

Teleconference of the Financial Results
for the Three Months Ended June 30, 2020
Summary of Q&A
(August 7, 2020)

Q Why have personnel expenses for the postal and logistics business decreased?

A In response to the spread of COVID-19, the number of people at home increased due to self-restraint in going out, and delivery efficiency improved. As a result, the overtime allowances decreased, which led to a decrease in personnel expenses.

Q Please provide your thoughts on the forecast of financial results.

A In the banking business, although the stock market and credit spread are currently on a recovery trend, the real economy continues to be in bad health and many major uncertain factors remain.

As such, given that the downside factors have not disappeared, we do not believe that we are yet in a position to raise our forecasts.

Q When do you think Japan Post Insurance will resume operations?

A We have received an assessment from outside experts in the JP Reform Execution Committee to the effect that Japan Post Insurance has generally met the minimum requirements for resuming operations. Although no specific timing for resumption has been decided at this point in time, our group will confirm whether the conditions for resuming business are satisfied and then decide on the timing.

Q Are media reports that the sale or restructuring of Toll Holdings Limited is under consideration true? If so, could you indicate a timeline? Also, if it were to be sold, how would the international logistics business be positioned in the future?

A I will refrain from making a comment on media reports in a predictive view.

However, regarding the status of Toll Holdings Limited, it is undertaking improvement measures centered on cost reduction, as the global express business in particular is deteriorating significantly.

With respect to the international logistics business, we will make various decisions bearing in mind that it continues to be positioned as a very important field.

Q According to materials showing a breakdown of income by business segment for the previous fiscal year, the third-sector insurance counter business is in the red. Is it necessary to make it profitable?

A The universal service section of the insurance business was in the red. Of course, it is not desirable for this situation to continue for long, but rather than revising fees in the short term, we want to make the business profitable by making our products more attractive and increasing our sales capabilities. Based on that consideration, we will layout the direction of the insurance business in the next Medium-term Management Plan.

Q Regarding the future Yu-Pack strategy, I think that if the volume increases at the current pace, the delivery capacity may become severe somewhere. What is the outlook for the future volume? Also, if the capacity did become severe, would you deal with it by restricting the total volume or raising prices further?

A In the first quarter, due to the impact of the declaration of a state of emergency in response to COVID-19, the handling volume increased due to so-called "stay-at-home demand," and the growth rate was higher than expected. We do not know what the extent of the impact of COVID-19 will be in the future, but I think that if the situation calms down, the pace of growth will settle down. At present, we do not think that capacity is under pressure, and we do not think it is necessary to restrict total volume or raise prices further unless the current growth rate continues to increase,.

Q Was the increase in parcel volume in the first quarter entirely due to the market, or was there a factor involved that is particularly attributable to SMEs?

A We recognize that the increase in parcel volume in the first quarter was clearly a result of "stay-at-home demand" due to the impact of COVID-19. We do not believe that much of the volume increase can be benefitted from our competitors.

Q Is the decline in insurance commissions in the post office business expected to continue in the second quarter onward? In addition, regarding personnel expenses from the second quarter onward, would it be correct to think that sales allowances will no longer decrease compared to the same period of the previous year, and that profits will deteriorate further?

A Insurance commissions include commission for insurance solicitation and

maintenance and collection fee. As commission for insurance solicitation is expected to be received over multiple years, the longer the period of refraining from solicitation is, the more it will gradually decrease. Fees are in part due to discussions with Japan Post Insurance, and will be further reduced unless especially reviewed.

As for personnel expenses, sales allowance and overtime allowance decreased in the first quarter because sales activities were performed as usual in the first quarter of last year. However, as we have refrained from sales activities since July last year, we do not expect personnel expenses to decline like they did in the first quarter.

End

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