

The 18th Term (from April 1, 2022 to March 31, 2023)

1. Notes to Consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2023

2. Notes to Non-consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2023

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” of the Consolidated Financial Statements and “Notes to Non-consolidated Financial Statements” of the Non-consolidated Financial Statements are not included in paper-based documents delivered to shareholders who have requested the delivery of paper-based documents.

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: 218

Principal companies:

Japan Post Co., Ltd.

Japan Post Bank Co., Ltd.

Japan Post Insurance Co., Ltd.

During the fiscal year ended March 31, 2023, Japan Post Investment Regional Development and Impact Fund I, ILP and 2 other companies were included in the scope of consolidation due to their establishment, and a subsidiary under Toll Holdings Pty Limited (hereinafter referred to as "Toll") was included in the scope of consolidation due to the acquisition of its stock. On the other hand, 31 subsidiaries of Toll were excluded from the scope of consolidation due to their liquidation from the fiscal year ended March 31, 2023. (Hereinafter, the Company and its consolidated subsidiaries are collectively referred to as the "Group").

(2) Non-consolidated subsidiaries: 10

Silent partnerships investing in real estate, etc.: 10

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: 14

JA Foods Oita Co., Ltd.

Ring Bell Co., Ltd.

Saison Asset Management Co., Ltd.

ATM Japan Business Service, Ltd.

JP Asset Management Co., Ltd.

Good Technology Company

Toll's affiliates

During the fiscal year ended March 31, 2023, Good Technology Company was included in the scope of the equity method due to its establishment.

(3) Non-consolidated subsidiaries that are not accounted for by the equity method: 10

Silent partnerships investing in real estate, etc.: 10

(4) Affiliates that are not accounted for by the equity method: 3

BPO.MP COMPANY LIMITED

A.I. Squared, Inc.

MKAM Co., Ltd.

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

3. Fiscal year-end dates of consolidated subsidiaries

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

June 30:	5 companies
December 31:	31 companies
March 31:	182 companies

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

Necessary adjustments are made for material transactions that occurred between the consolidated fiscal year-end date and the fiscal year-end date above.

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. 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 and the cost of securities sold is calculated using mainly the moving-average method, while stocks and other securities without market prices 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 in 1) above.

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

(3) Valuation criteria and methods for derivative transactions

All derivative transactions are measured 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 Group.

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

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

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

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

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

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

For secured loans and guaranteed loans that were extended to borrowers in a state of legal bankruptcy, including legal bankrupt or civil rehabilitation, or that are considered substantially bankrupt, respective loan receivable amounts are directly written off for an estimated uncollectable amount, which is calculated as the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. The amount written off for these loans was ¥92 million for the fiscal year ended March 31, 2023.

(6) Reserve for bonuses

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

(7) Reserve for employee stock ownership plan trust

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

(8) Reserve for management board benefit trust

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

(9) Reserve for reimbursement of deposits

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

(10) Accounting method for retirement benefits

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

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

(11) Significant revenue and expenses

In relation to recognition of revenue from contracts with customers, the nature of principal performance obligations for major businesses of the Group and typical timing of the satisfaction of those performance obligations (i.e., typical timing of revenue recognition) are as follows:

1) Revenue from post and parcels in the postal and domestic logistics business

In the postal and domestic logistics business, postal services are provided fairly at a flat rate nationwide. As logistics services, transportation services such as parcel delivery (Yu-Pack, etc.) and mail delivery (Yu-Mail, etc.) are provided.

Performance obligations underlying revenue from post and parcels in the postal and domestic logistics business are satisfied over time from undertaking of the item to the completion of delivery. Therefore, revenue is recognized by measuring progress toward complete satisfaction of a performance obligation.

2) Revenue from catalogue sales, etc.

In the post office business, the Group engages in sale of regional specialty products and other goods using catalogues and other media as well as sale of related rights; sale of goods and provision of services including sale of original postage stamps, printing of new year's postcards, sale of stationery and other items at post offices and other channels.

The Group recognizes revenue from catalogue sales, etc. when goods and others are transferred to customers because that is when the customer has obtained control of the goods and others and performance obligations are deemed to be satisfied. Revenue from sales of goods and others in which the Group is deemed to be an agent is recognized at the net amount after deducting corresponding payments to suppliers.

3) Revenue from the international logistics business

In the international logistics business, the Group engages in a full line of international cargo transportation, mainly export and import from Asia and Oceania (hereinafter the "forwarding business"); as well as transportation and warehouse management and logistics and other services in the fields of resources and government contracts in Asia and Oceania (hereinafter the "logistics business").

Performance obligations underlying revenue from the forwarding business are satisfied over the contractual transportation period. Therefore, revenue is recognized by measuring progress toward complete satisfaction of a performance obligation. On the other hand, the Group recognizes revenue from the logistics business when the provision of services to customers is completed, because that is when performance obligations are deemed to be satisfied.

(12) 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 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”.

(13) Hedge accounting

1) Hedge accounting for interest rate risks

The Group mainly applies 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 Group designates 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 Group applies the exceptional treatment for interest rate swaps to hedge the interest rate risk arising from certain financial assets and liabilities.

As for portfolio hedges on groups of large-volume, small-value monetary debts, the banking subsidiary applies the deferred hedge method as stipulated in “Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry” (JICPA Industry 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 Group applies the deferred hedge method, the fair value hedge method or the allocation method translating the foreign currency receivables at forward rates for hedges of foreign exchange fluctuation risk arising from the securities denominated in foreign currencies.

The Group applies portfolio hedges on the condition 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 costs of the hedged securities denominated in the same foreign currencies.

The evaluation of hedge effectiveness for individual hedges is omitted because the Group designates 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.

(14) Reserve for price fluctuations

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

(15) Method of accumulating policy reserves

To prepare for the fulfillment of future obligations under the 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 the 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 fulfillment of future obligations under the 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 confirms whether the policy reserves have been appropriately accumulated as of the fiscal year-end, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act.

(16) Other

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

Gains (losses) on cancellation or redemption 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 results in a loss as a whole, they are recognized 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.

Changes in Accounting Policies

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as “Implementation Guidance on Fair Value Measurement Accounting Standard”), from the beginning of the fiscal year ended March 31, 2023. The Company has applied the new accounting policy prescribed under Implementation Guidance on Fair Value Measurement Accounting Standard prospectively, in accordance with the transitional treatment prescribed under Paragraph 27-2 of Implementation Guidance on Fair Value Measurement Accounting Standard. Pursuant to this application, the method used to measure the value of certain investment trusts on the consolidated balance sheets has changed from acquisition costs to fair value.

