

Large Meeting
(Fiscal Year Ended March 31, 2024)
Summary of Q&A
(May 16, 2024)

Q What are the key methods you will use to increase ROE to 5% or higher? With fixed costs forecast to continue to rise in both the postal and domestic logistics business and the post office business, won't it be important to expand income?

A We intend to expand income in both the postal and domestic logistics business and the post office business. Until now, our focus has been on cost reduction. However, this approach risks perpetuating the decline in earnings, and we thought that a different approach was necessary to outline a vision for the future.

In order to increase income from parcels in the postal and domestic logistics business, we hope to actively capture high-value-added business in the B-to-B parcels field.

Boosting our competitiveness so that we become the chosen supplier for our customers will enable us to increase profitability. For the first time, we have introduced NPS[®] as a KPI to measure competitiveness in the postal and domestic logistics business. As a result, we have discovered that our Yu-Pack delivery service is inferior to our competitors. We also plan to focus our efforts on improving NPS[®] and strengthening sales structures.

We aim to improve profitability in the post office business, too, establishing five core initiatives to achieve this. We will enhance our sales capability for products and services through measures such as flexible staff placement at post office counters, strengthening the knowledge and skills of all employees, and fostering sales specialists. We will also engage in initiatives such as the Vacant House Mimamori (Watch Over) Service in collaboration with local governments and other companies.

On top of this, we will work on reducing costs. With personnel expenses per employee on the rise due to base-up wage rises and other factors, we hope to achieve cost reductions at post office counters through initiatives such as DX.

To improve ROE, we will not only engage in increasing profit, the numerator, but also in reducing the denominator. Specifically, in addition to continuing share repurchases, we plan to utilize liabilities. Through these measures, we aim to increase ROE to 5% or higher.

Q What changes have been made in your strategy for the real estate business? The investment amount gives the impression of a toned-down approach. Perhaps you have strengthened internal systems with the establishment of real estate as a separate business segment?

A There is no change in our stance regarding the real estate business. We intend to steadily engage in developing it into a pillar of earnings. Some caution is needed, however, due to the tendency

toward lengthy construction periods resulting from the soaring price of construction materials and the deterioration in labor availability over the past year or two. In this environment, we even had to revise our plans for the development of the former post office site in Kojimachi. Notwithstanding this difficult environment at present, we intend to continue to push ahead with initiatives such as the development of Group-owned real estate and the acquisition of real estate from outside the Group. This includes coordinating as necessary with the relevant authorities for future development.

Moreover, whereas the bulk of our development projects previously consisted of the development of Group-owned properties in prime positions for lease, we have also undertaken housing projects for sale in recent years. We aim to continue to capture any promising development projects to boost our income in the future.

Q What is your approach to the placement of post offices in the post office business?

A We will make sure to maintain the present post office network in less populated regions as well as urban areas. We regard post offices as assets that generate added value, and we must further enhance their competitiveness. Post offices are physical sales channels, and we aim to engage in improving customer convenience and service quality. At the same time, we will utilize digital technology to increase the range of services offered remotely, in ways such as linking financial services to the Post Office App. Physical branches are vital, but we will also increase our efforts to deliver post office services to customers at home.

Q Japan Post Bank accounts for a large proportion of consolidated profit, so better performance from Japan Post Bank is vital to improving Group results. Meanwhile, although the rise in postal fees will improve the performance of the postal and domestic logistics business for the present, it is then forecast to deteriorate further. How do you view structural problems like these in terms of achieving your ROE target?

A First of all, there is no change in our policy to sell Japan Post Bank shares, reducing our holding ratio to 50% or less by March 31, 2026. However, the sale of Japan Post Bank shares will have a negative impact on ROE, so we aim to utilize the proceeds from selling these shares to bring about growth. The disposal of our shares in Japan Post Bank and Japan Post Insurance is a condition under the Postal Service Privatization Act, and we are faced with the issue of how to invest in growth in this context. We hope to boost income by shifting to fields such as the logistics business and the real estate business.

Meanwhile, although performance will improve for the fiscal year ending March 31, 2026 due to the increase in postal fees, the postal business accounts for two-thirds of the ¥2 trillion income of the postal and domestic logistics business, so a decline in profitability from the postal business means that overall performance will not improve, even with growth in parcels. Postal services in other countries have repeatedly increased fees, reduced the frequency of deliveries to three times per week, and accepted government subsidies amid the decline in postal income. By contrast, Japan

Post Co. aims, as far as possible, to reform its structure without lowering its standard of service, thus achieving greater efficiency while also satisfying its customers.

In the post office business, too, we plan to link the services provided by Japan Post Bank and Japan Post Insurance to the Post Office App. With our customers' consent, we will integrate customer data from Japan Post Bank and Japan Post Insurance based on their Yu ID. These and other initiatives will enable us to use cross-selling to provide services that match customer needs.

