

Briefing Materials for Japan Post Group Small Meeting (About Japan Post Co.)

July 6, 2021

Japan Post Group Small Meeting (Japan Post Co.)

Date: Tuesday, July 6, 2021

Time: 13:00-14:00

Presenters: Japan Post Co., Ltd.

KINUGAWA Kazuhide	President & CEO (Representative Executive Officer)
TATEBAYASHI Satoru	First Executive Officer (Representative Director)
KANEKO Michio	First Executive Officer (Director)

Moderator: Japan Post Holdings Co., Ltd. SEKI Yoshiyuki Head of IR Office

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These statements are based on the information available when this document was produced, or our expectations derived from projections or assumptions made at the time of producing this document.

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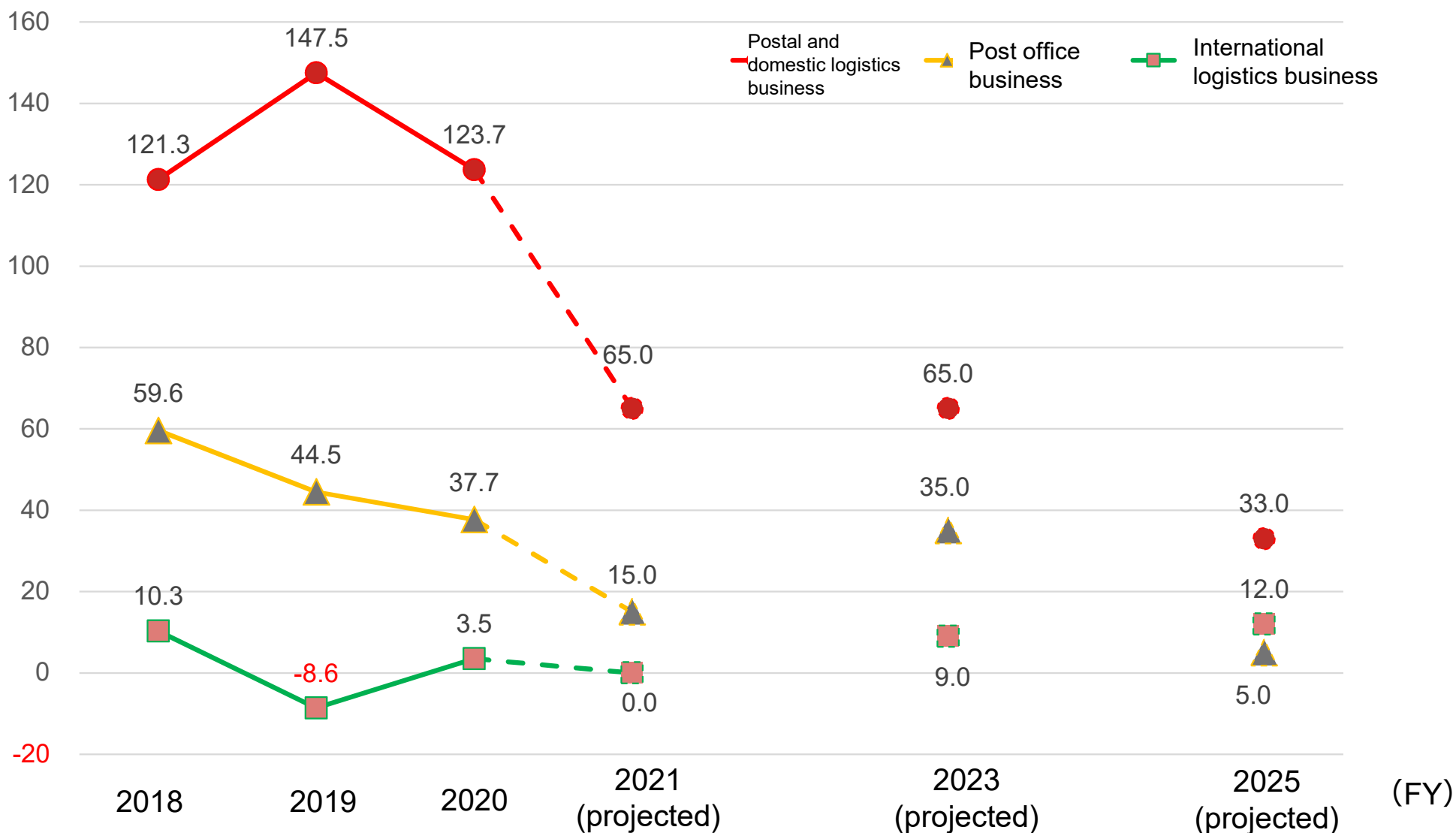
Japan Post Co. Performance and Outlook

Postal and
Domestic
Logistics
Business

Post Office
Business

International
Logistics
Business

《Japan Post Co. Operating Income by Business Segment*》
(billion yen)



FY2021-2025 Outlook for Postal and Domestic Logistics Businesses

Shift management resources to package delivery field through an integrated review of products, services, and operations.

Faster decline in the volume of mail due to advancing digitalization, etc.

Increase in Yu-Pack and other delivery services due to the growth of e-commerce, etc.

