

Teleconference of the Financial Results  
for the Fiscal Year Ended March 31, 2020  
Summary of Q&A  
(May 15, 2020)

Q Why does the financial results forecast indicate that the year-end dividend is undecided?

A The Financial results forecast calculations were performed based on certain assumptions, and they were disclosed because they are important for investors to make decisions such as investment decisions.

On the other hand, the amounts of year-end dividends are decided based on business results, and because numerous factors, such as the timing of when the spread of COVID-19 is brought under control, can have major effects on actual business results, we have decided not to issue a year-end dividend forecast.

We have not changed the target of an annual dividend per share of ¥50 or higher stated in the Medium-term Management Plan, and, when the spread of COVID-19 is brought under control and it becomes possible to more accurately predict the future outlook of our business, we will reconsider dividend amounts.

Q What assumptions were used in calculating the financial results forecast?

A We assumed that domestic and foreign interest rates will track the implied forward rates as of the end of March 2020.

With regard to overseas credit spreads, we assumed that they would remain high during the first half of the fiscal year ending March 31, 2021, and then gradually shrink as the impact of the spread of COVID-19 is brought under control.

Q Around when will Japan Post Insurance resume operations?

A We cannot at present state definitively when Japan Post Insurance will resume operations. We believe it is important to thoroughly implement reoccurrence prevention measures and reinforce the internal control system, as indicated in the business improvement plan. Once we have done so, we will make a careful decision as a Group about specific conditions for resuming operations, etc., in consultation with external experts as necessary.

Q What impact has COVID-19 had on the business results of the fourth quarter of the fiscal year ended March 31, 2020? One of the impacts appear to be the

reduction in the number of customers in the Post Office Business of Japan Post Co. How have these impacts been reflected in plans for the current fiscal year?

A It is difficult to quantify the monetary impact of COVID-19 on the financial results for the fiscal year ended March 31, 2020.

In the financial results forecast for the year ending March 31, 2021, operating loss of ¥35.0 billion, a year-on-year decline of roughly ¥80.0 billion in net operating income, is forecast for the post office business, primarily due to a reduction in commissions paid by Japan Post Insurance to Japan Post Co. Japan Post Co. plans to deliberate with Japan Post Insurance regarding commissions for the current fiscal year, taking into consideration factors such as actual operational conditions.

As for specific impact on the Post Office Business, we expect results to be affected by a decrease in investment trust sales and an increase in cancellations due to the economic downturn and future uncertainty regarding exchange rates, etc., as well as the suspension of operations of commercial facilities such as KITTE.

Q What are the reasons for the decrease in commissions paid by Japan Post Insurance to Japan Post Co. in the financial results forecast for the fiscal year ending March 31, 2021? Have the commission calculation rules changed as a result of the policy problem?

A Commissions still consist of commissions for insurance solicitation, maintenance and collection fees, and incentives, and the calculation method has not changed.

Commissions for insurance solicitation are paid over the course of multiple years, and are expected to fall due to active solicitation being discontinued since the middle of the previous fiscal year. Maintenance and collection fees are paid based on policies in force and no major decrease is expected; however, since no incentive payments are in place, these fees will fall.

Since Japan Post Co. has covered costs through the sum of these commissions, commissions are not expected to cover costs at the level stated in the financial results forecast, and we are currently negotiating with Japan Post Insurance regarding revisions to the current commission system.

Q Does that mean that the Post Office Business income will decline but costs will not?

A Since the commencement of voluntary discontinuation of active sales activities

for Japan Post Insurance products in July 2019, sales allowances and overtime allowances have fallen. Because of that, costs may fall year-on-year for the April to June period, but after that costs will no longer decrease, and commission revenue alone will decline.

Q With regard to the results of the Postal and Domestic Logistics Business for the fourth quarter of the year ended March 31, 2020, why did both revenue and income decrease year-on-year? Did the upturn in the volume of Yu-Pack handled, excluding Yu-Packet affect costs and income?

A The decrease is the result of the decreased volume of Mail handled. However, during the fourth quarter, the volume of Yu-Pack handled, excluding Yu-Packet, rose significantly by 5.5% year-on-year. For the entire fiscal year, the volume fell by 6.5% year-on-year, but in terms of profit, while revenue for Yu-Pack, excluding Yu-Packet, rose significantly, expenses such as collection, transport and delivery outsourcing expenses also increased. For the fiscal year ended March 31, 2020, the Postal and Domestic Logistics Business performed extremely well during the first half of the year, and ordinary parcels were solid, without decreases in the volume of Mail handled. However, during the second half of the year, while ordinary parcels remained strong, the volume of Mail handled fell. As a result, both revenue and income fell in the fourth quarter.

Q With regard to the Postal and Domestic Logistics Business and the International Logistics Business profit forecasts for the fiscal year ending March 31, 2021, what are your expectations with respect to price per unit and volume?

A The volume of Mail handled is expected to fall by a significant amount in comparison to the fiscal year ended March 31, 2020, during which we handled mail related to House of Councilors elections, nationwide local elections, and documents related to revisions to the consumption tax rate. Also, in terms of parcels, the effects of the price per unit improvements in the fiscal year ended March 31, 2020 have worn off, and while actual volume has recently increased, the competitive environment has become extremely harsh.

Q What are your views on management improvement measures for the International Logistics Business?

A The environment surrounding Toll Holdings Limited is also extremely harsh, and we expect such trend to continue. For the time being, we aim to achieve

positive EBIT by reducing costs in Group-wide segments, such as shared services, reducing white-collar wages, reducing personnel and pulling out of unprofitable businesses, among other measures.

End

Forecasts and other forward-looking statements presented in this document are based on information available to Japan Post Holdings Co., Ltd (the “Company”) at present and certain assumptions that the Company has deemed reasonable, and the Company provides no assurance that the forecasts will be achieved or with respect to any other forward-looking statements.

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