New Accounting Pronouncements

"Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)

"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)

"Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

1. Overview

   The above standards and guidance define the accounting classification of income taxes, etc. when other comprehensive income is taxable and the handling of tax effect regarding the sales of the stock of subsidiaries, etc. when the group taxation regime is adopted.

2. Effective date

   Effective from the beginning of the fiscal year ending March 31, 2025.

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 at 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 a significant factor in accounting estimates.

   (1) Amount recorded in the consolidated financial statements as of March 31, 2023

   Securities ¥182,770,020 million

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

   1) Calculation method and principal assumptions

   For bonds, the Group uses the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, the comparable price method, or the price provided by third parties such as outside vendors and brokers, etc., as the fair value. The Group uses the funds' unit price for investment trust as the fair value. Key assumptions for the comparable price method, or the price provided by third parties are inputs used for fair value measurement which include directly or indirectly observable inputs in the markets such as yield curves, spreads estimated based on the prices of similar securities, as well as inputs that are unobservable in the markets containing 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, 2023

   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, etc. 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.

Additional Information

Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

The Company and certain domestic consolidated subsidiaries implemented the transition from the consolidated tax payment system to the group tax sharing system from the fiscal year ended March 31, 2023. Accordingly, accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting are processed in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021. Hereinafter referred to as "ASBJ PITF No. 42"). Moreover, based on ASBJ PITF No. 42 Paragraph 32-1, it is deemed that there is no impact from the changes in accounting policy due to the application of ASBJ PITF No. 42.

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

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

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

1. Outline of the transactions

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

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

2. The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded under net assets as treasury stock at the book value in the trust (excluding incidental expenses). The book value of the treasury stock was ¥1,216 million and the number of shares of the treasury stock was 1,140 thousand shares as of March 31, 2023.

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 ¥75,337 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" amounted to ¥3,541,200 million.

   Securities borrowed under resale agreements, etc. for which the Group has the right to sell or pledge but has not sold or pledged as of March 31, 2023 amounted to ¥5,178,588 million.

3. Receivables based on the Banking Act and the Act on Emergency Measures for the Revitalization of Financial Functions were as follows. The receivables consist of those recorded in the consolidated balance sheet as bonds in "Securities" (limited to those guaranteeing all or a part of principal and interest, and offered through private placement in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), "Loans", "Foreign exchanges", accrued interest and suspense payments in "Other assets" and customers' liabilities for acceptance and guarantees; as well as securities in case of loaned securities (limited to those based on loan for use and lease contracts) in the notes.

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

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

4. Assets pledged as collateral were as follows:

   (1) Assets pledged as collateral:

Securities	¥26,133,024 million

   (2) Liabilities related to collateral:

Deposits	¥492,834 million
Payables under repurchase agreements	¥22,057,310 million
Payables under securities lending transactions	¥1,941,872 million
Borrowed money	¥1,632,600 million

   (3) In addition to the assets pledged as collateral and the liabilities related to collateral presented above, the total assets of the Company have been pledged as general collateral for corporate bonds issued valued at ¥35,000 million.

   In addition to the above, cash and due from banks valued at ¥1,977 million and securities valued at ¥4,357,682 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 ¥171,788 million, guarantee deposits of ¥22,970 million, margins with central counterparty of ¥362,637 million and cash collateral paid for financial instruments of ¥538,805 million.

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

(1) The consolidated balance sheet amount and fair value of policy-reserve-matching bonds are ¥8,075,012 million and ¥8,237,638 million, respectively.

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

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

1) Postal Life Insurance contracts (excluding some insurance types)

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 Postal Life Insurance contracts sub-group used to include all insurance policies of Postal Life Insurance contracts. However, as part of measures for risk management improvements in response to capital controls, which are scheduled to be introduced in the fiscal year ending March 31, 2026, the Company decided to apply the deferred hedge method using interest rate swaps based on the "Accounting and Auditing Treatments Related to Application of Accounting for Financial Instruments in the Insurance Industry" (The Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 26) to hedge against interest rate risks for some of its Postal Life Insurance contracts. Therefore, from the fourth quarter of the consolidated accounting period, the relevant insurance policies are excluded from the policy reserves sub-group. 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 ¥39,855 million. Of this amount, there was unused commitments of ¥579 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 ¥15,659 million at the insurance subsidiary.

7. Accumulated depreciation of tangible fixed assets ¥1,808,345 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 ¥89,978 million

9. Changes in reserve for policyholder dividends

Balance at the beginning of the fiscal year	¥1,260,009 million
Policyholder dividends paid	¥146,714 million
Interest accrual, etc.	¥9 million
Reduction due to the acquisition of additional annuity	¥200 million
Provision for reserve for policyholder dividends	¥62,067 million
Balance at the end of the fiscal year	¥1,175,171 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 ¥690 million. In addition, policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance was ¥880 million.

11. Policy reserves, excluding contingency reserve, related to the 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 ¥27,370,400 million was provided.

    In addition, contingency reserve of ¥1,260,220 million and reserve for price fluctuations of ¥711,298 million were provided for this category of reinsurance.

12. "Bonds" in the consolidated balance sheet includes ¥300,000 million in subordinated bonds with the special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

13. Contingent liabilities

    In the event that the Company's consolidated subsidiary cancels all or part of its lease contracts for post offices, the lessors shall be entitled to seek compensation for the cancellation. The amounts of compensation are calculated based on the amounts of uncollectible investment. The possible amount of compensation was ¥59,588 million as of March 31, 2023.

    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 "Revenue Recognition 1. Disaggregation of revenue from contracts with customers".

2. Provision for reserve for policyholder dividends, which is provided for the Japan Postal Service Organization based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Japan Postal Service Organization, was ¥43,678 million for the fiscal year ended March 31, 2023.

Notes to Consolidated Statement of Changes in Net Assets

1. Class and number of shares issued

(Thousands of shares)

		April 1, 2022	Increase	Decrease	March 31, 2023	Remarks
Shares issued						
	Common stock	3,767,870	-	110,072	3,657,797	(Note)

Note: The decrease of 110,072 thousand shares issued is due to the cancellation of treasury stock.

2. Class and number of shares of treasury stock

(Thousands of shares)

		April 1, 2022	Increase	Decrease	March 31, 2023	Remarks
Treasury stock						
	Common stock	105,519	202,628	110,159	197,988	(Notes 1, 2, 3)

Notes: 1. The number of shares of treasury stock at the beginning of the fiscal year includes the shares of the Company held by the management board benefit trust of 375 thousand shares. The number of shares of treasury stock at the end of the fiscal year includes the shares of the Company held by the management board benefit trust of 1,140 thousand shares.