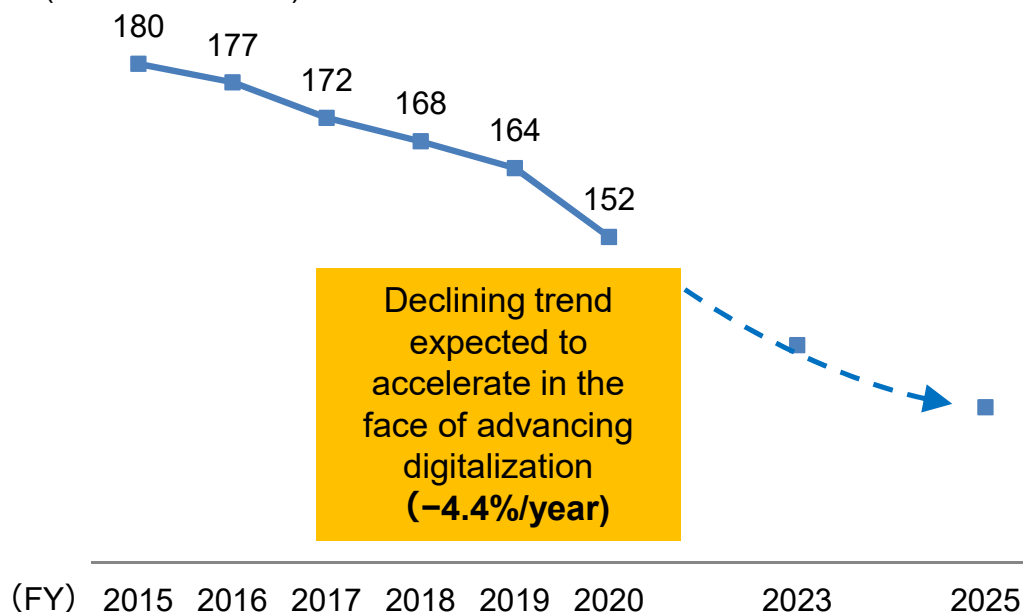
Shift management resources from postal services to package delivery services

✓ Use digitalized information to boost operational efficiency

✓ Firmly capture parcel demand from growing EC and flea markets

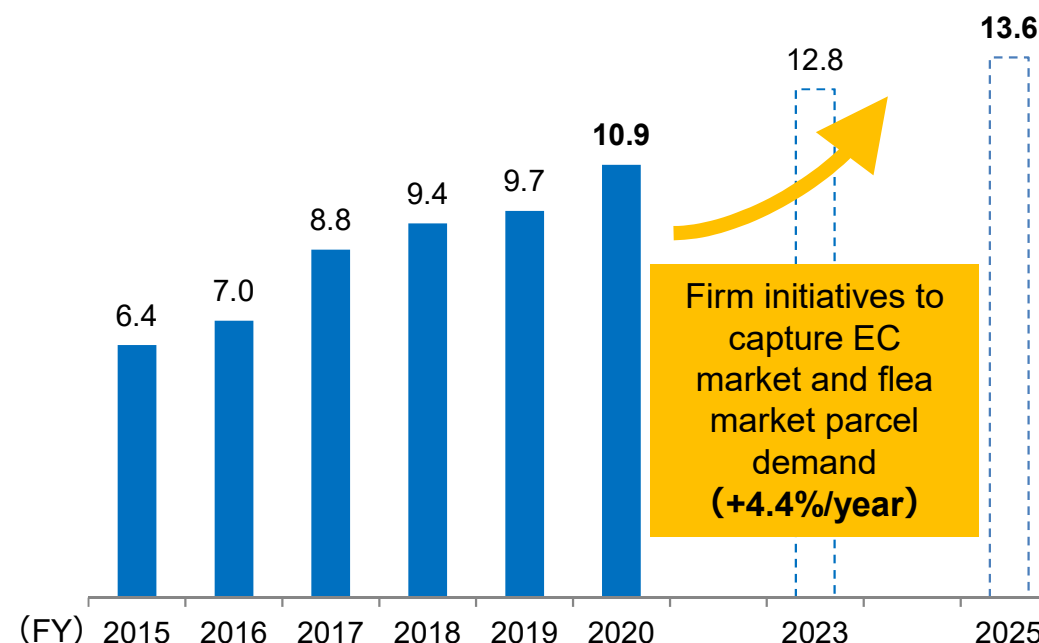
Mail items

(100 million items)



Yu-Pack*

(100 million items)

