

Teleconference of the Financial Results  
for the Fiscal Year Ended March 31, 2020  
Summary of Q&A  
(May 21, 2020)

Q What are the conditions and future schedule of the resumption of operations by Japan Post Insurance?

A In addition to our own thoughts on the matter, we are also listening to feedback from the external JP Reform Execution Committee and other parties, and will deepen our consideration of objective conditions before resuming operations.

At the very least, we consider it essential that insurance policies are thoroughly investigated and that our Group policy of compensating customers for disadvantages experienced is made clear to all policyholders. For the most part, investigations are progressing according to schedule, although investigations for some cases have been delayed due to reasons attributable to customers. Likewise, we have been steadily conveying our policy of compensating customers for disadvantages experienced.

We also consider it essential to steadily implement reoccurrence prevention measures. In addition to implementing various training measures, we are progressing with the completion of implementing diverse measures such as the creation of a first line, second line, and third line check system.

Furthermore, we believe that we must work out a system to impose penalties on the sales personnel who engaged in the inappropriate solicitation. We expect this will take slightly more time.

At the same time, due to the current COVID-19 situation, it is difficult for us to visit customers. We believe that we must switch our sales style to one that customers can trust and rely on, and going forward, we must build sales models which do not involve face-to-face interaction or direct contact.

Given the impact of the COVID-19, the situation would not change significantly even if we were to resume our sales activities in a rush. Therefore, we would like to take more time to thoroughly weed out problems in order to resume our sales activities appropriately.

Q At the time of the release of financial results for the fiscal year ended March 31, 2019, it was stated that share repurchases were being considered to provide returns to shareholders, but this has yet to be done. Please provide your views on the necessary conditions to carry out a share repurchase.

A We are constantly focused on providing returns to shareholders, including potential share repurchases. We have heard that previous management was considering a share repurchase, given that net income for the fiscal year ended March 31, 2019 significantly exceeded the initial projections and a portion of the Japan Post Insurance shares held by Japan Post Holdings were sold in April 2019. However, the Japan Post Insurance policy issue then occurred, making this course of action unfeasible.

Furthermore, at present, it is still difficult for us to determine the impact of the COVID-19 outbreak on our business results for the current fiscal year. Japan Post Bank and Japan Post Insurance account for a large share of the Group's profit structure, and both companies have been affected by the COVID-19 outbreak and are struggling from an operational standpoint. Looking at past cases, such infectious diseases often have second waves, and there are concerns about a double-dip recession. We are therefore in a position in which it is difficult to communicate a clear message to shareholders regarding profit returns.

We will, of course, strive to increase corporate value through managerial effort, and once we are able to forecast our business results for the current fiscal year to a certain degree, we will consider our options, including share repurchases.

Q Regarding the provision of services without face-to-face interaction or direct contact, if the same services are available online, wouldn't that mean that there is no need to keep the same number of post offices as there are now?

A We believe that the dangers posed to society by the COVID-19 outbreak have once again brought to the fore the importance of real networks in society. The government used Japan Post Co.'s Town Plus service to rapidly distribute masks to all households. We have far more sophisticated residential information than the resident certificates managed by each local government, and we believe that this is an extremely important asset.

We do not insist on the particular number of post offices but we will maintain the level of our post office network. We plan to maintain the postal network at the necessary level to deliver to every part of Japan, including remote islands. However, cost control is also important, and we are working to improve efficiency through the use of AI in delivery routes and the use of robots for delivery. We will use technology to make our real network of post offices more efficient, enhancing its added value and its functionality.

In Japan, only Japan Post Group has this kind of network, and we believe the value that comes from this unique position will increase in proportion to our managerial effort.

Q In the future, the commissions paid to Japan Post Co. by Japan Post Bank and Japan Post Insurance are forecast to decrease. In such a case, will it be possible to maintain the post office network?

