

Teleconference of the Financial Results
for the Six Months Ended September 30, 2019
Summary of Q&A
(November 14, 2019)

Q In the three months from July to September, the Post Office Business reported a 4% decrease in operating income and similarly a 4% decrease in personnel expenses. Will this trend continue into the second half?

A With regard to operating income and personnel expenses decreasing at similar rates, the same trend is not necessarily expected to continue because these items include elements other than insurance commissions and insurance sales allowance. Within insurance commissions, the commission for insurance solicitation has been set so that it is high for the first year following the acquisition of a policy, while this level decreases from the second year onwards. Thus, while the initial year tends to be impacted more heavily by sluggish sales performance, this impact will continue into the second year and thereafter. Personnel expenses include base compensation that is not limited to sales commissions, so consequently, the possibility of future decrease is limited.

Q In September, the volume of Yu-Pack excluding Yu-Packet exceeded that of the previous year. Is this only because of the increase in last-minute demand ahead of the consumption tax hike or also an indication of changes in the basic trend?

A The increase in last-minute demand ahead of the consumption tax hike did have some effect, but this is also a reflection of the decreasing trend which began in September of the previous year coming to an end. As for the future, we are keeping a close eye on the trends at the moment.

Q Japan Post Holdings has left its consolidated financial results forecast for the fiscal year ending March 31, 2020 unchanged; will there be no effect from Japan Post Insurance raising its consolidated financial results forecast, and from the decrease in insurance commissions paid by Japan Post Insurance?

A Although there will be some effect from those items, we have decided to leave our consolidated financial results forecast unchanged. This decision was made taking into consideration that only about 64% of Japan Post Insurance's upward revision will affect the consolidated forecast and that the consolidated financial results forecasts for Japan Post Bank and Japan Post Co. have been left unchanged, and considering other factors in a comprehensive manner.

Q Around when do you expect the current problem involving the rewriting of

insurance policies, etc. to come to an end? Will sales resume and normalcy be restored once the ongoing investigation is completed?

A At this stage, it is difficult to comment on when this problem will come to an end. Currently, we are hoping to gradually resume regular sales activities by January. We are, however, still waiting for a status report on the investigation and the report by the Special Investigative Committee, and we have yet to respond to the supervisory authorities, etc. Therefore, we are not in a position to make any definitive statements.

Q Regarding the decrease in operating income of the Post Office Business, what is your analysis of the first half when including the impact of the funds to maintain post office network and other factors?

A When we compare the total amount of funds to maintain post office network derived from Japan Post Insurance combined with the commissions paid directly by Japan Post Insurance to Japan Post Co. for the current fiscal year with the amount of commissions paid by Japan Post Insurance to Japan Post Co. in the previous fiscal year, there has been a decrease of ¥10.8 billion for the six months ended September 30, 2019. This is believed to be mainly due to the effects of the problem involving the rewriting of insurance policies, etc.

Q Is the ¥15.8 billion decrease in personnel expenses in the Post Office Business due to the effects of the insurance business?

A Although the problem involving the rewriting of insurance policies, etc. has had a large effect, an increase in overtime working hours to handle the concentration of time deposits reaching maturity in the Banking Business in the previous fiscal year also had an effect.

Q EBIT [at Toll] has deteriorated, reporting a net operating loss even on an Australian dollar basis. Are you considering any additional measures to address this situation?

A Toll has already been engaged in various improvement measures to date. This fiscal year, it is making efforts to reduce overall costs including personnel expenses and general and administrative expenses in the Corporate division. For example, by utilizing a new financial accounting system, it has been able to reduce the number of staff required for back-office operations related to accounting. Currently, the headcount for such staff has been reduced by 230. Toll will continue to implement various measures.

Q It seems that the enactment of the legislation to revise Saturday mail deliveries will be postponed. Has the passage of this legislation been incorporated into the

Medium-term Management Plan?

A It has not been included in the Medium-term Management Plan.

Q Could you comment on the possibility of impairment of the shares of the financial subsidiaries held by Japan Post Holdings, the capital adequacy of Japan Post Holdings, and the possibility of maintaining its dividends?

A In terms of impairment, we have established internal regulations in accordance with corporate accounting rules. If the market value of the shares held decline by 50% or more and there is no possibility of recovery, then we will, in principle, report impairment on the shares. As for the source of dividends, dividends are basically paid out from the non-consolidated retained earnings of Japan Post Holdings, but if the retained earnings are insufficient, we will consider dividends from sources including other capital surplus.

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.

The actual future results may vary considerably depending upon various factors, such as interest rate fluctuations, stock price fluctuations, foreign exchange fluctuations, asset value fluctuations, changes in the economic and financial environment, changes in the competitive environment, the occurrence of large-scale disasters, etc. and changes in laws and regulations. The company disclaims any responsibility to update any forward-looking statements contained herein to the extent permitted by law or stock exchange rule.