

Financial Results Briefing
(Six Months Ended September 30, 2023)
Summary of Q & A
(November 15, 2023)

Q What is your policy on initiatives to improve ROE? Which businesses will you focus on, in particular?

A In the postal and domestic logistics business, in particular, we hope to work swiftly to improve profitability. This includes considering the revision of fees.

In the postal business, a swift improvement in profitability through the revision of fees is needed. In the domestic logistics business, we have just revised the Yu-Pack basic shipping fees in October, and we intend to continue our efforts to review corporate contracts from the perspective of profitability to ensure appropriate profits. For the second half of the fiscal year, we will also work to secure postal volumes through stronger alliances with other companies.

In addition, we will endeavor to reduce costs and achieve more advanced delivery services through the use of drones and other technologies.

In the real estate business, we are currently experiencing headwinds such as the high materials prices, but we believe it is crucial that we grow this business over the medium to long term into a pillar of revenue to support stable management.

Q Of the ¥1.2 trillion in proceeds from the sale of Japan Post Bank shares, excluding the amount allocated for share repurchases, how will the remaining ¥900.0 billion be used?

A There has been no particular change to the policy already announced. We will continue to utilize the proceeds for shareholder returns and growth investments.

In terms of investment, especially in the postal and domestic logistics business, we aim to invest in improving our transportation and delivery capacity including automation, efficiency improvements, and new specialized logistics facilities. In the future, with dividends from two financial subsidiaries anticipated to decline, we hope to raise the profitability of Japan Post Co.'s domestic logistics business.

Q Regarding the review of the Medium-term Management Plan, is there a chance of any changes to your policy on shareholder returns or investment plans?

A Regarding shareholder returns, we aim to maintain dividends of ¥50 per share for the next two years and continue the flexible implementation of share repurchases.

Regarding investment plans, we are in the process of reviewing the M&A investment budget we established when formulating the Medium-term Management Plan. We believe that DX investments

and investments to improve basic facets of our businesses for the future, such as investments to strengthen transportation and delivery capacity in the domestic logistics business, are vital for us to achieve future growth.

Q In considering the revision of postal fees, what is the range of increase the company would like to see?

A Revision of the Ordinance of the Ministry of Internal Affairs and Communications is needed to revise postal fees. Moreover, given their nature as a form of public utility charge, we cannot provide any explicit information on how many times and in what range postal fees be increased at the moment. However, we expect that the system will be revised to the one that enables us to maintain sustainable operations of the postal business and respond flexibly in consideration of anticipated price rises and other factors in the economic environment. We are currently in the process of coordinating our approach to this revision.

Q Will the revision of postal fees be limited to first-class mail (sealed letters) or will it also include second-class mail (postcards)?

A We are including second-class mail, as well as services such as Letter Packs, in the scope of our consideration. However, we are not considering revising fees for third-class or fourth-class mail.

Q Will you be able to come up with a realistic strategy to achieve an ROE of 5%, given the difficult business environment?

A As part of our current review of the Medium-term Management Plan, we aim to accumulate figures to achieve our goals by appropriately reflecting factors such as changes in the business environment since the plan was first formulated and the rise in personnel expenses associated with the increase in wage rates.

In addition to labor savings, which is being undertaken under the current Medium-term Management Plan, we also aim to revise the deployment and role of post offices in urban areas, where there are many other financial institutions, and consider the use of advanced technology, on the premise of maintaining universal services over the medium to long term.

Q What is your impression of the overall business environment in the logistics industry? Also, what is the risk of declining profits in the postal and domestic logistics business in the face of the so-called 2024 problem and other factors inflating personnel expenses?

A With stay-at-home demand subsiding, we are aware of a year-on-year decline and weakness in parcel volumes across the entire logistics industry, especially from July to September this year.

We are appropriately addressing the so-called 2024 problem, mainly through building relay points

along long-distance transportation and making other operational changes.

Going forward, we believe it will be vital for each company to fully utilize capabilities in its specialist field to bring about industry-wide growth. In this context, Japan Post Co. is engaged in boosting initiatives through its business alliances with the Yamato Group and Sagawa Express.

Q On page 8 of the briefing materials, you state your intention of “strengthening the transmission of equity stories.” What are “equity stories” and how will you transmit them?

A We think it is crucial to appropriately transmit our Group-wide approach to growth.

As more than one-third of the Group is owned by the Japanese government, we will strive to maintain universal services. At the same time, especially in the domestic logistics business, we would like to continue to provide timely and appropriate disclosure on issues such as our intention to achieve growth despite a competitive environment with other companies, and our approach to raising funds through corporate bonds and loans in addition to equity capital.

We are aware of the complex, multi-faceted nature of evaluation by the capital market, but as corporate managers, we will do everything possible to meet the expectations of the market.

Q Will the profits gained from the revision of postal fees be allocated to shareholder returns?

A Profit is a profit, and there is no change in the Group’s policy to provide appropriate shareholder returns from the profits gained by Japan Post Holdings.

On the other hand, as the revision of postal fees is necessary to secure an appropriate level of profitability to maintain the postal business, the Group must also ensure appropriate profits to make sure there is a future for this business.

Q Regarding your initiatives for the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” it appears that your policy going forward will focus more on realistic growth investment than on implementing large-scale M&A activities and the like. What are your views on this?

A During the remaining period of the current Medium-term Management Plan, which is a little over two years, we do not believe that we are at the stage of undertaking excessively large-scale investment projects, given the role and mission of our group, the current trends in interest rates, the economic environment, and the state of the population and employment. Rather, as a listed company, we think it is vital for us to ensure proper shareholder returns and steadily and progressively invest in growth based on technological advances, such as automation and systemization in the postal and domestic logistics business.

In the medium to long term, we also hope to strengthen the real estate business. However, at present, we think it is necessary to exercise self-control in these initiatives given the soaring cost of construction and other factors. This will be reflected in the review of the Medium-term Management Plan.

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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