It is through such initiatives that we aim to increase ROE and improve PBR.

Q Regarding your shareholder return policy, what is your reason for not presenting any forecast for the total shareholder return ratio? Setting a target such as 100% or greater would improve predictability.

A Regarding shareholder returns, we have consistently promised annual dividends of ¥50 per share, and our stance on this matter remains unchanged.

In the fiscal year ending March 31, 2025, we will implement up to ¥350 billion in share repurchases, in addition to total dividends of ¥150 billion. We are not yet in a position to make promises about the scale of share repurchases in the fiscal year ending March 31, 2026, and therefore simply indicated that these would be of substantial quantities.

We will consider the way that we indicate our outlook for the total shareholder return ratio to the market.

Q Under JP Vision 2025, the Medium-term Management Plan prior to the revision, you painted an ambitious picture of investments in new businesses totaling around ¥550 billion to ¥1 trillion. By contrast, investments in new businesses under the revised plan, JP Vision 2025^{Plus}, seem to be somewhat toned down. What is the reason for this? Also, how have these investments been implemented over the last three years, and what is the outlook after revision? The reason I ask is that your investment in new businesses does seem somewhat insufficient.

A The investment amount indicated under JP Vision 2025 was the total investment by Japan Post Holdings and its subsidiary, Japan Post Capital. It did not represent the sum of actual investment projects, but rather a maximum total amount, which we would have to find new projects to fill. In terms of actual investments, Japan Post Holdings has not made any, while Japan Post Capital has made some small investments. We invested ¥150 billion in the Rakuten Group just before formulating JP Vision 2025. Taking this into account, our actual investment is more like ¥150 billion + α.

Over the next two years, we planned to invest a total of ¥400 billion in each business field. We are currently searching for new logistics bases, an investment initiative that spans both the postal and domestic logistics business and the real estate business. The amount of our investments will increase if projects such as these emerge. The planned investment of ¥400 billion represents a baseline amount, and we hope to make additional investments that will lead to growth.

Under JP Vision 2025^{Plus}, we have not included new businesses in our investment plan. This is because we intend to make investments in a disciplined manner, taking and controlling risk appropriately. Such investments should not be made on the basis of the amount of money set aside. Rather, it is vital that we implement projects focused on return and other factors of investment quality.

Q I would like to hear your comments, as far as possible, regarding the revision of the Postal Service Privatization Act. Will legal reform related to postal services increase the corporate value of Japan Post Holdings?

A I understand that a project team composed of some of the members of the Liberal Democratic Party's parliamentary group on postal issues has considered the submission of a lawmaker-initiated bill to revise the Postal Service Privatization Act, and that this approach was presented at a plenary meeting of the group held on April 25.

I believe that the proposed revisions are under continuing examination within the Liberal Democratic Party, and I will refrain from making any definite comments at this stage. However, I expect that these discussions will lead to an increase in the corporate value of the entire Japan Post Holdings Group.

Q Will future inflation pose a risk to your businesses?

A Although inflation will tend to push costs higher, it may also lead to interest rate hikes, which would provide a tailwind for Japan Post Bank and Japan Post Insurance. I believe there is some merit in the idea of indexing postal fees to consumer prices, as is done elsewhere in the world. The increase in postal fees this time has been limited to only the bare minimum necessary. In some other countries, postal fees are revised automatically in line with consumer prices. I think the government is discussing the situation with the next fee increase in mind, but I hope that this leads to a review of the overall system.

Q The depopulation and disappearance of cities in regional areas would also seem to present a risk for your businesses. What are your thoughts on this?

A Population decline is becoming more evident in urban areas as well. Local government agencies are responsible for public services, but we are able to take on services that are in the public interest. This is not an issue that can be addressed simply through the efforts of corporate management, but we hope to provide services such as the grant of Individual Number Cards, which is subject to special local grant tax. Through initiatives such as these, we will maintain stable post office operations, even in communities with declining populations.

Q No cash allocation is presented for JP Vision 2025^{Plus}. I think that if you could indicate your approach to cash allocation for Japan Post Holdings and Japan Post Co., excluding Japan Post Bank

and Japan Post Insurance, then this would increase the predictability of matters such as the scale of share repurchases.

A We have presented our approach to the allocation of the proceeds from the sale of shares of Japan Post Bank and Japan Post Insurance in the Material For Large Meeting (page 118). I understand that you want to see a more comprehensive, overall picture. We will make it an issue for consideration.

Q Regarding the efforts to revise the Postal Service Privatization Act, what opinion will Japan Post Holdings express if, as a result of this revision, your holding ratio in Japan Post Bank and Japan Post Insurance is not lowered to less than 50%?

A Our position is that we do not directly participate in discussions with the government regarding the reform bill. Our understanding is that members from both sides of the issue are engaged in discussions within the Liberal Democratic Party. We intend to continue to express our hope that the government will consider reforms that will lead to the improvement of corporate value.

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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