

Small Meeting: Part 2 (Japan Post Holdings)
Summary of Q&A
(July 6, 2021)

Q Which aspect do you see as the stronger point of Japan Post Holdings: the fact that the company is publicly traded, or the fact that the company serves as social infrastructure?

A It goes without saying that we serve as social infrastructure, as can be seen by our corporate philosophy of contributing to the development of local communities and our obligation to provide universal services. However, our recognition, based on the discussions that took place during the privatization process, is that the fact that we are a publicly traded company constitutes a major premise. We will put out a message to employees to the effect that they should be conducting their work with a sense of purpose so that we can answer to the expectations of the market and maintain our discipline as a publicly traded company. At the same time, we also recognize that our mission is to perform our role as a publicly traded company.

Q Has the Japan Post Group sufficiently reformed itself? Are there things which have changed? And are there still issues being worked on?

A We dealt with the handling of a scandal in the first year after I assumed my post, and we may have more to do. However, we have begun transitioning to a new sales stance at Japan Post Insurance starting in April and will execute initiatives by moving up the schedule for those as much as possible before undertaking initiatives such as those outlined in the Medium-term Management Plan.

In terms of a transformation of our culture, we will strengthen governance through the introduction of the Group CxO system and improve employee motivation by presenting our employees with a bright vision. In the context of the current Medium-term Management Plan, we will increase the number of items subject to disclosure to the greatest extent possible, such as setting a target date for sales of Japan Post Bank's shares and targeting the reduction of workforce through higher efficiency, and communicate where the company is headed to those inside and outside the company by executing each and every item described within the Medium-term Management Plan. With respect to investments for growth as well, we have demonstrated how much we are going to invest in the areas of strategic IT investments, real-estate investments and new fields, including M&A. We want to incorporate elements presenting high synergistic effects in that context.

While it will take some time before we see firm results produced by our various reforms, we plan to firmly ensure that our employees and the rest of the world understand what is happening by increasingly giving shape to our efforts in new areas to an extent not previously seen.

Q It looks like there is a significant emphasis being put on shareholder returns. What is your view on the balance to be struck between shareholder returns and investments for growth?

A We have placed a focus on targeting a dividend of 50 yen per share, which was highly anticipated by our public shareholders, and we do not currently believe that a disproportionate emphasis is being placed on shareholder returns. This balance is something we decided on by looking at both shareholder returns and the investments aimed at shifting our portfolio, including M&A. We believe that what we will be doing in the future after having completely executed these initiatives involves a need to look at how things are going at that point in time.

Q Can you tell us about your progress in terms of shifts in your business portfolio as of 2025 and the kind of composition ratios you are assuming to see perhaps ten years down the road? The assumption of operating income of just over 10 billion yen in the real-estate business is not significantly large when looking at the entire scope. What are you going to work on during the Medium-term Management Plan period when it comes to future composition ratios?

A With respect to the three businesses, what we have presented is what things will look like by 2025, with the rest falling under the scope of investments. We are not yet at the stage in which we can give you an explanation using numerical figures to show what things may look like ten years down the road. During the Medium-term Management Plan period, there will not be significant amounts of profit coming from the real-estate business. However, we do project that profit will increase in the future, including with respect to portions resulting from purchases made from outside. Moreover, we will take on the challenge of working on our numbers by undertaking investments, including M&A projects, in fields where synergistic effects exist in relation with our group outside of the realm of real-estate as well. That includes in the realms of logistics, end-of-life planning and inheritance planning business (which will grow in the future), and other businesses where demand exists in the post office business.

Q Are there any fields where you are thinking about strengthening things through M&A, such as corporate logistics?

Also, are there any options to take on the challenge of completely new fields through M&A?

A There are some areas that could be strengthened within logistics. While there does exist the issue of whether the scope of operations fits with our business and how they will mesh together, companies with which a complementary relationship can be established with the Japan Post Group would possibly

serve as sufficient candidates.

With respect to your question on completely new fields, it is conceivable that we will approach fields where synergistic effects can be achieved in relation to our existing businesses, as well as the logistics and real-estate business, and so on.

Q You disclosed your plan for getting the ownership ratio to 50% or less in relation to Japan Post Bank within the period of the Medium-term Management Plan. Given the fact that the EPS of Japan Post Group will fall, the fact that there would be relatively little merit to the change to a notification system with respect to the life insurance business, and the fact that limits on sales are not explicitly stated within laws, is there a reason why you have clearly expressed that such sales will be taking place within the relevant period?

A We believe that our mission is to execute the sale of shares at an early stage until we reach the 50% mark on the assumption of a 100% sale of shares held by the management team in consideration of elements such as the position of the Company and the perspective of governance of Japan Post Bank as a publicly traded company. This will be after having determined elements such as whether we can continue to maintain dividends of 50 yen and continue to maintain shareholder returns involving share buybacks and other factors.

Q What are your thoughts on the current share price based on the sale of Japan Post Bank shares?

A While we are considering various methods and timing in terms of the sale of shares of Japan Post Bank, we believe that the assessment of the market will change when we show what our picture will look like in terms of shareholder returns and investments for growth. We will put funds into appropriate investment opportunities such as investments for growth to improve corporate value. Together with that, we will maintain and improve capital efficiency through share buybacks as necessary.

Q The corporate value of Japan Post Holdings will fall if you sell shares held in Japan Post Bank at a low price when there is a given assumption that a sale of shares held will occur. What are you going to require of Japan Post Bank to ensure that the corporate value of Japan Post Holdings remains as high as possible when that happens? Also, how will you ensure governance?

Moreover, will you not need to send a message which casts away any image that would serve to damage the corporate value of Japan Post Holdings?

A We will respect Japan Post Bank's independence as a publicly traded company and require them to improve corporate value to the maximum extent possible through group agreements. Moreover, the Japan Post Group

as a whole will provide support to the greatest extent possible for initiatives aimed at improving the corporate value of Japan Post Bank. At the same time, we will also work on new groups of customers through digital post offices and other efforts.

Based on the general purpose of the Postal Service Privatization Act, we will consider the sale of the shares while taking into account the business conditions of Japan Post Bank and impacts on universal services to the best of our abilities.

We will improve the value of the group in its entirety through the undertaking of speedy initiatives in new fields, which, in turn, will enhance the value of Japan Post Holdings. To this end, we will allocate resources to improving the corporate value of Japan Post Bank as well.

Q Japan Post Co. has a large amount of retirement benefit obligations and there is a need to pay those benefits out in cash each time. What is your understanding about the burden that presents?

A We have paid retirement benefits for retiring employees using money in annual cash flows. Thus, we do not believe that payments pose any burden in terms of business operations.

Q What are your thoughts on the collection of account management fees at Japan Post Bank?

A While we do think it feasible to collect fees for things where costs are incurred, there is a need to consider the company's position as a publicly traded company and as social infrastructure.

END

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