

Teleconference of the Financial Results
for the Fiscal Year Ended March 31, 2021
Summary of Q&A
(May 14, 2021)

Q What does Japan Post Holdings plan to use the proceeds from Japan Post Insurance's share repurchase? Based on the financial results forecast and the Medium-term Management Plan, it seems difficult for Japan Post Insurance to proceed with the share repurchase.

A The Medium-term Management Plan assumes that funds can be used for a range of purposes. Of course, the timing of share repurchases is constrained by the release of material information, but we reaffirmed our policy to implement a share repurchase under this Medium-term Management Plan.

Q Does the new Medium-term Management Plan give a higher priority to the real estate business than before? Is there any connection between the planned investment of one trillion yen in M&A activity and the new focus on the real estate business?

A We have renewed the status of the real estate business, positioning it as another key source of revenue in addition to our three existing core businesses. We will engage in M&A activities as necessary, as part of the creation of new businesses that solve social issues through our "Co-creation Platform" to support customers and local communities. We have not yet considered specific targets, but these activities will not be limited to real estate.

Q You forecast a significant decline in net operating income of the postal and domestic logistics business and the post office business in fiscal 2025, compared to the current levels. What are the reasons behind this?

A Our forecasts assume an increase in income from parcels through the capture of e-commerce demand, but also assume a substantial decrease in the volume of mail, due to the progress of digitalization. We expect lower income in the postal and domestic logistics business, even after implementing personnel reductions and other productivity improvements. We will also work to achieve higher productivity in the post office business, but our forecasts assume a fall in net operating income due to lower commissions from Japan Post Bank and Japan Post Insurance.

Q What are the numerator and denominator used to calculate the ROE of 4%?

A ROE is calculated in the normal way; the same way as the 3.88% presented on our Summary of Consolidated Financial Results. The numerator is the net income attributable to Japan Post Holdings. The denominator is shareholders' equity. We have calculated the numerator, which is net income attributable to Japan Post Holdings of 280.0 billion yen, based on the assumption that Japan Post Holdings holds a 50% stake in Japan Post Bank and a 49.9% stake in Japan Post Insurance. The denominator also assumes changes in our stakes in Japan Post Bank and Japan Post Insurance due to factors such as share repurchases and increases in liabilities to fund new investment.

Q Are we to understand that the main scenario is lowering the Japan Post Holdings' stake in Japan Post Bank to 50% or less within five years, resulting in net income attributable to Japan Post Holdings of 280.0 billion yen in fiscal 2025? If you maintain a dividend of 50 yen per share under this assumption, the dividend payout ratio will have to rise. Would that be allowable?

A Yes, that is the main scenario. Regarding the dividend payout ratio, I will refrain from offering any advice beyond the details set forth in the JP Vision 2025.

Q You plan for a decline in income from the postal and domestic logistics business this fiscal year. Tell us about the impact of mail volumes, the suspension of postal deliveries on Saturdays, and other assumptions that underlie this.

A In addition to incorporating a decrease due to the progressive digitalization of postal services, we anticipate only a sluggish recovery in direct-mail advertising, which declined significantly due to the impact of COVID-19 last year. We also assume only a slight increase in parcel volumes this year, after a substantial rise last fiscal year, due partly to stay-at-home demand. Competition is also expected to intensify for Yu-Packet from the second half of the fiscal year. We therefore forecast a decrease in net income from the postal and domestic logistics business this fiscal year.

The revisions to the Postal Act this fiscal year will not directly impact our income in a significant way. We will mainly be engaged in shifting resources in response to the increase in parcel volumes, and controlling our total labor force.

Q To what extent are the qualitative and quantitative effects of the logistics alliance with the Rakuten Group incorporated into the Medium-term Management Plan?

A We assume an increase in Yu-Pack due to the establishment of a joint subsidiary, as already announced. We also expect to see the results of digital transformation, although this has not been incorporated into the numbers.

Q Why is EPS not included among the targets under the Medium-term Management Plan? Also, why is there no mention made of the use of funds from the sale of shares in Japan Post Bank?

A EPS is not easy to interpret or compare with other companies. We judged that net income attributable to Japan Post Holdings is a more suitable earnings indicator for public disclosure, from the standpoint of understanding the scale of the Company's earnings. We therefore replaced EPS from the previous Medium-term Management Plan with net income.

The Medium-term Management Plan is premised on the disposal of shares in Japan Post Bank. These funds are not dedicated to any single use, and can be used for a range of purposes. We have not specified the source of funding for capital policy, including M&A activities and new business investment, for example.

Q Will criteria for debt financing and investment, such as rate of return, be established in line with the 4% ROE target?

A As a group, we are introducing a risk appetite framework (RAF). We have already introduced our Risk Appetite Policy, Risk Appetite Statement and Risk Appetite Indicators, as well as our approach to risk taking for the Group, without including specific numbers.

Full year financial results forecast for the fiscal year ending March 31, 2022 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 the impact of the spread of COVID-19, 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.