Teleconference of the Financial Results
for the Six Months Ended September 30, 2022
Summary of Q&A
(November 11, 2022)

Q What is your assessment of the effects of the collaboration with the Rakuten Group?

A The establishment of JP Rakuten Logistics, Inc. is a prime example of our collaboration with the Rakuten Group in the logistics field. Through this joint venture, we are engaged in the joint construction of logistics bases, delivery systems and receiving services with the aim of integrating the Japan Post Group's delivery network and the Rakuten Group's DX. This collaboration between the two corporate groups is not limited to logistics but extends to a broad range of fields such as retailing, finance, and cooperation with local communities. I will refrain from presenting a quantitative assessment but, to give an example in the logistics field, the number of parcels we handle from Rakuten Group is increasing steadily.

Q What is the reason for higher revenue and lower income in the real estate business, and what is the full-year outlook?

A The decline in revenue from Japan Post Co.'s real estate business is mainly due to the replacement of office tenants associated with the expiration of lease terms. Income was affected by the investment and consolidation by Japan Post Real Estate of Japan Post Properties (previous name: Yusen Real Estate Corporation), which had previously been a wholly owned subsidiary of Nippon Yusen. There was also the impact of one-off expenses such as taxes and dues associated with the completion of the Hiroshima JP Building, which led to the decline in income.
I will refrain from commenting specifically about the full-year outlook, as the environment is uncertain due to factors such as the rapid rise in construction costs, but we expect the impact from the one-off expenses I just mentioned to decrease year-on-year.

Q What is your assessment of the interim financial results in each of Japan Post Co.'s businesses?

A Results for the postal and domestic logistics business were within the scope of the full-year financial results forecast, with a temporary increase in the mail sent, despite a continued decline in parcels.
Results for the post office business exceeded the full-year financial results forecast as a result of factors such as a decrease in sales allowance due to sluggish sales results and efforts to curb non-personnel expenses, despite a continued decline in commissions from Japan Post Bank and Japan Post Insurance.
Results for the international logistics business exceeded the full-year financial results forecast,

mainly due to a greater-than-expected increase in earnings resulting from persistently high unit prices in the Global Forwarding business.

Q What are the detailed reasons for the increase in expenses in the postal and domestic logistics business?

A Collection, transport and delivery outsourcing expenses decreased due to the decline in handling volume, and we progressively curbed personnel and other expenses through cost-control measures in line with handling volumes. However, utilities expenses rose due to soaring fuel prices. There was also the consolidated impact of expenses from the subsidiary included in the scope of consolidation from the second quarter of the previous fiscal year (for which expenses were not recorded in the first quarter of the previous fiscal year). As a result, operating expenses increased by ¥6.4 billion year-on-year.

Q What is the future outlook for Yu-Pack volumes?

A During the first half of the fiscal year, both Yu-Pack volumes and the rate of change decreased year-on-year, mainly due to the harsh competitive environment, including the expansion of in-house delivery services run by e-commerce platformers and others.
However, the second quarter (the three months to September 30) brought an increase in Yu-Packet, and the decline in Yu-Pack also slowed, showing that the measures we implemented are gradually taking effect.

Q What are the specific areas where Yu-Pack volumes are declining?

A In addition to the impact of the expansion of in-house delivery services run by e-commerce platformers and others, the volume of Yu-Pack sent by individuals is also declining.

Q What cost controls are you implementing to deal with the decline in Yu-Pack volumes?

A In addition to the reduction in collection, transport and delivery outsourcing expenses due to the decrease in handling volumes, we are endeavoring to reduce personnel expenses through the thorough implementation of measures to revise the number of workers deployed for each day and each time period, based on daily changes in the handling volume, and initiatives such as the visualization of productivity for each post office and business operation.

Q What is the status of income and expenditure at JP Rakuten Logistics?

A Revenue from new subsidiaries (+ ¥7.0 billion) shown in the briefing materials is the contribution to the consolidated results of Japan Post Holdings after eliminating internal transactions and the like. It does not represent the standalone revenue of JP Rakuten Logistics. I will refrain from commenting on specific amounts of expenses and income, but expenses had roughly the same level of impact as revenue.

Q Percentage achievement for the post office business is quite high. Can we expect the same level of outperformance in the second half?

A We do not expect the same level of performance in the second half. Business conditions remain harsh, with a low level of new policies at Japan Post Insurance. There is also the impact of the carry-over of expenses not recorded in the first half.

Q What are the detailed reasons for the decline in income in the international logistics business?

A Income increased in the Global Logistics business, mainly due to a rise in revenue from Australian government-related logistics, but net operating income (EBIT) declined by ¥1.5 billion year-on-year, mainly due to the impact of an increase in transport and outsourcing expenses and a rise in fuel and other costs in Australia.

There was also the absence of one-off factors from the same period of the previous fiscal year, when the effect of suspending depreciation and amortization of non-current assets associated with the sale of the Global Express business was included in Corporate/Other. As a result, net operating income (EBIT) decreased by ¥7.3 billion year-on-year to ¥8.1 billion.

Q What initiatives will you implement, going forward, to increase income in the international logistics business?

A As well as thoroughly implementing measures to improve the business, such as curbing costs from head office functions and the Global Logistics business, we will expand the business with a focus on several countries in the Asian region where significant growth is forecast and the industries where Toll Holdings Limited has particular expertise, such as the retail sector. In this way, we will continue to strive to achieve growth by breaking free of the Australia-dependent business structure and shifting to a business model centered on Asia, including Japan.