

Teleconference of the Financial Results  
for the Nine Months Ended December 31, 2022  
Summary of Q&A  
(February 14, 2023)

Q Japan Post Co.'s net operating income has exceeded its full-year financial results forecast. Do you anticipate any risks in the fourth quarter?

A The postal and domestic logistics business has achieved net operating income higher than the full-year financial results forecast, thanks to a temporary increase in the number of mails sent, which is attributable to mails related to the individual number cards and vaccination-related mails. However, a further increase in the number of mails sent cannot be expected in the fourth quarter, with a decrease in vaccination-related mails, and the situation regarding parcels remains harsh. The post office business continues to face such challenges as a low level of new policies of Japan Post Insurance. The international logistics business has been seeing the effect of high unit prices and rising demand at the Global Forwarding business waning since the second half of the fiscal year. We expect the conditions in the fourth quarter to be harsh, so we are not in a position to revise the full-year financial results forecast.

Q Movements to raise wages are gaining momentum. Do you anticipate an increase in costs for the next fiscal year?

A The spring offensive is still ahead of us, and nothing has been decided as yet.

Q The Small and Medium Enterprise Agency recently gave Japan Post Co. the lowest rating for attitudes to subcontractors trying to pass costs on prices. How do you recognize that fact?

A We take this matter very seriously. As we announced on February 13, based on the results of the survey of price negotiations and price pass-on announced by the Small and Medium Enterprise Agency, we have established a clear contact point for the companies we work with, aiming to build partnerships with them. In addition to ensuring that we always create a forum for discussion when the companies we work with approach us regarding price negotiations and listen to what they say, we are engaged in initiatives to establish regular forums for discussion with such companies. The Communication Promotion Month beginning on February 20 is one example of them. We also plan to provide training for branch and post office employees regarding partnership-building initiatives and collection and delivery outsourcing contracts.

Q Does Japan Post Co. have no plans to raise the price of Yu-Pack and other services, despite competitors' announcements of price rises?

A We revised the basic shipping fees for Yu-Pack in March 2018 to maintain a stable service in response to rising costs such as personnel expenses per employee. We have also approached large customers to revise contracts from the perspective of achieving better profitability. We will

continue to engage in initiatives to ensure an appropriate level of profits. At present, we have no concrete plans to raise the basic shipping fee for Yu-Pack, but we are considering how we should respond to current conditions, as we face an increasingly harsh business environment due to factors such as an increase in procurement costs associated with rises in fuel costs and personnel expenses, as well as soaring prices.

Q Price rises by competitors will increase your competitiveness. Will you attach more importance to passing rising costs on the prices than improving competitiveness?

A We are aware of the factor you mentioned. As we have explained, we have no concrete plans at present, but we are considering various factors to decide how we should respond.

Q What is the trend in the volume of parcels, including the effects of the collaboration with the Rakuten Group?

A During the first nine months of the fiscal year, we handled 750 million Yu-Pack parcels, a 1.0% decrease year-on-year. Meanwhile, looking at the third quarter alone, the declining trend in Yu-Pack on a stand-alone basis is moderating, and Yu-Packet parcels are increasing, mainly due to an increase in the number of Yu-Packet Post parcels. Although there are indications of improvement, we believe that, given the current situation, harsh conditions will continue through the fourth quarter and beyond. At the same time, it is also true that we are seeing results from the initiatives implemented so far, such as a steady increase in the number of parcels handled from the Rakuten Group. We will persevere with initiatives such as the collaboration with the Rakuten Group and other companies, the pursuit of services that boost convenience for customers sending and receiving parcels, and the expansion of logistics solutions utilizing commercial warehouses.

Q How will you respond to the restrictions on drivers' overtime, which will be enforced in 2024?

A Our arterial road transport is provided by Japan Post Transport Co., Ltd., a subsidiary of Japan Post Co. We believe that long-distance transport drivers, in particular, will be the focus of the so-called "2024 problem." For example, when we transport parcels from Tokyo to Kyushu, we change drivers in the middle of the distance. We are also actively securing female drivers to ensure we have a sufficient workforce. Apart from this, these restrictions may have an impact on the amount of expenditure on the initiatives we mentioned to build partnerships with the companies we work with.

This document is a summary of Q&A session for this conference and includes certain revisions and corrections to help readers better understand the points in the dialogue.

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