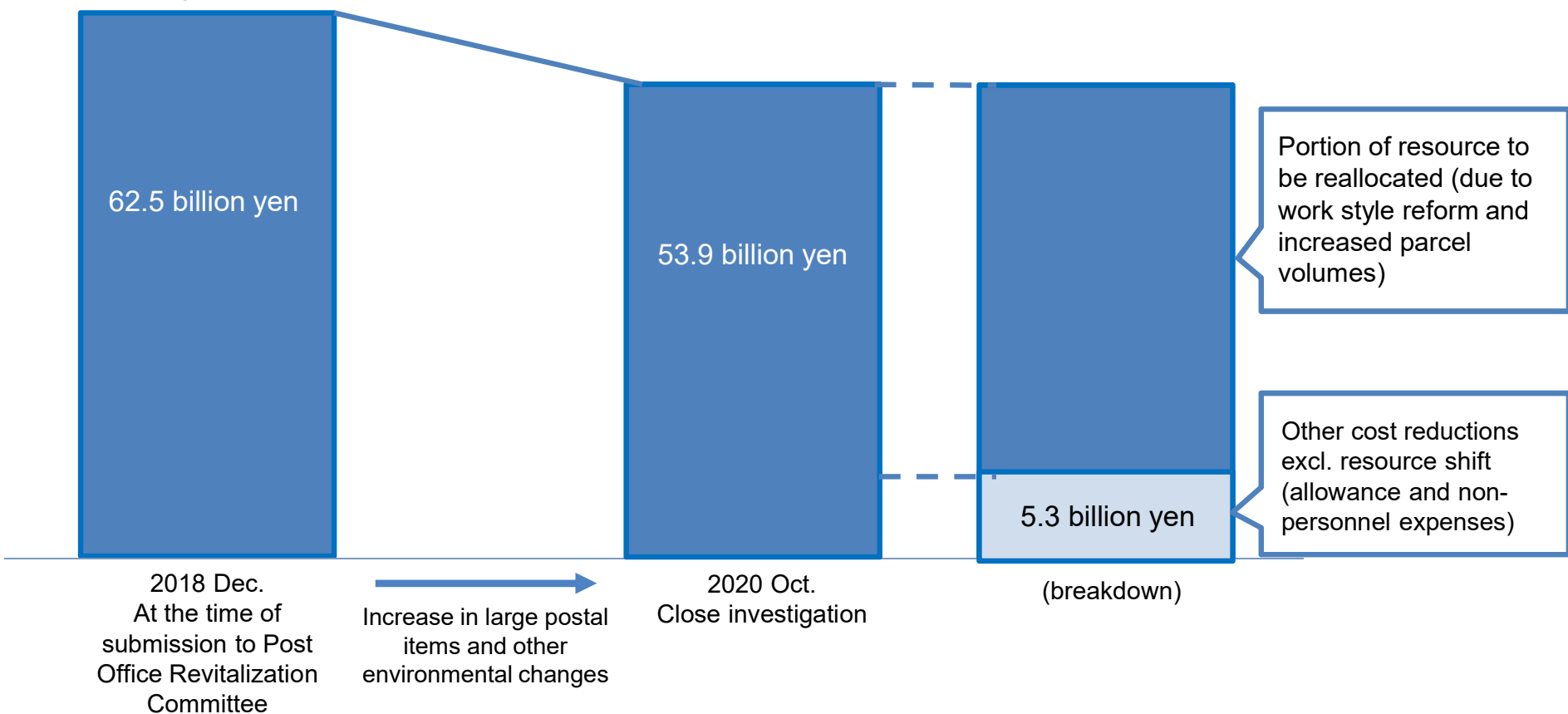


* Yu-Pack includes Yu-Packet

Reviewing Postal Services Based on the Revised Postal Act

- Following the enforcement of the revised Japan Postal Act, we intend to suspend postal deliveries on Saturdays and to delay delivery dates for standard mail and Yu-Mail from October 2021 onward.
- By reviewing our postal service, we will promote work style reform at our postal and domestic logistics business. We will also transfer any personnel to the growing package delivery field who can be moved from Saturday delivery and late-night postal work.

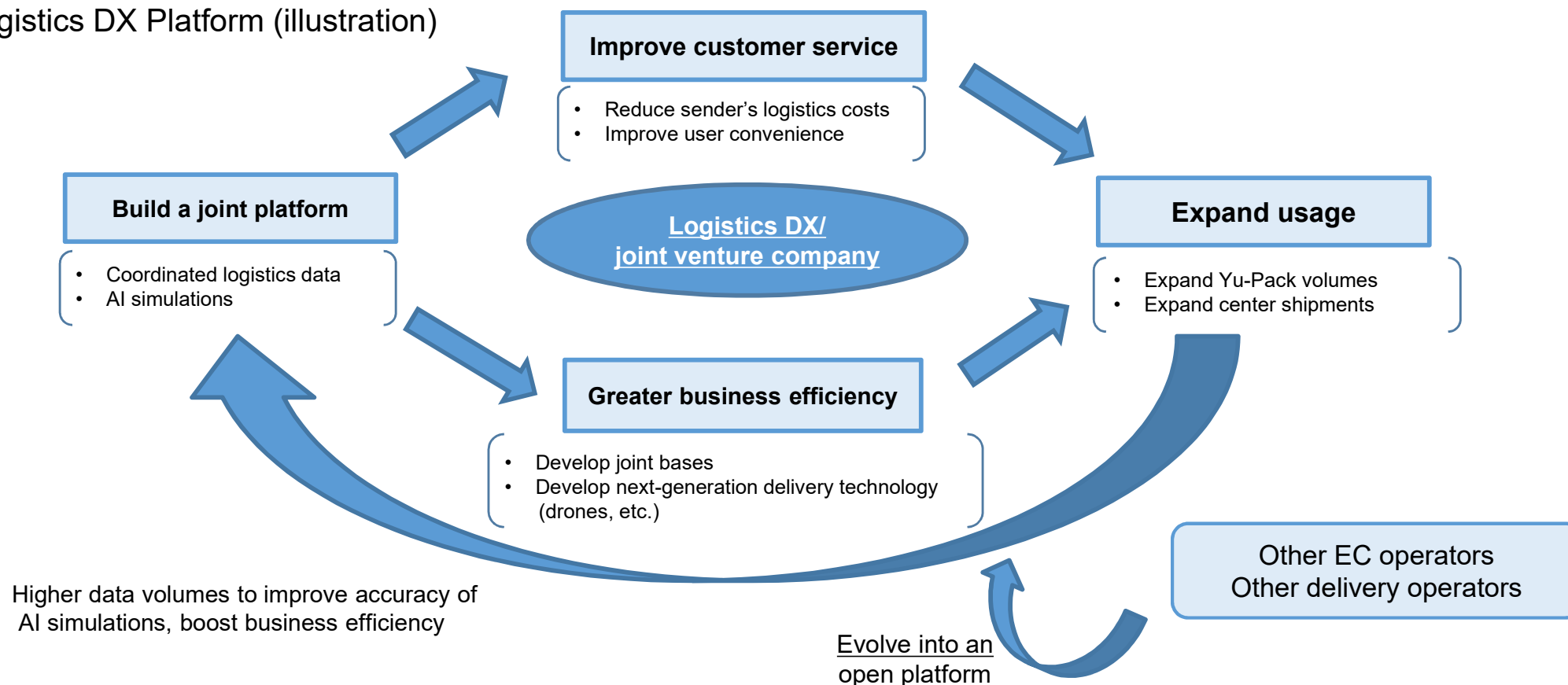
Impact of review of postal service on costs



New JV Funded by Japan Post Co. and Rakuten

- We established a jointly funded JV with Rakuten to promote logistics digital transformation (DX). We intend to build an efficient, highly convenient logistics DX platform and ultimately create an open platform that is available for use by other businesses.
- Through our partnership with Rakuten, we will also accelerate logistics DX and aim to increase the number of Yu-Pack units handled at joint bases to roughly 300 to 500 million units by FY2025 by undertaking the delivery of Rakuten market parcels.

