

Teleconference of the Financial Results
for the Three Months Ended June 30, 2019
Summary of Q&A
(August 9, 2019)

Q What was the main reason behind the year-on-year increase in profit in the Post Office Business? Also, please explain what caused personnel expenses to decrease by ¥6.0 billion.

A In terms of income, a contributing factor was an increase in postal service commissions, associated with a higher volume of mail handled over the counter partially due to a revision in the collection system. Commissions for business consignments from Japan Post Bank and Japan Post Insurance and funds to maintain post office network also increased, due partially to a revision of commissions, such as those associated with expenses for developing system infrastructure for strengthening the post office network, which was implemented at the timing of the launch of the fund system.

On the other hand, the decrease in personnel expenses was due to lower sales allowances associated with a decline in the acquisition of new policies by Japan Post Insurance as well as a decrease in associated overtime allowances.

Q The volume of Yu-Pack handled, excluding Yu-Packet, fell by 15.8% year-on-year. Is this declining trend expected to continue? What is the outlook?

A We are expecting to see a turnaround in the middle of the current fiscal year, by which time the impact of the price increase implemented in the previous fiscal year will have run its course.

Q I would like to know what sort of financial impact is expected from initiatives related to the insurance policies at Japan Post Insurance, when looking at the Japan Post Group as a whole.

A This matter involves a range of factors including the impact on the sales of financial products provided by companies other than Japan Post Insurance and on personnel expenses and allowances. Therefore, it is difficult to make a reasonable estimation at present.

Q With respect to the initiatives related to the insurance policies at Japan Post Insurance, what time schedule do you have in mind until things return to normal? Do you have any plans to make adjustments to the Medium-Term Management Plan in connection with this issue?

A The investigation is currently planned to be concluded by the end of the year. We are first working on grasping the overall situation, with a view to making an interim report on the progress at a certain point. However, as the investigation has just started, we cannot predict future reactions from Japan Post Insurance's customers, and therefore cannot reference at present when we can return to normal. Likewise, we are unable to comment on adjustments to the Medium-Term Management Plan at this moment.

Q To what extent would the income and profit of the Japan Post Group be affected should annualized premiums from new policies fall by 10% at Japan Post Insurance? Can you provide a rough estimate?

A Commissions to Japan Post Co. include commissions associated with the maintenance of policies in force and incentives to reward engagement in various initiatives, in addition to commissions for acquiring new policies. As such, there are various factors to consider, even just in terms of income, and we cannot summarize the impact.

Q The price per unit for Yu-Pack excluding Yu-Packet increased by ¥97. May I ask the reason behind this? Did the unit price continue to increase in this first quarter after the initiatives you devised took effect in the previous fiscal year? Or are you negotiating for a price increase at the risk of losing market share?

A We have been continuously engaged in Yu-Pack price negotiations for the past two years. These have started to prove effective from the previous fiscal year, resulting in a sizable increase in the unit price in the past year. We believe this to be the reason behind the larger increase compared with our industry peers.

Q Can you give us the estimated timing of enactment and enforcement of the law concerning the suspension of Saturday postal delivery?

A An amendment to the existing law may be deliberated in the extraordinary Diet session this autumn at the earliest. We believe that it should take effect, if enacted, around autumn of 2020 at the earliest, as it requires a sufficient period of time for publicity beforehand.

Q As for funds to maintain the post office network, is it correct to assume that a quarter of the full-year amount for the fiscal year ending March 31, 2020, has been recorded for this first quarter?

Also, will the amount of the fund be reviewed in the event of changes in the minimum cost required for maintaining the post office network? If so, how often would such a review take place?

A A quarter of the annual amount of the fund is recorded for each quarter of the corresponding fiscal year.

The amount of the fund is calculated each fiscal year by the Organization for Postal Savings, Postal Life Insurance and Post Office Network, based on its estimation of the minimum cost required for maintaining the post office network.

Q I would like to know the prospects and estimated timing of the share repurchase in view of the better-than-expected financial results for the fiscal year ended March 31, 2019.

A We announced that we would consider a share repurchase as part of further shareholder returns at the time we announced the financial results for the fiscal year ended March 31, 2019. However, no specific timing has been mentioned. We cannot comment on prospects, as this matter is subject to judgement based on the circumstances from time to time.

Q How would the profit of Japan Post Co. be impacted by the self-restraint of proactive sales efforts associated with the initiatives related to the insurance policies at Japan Post Insurance? For example, would refraining from proactive sales of financial products decrease commissions for business

consignments from Japan Post Bank and Japan Post Insurance? Or do you expect a decrease in personnel expenses including incentives?

A We expect a decrease in commissions paid to Japan Post Co. from Japan Post Bank and Japan Post Insurance. As for expenses, we expect a decrease mainly in allowances associated with the acquisition of new insurance policies.

However, commissions and expenses involve a wide range of factors, and it is difficult to make a reasonable estimation of the amounts at present.

Q We understand that post offices are refraining from proactive sales efforts of financial products with certain exceptions. Is it possible to quantify the extent of such self-restraint?

A Self-restraint on active sales means that post office staff will not actively approach customers for sales, while they will respond to enquiries from customers. As such, we are not imposing quantitative restraints on sales activities, and we can not show the quantity.

Q For the International Logistics Business, do you have any plans to implement additional management improvement measures at Toll?

A The International Logistics Business recorded net operating loss in this first quarter, due partially to temporary expenses associated with a delay in the development of port facilities in Australia. At the moment, we are seeking improvement by continuing our existing initiatives, such as the acquisition of high value-added projects in our Global Logistics business and improvement in quality of services as well as cost-cutting exercises in our Global Express business.

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