

Results Briefing
(Interim Financial Results for the Six Months Ended September 30, 2019)
Summary of Q&A
(November 19, 2019)

Q With regard to the issues relating to inappropriate solicitations by Japan Post Insurance, are there any plans to revise the system of commissions paid from Japan Post Insurance to Japan Post Holdings? If so, how will the structure change?

A As previously announced, we plan to make revisions so that the system of sales targets will be set on a stock-basis rather than on a flow-basis.

Going forward, adjustments regarding commission systems will also be discussed between Japan Post Holdings and Japan Post Insurance.

Q The volume of Yu-Pack (excluding Yu-Packet) handled seems to be on a declining trend. Are you considering a reduction of prices considered to reverse this trend?

A We do not intend to engage in a price-cutting competition. We will work to capture new customers by improving services aimed at increased ease of sending and receiving the packages, and to increase the volume of items handled through the full-scale application of solutions-based sales.

We have been steadily increasing handling volume through the installation of a logistics solution center as well as the provision of proposals in line with customers' logistics needs, logistics businesses, and services. We are intending to apply this solutions-based sales approach to all services of the headquarters, branches and post offices.

We will also work to change the awareness within the Japan Post Co. in order to grow from a mere delivery provider to a comprehensive logistics provider, in addition to the measures to increase the volume of items handled.

Q In September, the volume of Yu-Pack (excluding Yu-Packet) handled seems to have turned to an increasing trend, compared to the same period of the previous fiscal year. Will you be able to maintain this trend?

A The volume of items handled turned to an increasing trend in this quarter compared to the same period of the previous fiscal year, due to the last-minute demand before the consumption tax hike and also owing to the extra business day in this period. However, the situation at hand remains harsh. Yu-Packet has been increasing the volume of C-to-C packages and compact-size B-to-C packages handled, and we have also just commenced the Yu-Packet plus service in October. We expect a continuing increase in the volume of items handled.

Meanwhile, Yu-Pack (excluding Yu-Packet) faces increasingly severe

competition from its competitors. Although we had targeted 1.08 billion units in our business plan in terms of volume of items handled including Yu-Packets, it will be difficult to achieve this target under these circumstances.

However, we believe that our large customers recognize the high quality of Yu-Pack, and we are seeing certain signs of recovery. In addition, in terms of small- to medium-sized customers, we hope to capture new customers based on the application of our solutions-based sales approach.

Q You mentioned the harsh situation surrounding the volume of Yu-Pack (excluding Yu-Packet) handled. How does this affect operating income and expenses?

Is there a possibility of a positive impact on profits, through the effects of increased delivery efficiency and reduction of overtime?

A We do not expect any significant decreases in profits, given that we have been able to raise prices to higher levels than expected, and the decrease in volume of operations relating to Yu-Pack means that we have been able to control costs, including a 0.3% decrease year on year in total personnel expenses.

Q Was the replacement of the Managing Director of Toll due to the expiry of his term of office? Has he been given a new mission?

A Michael Byrne resigned for personal reasons, but we believe that it was a suitable timing since he had been in office for over three years.

Thomas Knudsen, the new Managing Director, has abundant experience in the industry from having served with the major shipping company A.P. Moller - Maersk for 26 years, and approximately two years with Toll. We believe that continuity is also maintained through this internal promotion.

Q With regard to the business model of post offices selling insurance, what is the reason for not selling products aside from the insurance of Japan Post Insurance? Shouldn't Japan Post Holdings provide a lineup of products including the products of other companies in order to maximize profit?

A Insurance sales by post offices are primarily conducted in two ways: at the post office counters and through the sales representatives. The post office counters provide not only insurance sales, but post office and deposit services as well, and the improvement of product lineup is being considered from such perspectives. The sales representatives answer to customer needs by selling Japan Post Insurance products together with the handling of deposits or together with cancer insurance or automobile insurance, so it is not the case that they sell only Japan Post Insurance products.

Q Are any changes to the business model being considered, such as the direct

hiring of employees by Japan Post Insurance who sell Japan Post Insurance products?

- A When Japan Post was privatized, the roles of each company were divided so that the directly-managed branches of Japan Post Insurance would handle so-called corporate sales, while the post offices would handle sales intended for individual customers.

This division of roles has a certain rationality when we consider the network of post offices and the directly-managed branches of Japan Post Insurance, and we do not expect to significantly change this business model in the future.

- Q Can you provide a detailed explanation as to why the Group's consolidated financial results forecast remains unchanged, despite the upward revision of the financial results forecast of Japan Post Insurance? Also, are you considering the revision of the Group Medium-term Management Plan?

- A In terms of the non-consolidated forecast of Japan Post Insurance, upward revisions were made due to the 41.0 billion yen increase from the initially announced forecast, an increase of over 30%.

Meanwhile, from the standpoint of the consolidated Group forecast, the Japan Post Insurance's upward revision will be reflected in the consolidated financial statements only to the extent of Company's ratio of shareholding in Japan Post Insurance. Furthermore, given that Japan Post Co. and Japan Post Bank have not changed their financial results forecast, we have decided that the overall situation does not call for a revision at the present time.

We believe that we are currently on track with regard to the performance targets for fiscal year ending March 31, 2020 in the Medium-term Management Plan. Additionally, while the issues of solicitation quality of Japan Post Insurance will have a considerable effect in the medium-term, it is not expected to directly affect performance results in the short-term. The current Medium-term Management plan is set until next fiscal year, and therefore, we do not plan to carry out a revision at this time. We intend to prepare the next Medium-term Management Plan taking these changes in circumstances into account.

- Q The current Medium-term Management Plan has set the numerical targets of 100 yen for EPS and 50 yen for DPS. Can you provide us the approach to subsequent medium- to long-term profit targets and profit plans?

- A The next fiscal year will be the final year of the current Medium-term Management Plan, and the numerical targets set forth in the plan represent the Company's commitment to the market.

For the subsequent Medium-term Management Plan, we will need to assess the macro-economic environment and various trends including domestic and overseas interest rates and exchange rates.

We are planning to incorporate Aflac's revenues into consolidation as a result of investments in Aflac. We are constantly considering similar investments and M&As in the broader sense.

We are currently concentrating our efforts in dealing with the issues surrounding Japan Post Insurance, but we are also considering growth strategies. Therefore, we intend to indicate various targets including numerical targets when we reach the stage of formulating the next Medium-term Management Plan.

Q What kind of timeline do you envision going forward toward normalizing the issues regarding the problem with Japan Post Insurance?

A Currently, we have requested a neutral and fair Special Investigative Committee to analyze the fundamental causes of these incidents, and to formulate measures to avoid recurrence. A conclusion is expected by the end of the year, and we will take initiatives accordingly.

Although the conclusion of the Special Investigative Committee is yet to be known, we believe that this issue stems from a combination of various causes. It is possible that some of such causes may not be able to be remediated immediately and we may require some time in taking initiatives. We intend to resolve the disadvantages of our customers, deal with problematic sales staff, and take our time in establishing a system to ensure that similar incidents do not occur in the future. We intend to make an announcement based on the findings of the Special Investigative Committee by the end of the year.

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.

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.