Logistics DX Platform (illustration)



Using Drones for More Effective Transport and Delivery

- Over the JP Vision 2025 period, we will perfect our role as essential social infrastructure for daily living based on our nationwide network of post offices and logistics services.
- As part of that initiative, Japan Post Co., Japan Post Capital Co., Ltd., and **ACSL Ltd.** have concluded a capital and business alliance to proactively deliberate and develop delivery networks using advanced technologies, including the practical application of drones and other enhanced delivery services.
- Use this tie-up to facilitate practical delivery of mail and packages by drone from FY2023.



Telematics-driven Delivery Communication Support Tools

- To facilitate efficient delivery operations, we are reviewing delivery areas and delivery routes using telematics* (Japan Post Co. uses the Delivery Communication Assist Tool (Dcat) app).
- Since April 2021, we have deployed smartphone terminals at collection and delivery post offices, using telematics to enable us to visualize in near real time who is delivering what, where and in what way, and to promote safety and smooth business operations, etc.

*Technologies and services that provide varied real-time information by combining terminals and communication systems, such as Internet-connectable devices installed in automobiles and other moving things.

Promoting Safety

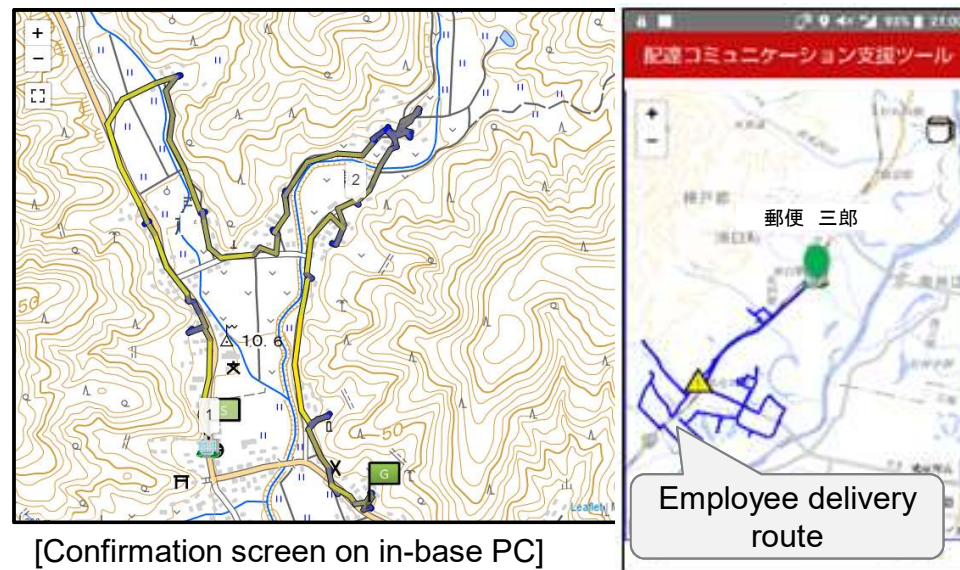
- Check Dcat-derived location information in near real time and check locations of sudden acceleration or deceleration.



[Confirmation screen on in-base PC]

Visualization

- Check driving route and delivery progress on a PC within the post office or on the employee's smartphone. Accumulated data used to review delivery area/route.

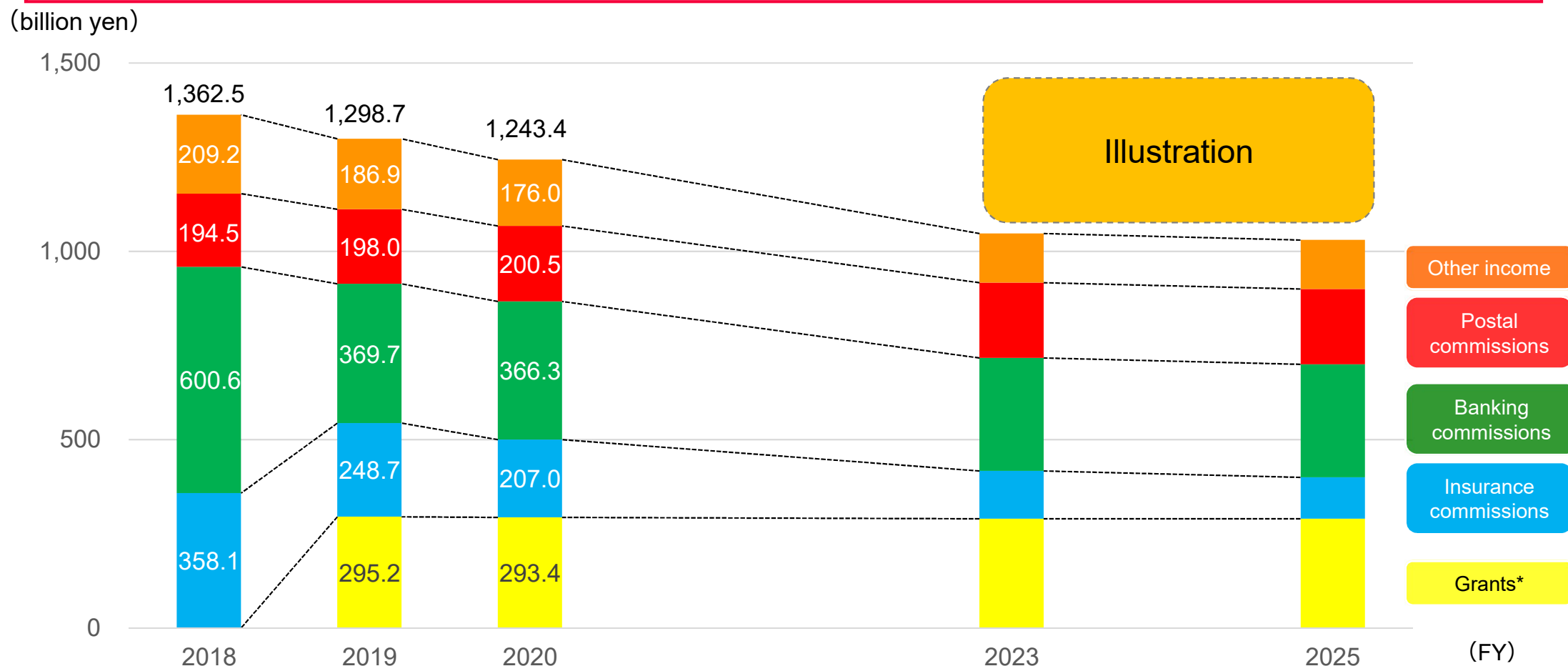


[Confirmation screen on in-base PC]

