

Teleconference of the Financial Results
for the Six Months Ended September 30, 2021

Summary of Q&A
(November 12, 2021)

Q Japan Post Co. upgraded its financial results forecast for the fiscal year ending March 31, 2022. What kind of assumptions for the second half of the fiscal year underlie the upward revision?

A We have revised assumptions for the second half, but performance in the first half was our primary reason for raising the full-year forecast. Japan Post Co. raised its net operating income forecast for the postal and domestic logistics business by ¥30.0 billion, primarily due to the suppression of expenses by making efforts to control costs and an increase in mails sent with vaccination vouchers. The subsidiary also raised its net operating income forecast for the post office business by ¥10.0 billion, mainly due to a reduction in expenses associated with sales activities, and raised its net operating income forecast for the international logistics business by ¥20.0 billion, mainly due to an increase in handling volumes in the Global Forwarding business and an increase in unit prices.

Q Quarterly net operating income in the postal and domestic logistics business increased year-on-year in the first quarter, but declined year-on-year in the second quarter. What is the reason for this?

A In the first quarter of the previous fiscal year, Japan Post Co. recorded a lump-sum correction for overstatements in previous fiscal years related to International ePacket Light, etc. If it had not been for that correction, net operating income would have declined year-on-year in the first quarter, too.

Q Why does Japan Post Co. anticipate an even greater decline in net operating income in the second half of the fiscal year than in the first half? What conditions are necessary to return net operating income in the postal and domestic logistics business to a growth trend, and what factors might contribute to a surprise on the upside?

A In the second half, upfront investment preceding profits in our newly consolidated subsidiary JP Rakuten Logistics, Inc., in addition to a continuing yearly decline in the volume of New Year's postcards, will be negative factors for net operating income. We will develop plans for the next fiscal year and beyond based on factors such as our alliance with the Rakuten Group,

initiatives to increase handling volumes of parcel, planned abolition of postal delivery on Saturdays, and a shift in resources to the parcels field through the amendment of systems, including changes to delivery times.

Q What is the reason for the respective declines in volumes and unit prices for Yu-Pack and Yu-Packet? Is it correct to interpret the decline in unit prices of Yu-Packet as a reactionary decline following high-priced transactions in the context of stay-at-home demand in the previous fiscal year?

A The declines in volumes for both Yu-Pack and Yu-Packet were due to the subsidence of the growth in e-commerce usage that occurred in the previous fiscal year due to stay-at-home demand. Volumes also suffered the impact of a decrease in large-scale usage of Yu-Pack. The decline in unit prices of Yu-Pack was mainly attributable to a decrease in the cash on delivery service due primarily to a reactionary decline in stay-at-home demand. The decline in unit prices for Yu-Packet was mainly due to a decrease in transaction volumes on online flea markets apps, for which unit prices remain high.

Q Will the decline in banking commissions in the post office business lead to a reduction in expenses?

A Banking commissions are set in accordance with handling volumes like the number of remittances handled and the amount of assets under management. However, the personnel expenses for the post office business are fixed, and do not decrease automatically. We must therefore assign personnel appropriately while monitoring factors such as the decline in commissions and handling volumes.

Q What is the main reason for the increase in earnings in the Global Forwarding business of the international logistics business during the first half of the fiscal year? Please also tell us about your outlook for the business environment in the second half, risk factors and the like. If the majority of earnings come from ocean freight forwarding, will you lose earnings due to uncertainty over space for next year?

A The main reasons for the strong performance in the Global Forwarding business are an increase in handling volumes due to a significant rise in demand around the world amid the COVID-19 crisis, and a substantial increase in unit prices due to difficulty in securing containers. Air freight forwarding also contributes to earnings, but a large proportion is from ocean freight

forwarding. We expect this situation to continue in the second half, but we do not regard it as permanent. Earnings from the space we have already secured will be affected by factors such as the movement of freight in the next fiscal year.

Q As part of the sales activities of Japan Post Insurance, what steps did you take to ensure clear communication between the head office and employees on the front line in the first half of the current fiscal year?

A Japan Post Insurance is working with Japan Post Co. to steadily implement plans for the introduction of a new sales structure in April next year, including the transition to management that appreciates the process of sales activities. Japan Post Holdings will provide any necessary support.

Q Can you give us an update on your current view regarding the efforts to proactively sell shares of Japan Post Bank and Japan Post Insurance, especially Japan Post Bank?

A Our policy regarding the shares of Japan Post Bank and Japan Post Insurance remains unchanged, and we aim to reduce our stake in the two financial subsidiaries to 50% or less as early as possible during the term of the Medium-term Management Plan. We will consider the specific timing and scale of the sale of shares in light of factors such as the business status of Japan Post Bank and Japan Post Insurance, the impact on our universal services obligation, ensuring the integrity of the Group, our own funding needs, the impact on consolidated financial results, and market trends. As our stake in Japan Post Insurance had decreased to below 50%, Japan Post Insurance has notified the Financial Services Agency and the Ministry of Internal Affairs and Communications of our plan to launch new products, including the revision of medical care riders. We would also like to push ahead with this sort of initiatives as a Group.

Q Will you consider the impact on BPS and other indicators when determining the method and timing to sell shares of Japan Post Bank?

A In additions to the matters mentioned earlier, the sale of our shares in Japan Post Bank are subject to a complicated interplay of various factors, such as conformance with the criteria for the Prime Market. We will consider the method, timing, scale and other aspects of the sale of shares based on these factors.

The full year financial results forecast 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.

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