2. The increase in the number of shares of treasury stock (common stock) of 202,628 thousand shares is due to 5,028 thousand shares acquired during the period from April 1, 2022 to April 7, 2022, based on a resolution passed at the Board of Directors' meeting held on October 6, 2021; 196,748 thousand shares acquired during the period from May 16, 2022 to March 9, 2023, based on a resolution passed at the Board of Directors' meeting held on May 13, 2022; the purchase of 0 thousand fractional shares; and 851 thousand shares of additional contribution to the management board benefit trust. The decline in the number of shares of treasury stock of 110,159 thousand shares is due to the cancellation of 110,072 thousand shares, based on a resolution passed at the Board of Directors' meeting held on April 25, 2022 and 86 thousand shares provided by the management board benefit trust.

3. The Company resolved to cancel treasury stock in accordance with the stipulations of Article 178 of the Companies Act at the Board of Directors' meeting held on March 29, 2023, however, has not completed the cancellation procedure of the following treasury stock at the end of the fiscal year ended March 31, 2023.

Book value: ¥199,989 million

Class of shares: Common stock

Number of shares: 196,748 thousand shares

The cancellation procedure of the treasury stock mentioned above was completed as of April 20, 2023.

3. Information on dividends

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

(1) Dividends paid for the fiscal year ended March 31, 2023

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

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

(2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2023 (scheduled)

Resolution	Class of shares	Total amount (Millions of Yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2023	Common stock	173,047	Retained earnings	50.00	March 31, 2023	June 22, 2023

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 ¥57 million for the Company's shares held by the management board benefit trust.

Financial Instruments

1. Status of financial instruments

(1) Policy for handling financial instruments

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

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

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

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

(2) Features and risks of financial instruments

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

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

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

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

(3) Risk management framework for financial instruments

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

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

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

1) Credit risk management

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

2) Management of market risk

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

3) Management of liquidity risk related to fund raising activities

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

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

In calculating the fair value of a financial instrument, 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 prices and investments in partnerships are not included in the table below (see Note 1.)

Notes regarding cash and due from banks, call loans, receivables under resale agreements, receivables under securities borrowing transactions, payables under repurchase agreements and payables under securities lending transactions have been omitted, as these instruments are settled over a short-term, and their carrying amounts approximate their fair values.

(Millions of Yen)

	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
(1) Monetary claims bought	525,632	525,632	-
(2) Trading account securities			
Trading securities	19	19	-
(3) Money held in trust (* 1)	8,754,765	8,754,765	-
(4) Securities			
Held-to-maturity bonds	59,989,200	62,218,904	2,229,703
Policy-reserve-matching bonds	8,075,012	8,237,638	162,626
Available-for-sale securities (* 1)	114,499,422	114,499,422	-
(5) Loans	9,210,199		
Reserve for possible loan losses (* 2)	(175)		
	9,210,023	9,312,882	102,858
Total	201,054,076	203,549,265	2,495,189
(1) Deposits	192,420,880	192,441,115	20,235
(2) Borrowed money	1,791,279	1,791,683	404
(3) Bonds	335,000	317,859	(17,141)
Total	194,547,159	194,550,658	3,498
Derivative transactions (* 3)			
Hedge accounting not applied	(144,148)	(144,148)	-
Hedge accounting applied (* 4)	(999,973)	(999,973)	-
Total derivative transactions	(1,144,121)	(1,144,121)	-

(*1) Investment trusts that apply the treatment to regard a unit price as the fair value based on Paragraph 24-3 and Paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) are included.

(*2) General reserve for possible loan losses and specific reserve for possible loan losses corresponding to loans have been deducted.

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

Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses. Additionally, those subject to the exceptional treatment for interest rate swaps and the allocation method for forward foreign exchange, etc. 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.

(*4) The banking subsidiary uses interest rate swaps and other derivatives to hedge market fluctuation of securities and other items subject to hedges, mainly adopting the deferred hedge method. “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ PITF No. 40, March 17, 2022) is applied to these hedging relationships.

Note 1. Amounts carried on the consolidated balance sheet of stocks without market prices and investments in partnerships are as shown below; they are not included in "Assets (3) Money held in trust" and "Assets (4) Securities" under information concerning fair values of financial instruments.

(Millions of Yen)

Class		Consolidated balance sheet amount
Money held in trust (*1) (*2)		3,032,876
Securities		
	Unlisted stocks (*1)	74,917
	Investments in partnerships (*2)	131,467
Total (*3)		3,239,262

(*1) In accordance with the provisions of Paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020), unlisted stocks are not included in the scope of fair value disclosures.

(*2) In accordance with the provisions of Paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021), investments in partnerships are not included in the scope of fair value disclosures.

(*3) Impairment losses of ¥4,822 million were recognized for the fiscal year ended March 31, 2023.

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	32,452	19,175	76,085	80,073	64,531	255,197
Securities						
Held-to-maturity bonds	3,810,638	8,746,512	7,335,661	5,164,549	6,798,316	27,883,178
Policy-reserve-matching bonds	478,065	605,516	571,300	1,708,700	1,127,100	3,423,393
Available-for-sale securities with maturities	10,742,534	14,451,984	9,697,386	8,128,531	5,822,022	19,014,203
Loans (*)	3,876,819	1,864,634	1,058,157	780,316	820,536	805,714
Total	18,940,510	25,687,823	18,738,590	15,862,170	14,632,506	51,381,688

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

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 (*)	128,161,115	10,653,395	18,946,445	16,717,895	17,942,029	-
Borrowed money	495,108	12,955	1,283,215	-	-	-
Bonds	-	-	15,000	-	15,000	305,000
Total	128,656,223	10,666,350	20,244,660	16,717,895	17,957,029	305,000

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

3. Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: The fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: The fair value measured using observable inputs other than Level 1.

Level 3 fair value: The fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Group classified fair values into a category to which the lowest priority is assigned.