[Confirmation screen on smartphone carried by employee]

Earnings Outlook for Post Office Business

■ Commissions from two of our financial partners to the post office business are expected to decrease by FY2025



*Grants to help maintain the post office network

[Post office business overview]

- Banking counter operations: Japan Post Bank business consignment
- Insurance counter operations: Japan Post Insurance business consignment

[Overview of other revenue]

- Third-party financial product agency services: Consignment business from life and non-life insurers other than Japan Post Insurance
- Merchandising business: catalog sales, over-the-counter sales
- Real estate business: Leasing of offices, commercial facilities, housing, childcare facilities, parking lots, etc.

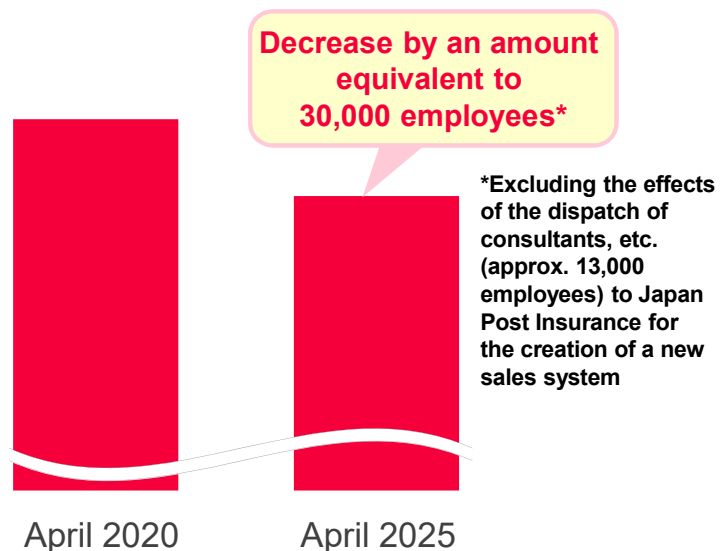
Initiatives to Boost Productivity

Postal and
Domestic
Logistics
Business

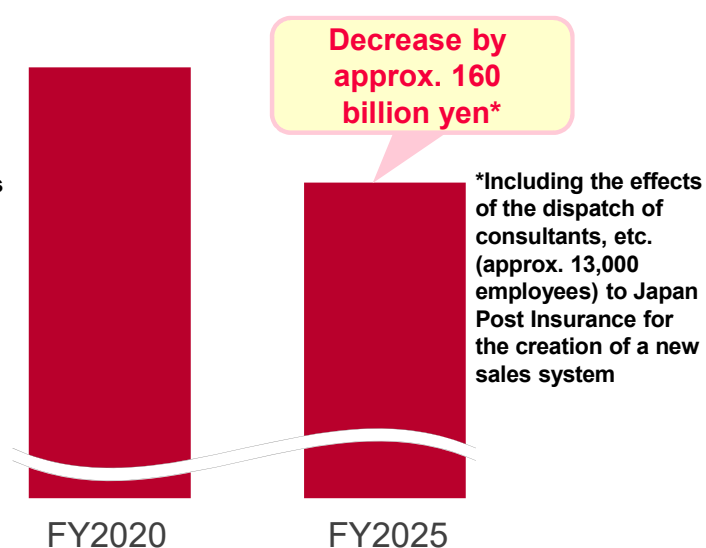
Post Office
Business

- Boost efficiency by fully implementing measures including P-DX promotion, operational reforms, and digitalization of post office operations.
- We are expecting a 30,000 personnel or 8% decrease in our workforce between April 2020 and April 2025 after reducing workloads through more efficient operations and optimal staff placement while maintaining the current level of network.
- We will strengthen investment in priority areas to improve productivity and boost our future profitability.

Projected workforce (workload equivalent)



Reductions in employment costs



Investment in priority areas

- P-DX promotion (includes upgrading to a next-generation core system)
- Operational reforms
- Promoting digitalization of post office operations (providing more tablets, etc. to personnel)
- Real-estate development, etc.

*Projection is based on current expected workloads. Actual figures may vary in accordance with workload increases/decreases.

*Data includes that of employees on fixed-term contracts.

- We are considering offering more flexible post office opening hours to suit local customer needs in order to preserve our post office network in the face of rapid environmental changes, such as concentrated urbanization, depopulation of rural areas, an ageing population, and an advancing digital society.
- From July 1, 2021, some post offices will experiment with offering shorter opening hours during periods of limited customer use.

Overview

(1) Reduced opening hours for postal services (no change for financial services)

<Example>

Service	Current	Post-reduction
Postal	9:00-17:00	<u>9:00-16:00</u>
Financial	9:00-16:00	9:00-16:00 (no change)

(2) Close services for 60 minutes over lunchtime

<Example>

Service	Current	Post-reduction
Postal	9:00-17:00	<u>9:00-12:00, 13:00-17:00</u>
Financial	9:00-16:00	<u>9:00-12:00, 13:00-16:00</u>

Target post offices: Conducted at 53 post offices nationwide

Tokyo (Tokyo Islands): 12, Gifu Prefecture: 3, Shizuoka Prefecture: 1, Aichi Prefecture: 1, Ehime Prefecture: 6, Kochi Prefecture: 3, Fukuoka Prefecture: 1, Kagoshima Prefecture: 25, Okinawa Prefecture: 1

Provide Regionally Tailored Services, Create New Businesses

- We will strive to provide locally tailored services and create new businesses by collaborating with local governments and companies outside the JP Group.

