

Company Briefing  
(Financial Results for the Fiscal Year Ended March 31, 2021)  
Summary of Q&A  
(May 21, 2021)

Q What kind of roles will the capital and business alliance with the Rakuten Group play and how important is it for the growth strategy of Japan Post Co.?

A For our capital and business alliance with the Rakuten Group, we will begin with the logistics business. We are preparing to launch JP Rakuten Logistics, Inc., a joint venture. As well as striving to deliver more packages from Rakuten Ichiba, we will pursue an efficient logistics and delivery structure by working together with Rakuten at stages upper than parcel delivery, namely warehousing. We are also planning to consider cooperating with Rakuten in multiple businesses across the Japan Post Group, including finance and digital transformation (DX). We will disclose those initiative in due course.

Q Please let us know some more details of “flexible acquisition of treasury stock”?

A We recognize that returning profits to shareholders is as important for us as growth investment is. That is why we have clearly mentioned a plan for the acquisition of treasury stock in the Medium-term Management Plan “JP Vision 2025.” Living up to shareholder expectations, we will strive to improve capital efficiency.

Q You forecast a 160 billion yen reduction in employment costs by FY2025, including a 95 billion yen reduction made by dispatching Japan Post Co. consultants to Japan Post Insurance. Will the reduction in commissions fully offset those reductions?

A Once dispatched to Japan Post Insurance, the Japan Post Co. consultants (financial services consultants) will be dedicated to the life insurance business and they will report directly to Japan Post Insurance. Solicitation commission fees receivable from Japan Post Insurance will decrease, but the employment costs of the dispatched consultants will be borne by Japan Post Insurance. The reduction in employment costs will be, therefore, largely offset by the decrease in commission fees.

Q Will the effects of all those cost-reductions lead to an increase profits? If so, when will that happen and how much will those cost reductions contribute to an increase in profits?

A They are cost reductions and they will contribute to an increase in profits. We have, therefore, incorporated the effects of these cost reductions into our target for consolidated net income. We will implement our workforce reduction plan step by step every year over the next five years. The effect of the cost reductions will also materialize step by step every year.

Q Japan Post Holdings plans to invest in real estate outside the Group. To expand the real estate business, do you plan to invest in profit-generating properties or acquire real estate companies?

A Our planned investments of 200 billion yen in real estate outside of the Group will be carried out by investing in profit-generating properties. We will make investment decisions according to the conditions at the time and the potential profitability of individual investment projects. For example, we consider that distribution warehouses and residential buildings are relatively profitable at the time being.

Conceptually, any prospective mergers and acquisitions, including those related to real estate, are part of the planned investment of 550 billion yen to 1 trillion yen in new businesses, etc.

Q Will you be targeting office buildings or commercial facilities in your future real estate investments?

A We do not have any concrete plans. We have many options, and we face tough conditions, for example, in the markets for office buildings and hotels in the COVID-19 pandemic, but enjoy favorable conditions in the markets of logistics warehouses and residential buildings. So we will make a judgement based on the circumstances and profitability at the time.

Q It seems that the IT investment focuses primarily on shifting your internal infrastructure from analog to digital, and the amount of investment in services for individual customers is extremely small. How committed are you to creating digital post offices? Will you share your vision of digital post offices with us?

A We will work to expand the services we currently offer at physical post offices to make them available online and via smartphones. Right now, each subsidiary offers a limited number of services via smartphones. Our focus will be to offer those services in a more integrated way using super apps. That will result in new services becoming available at physical post offices as well.

The amount of our strategic IT investment will be 430 billion yen over the next five years, which represents roughly double our conventional investment, and we intend to inject considerable investment to create new services. We also plan to increase personnel with expertise in DX by recruiting more mid-career staff and welcoming talents with expertise in DX from the Rakuten Group.

Q Will the new platform app be based on the app of the Japan Post Group or that of Rakuten?

A In terms of smartphone apps, we plan to make the existing apps of Japan Post Co. and Japan Post Bank more convenient. We will also explore the possibilities of entirely new cross-group super apps. In all cases, the apps will be built by the Japan Post Group but we will seek assistance of the Rakuten Group to develop such apps.

Q You aim to increase the number of Yu-Pack packages handled per year to 1,360 million. How great an impact do you think your cooperation with Rakuten will have in terms of achieving the target? Will you also tell us what assumptions you used for your pricing strategy, your expected market share, and any other key elements?