(1) Financial assets and financial liabilities measured at fair value

(Millions of Yen)

Class	Fair value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	-	29,996	495,635	525,632
Money held in trust (*1)	6,399,239	736,851	-	7,136,091
Trading account securities and securities				
Trading securities				
Japanese government bonds	19	-	-	19
Available-for-sale securities				
Stocks	504,415	-	-	504,415
Japanese government bonds	24,486,704	250,439	-	24,737,143
Japanese local government bonds	-	2,417,432	32,681	2,450,113
Japanese short-term corporate bonds	-	1,400,895	-	1,400,895
Japanese corporate bonds	-	6,254,583	539	6,255,122
Other	11,513,828	61,620,996	140,294	73,275,120
Of which: foreign bonds	11,513,828	13,509,443	129,133	25,152,404
Of which: investment trusts (*1)	-	48,096,553	-	48,096,553
Total assets	42,904,207	72,711,195	669,151	116,284,553
Derivative transactions (*2)				
Interest rate-related derivatives	-	(22,200)	-	(22,200)
Currency-related derivatives	-	(1,122,023)	-	(1,122,023)
Credit derivatives	-	102	-	102
Total derivative transactions	-	(1,144,121)	-	(1,144,121)

(*1) Investment trusts that apply the treatment to regard a unit price as the fair value based on Paragraph 24-3 and Paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) are not included. The consolidated balance sheet amount of investment trusts that apply the treatment of Paragraph 24-3 is ¥6,690,682 million, and the consolidated balance sheet amount of investment trusts that apply the treatment of Paragraph 24-9 is ¥300,283 million.

(*2) Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums. Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses.

(2) Financial assets and financial liabilities not measured at fair value

(Millions of Yen)

Class	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust	-	504,320	-	504,320
Securities				
Held-to-maturity bonds				
Japanese government bonds	46,411,385	-	-	46,411,385
Japanese local government bonds	-	6,140,736	3,752	6,144,488
Japanese corporate bonds	-	5,929,623	-	5,929,623
Other	721,757	3,011,650	-	3,733,407
Policy-reserve-matching bonds				
Japanese government bonds	6,628,341	-	-	6,628,341
Japanese local government bonds	-	464,269	23,723	487,993
Japanese corporate bonds	-	1,121,303	-	1,121,303
Loans	-	-	9,312,882	9,312,882
Total assets	53,761,484	17,171,903	9,340,358	80,273,746
Deposits	-	192,441,115	-	192,441,115
Borrowed money	-	1,791,683	-	1,791,683
Bonds	-	317,859	-	317,859
Total liabilities	-	194,550,658	-	194,550,658

Note 1. A description of the valuation techniques and inputs used in the fair value measurements

Assets

Monetary claims bought

The fair value of monetary claims bought is based on pricing offered by the broker and other third parties, and is classified primarily into Level 3 fair value.

Money held in trust

For securities representing trust assets in money held in trust, the fair value of stocks and investment trusts with market prices 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. The fair value of investment trusts without market prices is based on a unit price if there are no restrictions that are significant enough to cause market participants to demand compensation for risks with respect to cancellation or repurchase requests, and the fair value is categorized as level 2.

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

Trading account securities

The fair value of trading account securities is based on the purchase price of the Bank of Japan, and is classified primarily into Level 1 fair value because unadjusted quoted prices in active markets are available.

Securities

The fair value of stocks is based on the price on the stock exchange, and is classified primarily into Level 1 fair value because unadjusted quoted prices in active markets are available.

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 a vendor or a broker.

For bonds whose fair value is based on 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 and other criteria, principally, the fair value of Japanese government bonds and Japanese treasury discount bills is classified into Level 1 fair value, and that of other bonds is classified into Level 2 fair value. In addition, the fair value of bonds whose fair value is based on the price provided by a third party such as a vendor or a broker is classified into Level 1, Level 2 or Level 3 fair value depending on whether the obtained prices and inputs and other indicators used in the pricing are observable in markets.

The fair value of bonds subject to the allocation method of forward foreign exchange, etc. reflects the fair value of the relevant forward foreign exchange, etc.

The fair value of investment trusts without market prices is based on a unit price if there are no restrictions that are significant enough to cause market participants to demand compensation for risks with respect to cancellation or repurchase requests, and the fair value is categorized as level 2.

Notes to securities by categories considering holding purposes are provided in “Securities” notes.

Loans

For loans with variable interest rates, which follow market interest rates only over the short-term, book value approximates fair value provided the obligor’s credit standing has not significantly changed after the transaction. In such cases, book value serves as fair value. For loans with fixed interest rates, fair value is considering a net discounted present value of future cash flows, etc.

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

The fair value of these loans is classified into Level 3 fair value.

Liabilities

Deposits

For demand deposits such as transfer deposits and ordinary deposits, the payment amount (book value) if demanded on the consolidated balance sheet date is deemed to be the fair value of such demand deposits, and the fair value is classified into Level 2 fair value.

For time deposits, fair value is based on the net present value calculated by discounting estimated future cash flows, following a division into certain periods, and fair value is classified into Level 2 fair value.

For fixed deposits, fair value is based on the net present value calculated by discounting estimated future cash flows, which reflect an early cancellation rate calculated using historical results, following a division into certain periods. The fair value is classified into Level 2 fair value if the effect of unobservable inputs is immaterial, and into Level 3 fair value if significant unobservable inputs are used.

The interest rates applicable to new savings are used as the discount rates of time deposits and fixed deposits.

Borrowed money

For borrowed money with variable interest rates, fair value approximates book value since it follows market interest rates only over the short-term and the credit standing of the Company and its subsidiaries has not changed significantly after the transaction, therefore book value serves as fair value. For borrowed money with fixed interest rates, fair value is determined based on the present value calculated by discounting the total amount of principal and interest of the borrowed money classified by a certain period, by an interest rate assumed for a new borrowing under the same terms and conditions. For borrowed money for which the contract period is short (within a year), fair value approximates book value, which is therefore used as fair value.

The fair value of borrowed money is classified into Level 2 fair value.

The fair value of borrowed money subject to the exceptional treatment for interest rate swaps reflects the fair value of the relevant interest rate swaps.

Bonds

The fair value of bonds issued by the Company and its subsidiaries is based on the publicly released quoted price, etc. and is classified into Level 2 fair value.

Derivative transactions

For derivative transactions that unadjusted quoted prices in active markets are available, fair value is classified into Level 1 fair value.

However, as most of the derivative transactions are over-the-counter transactions and there is no publicly released quoted price, valuation techniques such as the discounted present value method is used to calculate fair value depending on the type of transaction and the period to maturity. The main inputs used in these techniques are interest rates and foreign exchange rates. In case where unobservable inputs are not used or their effects are immaterial, the fair value of derivative transactions is classified into Level 2 fair value, such as for plain vanilla interest rate swaps and forward foreign exchange. In case where significant unobservable inputs are used, the item is classified into Level 3 fair value.

Note 2. Information about Level 3 fair value of financial assets and financial liabilities measured at fair value is as follows:

(1) Quantitative information on significant unobservable inputs

This information is not presented because the Company's consolidated subsidiaries do not estimate unobservable inputs.