■ Winning administrative work contracts from local governments

(1) Issuing certifications

- Issuing official certifications on behalf of local governments at post offices via fax.
*Some post offices carry out PC input on customers' behalf.

(2) Public services other than (1)

- Receiving applications for national pension-related services and accepting family register notifications. Revisions to laws will also make it possible for us to accept change of address notifications, hand over change of address certificates, make personal seal registration cancellation applications, etc.

(3) Contracted counter services, etc.

- Selling products including bus passes, coupon tickets, etc. to customers
- Issuing senior citizen bus/train passes to customers
- Handling of procedures for local governments

(4) Electronic certificate-related services for Individual Number Cards

■ Opening post offices inside local government facilities

- Providing a one-stop service by opening post offices in branches of local governments

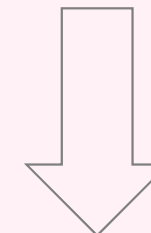
Post Offices



Physical post offices as regional service hubs

■ Business cooperation with the Rakuten Group

- ✓ Set up Rakuten Mobile application counters, etc. within post office floor.
- ✓ Implement marketing measures that utilize JP's delivery and post office networks.



- ✓ To encourage the nationwide implementation of these initiatives, we started demonstration tests at 10 post offices across Japan in May 2021.

Transition to an Asia-focused Management Structure

- We will reduce costs by withdrawing from unprofitable businesses and streamlining other businesses with the aim of returning to a net profit after tax (NPAT).
- We will move away from a business model dependent on Australia and aim to grow by shifting to a business model focused on Asia including Japan.

[Promotion of Initiatives to Improve Efficiency]

Withdrawal from unprofitable businesses

- Selling off the global express business

Streamlining Australian business

- Streamlining personnel placement, etc. for Head Office functions
- Streamlining personnel placement, etc. for the contracted logistics business

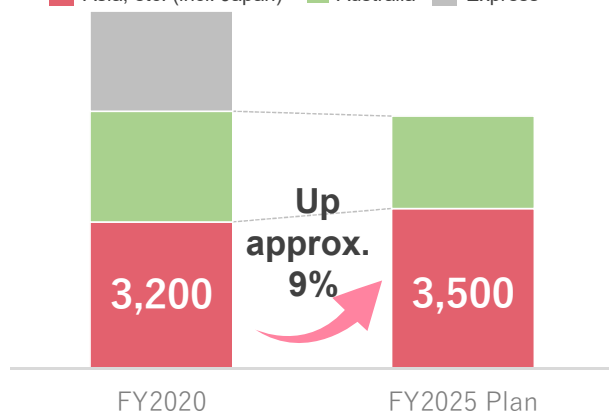
Transition to an Asia-focused business model

- Expand business by focusing on selected countries with high growth potential in the Asian region
- Leverage Toll Express Japan and JP TOLL LOGISTICS to expand B-to-B business in Japan

[Operating Income]

(Millions of AUD)

■ Asia, etc. (incl. Japan) ■ Australia ■ Express

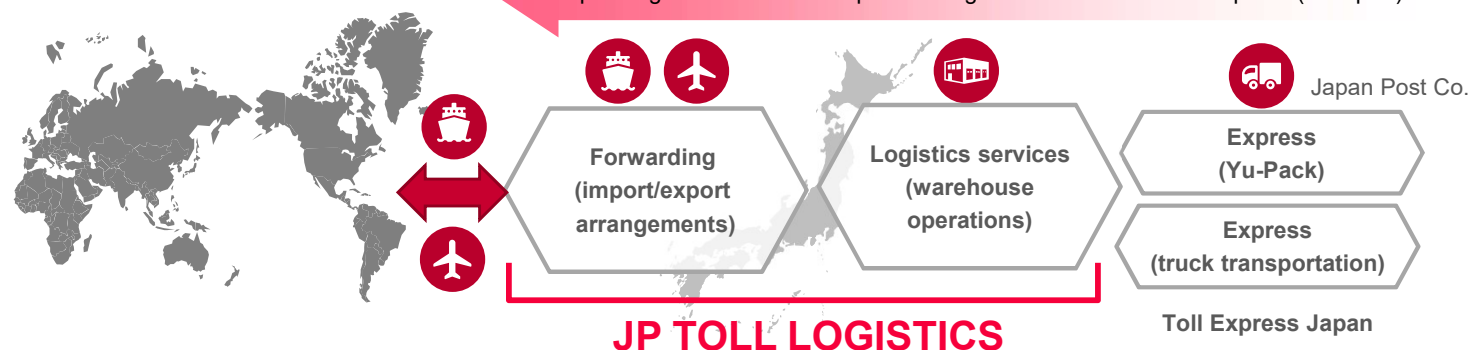


*The increase does not include the impact of special demand due to the COVID-19 pandemic

*The figures include operating income of JP TOLL

[Expansion of B2B Business in Japan]

Expanding services into the upstream logistics sector based on Express (transport)



(Example) Company X is using Toll Express Japan and Japan Post Co. for transport services. With JP TOLL LOGISTICS carrying out warehouse and storage services for products (contract logistics business) and handling import and export arrangements for products, the Japan Post Group proposes solutions to optimize and boost efficiency of supply chain management (SCM).

Promoting a transition to an Asia-focused business model

- During the JP Vision 2025 period, Japan Post Co. plans to invest roughly 1 trillion yen in P-DX*, operational reforms (IT, facilities, equipment), and the digitalization of various procedures.

