

Teleconference of the Financial Results
for the Three Months Ended June 30, 2024
Summary of Q&A
(August 9, 2024)

Q How do you assess Japan Post Co.'s performance against the plan for the first quarter of the fiscal year, overall and by segment?

A Overall, both revenue and expenses were lower than the plan, and the progress on net operating income/loss exceeded the plan.

By segment, revenue in the postal and domestic logistics business segment fell far short of the plan. This was due to a decrease in Yu-Pack volumes resulting from factors such as weaker household consumption, attributable to inflation. Meanwhile, expenses were also lower than planned due to the decline in Yu-Pack volumes, as well as the delayed expensing of wireless access point establishment, part of DX initiatives, to the next period. As a result, net operating income/loss was largely in line with the plan.

In the post office business segment, revenue slightly exceeded the plan. Strong sales of single-premium whole life insurance pushed related expenses somewhat higher than planned, but post office repair expenses and utilities expenses were lower than the plan. This resulted in net operating income that exceeded the plan.

In the real estate business segment, both revenue and expenses were largely in line with the plan.

In the international logistics business segment, revenue was substantially higher than the plan due to factors such as an increase in the unit price of marine transportation in the Global Forwarding business. However, revenue-linked expenses were also higher than the plan, and net operating income was largely as planned.

Q Regarding your assessment of Yu-Pack volumes in the first quarter, were they in line with the plan, and do you have any measures to increase these volumes going forward?

A Yu-Pack volumes fell short of the plan. Regarding measures to increase these volumes, we will continue to monitor the progress of our alliances with other companies against the plan. In addition, for unit prices, we hope to focus on raising prices for corporate customers to secure profits while working to keep volumes in line with the plan.

Q You have said that the unit prices for Yu-Pack and Yu-Packet will not rise due to the increase in corporate senders and the product mix, but some companies have raised unit prices under similar conditions. I am concerned that there has not been much progress in your efforts to set appropriate prices.

A Our efforts to raise the unit prices for corporate customers are not progressing as anticipated. We aim to raise unit prices while keeping sales competition in mind.

Q In the past, your competitors tended to lower unit prices to secure volumes, but now they seem to be focused on raising unit prices. How do you view this trend?

A We have received reports from our salespeople about our competitors' aggressive price reductions. We will consider raising unit prices based on the situation among our competitors.

Q The volume of mail is down 5.7% year on year. How do you assess this? I would like to know whether the level of price increases that you currently plan is sufficient. I would also like to hear about revenue improvement measures going forward.

A Although the volume of mail fell slightly short of the plan, the level of postal income was in line with the plan.

The relevant authorities determine the maximum level of postage rates based on various criteria.

I understand that the Postal Fees Policy Subcommittee of the Postal Services Policy Committee, Information and Communications Council will consider the systems related to postal fees based partly on changes in the management environment for the postal business.

Q I would like to ask for details of the operating income from property sales recorded this fiscal year in the real estate business segment. Also, what is your outlook for the full-year results in this segment?

A The operating income from property sales recorded in the first quarter was due to the sale of properties in the Azabudai Hills Mori JP Tower and the former company dormitory site, which we planned mainly during the first quarter. From the second quarter onward, we are still in the process of accumulating income sources through tenant leasing for large-scale rental properties such as the Azabudai Hills Mori JP Tower, the Gotanda JP Building, and the JP Tower Osaka, which were recently completed. Depreciation, taxes and dues, and other expenses will arise before income is generated, so we expect full-year net operating income to be in line with the guidance we have issued.

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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