A We believe that going forward, commissions from Japan Post Bank and Japan Post Insurance will continue to be Japan Post Co.'s main revenue sources, but it is important to also cultivate other revenue sources. Japan Post Co. must strive to develop new revenue sources other than financial commissions, such as collaborations with local governments and other companies, and expansion of the volume of Yu-Packet associated with the growth of the e-commerce market. Commission levels will be reconsidered, including by Japan Post Holdings but we plan to take the approach of maintaining the post office network and enhancing added value as commissions from Japan Post Bank and Japan Post Insurance fall. For example, we would like to give further consideration to measures for reducing costs in urban areas with excessive concentrations of post offices.

Q With regard to Japan Post Co.'s Postal and Domestic Logistics Business, net operating income is forecast to fall ¥62.5 billion year-on-year. What are the causes of this precipitous decline?

A The Postal and Domestic Logistics Business produced record high profits in the previous fiscal year, but this was due to several overlapping causes.

First, the decline in the volume of Mail handled was mitigated compared to other years as a result of the election-related and the consumption tax increase-related notices. No event like these is scheduled for the fiscal year ending March 31, 2021, and therefore we expect the volume of Mail handled to decline in line with the recent trend. Furthermore, while we have been working to control costs, the volume of Yu-Pack handled, excluding Yu-Packet, also fell in addition to the volume of Mail handled in the previous fiscal year, and costs such as personnel expenses and collection, transport and delivery outsourcing expenses fell by far more than planned.

As we do not expect these factors will apply to the current fiscal year, we have forecasted a decline in profit. Of course, we are not satisfied with this situation, and we will continue to strive to increase profits.

Q With regard to the COVID-19, haven't the delivery of notices regarding relief payments and the delivery of masks to all households make large positive contributions to profits in the Postal and Domestic Logistics Business?

A We do not expect these measures to have a large impact on profits.

We have not clearly reflected the impact of these measures in the current fiscal year's financial results forecast, but the impact of the COVID-19 outbreak has recently resulted in a major decline in advertising mail. We cannot yet make predictions about the post-COVID-19 situation, but given the economic slowdown, we expect the volume of advertising mail to remain significantly lower.

Furthermore, if this crisis dramatically accelerates the digitalization of governmental procedures and business processes, we expect the volume of Mail handled to decline further.

Q Will the next Medium-term Management Plan focus on the first three years from the perspective of the vision for the next ten years? Looking at the JP Reform Execution Committee's time schedule, interviews are planned until roughly May 2021.

A The next Group Medium-term Management Plan is expected to cover the three-year period starting from the fiscal year ending March 31, 2022, and we expect more changes to the environment during these three years than before. In Japan, we have been facing issues such as a declining population and overconcentration of population in urban areas for a long time, and our position was that we needed to reassess the overall framework surrounding the Group. Therefore, we believe that as a first step, we need to map out a Medium-term Management Plan which foresees outlook for the periods leading up to roughly 2030.

The COVID-19 crisis has particularly reinforced this belief, and we believe that we must think not only in terms of the economy, but also lifestyles and culture, considering whether changes in social structure and technology will accelerate or slow down. We are looking at this long timespan from a business perspective, and plan to reflect whatever we can in our plans.

The JP Reform Execution Committee, established in April 2020, is scheduled to conduct activities until May 2021, but we are considering extending it further at the moment. We are currently consulting with the committee members about the current issues, such as the resumption of operations, but some committee members have expressed that they would like to have discussions not only about the current issues, but also about subsequent topics such as new sales styles and the roles that the Japan Post Group should fulfill in the future. After concluding its discussions regarding the current issues, we would like the committee to provide its expertise regarding how the Group should be acting going forward. Therefore, we will keep a longer-term perspective when creating the successor

to the current Medium-term Management Plan, which ends in the current fiscal year. However, since discussions set too far in the future would end up being nothing more than flights of fancy, we have chosen to consider a roughly 10-year timespan and position the plan to focus on the first three years of this time span.

Q Japan Post Holdings is, by law, destined to become publicly traded. For Japan Post Holdings, what does it mean to be a listed company? What part of the Japan Post Holdings do you want shareholders and investors to expect in the future?

A The Japan Post Group was historically part of the public sector, engaging in infrastructure-related basic businesses. The general public supported the idea that these businesses should be conducted under the control of the market, which led to the current form of the Japan Post Group. We therefore believe the perspectives of shareholders and investors are extremely important.