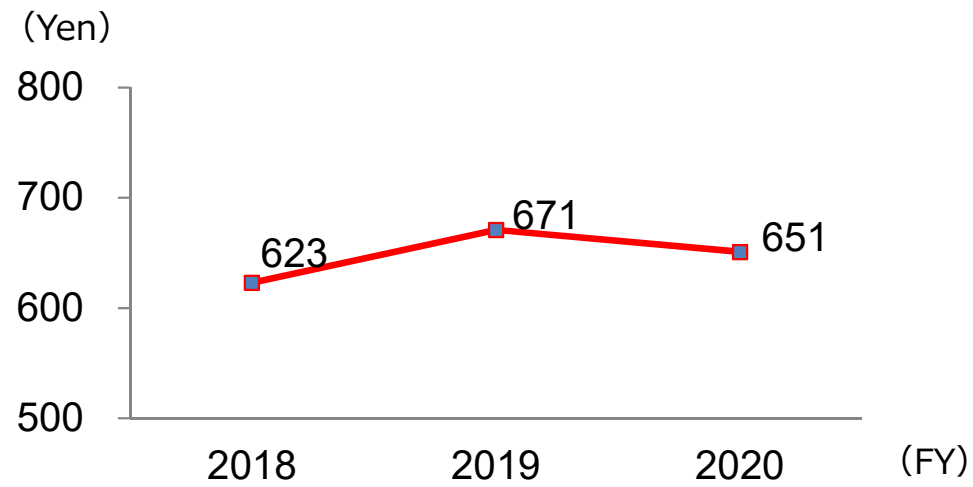
*Postal-Digital transformation: Postal and logistics business reforms utilizing digitalized sender data and the Group's proprietary delivery ledger data to achieve data-driven operations.

Segment	Investment Amount	Measures
Postal and logistics business	620 billion yen	P-DX related measures (200 billion yen), operational reforms (100 billion yen), deployment of EVs (40 billion yen), etc.
Post office business	340 billion yen	Real estate redevelopment (140 billion yen), LED promotion works at post offices (7.5 billion yen), etc.
International logistics business	80 billion yen	Facility and equipment investment (65 billion yen), systems investment (15 billion yen), etc.
Total	1,040 billion yen	

Appendix

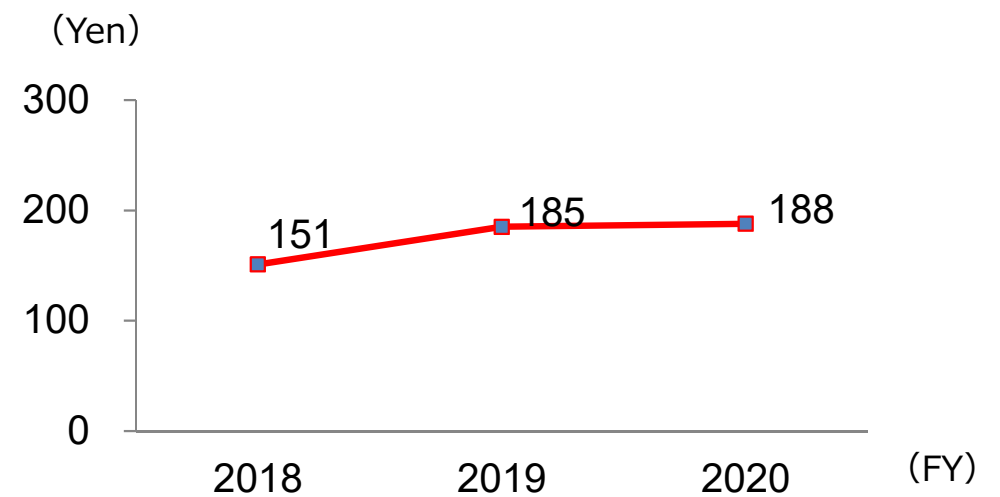
Unit Parcel Price

[Yu-Pack*]