A The 1,360 million Yu-Pack packages include packages that we expect to get from Rakuten Ichiba through our collaboration with the Rakuten Group, but we refrain from telling how many we expect to receive from the Rakuten Group because that figure has been estimated based on the Rakuten Group's relationship with corporate customers. Japan Post Co. will also pursue parcels that are easy for us to pick up and deliver, and to incorporate packages from processes further upstream in sales warehousing and logistics solutions.

Q What are the necessary conditions for the sale of shares in Japan Post Bank? What kind of reasons do you think will possibly prevent you from selling them during the Medium-term Management Plan period?

A Under the plan, we aim to dispose of our equity interests in Japan Post Bank as early as possible in the Medium-term Management Plan period. We will make a comprehensive judgment based on various conditions, such as Japan Post Bank management conditions, the impact on universal services, the maintenance of Group unity, the impact on funding needs and consolidated results of Japan Post Holdings, and the latest market trends. At this point in time, we do not envisage a situation in which we would not be able to sell the shares. We remain committed to lowering our equity stake to below 50% as early as possible within the Medium-term Management Plan in order to increase Japan Post Bank's management flexibility.

Q Can Japan Post Holdings use the same method to reduce its equity stake in Japan Post Bank to 50% or below?

A We will consider specific methods while examining various conditions. Our options are not limited to one specific method. We can consider a share buyback or, of course, a regular purchase order (PO). We will make a judgement depending on the circumstances at the time.

Q Why did you set targets for Japan Post Co. profits for FY2025 below the current levels? Do you still expect profits to decline even after rationalizing costs through DX, etc.?

A Demand for services in the postal field have been on the decline due to a decrease in population and progressing digitalization, and the speed of that decline is expected to accelerate in the wake of COVID-19. On the other hand, our parcel sector is growing thanks on the back of strong stay-at-home demand. We are working to expand our parcel business and improve operational efficiency through Postal-Digital transformation (P-DX), etc., but we know that won't be quite enough to offset the decline in demand for postal services.

Q How do you intend to adjust the number of post offices and the variety of post office services you offer as the population continues to decline?

A Our network of post offices is an important point of contact with customers, and we intend to maintain the current network level because we recognize it is our greatest asset not only for Japan Post Co., but for the Japan Post Group as a whole. Post offices still have room to become more efficient and to reduce costs by introducing more computerization and mechanization. We are also considering changing the business hours of post offices flexibly on a trial basis, depending on the trends of customers visiting the post office. As far as our post and logistics networks are concerned, we intend to respond appropriately to revisions made to the postal system based on the amendments to the Postal Act, and to fulfill our obligation to provide universal postal delivery services.

Q To transform your business portfolio, what kind of businesses do you think you need to invest in or acquire? Can you share your thoughts on the current situation, including the promotion of international logistics?

A There are various potential investment fields, but we intend to invest in areas that can generate synergies with the Japan Post Group. For example, logistics is a field that is growing right now and it has room for future growth. We will make real estate one of our earnings pillars. The post office is a place where we can possibly find a variety of customer needs in different

regions so we are also looking to partner with companies that can fulfill those needs. We think Japan Post Bank and Japan Post Insurance can possibly make individual investment judgements of their own as separate listed companies.

Toll Holdings Limited has logistics and forwarding operations in Asia and Oceania. Going forward, we will be looking to promote business development with a particular focus on Asia as we work to rebuild its business.

Q The capital and business alliance with Rakuten apparently offers benefits for Rakuten and little benefits for Japan Post Holdings. How do you think it will contribute to Japan Post Holdings' income statement?

A Our investment in the Rakuten Group underpins our efforts to strongly promote the partnership between Rakuten and Japan Post Holdings. Japan Post Holdings and the Rakuten Group enjoy a complementary relationship in which both companies have customer bases that the other desires to acquire. When you consider our relationship, you should divide it into two different aspects: the aspect that we can disclose at the moment and the aspect that need to mature before we disclose. For the time being, we are starting joint operations in the logistics and financial fields. After that, we will consider concrete plans of new DX-driven businesses in new markets, e-commerce market initiatives and how to link them to our logistics and settlement operations. In the future, we intend to extend our collaboration into 70 different fields and turn that collaboration into viable businesses. We decided to invest 150 billion yen after careful consideration based on associated risks and returns. We intend to incorporate more initiatives onto our income statement step by step, starting with those with the largest potential synergies.

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