

Company Briefing  
(Fiscal Year Ending March 31, 2024)  
Summary of Q&A  
(July 7, 2023)

Q. The postal and domestic logistics business is expected to post an operating loss for the current fiscal year, but will the profit level bottom out this year and improve in the next fiscal year and beyond as a result of volume expansion, efficiency improvements, and price increases? Also, what is the management's estimate of the final profit level of the postal and domestic logistics business?

A. As customers' needs change, mail and Yu-Mail are on the decline, and we would like to expand the handling of thin small packages such as Yu-Packet.

As shown in the trend in and forecast of volume of Yu-Pack items handled on page 48, the volume of Yu-Pack items was 980 million in the fiscal year ended March 31, 2023, a slight decrease from the previous fiscal year, while we aim to reach 1,360 million items during the Medium-term Management Plan period. The number of Nekopos items handled by Yamato Transport was 410 million in the fiscal year ended March 31, 2023, and when added together, the total number of items handled will achieve the target of 1,360 million items for Yu-Pack set in the Medium-term Management Plan. Going forward, it will be necessary to increase the volume of Yu-Packet items while maintaining profit margins.

In addition, we would like to improve productivity through the use of DX and other means. Furthermore, we intend to provide quality services and improve profit levels by combining the revision of Yu-Pack shipping fees scheduled to be implemented in October 2023 with the enhancement of its sales capabilities.

Q. What is the status of the debate on the P/B ratio below 1.0? What is the likelihood and sustainability of share buybacks in the next fiscal year and beyond?

A. We are aware of the request from the Tokyo Stock Exchange and take it very seriously. At the same time, we believe that this is an opportunity for us to not only strive to increase our corporate value, but also to always manage our business with an awareness of returns to shareholders and the cost of capital.

In addition to considering debt utilization, we would like to conduct share repurchases not only this fiscal year but also next fiscal year.

In light of the Tokyo Stock Exchange's request, we also consider the disclosure of cost of capital to be an issue.

We are aware that our P/B ratio is low and would like to improve it by implementing growth strategies and share repurchases.

Q. How will the proceeds from the sale of shares in the two financial subsidiaries be used in the future? Do you think the stock prices have been depressed due to uncertainty about return on investment?

A. With regard to investments using the ¥1.2 trillion in proceeds from the sale of Japan Post Bank shares, we intend to make sure that they will benefit the Company. The main investment target will be the enhancement of corporate services in the postal and domestic logistics business. In addition, from the perspective of improving productivity, we are considering making DX investments such as telematics and automatic routing systems. Furthermore, in order to increase the number of visitors to post office branches, we would like to consider digitalization that would contribute to the expansion of handling operations. We believe that these investments are very important in strengthening Japan Post's management base for the future. We also intend to make the investments effective by targeting synergies, such as utilizing the well-located real estate owned by Japan Post.

Q. What is your view on future investment in relation to the impairment of Rakuten Group's shares?

A. We consider the capital and business alliance with Rakuten Group to be an upfront investment to strengthen our future management base, especially by securing parcel business on Rakuten Market. After properly evaluating and reflecting on our past investments, we would like to take various opportunities to achieve solid results, while always taking a certain level of risk.

With an eye on the future, we would like to attract the younger generation to whom we have not yet been able to appeal.

Q. With regard to the share repurchase announced in May, please confirm how the repurchase period was once again left undecided.

A. We have received various opinions regarding the content of our disclosure. Although it is difficult to comment on specific adjustments, we will make sure to implement the share repurchase of up to ¥300 billion during this fiscal year.

Q. Currently, second-class and first-class postal rates are ¥63 and ¥84, respectively. Would it be correct to say that it is becoming difficult for the postal business to remain profitable in this rate range? If so, although the procedures and coordination would be difficult, is it safe to assume that rate reviews could occur in the future?

A. We will soon be releasing figures for the fiscal year ended March 31, 2023 regarding revenue and profit by mail and parcel, but looking at mail alone, we expect the situation to be quite difficult. In the external environment of soaring prices and rising fuel costs, it is necessary to provide quality services on a permanent basis. Since the postal rate review will have a significant impact on business activities and people's lives, it is necessary to conduct a thorough study while listening to various voices and having various discussions with the authorities and others.

Q. The current external environment is exerting considerable downward pressure on performance. Will the review of the Medium-term Management Plan be limited to revising only the financial results forecast? With the mention that the fiscal year ending March 31, 2024 is the year for reviewing the Medium-term Management Plan, I would like to ask about your approach and whether there is a possibility of making revisions to include a longer-term plan.

A. We plan to begin reviewing our Medium-term Management Plan this summer or later. Mainly in terms of performance, the business environment has become even more challenging than when the plan was formulated, and we believe it is quite possible that the performance targets may be lowered. The key is how to recover from this and increase the value we have, such as the post office network. We would like to consider what kind of mechanisms can be used in what areas without changing the concept of the co-creation platform. Whether the review period should be limited to the remaining two years or should look a little further into the future requires careful discussion among the Group companies, and we believe it is too early to make any comments at this stage.

Q. What are the results and issues you have seen with regard to DX promotion? In relation to this, what is the status of consideration of generative AI and its potential impact?

A. As mentioned on page 13, the Group holds customer data in a variety of fields as we provide various services. We are considering the possibility of linking IDs that have been separated by service to new proposals by integrating IDs linked to each customer and centrally managing data across the entire Group, subject to the protection of personal information and the consent of customers.

As for the generative AI, we have not yet decided how to utilize it within the Company, but we will closely monitor trends and regulations and consider how to apply it to specific businesses.

Q. We are looking forward to the results of the co-creation platform, but what is your sense of whether the pipeline is going to get bigger or whether it seems to have run its course?

A. We feel that society's interest in the post office network is growing, and we see potential for collaboration in a variety of areas. As society as a whole is expected to experience a decline in population and concentration of population in urban areas in the future, interest in the post office network is likely to grow even more. In any case, it is essential to lead to substantial results for the Company and its counterparties, and we would like to respond in good faith, considering each possibility one by one.

Q What is your assessment of the progress of the current Medium-term Management Plan?

A. We recognize that the situation is considerably more difficult than originally envisioned in terms of income for the Medium-term Management Plan. The reasons for this are the delay in the recovery of Japan Post Insurance sales and the fact that postal and logistics income have not been fully captured, and we believe that measures to address these issues are necessary. In addition, the business environment surrounding the Group has changed since the time the plan was formulated, including the impact of rising prices.

On the other hand, technology has advanced further than expected since the time of its formulation. As we utilize the nationwide network of post offices, we believe that we can reduce costs and improve services in the Group core business by further embracing technological advances, such as considering the practical application of drones and automated driving technology.

Furthermore, as the number of visitors to real post offices declines, we believe that it will become necessary to incorporate not only core business products and services, but also public services and affairs with a strong public flavor, and we recognize the need to examine the scope of operations through these initiatives.

Q. Regarding the Yu-Pack price hike, other major companies raised their basic shipping fees in April, but looking at the current situation, it appears that there has been no progress in raising rates for corporate customers. I would like to ask whether Japan Post is ready to negotiate with them on this matter smoothly going forward.

A. We are planning to raise the Yu-Pack basic shipping fee by an average of 10%, although the rate will vary depending on the size and destination of the package, starting October 1. For corporate customers, we plan to consult with them after October, although the specific timing will vary. While we are not aware of any situation at other companies beyond the fact that they have already raised their basic fees, we recognize that each individual customer is consulting with them regarding the rates. Japan Post will strive to improve its services through DX and other means so that customers can continue to use Yu-Pack even after the price increase.

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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