

Teleconference of the Financial Results
for the Three Months Ended June 30, 2021
Summary of Q&A
(August 11, 2021)

Q The first quarter saw an upturn in earnings compared to last fiscal year. From the perspective of management, were the first quarter results better than anticipated? If so, what do you think was the reason? Is it correct to understand that overall, performance somewhat exceeded expectations?

A Overall, the Group performed strongly during the first quarter. The recovery in economic activity from the COVID-19 crisis exceeded expectations. The volume of mail declined only slightly, thanks to a recovery in direct mail and other advertising mail, and revenue increased due to the recommencement of international mail services. There was also an increase in demand and unit prices in the Global Forwarding business of the international logistics business. On the other hand, Yu-Pack and Yu-Packet declined year-on-year, partly due to the effect of a relative decrease in stay-at-home demand compared to the same period in the previous fiscal year. Sales at Japan Post Insurance weighed on performance more than forecast in the post office business, with new policy acquisitions failing to progress as planned. Results for the first quarter were better than planned overall, but with the spread of the Delta variant, the outlook for the future is unclear.

Q Net operating income in the post office business of ¥15.0 billion is planned for the fiscal year, but was ¥11.3 billion in the first quarter. Do you expect full-year net operating income to come in at around ¥40.0 billion, or is there some other risk factor to consider?

A In the first quarter, we made smooth progress on an earnings basis, but sales activities at Japan Post Insurance did not proceed favorably, and the improved earnings were due to lower-than-expected sales-related expenses and personnel expenses. Given the uncertainty associated with the future sales activities of Japan Post Insurance and their results, it is not possible at present to anticipate a similar level of earnings from the second quarter onwards.

Q You implemented a share repurchase in June. What kind of process will you use to determine the timing and amount of future share repurchases?

A We regard the return of profits to shareholders as a key management policy. To this end, no additional measures have been decided as of now, but we will

continue to consider shareholder returns in accordance with the policy of the Medium-Term Management Plan.

Q Reductions in personnel expenses in the postal and domestic logistics business have progressed more than last fiscal year. What is the reason for this?

A They have decreased in line with lower handling volumes of products such as Yu-Pack.

Q What is the future outlook for Yu-Pack and Yu-Packet?

A Regarding the outlook for the number of items, going forward, we expect to see an easing in the relative decrease in stay-at-home demand seen in the first quarter compared to the same period in the previous fiscal year. We also expect the year-on-year decline in large-scale handling to abate by the end of the second quarter. On the other hand, although we are seeing a growing number of items accepted through the alliance with Rakuten, it is still not enough to offset this decline. The same goes for Yu-Packet. We are making Yu-Packet more convenient to send, including through the introduction of Yu-Packet Post Mailing Stickers in June. We aim to capture the growth of e-commerce markets and online flea markets.

Q Do personnel expenses decrease in line with declining volumes for Yu-Pack and the like?

A Personnel expenses are partially linked to volumes, but not automatically. We are engaged in a review of the deployment of personnel to match fluctuations in volumes, efficiently deploying personnel by day of the week, day of the month, and responsibilities, in line with volumes. We have reduced personnel expenses partly as a result of personnel assignment in anticipation of the future decline in volumes as stay-at-home demand subsides.

Q What is the reason for the increase in collection, transport and delivery outsourcing expenses?

A Domestic collection, transport and delivery outsourcing expenses and international mails delivery expenses both increased due to the progressive reopening of airmail services.

Q What is the reason for the increase in earnings in each business in the international logistics business?

A In the Global Logistics business, revenue and expenses declined in the Asia division, due mainly to a decrease in large-scale handling of COVID-19 prevention supplies, but net operating income increased, partly the result of a reduction in fixed costs due to the closure of American logistics bases, which had been an unprofitable division. Revenue increased in the Global Forwarding business, mainly due to an increase in cargo driven by greater demand worldwide. In addition, measures such as the integration of logistics bases have proven effective in reducing fixed costs. In the Global Express business, revenue increased due to factors including the effect of targeted cyber attacks in the previous fiscal year.

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