

Teleconference of the Financial Results  
for the Fiscal Year Ended March 31, 2023  
Summary of Q&A  
(May 15, 2023)

Q Regarding your approach to this share repurchase, what is the background behind the maximum scale of the repurchase, set at ¥300 billion? Also, why is the repurchase period still to be determined?

A We set the scale of the share repurchase at ¥300 billion based on a consideration of the status of the Company's capital, funds, the state of the market, and the proportion of the Company's shares held by the Japanese government.

We plan to determine the repurchase period based on future market movements and other factors. We went ahead and announced the scale of the repurchase first, in view of expectations for shareholder returns and demands to clarify the use of net proceeds from the sale of shares of Japan Post Bank.

Q What are your thoughts on the PBR falling below 1.0?

A We certainly feel ashamed for PBR at this level. It is partly due to low profitability. We hope to discuss and consider this issue as part of the review of the Medium-term Management Plan this fiscal year.

Q Would it be correct to assume that you have been conservative in forecasting results, especially for postal and domestic logistics and international logistics? Aren't they based on the situation in the fourth quarter of the fiscal year ended March 31, 2023, when net income deteriorated?

A The postal and domestic logistics business had seen a temporary increase in the volume of mail sent in the preceding quarters, with vaccination vouchers in the fourth quarter of the fiscal year ended March 31, 2022, and mail related to the individual number cards in the first three quarters of the fiscal year ended March 31, 2023. The subsidence of this temporary increase led to a decline in income in the fourth quarter. The increase in expenses was mainly attributable to special one-off payments in the fourth quarter. For the fiscal year ending March 31, 2024, we will engage in initiatives to expand income in the parcels field and shift resources from post to parcels by strengthening our partnerships with the Rakuten Group, Sagawa Express, and other companies and our logistics solutions.

In the international logistics business, the main cause was the fall in the unit price of marine transportation in the Global Forwarding business. For the fiscal year ending March 31, 2024, we will work to expand income by curbing costs and shifting to a business model focused on Asia.

Q Regarding media reports that you would discuss the consolidation of post offices with a timeframe of around 2040, I had the impression that President MASUDA's comments at the news conference was one step backward. I feel something is wrong, with results unfavorable at present. Do you have any comments on this?

A It's necessary to consider the consolidation of post offices not only from the perspective of economic rationality but also through discussion with local governments. These specific discussions are still ahead of us, but we believe that, at present, we must boost the profitability and public benefits of post offices.

Q How is the consideration of raising Yu-Pack fees progressing, and when is the change planned?

A Regarding the revision of fees for Yu-Pack, we announced that we would raise the basic shipping fees in around Fall 2023, but we are still in the process of internal consideration regarding details such as the rate of the increase and the timing of its implementation, while taking into account the movements of other companies.

Q Will personnel expenses for the fiscal year ending March 31, 2024 decrease in the absence of the special one-off payments recorded in the year ended March 31, 2023? What about the outlook for an increase in collection, transport and delivery outsourcing expenses?

A For personnel expenses, the special one-off payments only have an impact in the fourth quarter of the fiscal year ended March 31, 2023. We have raised standard wages in this year's spring offensive, and expenses for the fiscal year ending March 31, 2024 will be increased by that amount.

We believe that collection and delivery outsourcing expenses will increase in tandem with revenue, as we expect an increase in the volume of Yu-Pack parcels through the fiscal year ending March 31, 2024 in addition to higher unit prices associated with appropriate price pass-on.

Q Regarding the full-year financial results forecast for the fiscal year ending March 31, 2024, you forecast a decline in income of ¥65.8 billion in the postal and domestic logistics business. What are the main causes of this decline, in terms of revenue and expenses?

A I'll refrain from quantifying the individual causes, but in terms of revenue, we aim to offset the decline in the volume of mail handled with an increase in parcels, but this increase is only slight. Meanwhile, we anticipate a substantial increase in expenses in the fiscal year ending March 31, 2024, due to factors such as the upgrade of systems associated with the postal and domestic logistics business and a rise in electricity costs and other utilities expenses, in addition to the increases in standard wages and collection and delivery outsourcing expenses I just mentioned. As a result, we forecast a year-on-year decline in income of ¥65.8 billion.

We have also incorporated the revision of Yu-Pack fees into this forecast, to some extent.

Q Did you use the net proceeds from the sale of shares of Japan Post Bank for the ¥300 billion share repurchase?

A That is correct. We anticipate allocating the net proceeds from the sale of shares of Japan Post Bank to growth investments such as DX and real estate investments, as well as to share repurchases aimed at enhancing shareholder returns and improving capital efficiency.

Q What is the impact of raising Yu-Pack fees on volumes? Also, what is the outlook for the revision of postal fees?

A We are carefully considering the impact of raising Yu-Pack fees on volumes handled in the context of discussions regarding the shipping fees revision rate, and we are not able to provide specific figures at this stage. We intend to negotiate unit prices for corporate customers after determining the basic shipping fees for Yu-Pack.

Regarding postal fees, as the volume of mail continues to trend lower, we have decided to proceed with a consideration of the revision of postal fees under Japan Post Co.'s business plan, announced at the end of March, based on the status of income and expenditure in each area of operations during the fiscal year ended March 31, 2023.

Q Turning to real estate, what is the level of net operating income expected in the fiscal year ending March 31, 2024, and what are the main causes of the year-on-year change?

A We have not released the net operating income forecast in the real estate business for the fiscal year ending March 31, 2024, on a non-consolidated basis. However, we expect to complete the construction of the Toranomom-Azabudai project and JP Tower Osaka this fiscal year, and we anticipate an increase in expenses such as real estate acquisition tax. At the same time, we expect revenue from the Hiroshima JP Building and the Kuramae JP Terrace, which were completed during the fiscal year ended March 31,

2023, and from the sale of units in Toranomom. These factors will offset each other in net operating income.

Q What is the progress of collaboration with the Rakuten Group, and what is the outlook for this partnership? Additionally, what are your thoughts on the results of this investment, and is there still room for further deepening the capital and business alliance?

A Regarding progress on our collaboration with the Rakuten Group, in terms of logistics, we are progressively building joint logistics bases and joint delivery systems and collection services, and expanding the use of Rakuten Fulfillment Centers, among other initiatives. The volume of parcels from the Rakuten Group has still not reached our expectations, but it has increased year-on-year, and we anticipate further increases in the future. I will refrain from commenting on the specific effect on revenue and others.

At present, we have invested ¥150 billion in the Rakuten Group, and we are not currently considering making any additional investments in the Rakuten Group.

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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