While the contents of our businesses are basic, we can play a valuable role to society in the face of crises. We aim to manifest corporate growth in a sustainable manner as outlined in SDGs and other frameworks and earn the appreciation of shareholders and investors.

Q What are your views on the net income level and ROE level? Do you believe, that they can be increased in light of the Japan Post Group's medium- to long-term corporate value, or do you think that this is not feasible due to the harsh environment?

A Net income and ROE change depending on what denominators and numerators are used and what sort of management decisions are made, but, at any rate, we must provide corporate value as a Group and it is necessary to consider how much we can enhance corporate value, although perceptions in urban areas may differ from those in mountainous areas, seaside areas and remote islands.

The core services currently offered by the Japan Post Group are postal services, domestic logistics services, banking services and life insurance services, but we would like to expand our range of service offerings going forward.

Q With regard to the plan for the fiscal year ending March 31, 2021 for the Postal and Domestic Logistics Business, what are your forecasts for reduction rates of the volume of Mail handled, and the volume and price per unit of Yu-Pack and Yu-Packet?

A In the fiscal year ended March 31, 2020, the volume of Mail handled decreased

by 2.6% year-on-year. In the fiscal year ending March 31, 2021, we expect it to fall by 3.7%, a major decrease overall of roughly 600 million pieces in volume. Although the effects from the improvements of price per unit for parcels during the middle of the fiscal year ended March 31, 2020 have already largely run their course, we have achieved certain improvement of price per unit through various measures. In the fiscal year ending March 31, 2021, we will continue to implement individual price per unit improvements, but since overall price per unit improvement effects have already come to an end, we do not expect price per unit improvements to reach the level of the fiscal year ended March 31, 2020. With regard to the volume of parcels, we enjoy a competitive advantage with Yu-Packet and expect its volume to grow. Meanwhile, for Yu-Pack, although the e-commerce market is expanding, the competitive environment is intensifying due to the growth of delivery providers and scramble for market share by major competitors, and we do not expect a large amount of growth.

Overall volume of parcels handled, including both the volume of Yu-Pack handled and the volume of Yu-Packet handled, is expected to be 1.016 billion parcels, an increase of 42 million parcels compared to the fiscal year ended March 31, 2020. Of those 42 million parcels, the majority are expected to be Yu-Packet parcels, and we believe the effect of this increase on overall revenue will be insignificant.

Q I understand that an amendment to current law will be necessary for the suspension of postal deliveries on Saturdays. When will this happen at the earliest, and in such case, what are the prospects of its effects on net operating income?

A Japan Post Co. has requested that the government speedily implement the amendment related to the suspension of Saturday postal delivery, but a draft bill has not been submitted. Even if the bill is passed, we believe that due to the notification period and our own preparation period, it will take at least six months to go into effect. We will prepare as much as possible in advance, and when the bill is passed, we hope to realize as early as possible after taking sufficient notification period, etc.

With regard to the related contributions to profit and loss, we have explained in a Council of Ministry of Internal Affairs and Communications meeting that reviewing and revising service levels in the postal field will produce a contribution of over ¥60 billion. This figure includes, in addition to the suspension of Saturday deliveries, the transfer of personnel to the parcel field, assuming current personnel placements, if delivery due dates are relaxed (that is, if delivery is changed from next-day delivery to two-day delivery as a general

rule). The basic position of Japan Post Co. is to reduce costs in the shrinking postal field, and to shift the personnel and management resources that this frees up to the expanding parcel field. The ¥60 billion figure is the result of our preliminary calculation of this approach, and does not represent the company-wide net income improvement. The assumptions made in the calculations that produced the ¥60 billion figure have also changed as the result of environmental changes, and we believe that this figure must be recalculated going forward. Recently, we have faced personnel shortages in our postal operations, and therefore the number of personnel that will need to be kept in the postal field will be higher than initially assumed, even if Saturday delivery is suspended. We hope to produce the greatest results possible, maintain postal delivery as a universal service in the future, and shift management resources to the parcel field, but at present we cannot definitively state when or to what level these net income contributions will be made.

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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