

Teleconference of the Financial Results
for the Nine Months Ended December 31, 2020
Summary of Q&A
(February 12, 2021)

Q It seems that the profitability of the global express business in the international logistics business has improved considerably. Can you tell us more about the situation?

A We have promoted cost reductions, including personnel reductions and reduction of surplus labor in response to the decrease in the volume of items handled, in addition to the originally planned cost reduction measures. As a result, we achieved positive net operating income (EBIT) for the three months of the third quarter.

Although this business is currently showing signs of improvement in its performance, we believe that there is a risk of further deterioration in the performance of this business, which has continued to post net operating losses due to factors such as the slowdown of the Australian economy and the severe competitive environment. We also hope to increase the profitability of the international logistics business by taking a step forward to improve our profits with the sale of the global express business.

Q While Japan Post Holdings has already announced that it is considering selling the global express business, what is the current situation?

A We have appointed a financial advisor and are currently selecting a buyer for the sale. We will refrain from commenting on the deal as this may affect future procedures. If any decisions are made, they will be announced as soon as possible.

Q Japan Post Holdings intends to reduce its shareholding ratio in Japan Post Bank and Japan Post Insurance to 50% or less as soon as possible. What is your stance on the timing of implementation?

A There are various factors, including our intentions and the intentions of Japan Post Insurance. We intend to consider the market situation and other factors to determine the best timing.

Q With regard to the outlook for this fiscal year, it seems like Japan Post Holdings is on a pace to exceed the previously announced financial results forecast, partly due to the strong performance of Japan Post. Is this understanding correct? Are there any risk factors in the fourth quarter?

A Although we have left our financial results forecast unchanged, we believe that the pace is ahead of our initial forecast.

However, we also believe that there are several uncertainties in the fourth quarter, and moreover, the impact of COVID-19 is unpredictable. While the timing has not been decided, we are also considering the sale of Toll's global express business and that could have an impact. We have left our financial results forecast unchanged in light of such uncertainties.

Q In terms of returning profits to shareholders in the event of an upturn in financial results, do you have any intention to increase dividends or acquire treasury stock?

A We will consider what to do when such an event actually happens. The next Medium-term Management Plan will start in the next fiscal year, and we will make a decision while considering what kind of capital policy to adopt in the plan.

Q The volume of Yu-Pack has been strong for the current nine-month period, but if you look at the quarterly trends from the second to the third quarter, the growth rate has slowed down slightly. Please tell us the reason for the slowdown?

A During the first half of this fiscal year, both Yu-Pack and Yu-Packet showed strong year-on-year growth due to stay-at-home demand following the first state of emergency declaration in response to COVID-19, but this trend has slowed down.

Although Yu-Pack remained strong in the third quarter, performance for Yu-Packet weakened. We believe the reason for this is the competitive environment. We recognize that the growth rate is weakening due to a drop in shipment of parcels, especially those handled by flea market websites.

Q What is your view regarding net operating income in the postal and domestic logistics business for the next fiscal year? While a positive factor is the suspension of deliveries on Saturdays, a negative factor is the continued difficulties of postal services. Is this understanding correct?

A While it is difficult to comment at this stage, we believe that the delivery market as a whole is on an expanding trend. However, we also believe that there will be a reactionary decline from the large growth in stay-at-home demand in the first half of this fiscal year. In addition, we are carefully watching to see what will happen to the areas where postal services have fallen significantly in this fiscal year.

As for the impact of the revision of the Postal Act, we currently believe that it will not have a significant impact on profits for the next fiscal year, as the effect will not be significant suddenly.

Q We believe the decline in the volume of Yu-Packet is partly due to price cuts by competitors. What is Japan Post's policy in response to this for the future?

A We are not thinking of lowering unit prices to get volume. We recently launched a new service called Yu-Packet Post, and we aim to recover volume by improving the level of service and increasing customer convenience.

End

Full year financial results forecast for the fiscal year ending March 31, 2021 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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