Company Briefing
(Financial Results for the Six Months Ended September 30, 2022
and the Status of the Group Real Estate Business)
Summary of Q&A
(November 18, 2022)

Q. Have there been any updates of the Medium-term Management Plan in the areas such as the vision of Japan Post Group, outlook of holdings in Japan Post Bank and Japan Post Insurance, and the philosophy towards shareholder returns?

A. There have been no particular updates of the Medium-term Management Plan. We remain committed to enhancing and strengthening core businesses, expanding real estate business, driving new businesses and other initiatives.

With respect to shares in Japan Post Bank and Japan Post Insurance, there has been no change in our policy for selling them to achieve less than 50% holding ratio in both of the two, at the earliest possible time but no later than the expiry of the period covered by "JP Vision 2025," with a view to enhancing their management autonomy and flexibility.

In respect of shareholder returns, there has also been no change in our policy towards improving capital efficiency through flexible share repurchases while constantly paying a 50 yen annual dividend per share, and we will be giving positive consideration to shareholder returns in reasonable proportion to investments while duly considering maintaining financial soundness.

Q. Do you intend to continue share repurchases?

A. As mentioned, pursuant to our shareholder return policy under "JP Vision 2025," we will be aiming to improve capital efficiency through flexible share repurchases, while maintaining stable annual dividends of 50 yen per share, throughout the period up to the fiscal year ending March 31, 2026. Accordingly, we are engaged in shareholders repurchases from the market between May 2022 and March 2023 at a maximum of ¥200.0 billion.

While no specific decision has been made with regard to share repurchases from the next fiscal year onwards at this point in time, we will keep giving positive consideration to shareholder returns in reasonable proportion to investments while duly considering maintaining financial soundness.

Q. How do you assess the decrease in unrealized gains on securities at Japan Post Bank from the standpoint of its parent? Would it have any impact on Japan Post Holdings' shareholder returns and other shareholder-related matters?

A. We would like to withhold intrusive comments in consideration of the fact that Japan Post Bank is an independent listed corporation despite being our subsidiary. However, in terms of making a comparison with other banks, although Japan Post Bank recorded a decrease in unrealized gains in securities, mainly in foreign bonds, these trends are also being experienced by its industry peers, who are adversely affected by the current increase in interest rates overseas and other related factors. We believe that Japan Post Bank did not suffer significantly larger decrease compared with other banks.

Secondly, speaking from the viewpoint of the stability of interest income, we see an increase in special dividends from investment trusts in particular, which cannot be recognized as revenue for accounting purposes. However, we believe that this does not imply especially high default risks thanks to Japan Post Bank's selective investment practice, and we believe that such increase should not go beyond the temporary impact of deferral.

Lastly, speaking in terms of capital adequacy requirements and other regulations, Japan Post Bank maintains capital adequacy ratio as well as Common Equity Tear 1 (CET1) ratio at sufficient level for the purpose of regulatory compliance and, according to Japan Post Bank, no change is contemplated to its dividend policy.

While we must remain watchful over the market trend and environment, we see no market factor likely to significantly affect our shareholder returns and other related matters at present.

Q. What about the progress of the Group real estate business against the Medium-term Management Plan?

A. We have made steady progress in the first half in line with “JP Vision 2025.”

For the moment we need to keep an eye on how the recent inflation should affect economic trends apart from the impact from the changes in lifestyle and working environment associated with the COVID-19 pandemic, both making the outlook of business even more unpredictable than ever. Given such adverse circumstances, we believe we can achieve the numerical targets set forth in “JP Vision 2025” at this point in time by implementing necessary measures in a timely and appropriate manner while closely watching the future impacts on and trends of the real estate market.

Q. What is the outlook for the second half of the fiscal year ending March 31, 2023 and the next fiscal year based on the progress in the volume of Yu-Pack items in the first half?

A. While we delivered 480 million items on a cumulative basis in the first six months, or 97.2% year-on-year, performance has been on a recovery trend for the recent few months posting 100.4% year-on-year in the single month of October despite one fewer business day year-on-year.

This is due to a solid increase in the volume of Yu-Pack items sourced from Rakuten Group (112% year-on-year in the single month of October) attributable to the joint sales effort between Rakuten and Japan Post, along with a general increase in the volume of Yu-pack items sourced from corporate senders thanks to enhanced sales activities at post offices. We are expecting further increases through Black Friday and Rakuten Super Sale.

Meanwhile, cost-saving initiatives such as joint delivery with Sagawa Express are making favorable progress.

Furthermore, as part of the measures to expand receiving locations, we are planning a more-than 13-fold increase in the number of PUDO (Pick Up & Drop Off) stations providing lockers for general users to send/receive parcels, from current 331 to 4,500 locations, and the number of our receiving locations including convenient stores will be the largest in the industry, enhancing customer convenience in receiving parcels. In addition, we will engage in the measures to enhance recognition of post office services through airing TV commercials between November 16 and December 14, 2022 promoting “Anytime anywhere” (delivery/collection service available everyday including Saturday/Sunday and holidays) and “Low cost” (the lowest basic shipping fee in the industry), to further expand the number of items handled.

Q. Can Japan Post’s profits possibly be squeezed by the cost rise due to an increase in the volume of smaller-sized Yu-Pack items in the collaborative business with Rakuten Group?

A. The postal and domestic logistics business as a whole is experiencing a certain impact from recent price increases of fuels and other goods and services, but on a limited scale.

In delivery operations, on the other hand, we are making progress in streamlining including measures for direct delivery to postal depots and utilization of AI-based automatic routing.

Moreover, for the parcels from Rakuten, we are enhancing handling productivity at the warehouses of JP Rakuten Logistics, Inc. where highly productive picking methods utilizing state-of-the-art technologies and automatic packing machines have been introduced.

We will not be participating in poorly considered price war. We will be increasing the volume of items handled making sure to generate profits at all times.

Q. What is the medium-term outlook of the post office business?

A. The post office business recorded an increase in profit in the six months ended September 30, 2022, but this owes largely to the impact of reduction in personnel expenses associated with the secondment of consultants due to the transition to the Japan Post Insurance’s new sales system from

April 2022. We therefore recognize the necessity for initiatives to boost revenue. We envisage the future shape of the post office business engaging in administrative work contracts from the national and local governments, while providing new financial products developed by Japan Post Bank and Japan Post Insurance. For example, we believe that undertaking of the outsourced administrative work related to Individual Number Card can generate earnings if undertaken inclusive of maintenance service, despite issues of handling information control. We intend to boost earnings by undertaking work with significant public service attributes on a broader scale.

Furthermore, we will gradually reduce the combined headcounts of post offices and Japan Post Insurance through DX-based streamlining. In the fiscal year ending March 31, 2024, we will launch digital post offices providing smartphone-based digital services on a 24/7/365 basis, while also planning to provide on-line consultation services on the subjects such as inheritance and gift before death from verification trial post offices.