(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) or other comprehensive income in the fiscal year		Net amount of purchases, sales, issuances, and settlements	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 in other comprehensive income					
Monetary claims bought	416,846	(6)	(2,555)	81,351	-	-	495,635	-
Securities								
Available-for-sale securities								
Japanese local government bonds	34,642	106	(1,185)	(882)	-	-	32,681	106
Japanese corporate bonds	1,837	(3)	(0)	(1,294)	-	-	539	-
Other	258,059	2,793	(4,107)	(62,160)	10,529	(64,818)	140,294	(1,707)
Of which: foreign bonds	245,508	2,793	(3,928)	(60,950)	10,529	(64,818)	129,133	(1,707)

(*1) Included mainly in banking business income, life insurance business income and operating expenses in the consolidated statement of income.

(*2) Reclassified from level 2 fair value to level 3 fair value. For foreign bonds, this is because of the shortage of material observable data due to the reduced market activities. 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) A description of valuation processes used for fair value measurements

The fair value verification department of the banking subsidiary has established policies and procedures for measuring fair value, and each fair value measurement department measures fair value accordingly. A fair value verification department independent from the fair value measurement departments verifies whether the fair value obtained is measured using valid valuation techniques and inputs and classifies them into levels of the fair value hierarchy. The results of the verification are reported to the ALM committee to ensure that the policies and procedures for measuring fair value are appropriate.

In measuring fair value, the Company uses a valuation model that most appropriately reflects the nature, characteristics and risks of each financial instrument. In addition, when using quoted prices obtained from third parties, the Company verifies whether the prices are valid using appropriate methods, such as confirming the valuation techniques and inputs used and comparing them with the fair value of similar financial instruments.

The fair value measurement division of the insurance subsidiary has established policies and procedures for measuring fair value, measures fair value, and determines its level in the fair value hierarchy. The risk management division of the insurance subsidiary has established verification procedures for measuring fair value of financial instruments. If quoted prices obtained from a third party are used, the division verifies the validity of prices using appropriate methods such as confirmation of the valuation techniques and inputs used, and comparison with fair value of similar financial instruments. Thus, the Group ensures that the fair value measurement of financial instruments and other matters are appropriate.

(4) A narrative description of sensitivity of the fair value measurement to changes in significant unobservable inputs

This information is not presented because the Company’s consolidated subsidiaries do not estimate unobservable inputs.

Note 3. Information on investment trusts that apply the treatment to regard a unit price as the fair value based on Paragraph 24-3 and Paragraph 24-9 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)

(1) Changes from balance at the beginning of the fiscal year to balance at the end of the fiscal year of the investment trusts that apply the treatment of Paragraph 24-3

(Millions of Yen)

Balance at the beginning of the fiscal year	Gain (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales, issuances, and settlements	Amount of investment trusts that regards a unit price as fair value	Amount of investment trusts that doesn’t regard a unit price as fair value	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 investment trusts held on the date of the consolidated balance sheet
	Recorded as gain (loss) (*)	Recorded in other compre-hensive income					
3,884,768	76,133	1,255,198	1,474,582	-	-	6,690,682	-

(*) Included mainly in banking business income in the consolidated statement of income.

(2) Changes from balance at the beginning of the fiscal year to balance at the end of the fiscal year of the investment trusts that apply the treatment of Paragraph 24-9

(Millions of Yen)

Balance at the beginning of the fiscal year	Gain (loss) or other comprehensive income in the fiscal year		Net amount of purchases, sales, issuances, and settlements	Amount of investment trusts that regards a unit price as fair value	Amount of investment trusts that doesn’t regard a unit price as fair value	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 investment trusts held on the date of the consolidated balance sheet
	Recorded as gain (loss) (*)	Recorded in other compre-hensive income					
225,542	127	35,443	39,168	-	-	300,283	-

(*) Included mainly in banking business income in the consolidated statement of income.

(3) Breakdown by content of the restrictions regarding cancellation or repurchase requests on the last day of the fiscal period

Cancellations that require a certain amount of time, etc. ¥6,690,682 million

Securities

The amounts shown in the following tables include “Trading account securities”, negotiable certificates of deposit included in “Cash and due from banks”, and “Monetary claims bought”, in addition to “Securities”.

1. Trading securities (As of March 31, 2023)

There were no valuation gains (losses) associated with trading securities recorded under gains or losses for the fiscal year ended March 31, 2023.

2. Held-to-maturity bonds (As of March 31, 2023)

(Millions of Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	33,096,724	36,136,138	3,039,413
	Japanese local government bonds	2,700,074	2,812,482	112,407
	Japanese corporate bonds	1,713,293	1,767,560	54,267
	Other	1,628,789	1,675,504	46,715
	Subtotal	39,138,881	42,391,686	3,252,804
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	11,040,470	10,275,246	(765,223)
	Japanese local government bonds	3,398,397	3,332,005	(66,391)
	Japanese corporate bonds	4,266,512	4,162,063	(104,449)
	Other	2,144,937	2,089,715	(55,222)
	Subtotal	20,850,318	19,859,030	(991,287)
Total		59,989,200	62,250,717	2,261,516

3. Policy-reserve-matching bonds (As of March 31, 2023)

(Millions of Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds consolidated balance sheet amount	Japanese government bonds	4,539,176	4,974,007	434,831
	Japanese local government bonds	253,802	262,977	9,174
	Japanese corporate bonds	53,063	56,749	3,685
	Subtotal	4,846,042	5,293,734	447,691
Those for which fair value does not exceed consolidated balance sheet amount	Japanese government bonds	1,815,799	1,654,334	(161,465)
	Japanese local government bonds	238,629	225,016	(13,613)
	Japanese corporate bonds	1,174,539	1,064,553	(109,985)
	Subtotal	3,228,969	2,943,904	(285,064)
Total		8,075,012	8,237,638	162,626

4. Available-for-sale securities (As of March 31, 2023)

(Millions of Yen)

