

Company Briefing
(Interim Financial Results for the Six Months Ended September 30, 2021)

Part 2. Summary of Q&A

(November 18, 2021)

Q Does the difference between the book value of real estate assets owned by the Group, 2.6 trillion yen, and the numerical target for the size of assets at end of FY2025 of approximately one trillion yen indicate an anticipated sale of real estate assets of a certain scale?

A The book value of real estate assets owned by the Group of 2.6 trillion yen consists primarily of post offices across Japan, which are owned by Japan Post Co. Some of these are logistics-focused properties that it will be possible to develop in the future, in line with the consolidation of operations through Postal-Digital transformation (P-DX), etc. At present, the Group's real estate business uses a little over 500 billion yen. To this will be added another 500 billion yen in real estate investment to be carried out as the investment target during the term of the Medium-term Management Plan, comprising investment in buildings among real estate owned by the Group, as well as investment in land and buildings outside the Group. Although the book value of land will increase for real estate owned by the Group and used by the real estate business, the book value of buildings will decrease by the amount of depreciation recorded during the term of the Medium-term Management Plan, due to our investment in buildings. As a result, real estate assets at the end of FY2025 will amount to slightly over one trillion yen. Moreover, because we plan to direct our investment in Group real estate to investment in buildings, the book value of assets used by the real estate business will decrease by the amount of depreciation recorded during the term of the Medium-term Management Plan, even though the book value of land held by the Group and used by the real estate business will be boosted by the investment in buildings.

Q How have you gone about setting hurdle rates for real estate investment?

A We have established separate hurdle rates for investment in real estate held by the Group and real estate outside the Group. I will refrain from giving specific numbers, but our investment activities are premised on clearing these hurdle rates.

Q What is the timeline for commencing and completing the development of post offices with a high asset value? Also, what criteria have you established for selecting development partners?

A For the properties with development potential outlined in the briefing materials, we aim to confirm development prospects by FY2025, and commence actual construction works where possible. We will endeavor to achieve this ahead of schedule.

We aim to select partners with town development proposals for the local areas centered around our properties that match with the characteristics of the towns and the properties themselves.

Q Will the numerical targets for FY2025 be attainable using just internal resources, or are you considering supplementing these resources through external M&A activities?

A M&A activity can promote growth by capturing profits and expertise, and we have recently partnered with Yusen Real Estate Corporation, which possesses outstanding know-how in management and operation. At present, the real estate assets operated by the Japan Post Group on a stand-alone basis are limited, with only a few offices and the like. By FY2025, we aim to strengthen this structure, including through recruitment, as we continue to recruit outstanding personnel to enable us to independently operate commercial facilities, hotels, complex properties and other facilities.

Q Roughly how much of the book value of real estate assets owned by the Group, 2.6 trillion yen, can be used in the real estate business?

A We have not calculated an overall amount at this point in time. The amount is fluid, depending on our progressive consideration of the integration of facilities and the development of real estate properties in line with trends such as the decline in mail volumes and the increase in parcel volumes, based on the fundamental premise of maintaining universal services.

Q How will you deal with properties that cannot be used in the real estate business?

A Japan Post Co. owns the land and buildings, and Japan Post Real Estate considers whether or not they can be developed. The two companies work together to develop those properties able to be developed. Japan Post Co. properties that cannot be developed will be sold to third-party buyers based on WTO rules, in principle through a bidding process.

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