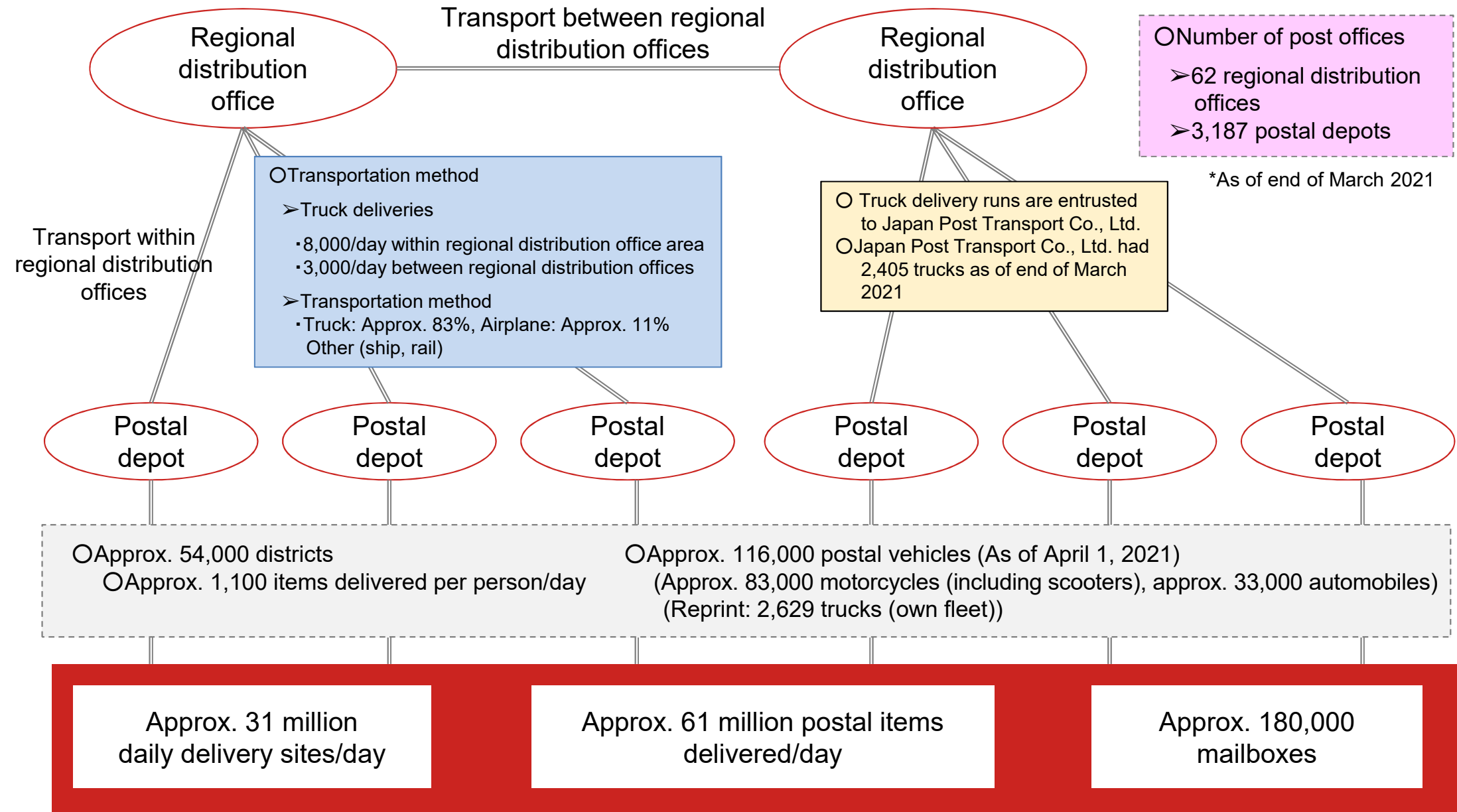


*Yu-Pack does not include Yu-Packet

[Yu-Packet]



Postal Network Overview



Regulations under the Postal Act

Regulations concerning postage charges

Postage Charges (Postal Act, Article 3)

Charges for postal services must be based on efficient management of the postal services business, an appropriate level of cost, and an appropriate level of profit.

Notification/Authorization of Charges (Postal Act, Article 67-1, 67-3 and 67-5)

Category	Main types of mail	Notifications / authorizations
First-class mail	Letters	Notification (maximum charge* set for standard size postal item weighing up to 25g)
Second-class mail	Postcards	Notification (amount below minimum charge for standard size item)
Third-class mail	Magazines, newspapers	Authorization
Fourth-class mail	Correspondence education, etc.	Authorization

*The amount determined by ordinance of the Ministry of Internal Affairs and Communications after considering the important role that the delivery of lightweight correspondence mail (shinsho) play in people's lives, people's ability to pay, general prices, and other factors. Currently 84 yen.

(Note) The overall income from postal charges must cover the overall costs, regardless of the cost of individual services.

Orders to Change Fees (Postal Act, Article 71)

The Minister of Internal Affairs and Communications may order changes in postage charges, when required.

Level of universal service

Acceptance

Installing mailboxes as a simple, easy way to send mail anytime

<Postal Act, Article 70-3-2; Ordinance for Enforcement of the Postal Act, Article 32-2 (Approval criteria, postal service management regulations)>

- To maintain the same number of mailboxes (approx. 180,000) as when the Japan Post Act came into effect on April 1, 2003.
- To install enough mailboxes to offer a full service in each municipality.
- To install mailboxes in places that are accessible at all times, such as on public roads, or in places that are easily visible to the public, such as stations and retail store facilities.

Establishing post offices

<Japan Post Co., Ltd. Act, Article 6; Ordinance for Enforcement of the Japan Post Co., Ltd. Act., Article 4-1 through 4-3>

- Japan Post Co., Ltd. to establish post offices that will be used all over the country.

Delivery

Deliveries once a day, five days a week, in principle

<Postal Act, Article 70-3-3; Ordinance for Enforcement of the Postal Act, Article 32-3-1>

- To deliver mail at least once a day for five days from Monday to Friday, except on public holidays and January 2 each year.

Delivering within four days from postal date in principle

<Postal Act, Article 70-3-4; Ordinance for Enforcement of the Postal Act, Article 32-5>

- Four-day delivery except when posted in following regions:
 - ▶ Remote islands that do not have transportation available to deliver mail at least once a day (islands that do not have connecting roads to Japan's Honshu or other main islands): within 15 days
 - ▶ Other remote islands: within 6 days

Nationwide universal delivery to individual houses or addresses

<Postal Act, Article 70-3-3; Ordinance for Enforcement of the Postal Act, Article 32-3-2>

- To deliver mail to individual addresses except when addresses are difficult to access* using regular modes of transport.

* Areas separately specified by Japan Post Co., Ltd., such as mountain huts in winter.

*Five-day-a-week delivery of standard mail (suspended Saturday deliveries) and delay of delivery date (abolished next-day delivery) to start from October 2021.

Revisions to Prices and Postal Charges

Implementation Period	Targeted Post	Outline	Impact
2019 New Year's card	Approx. 2.1 billion items	<ul style="list-style-type: none"> Revised charges for second-class mail (New Year's postcards) 	Approx. 10.0 billion yen increase in revenue (real increase approx. 2.0 billion yen)
March 2018	Approx. 70 million items	<ul style="list-style-type: none"> Revisions to basic Yu-Pack charges 	Approx. 8.0 billion yen increase in revenue
June 2017	(Approx. 6.4 billion items (second class: approx. 6.3 billion) (nonstandard size: approx. 0.1 billion) (Yu-Mail: approx. 10 million)	<ul style="list-style-type: none"> Revised charges for second-class mail (postcards, excluding New Year's cards*) Revised charges for nonstandard mail Revised basic charges for Yu-Mail 	Approx. 30.0 billion yen increase in revenue
June 2016	Approx. 8.7 billion items	<ul style="list-style-type: none"> Review of discounted charges (advertising, sorted mail, special mail within the same postal area, etc.) Partial revision of international mail charges 	Approx. 20.0 billion yen increase in revenue
August 2015	Approx. 70 million items	<ul style="list-style-type: none"> Revised basic charges for Yu-Pack 	Approx. 2.8 billion yen increase in revenue

*Fees for 2018 New Year's postcards remained unchanged at 52 yen, limited to those items sent during the specified period (December 15, 2017 to January 7, 2018).

Notes

Notes

For inquiries about this document, please contact:

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