	Type	Consolidated balance sheet amount	Cost	Difference
Those for which consolidated balance sheet amount exceeds cost	Stocks	323,928	246,070	77,858
	Bonds	16,719,089	16,509,721	209,367
	Japanese government bonds	12,809,843	12,625,559	184,283
	Japanese local government bonds	1,706,967	1,703,021	3,945
	Japanese short-term corporate bonds	-	-	-
	Japanese corporate bonds	2,202,279	2,181,140	21,138
	Other	30,017,234	27,059,409	2,957,825
	Of which: foreign bonds	16,620,961	14,806,448	1,814,513
	Of which: investment trusts	13,249,409	12,107,481	1,141,927
	Subtotal	47,060,252	43,815,201	3,245,051
Those for which consolidated balance sheet amount does not exceed cost	Stocks	180,487	259,160	(78,673)
	Bonds	18,124,185	18,922,513	(798,327)
	Japanese government bonds	11,927,300	12,655,296	(727,996)
	Japanese local government bonds	743,145	749,404	(6,258)
	Japanese short-term corporate bonds	1,400,895	1,400,895	-
	Japanese corporate bonds	4,052,843	4,116,915	(64,072)
	Other	50,250,129	51,663,850	(1,413,720)
	Of which: foreign bonds	8,531,443	8,884,533	(353,090)
	Of which: investment trusts	40,723,755	41,780,815	(1,057,059)
	Subtotal	68,554,801	70,845,523	(2,290,721)
Total		115,615,054	114,660,725	954,329

5. Held-to-maturity bonds sold during the fiscal year (from April 1, 2022 to March 31, 2023)

There were no held-to-maturity bonds sold during the fiscal year.

6. Policy-reserve-matching bonds sold during the fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of Yen)

	Sales	Gains	Losses
Bonds	295,753	4,003	-
Japanese government bonds	295,753	4,003	-
Total	295,753	4,003	-

7. Available-for-sale securities sold during the fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of Yen)

	Sales	Gains	Losses
Stocks	119,406	19,993	(6,372)
Bonds	12,846,313	54,755	(90,398)
Japanese government bonds	12,375,748	54,278	(77,876)
Japanese local government bonds	277,139	58	(125)
Japanese corporate bonds	193,425	418	(12,396)
Other	5,756,251	141,265	(270,990)
Of which: foreign bonds	3,970,542	55,594	(228,074)
Of which: investment trusts	1,785,709	85,671	(42,916)
Total	18,721,971	216,015	(367,761)

8. Securities that incurred impairment losses

For securities other than trading securities (excluding stocks without market prices and investments in partnerships, etc.), and in case whose fair value declines significantly from their acquisition costs, with no prospect of recovering to their acquisition costs, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation differences as losses in the fiscal year in which they are recognized.

Impairment losses amounted to ¥344 million for the fiscal year ended March 31, 2023.

Money Held in Trust

1. Money held in trust classified as trading (As of March 31, 2023)

None

2. Money held in trust classified as held-to-maturity (As of March 31, 2023)

None

3. Money held in trust classified as other than trading or held-to-maturity (As of March 31, 2023)

(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	8,754,765	6,249,110	2,505,654	2,640,416	(134,761)

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

2. For securities with market quotations included as trust assets in "Money held in trust classified as other than trading or held-to-maturity" (excluding stocks without market prices and investments in partnerships, etc.), and in case whose fair value declines significantly from their acquisition costs, with no prospect of recovering to their acquisition costs, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation differences as losses in the fiscal year in which they are recognized.

Impairment losses amounted to ¥9,555 million for the fiscal year ended March 31, 2023.

Retirement Benefits

1. Outline of retirement benefits

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

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

(2) Certain consolidated subsidiaries have defined contribution pension plans. In addition, the amounts required to be contributed to the retirement pension benefit plans by the Company and certain consolidated subsidiaries based on the "Act for Partial Amendment of National Government Officials' Retirement Allowance Act, etc. for the Purposes of Reviewing Benefit Levels of the Retirement Benefits for National Government Officials" (Act No. 96 of 2012) was ¥10,330 million for the fiscal year ended March 31, 2023.

2. Defined benefit plans

(1) Changes in retirement benefit obligations

	(Millions of Yen)
Balance at the beginning of the fiscal year	2,468,764
Service cost	110,023
Interest cost	16,231
Actuarial differences	(4,426)
Benefits paid	(169,911)
Other	(4)
Balance at the end of the fiscal year	2,420,676

(2) Changes in plan assets

	(Millions of Yen)
Balance at the beginning of the fiscal year	315,352
Expected return on plan assets	746
Actuarial differences	(1,664)
Contributions paid by the employer	241
Benefits paid	(30,672)
Balance at the end of the fiscal year	284,004

(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	208,110
Share of public service pension	202,939
Share of another public service pension	189
Corporate pension plan	4,981
Plan assets	(284,004)
Share of public service pension	(277,608)
Share of another public service pension	(61)
Corporate pension plan	(6,335)
	(75,894)
Unfunded retirement benefit obligations	2,212,566
Lump-sum severance indemnity	2,212,566
Net liability (asset) for retirement benefits	2,136,671
Liability for retirement benefits	2,212,694
Asset for retirement benefits	(76,022)
Net liability (asset) for retirement benefits	2,136,671

(4) Retirement benefit costs

	(Millions of Yen)
Service cost	110,023
Interest cost	16,231
Expected return on plan assets	(746)
Amortization of actuarial differences	(17,950)
Amortization of prior service cost	(17,383)
Other	1,929
Total	92,102

(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	(17,383)
Actuarial differences	(15,188)
Total	(32,571)

(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	94,464
Unrecognized actuarial differences	44,415
Total	138,880

(7) Plan assets

1) Breakdown of plan assets

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

	(%)
Bonds	73
Stocks	1
Life insurance general account	0
Other	26
Total	100

Note: The percentage of retirement benefit trusts to total plan assets was 98% as of March 31, 2023, 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, 2023

	(%)
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 ¥11,174 million.

Business Combinations

(Transaction under common control)

Sale of a portion of stocks in a subsidiary

The Company sold a portion of its shares in the stocks of Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd. (hereinafter referred to as “the Two Finance Companies”), which are consolidated subsidiaries, as described below.

1. Transactions with Japan Post Insurance Co., Ltd.

(1) Overview of the transaction

1) Overview and purpose of the transaction

Under the Postal Service Privatization Act, the Company shall aim to dispose of the entire equity interest in the Two Finance Companies, and shall dispose of these shareholdings within the earliest possible time-frame, in light of the business condition of the Two Finance Companies and any impact on the ability to fulfill universal services obligation. In accordance with this aim, the Company, under its Medium-Term Management Plan, has set forth the policy of selling down these shareholdings as early as possible, until it holds 50% or less of the voting rights in each of the Two Finance Companies by 2025.

In accordance with the policy described above, the Company sold a portion of its shares of common stock in Japan Post Insurance Co., Ltd. in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd.

2) Name and description of business of party to which the business combination was applied

Name: Japan Post Insurance Co., Ltd.

Description of business: Life insurance business

3) Date of the business combination

Sale of shares in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd.

