

Teleconference of the Financial Results  
for the Fiscal Year Ended March 31, 2024  
Summary of Q&A  
(May 15, 2024)

Q What considerations lay behind your decision to set the maximum scale of share repurchases for the fiscal year ending March 31, 2025 to ¥350 billion? The materials provided state your intention to “continue share repurchases of substantial quantities.” Will the scale of share repurchases in the fiscal year ending March 31, 2026 be equivalent to the fiscal year ending March 31, 2025?

A In view of the status of share repurchases through on-market purchases during the fiscal year ended March 31, 2024, we considered it appropriate to set the scale of share repurchases in the fiscal year ending March 31, 2025, to ¥350 billion. This represents an increase of ¥50 billion over the previous fiscal year, with the aim of further enhancing shareholder returns and improving capital efficiency, as indicated in the guidance we have provided. Going forward, we will determine the scale of share repurchases based on a consideration of factors such as the source of funds required, the improvement of capital efficiency, and the balance of dividend income and expenditure. The reference to substantial quantities does not imply that the level of share repurchases will necessarily remain at the same level as in the fiscal year ended March 31, 2024. We will determine the scale for the next fiscal year based on the situation ahead.

Q Has your medium-term strategy for Yu-Pack changed from the previous medium-term management plan? Looking ahead, do you prioritize boosting volumes over increasing income through higher unit prices?

A We regard parcels, including Yu-Pack, as a growth field. That perception remains the same as before we revised the medium-term management plan. These revisions have clarified our aim to increase parcel volumes, focusing on small parcels, where we can leverage our strengths. There is, however, no change in the need to set appropriate prices, and we will proceed with measures such as the revision of corporate contracts. I will refrain from giving specific figures, but we do expect unit prices to rise.

Q Do you anticipate any revisions in postage rates in the postal and domestic logistics business? How much impact will these have?

A We anticipate implementing revisions on October 1, 2024, and we have reflected them in our plan for the fiscal year ending March 31, 2025. As presented in the materials for the meeting of the Postal Services Committee of the Information and Communications and Postal Services Council on December 18, 2023, we expect these revisions to lead to an increase of at least ¥100 billion in net operating income in the fiscal year ending March 31, 2025.

Q The post office business seems to be in a state of chronic loss, even if we assume the negative impact of separating the real estate business. Are your forecasts based on conservative assumptions?

A In terms of income, we expect a decline in insurance commissions due to the low level of new insurance policy solicitation in previous years. We also anticipate a decrease in banking commissions due to the falling costs at Japan Post Bank branches. In terms of expenses, we expect an increase in personnel expenses per employee and rising commodity prices. We also plan expenditures for future growth, such as the deployment of digital terminals for business use, to reform operations.

We will implement various initiatives to stem these losses. By promoting greater efficiency, we aim to shift the post office business to a tendency to be profitable in the fiscal year ending March 31, 2027 onward.

Q Do you plan to revise the commissions for banking and insurance?

A With the rise in costs forecast to continue, the Group will need to come together to boost top-line revenue in the post office business so that it can secure stable income. In particular, we need to proceed with the consideration of measures for further improving income from financial agency services while boosting income in the finance business, which will be a focus for earnings Group-wide.

We will not exclude the revision of the commission structure from these considerations, but it will naturally have to be a revision within a scope that we can reasonably justify to external parties, including compliance with the arm's length rule. Going forward, we will coordinate between each company in the Group.

Q The effect of the increase in postage rates can be estimated as around ¥100 billion in the fiscal year ending March 31, 2025, and around ¥200 billion in the fiscal year ending March 31, 2026, based on the materials prepared by the Council. On the other hand, net operating income of ¥90 billion is forecast for the postal and domestic logistics business in the fiscal year ending March 31, 2026, which seems only a small increase. What is the reason for this?

A In terms of income, we do anticipate the effect of the revision of postage rates, as you describe. However, the small increase reflects the expected decline in postal volumes, as well as an increase in costs, such as personnel expenses due to factors including higher rates per employee, and expenditures aimed at building efficient operations.

Q How are negotiations progressing with corporate customers regarding the increase in Yu-Pack prices? What kind of response have you had?

A Since the revision of the basic shipping fees in October 2023, we have completed negotiations and the implementation of revisions, focusing on small and medium corporate contracts. We are continuing our efforts for the revision of large corporate contracts. I will refrain from commenting on the individual status of negotiations.

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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