August 16, 2022

4) Legal form of the business combination

Sale of a portion of stock for cash consideration

5) Name of company after business combination

No change

(2) Overview of accounting treatment applied

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 “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance 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

Sale of a portion of stock in a subsidiary

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

¥7,725 million

2. Transactions with Japan Post Bank Co., Ltd.

(1) Overview of the transaction

1) Overview and purpose of the transaction

Under the Postal Service Privatization Act, the Company shall aim to dispose of the entire equity interest in the Two Finance Companies, and shall dispose of these shareholdings within the earliest possible time-frame, in light of the business condition of the Two Finance Companies and any impact on the ability to fulfill universal services obligation. In accordance with this aim, the Company, under its Medium-Term Management Plan, has set forth the policy of selling down these shareholdings as early as possible, until it holds 50% or less of the voting rights in each of the Two Finance Companies by 2025.

Based on the above plan, since Japan Post Bank Co., Ltd. does not satisfy the requirement for tradable share ratio among the listing qualifications of the Prime Market of the Tokyo Stock Exchange, Inc., in order to improve the ratio, the Company sold a portion of its shares of common stock of Japan Post Bank Co., Ltd. (hereinafter referred to as the "Sale") considering the influence over the share price of Japan Post Bank Co., Ltd., the Company's capital needs and consolidated financial results, etc.

Prior to this, the Company sold a portion of its shares of common stock of Japan Post Bank Co., Ltd. in response to a share repurchase undertaken by Japan Post Bank Co., Ltd.,

2) Name and description of business of party to which the business combination was applied

Name: Japan Post Bank Co., Ltd.

Description of business: Banking business

3) Date of the business combination

a. Sale of shares in response to the implementation of a share repurchase by Japan Post Bank Co., Ltd.

March 3, 2023

b. The Sale

From March 20, 2023 to March 31, 2023

4) Legal form of the business combination

Sale of a portion of stock for cash consideration

5) Name of company after business combination

No change

(2) Overview of accounting treatment applied

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 "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance 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

Sale of a portion of stock in a subsidiary

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

¥1,532,635 million

Since other capital surplus became a negative value due to the transaction above, based on "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (ASBJ Statement No. 1, March 26, 2015), other capital surplus is recorded as 0, and the amount of the negative value was deducted from other retained earnings.

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
589,429	865,001

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 ¥290,087 million.

Revenue Recognition

1. Disaggregation of revenue from contracts with customers

The following is a disaggregation of the main components of revenue from contracts with customers in the Group. The relationship between this revenue disaggregation and segment income is as follows.

(Millions of Yen)

	Revenue from contracts with customers	Other sources	Income from third parties
Postal and domestic logistics business segment	1,958,813	4,749	1,963,562
Postal operations, etc.	1,832,195		
Other	126,618		
Post office business segment	52,935	31,574	84,509
Merchandising	36,628		
Third-party financial	7,512		
Other	8,794		
International logistics business segment	598,602	1,297	599,899
Banking business segment	173,346	1,889,163	2,062,509
Life insurance business segment	–	6,374,579	6,374,579
Other business	23,187	25,972	49,160
Total	2,806,885	8,327,336	11,134,222

Note "Other business" includes the hospital business and other businesses 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).

Performance obligations underlying revenue from mail and parcels in the postal operations, etc. are satisfied over time from undertaking of the item to the completion of delivery. Therefore, revenue is recognized by measuring progress toward complete satisfaction of a performance obligation.

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

For revenue related to mail and parcels, consideration amount 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, significant financing component 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 merchandising business, real estate business, third-party financial services and other related businesses.

The Group recognizes revenue from catalogue sales, etc. when goods and others are transferred to customers because that is when the customer has obtained control of the goods and others and performance obligations are deemed to be satisfied.

Revenue from sales of goods and others in which the Group is deemed to be an agent is recognized at the net amount after deducting corresponding payments to suppliers.

Consideration amount for catalogue sales, etc., is generally collected within one year of delivering products, etc., to customers, and for receivables based on contracts with these customers, significant financing component are not included.

(3) International logistics business

The international logistics business involves the forwarding business as well as the logistics business.

Performance obligations underlying revenue from the forwarding business are satisfied over the contractual transportation period. Therefore, revenue is recognized by measuring progress toward complete satisfaction of a performance obligation.

On the other hand, the Group recognizes revenue from the logistics business when the provision of services to customers is completed, because that is when performance obligations are deemed to be satisfied.

Consideration amount 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, significant financing component 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) Balances of contract assets and contract liabilities

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

Receivables arising from contracts with customers and contract assets are included in other assets while contract liabilities are included in other liabilities in the consolidated balance sheet.

(Millions of Yen)

	Fiscal year under review
Receivables arising from contracts with customers (balance at the beginning of the fiscal year)	270,339
Receivables arising from contracts with customers (balance at the end of the fiscal year)	238,250
Contract assets (balance at the beginning of the fiscal year)	8,523
Contract assets (balance at the end of the fiscal year)	8,548
Contract liabilities (balance at the beginning of the fiscal year)	46,266
Contract liabilities (balance at the end of the fiscal year)	51,465

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 transferred to receivables arising from contracts with customers when rights to consideration become unconditional. The consideration for deferred postage payment mail, etc. is received mostly within one month based on payment terms separately determined.

Contract liabilities are primarily the rationally estimated amount considering 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 reversed as revenue is recognized.

The amount of revenue recognized in the fiscal year ended March 31, 2023 and included in contract liabilities at the beginning of the fiscal year was ¥41,901 million.

There were no significant amounts in revenue recognized in the fiscal year ended March 31, 2023 from performance obligations satisfied (or partially satisfied) in previous periods.

(2) Transaction prices allocated to the remaining performance obligations

The Group has omitted notes by applying practical expedient 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	¥2,912.76
Net income per share	¥120.82

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 1,140,500 shares as of March 31, 2023.

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 1,022,544 shares for the fiscal year ended March 31, 2023.

Subsequent Events

None

Notes to Non-consolidated Financial Statements

Amounts of less than one million yen are rounded down.

Significant Accounting Policies

1. Valuation criteria and methods for securities

(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, etc. on the fiscal closing day. However, stocks and other securities without market prices 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 in (1) above.

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

2. Valuation criteria and methods for inventories

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

3. Depreciation methods of non-current 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 (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 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.

(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.

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.

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 in the fiscal year of incurrence.

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 “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 as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

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

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

The actuarial difference is amortized 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 as 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 as 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 significant matters which provide basis of presentation of non-consolidated financial statements

Accounting treatment for retirement benefits

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

Additional Information

Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

The Company implemented the transition from the consolidated tax payment system to the group tax sharing system from the fiscal year ended March 31, 2023. Accordingly, accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting are processed in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021. Hereinafter referred to as "ASBJ PITF No. 42). Moreover, based on ASBJ PITF No. 42 Paragraph 32-1, it is deemed that there is no impact from the changes in accounting policy due to the application of ASBJ PITF No. 42.

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".

Changes in Presentation

Non-consolidated statement of income

"Expenses on systems rented to others" included in "Others" under "Other expenses" in the previous fiscal year has been separately presented from the current fiscal year due to its increased significance.

Expenses on systems rented to others for the previous fiscal year was ¥198 million.

Notes to Non-consolidated Balance Sheet

1. Assets pledged as collateral and liabilities related to collateral

   The total assets of the Company have been pledged as general collateral for corporate bonds issued valued at ¥35,000 million.

2. Accumulated depreciation of tangible fixed assets ¥31,819 million

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

4. Monetary assets and liabilities to subsidiaries and affiliates

Short-term monetary assets to subsidiaries and affiliates	¥1,395,969 million
Long-term monetary assets to subsidiaries and affiliates	¥112,082 million
Short-term monetary liabilities to subsidiaries and affiliates	¥5,885 million

5. Inventories

   Breakdown of inventories is as follows:

   Supplies ¥141 million

Notes to Non-consolidated Statement of Income

1. Transactions with subsidiaries and affiliates

Operating transactions	
Operating income	¥243,261 million
Operating expenses	¥16,173 million
Other transactions	¥12,802 million

2. Brand royalty income

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

Notes to Non-consolidated Statement of Changes in Net Assets

1. Information on dividends

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

   (1) Dividends paid for the fiscal year ended March 31, 2023

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

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

   (2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2023 (scheduled)

Resolution	Class of shares	Total amount (Millions of Yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2023	Common stock	173,047	Retained earnings	50.00	March 31, 2023	June 22, 2023

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 ¥57 million for the Company's shares held by the management board benefit trust.

2. Class and number of shares of treasury stock as of March 31, 2023

   Common stock 197,988,773 shares

Deferred Tax Assets and Liabilities

1. 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	952,732
Reserve for retirement benefits	75,340
Reserve for bonuses	404
Other	30,882
Subtotal deferred tax assets	1,059,359
Valuation allowance for tax losses carried forward	(952,732)
Valuation allowance for deductible temporary differences	(106,627)
Total valuation allowance	(1,059,359)
Total deferred tax assets	-
Deferred tax liabilities	
Net unrealized gains (losses) on available-for-sale securities	(47,035)
Net deferred tax assets (liabilities)	(47,035)

2. Accounting for corporate tax, local corporate tax, and tax-effect accounting

   From the fiscal year ended March 31, 2023, the Company has adopted the group tax sharing system. Moreover, the Company processes accounting for and presentation of corporate tax, local corporate tax, and tax-effect accounting in accordance with ASBJ PITF No. 42.

Business Combinations

(Transaction under common control)

Sale of a portion of stocks in a subsidiary

The Company sold a portion of its shares in the stocks of Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd. (hereinafter referred to as “the Two Finance Companies”), which are consolidated subsidiaries, as described below. Gains on sales of stocks of subsidiaries and affiliates of ¥71,783 million is recorded due to this sale.

1. Transactions with Japan Post Insurance Co., Ltd.

(1) Overview of the transaction

1) Overview and purpose of the transaction

Under the Postal Service Privatization Act, the Company shall aim to dispose of the entire equity interest in the Two Finance Companies, and shall dispose of these shareholdings within the earliest possible time-frame, in light of the business condition of the Two Finance Companies and any impact on the ability to fulfill universal services obligation. In accordance with this aim, the Company, under its Medium-Term Management Plan, has set forth the policy of selling down these shareholdings as early as possible, until it holds 50% or less of the voting rights in each of the Two Finance Companies by 2025.

In accordance with the policy described above, the Company sold a portion of its shares of common stock in Japan Post Insurance Co., Ltd. in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd.

2) Name and description of business of party to which the business combination was applied

Name: Japan Post Insurance Co., Ltd.

Description of business: Life insurance business

3) Date of the business combination

Sale of shares in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd.

August 16, 2022

4) Legal form of the business combination

Sale of a portion of stock for cash consideration

5) Name of company after business combination

No change

(2) Overview of accounting treatment applied

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 “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).

2. Transactions with Japan Post Bank Co., Ltd.

(1) Overview of the transaction

1) Overview and purpose of the transaction

Under the Postal Service Privatization Act, the Company shall aim to dispose of the entire equity interest in the Two Finance Companies, and shall dispose of these shareholdings within the earliest possible time-frame, in light of the business condition of the Two Finance Companies and any impact on the ability to fulfill universal services obligation. In accordance with this aim, the Company, under its Medium-Term Management Plan, has set forth the policy of selling down these shareholdings as early as possible, until it holds 50% or less of the voting rights in each of the Two Finance Companies by 2025.

Based on the above plan, since Japan Post Bank Co., Ltd. does not satisfy the requirement for tradable share ratio among the listing qualifications of the Prime Market of the Tokyo Stock Exchange, Inc., in order to improve the ratio, the Company sold a portion of its shares of common stock of Japan Post Bank Co., Ltd. (hereinafter referred to as the "Sale") considering the influence over the share price of Japan Post Bank Co., Ltd., the Company's capital needs and consolidated financial results, etc.

Prior to this, the Company sold a portion of its shares of common stock of Japan Post Bank Co., Ltd. in response to a share repurchase undertaken by Japan Post Bank Co., Ltd.

2) Name and description of business of party to which the business combination was applied

Name: Japan Post Bank Co., Ltd.

Description of business: Banking business

3) Date of the business combination

a. Sale of shares in response to the implementation of a share repurchase by Japan Post Bank Co., Ltd.

March 3, 2023

b. The Sale

From March 20, 2023 to March 31, 2023

4) Legal form of the business combination

Sale of a portion of stock for cash consideration

5) Name of company after business combination

No change

(2) Overview of accounting treatment applied

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 "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance 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)	138,477	Short-term loan	39,448
				Repayment of funds	82,128	Long-term loan	109,255
				Interest received (Note)	523	Other current 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	¥1,625.82
Net income per share	¥82.35

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 1,140,500 shares as of March 31, 2023.

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 1,022,544 shares for the fiscal year ended March 31, 2023.

Subsequent Events

None