

Teleconference of the Financial Results for the Six Months Ended September 30, 2024

Summary of Q&A

(November 14, 2024)

Q How do you assess Japan Post Co.'s overall performance and performance by segment against the plan?

A Overall, the results for Japan Post Co. exceeded the plan for the first half of the fiscal year. Progress in the post office business segment was better than planned, while progress in the postal and domestic logistics business segment, the international logistics business segment, and the real estate business segment was largely in line with the plan.

By segment, revenue in the postal and domestic logistics business segment progressed ahead of the plan for mail but fell short of the plan for parcels, primarily Yu-Pack. We kept costs down in line with the decrease in revenue. In addition, non-personnel expenses related to our investment in digitalization and other costs were lower than planned. Both revenue and expenses were below the levels planned and as a result, net operating income/loss was largely within the forecast range.

In the post office business segment, revenue was ahead of the plan due to insurance commissions from strong sales of lump-sum payment whole life insurance. In terms of expenses, personnel expenses were lower than planned due to a higher-than-anticipated number of retirements and non-personnel expenses were also below the plan. As a result, net operating income exceeded the plan. In the international logistics business segment, revenue was higher than planned due to a rise in the unit price of marine transportation and an increase in the volume of cargo handled in the Global Forwarding business. Expenses increased in line with revenue, but the business still secured a profit. The Global Logistics business also performed better than planned, resulting in net operating income (EBIT) in the international logistics business segment that was largely on par with the plan. Revenue in the real estate business segment was in line with the plan. Expenses were slightly lower, and net operating income was largely on par with the plan.

Q Japan Post Bank and Japan Post Insurance both revised their financial results forecasts, but you have left the Group's consolidated full-year financial results forecast unchanged. You commented that the impact of the revision of postal fees on results is still unclear, but what are the factors that could potentially lead to lower-than-expected performance in each segment in the second half?

A In the postal and domestic logistics business segment, we incorporated a potential decline in demand due to price increases associated with the revision of postal fees into the full-year financial results forecast. However, we believe that there is a risk that the volume of New Year's mail, which has an especially large proportion of individual senders, will be even lower than expected, and that it is necessary to monitor our results in the third quarter.

In the post office business segment, we expect revenue in the second half to exceed the forecast due to the expected continuation of the stable trend seen in the first half.

We also expect the international logistics business segment and real estate business segment to perform in line with the first half.

On a consolidated basis, while we recorded equity method income of ¥45.3 billion associated with Aflac Incorporated during the first half of the fiscal year, equity method income will not continue to grow in this way, with Aflac Incorporated recording a loss in the third quarter. Considering factors such as these, we have left the Group's consolidated results forecast unchanged.

Q Is it correct to understand that there has been no marked decline in the volume of mail in October and that the outlook is still difficult to determine until you see the situation of New Year's mail?

A That is largely correct. There was a last-minute rise in demand in September before the increase in postal fees, and while there is evidence of a reactionary decline in October, we also recorded mail accepted due to the House of Representatives general election at the end of October. Excluding the impact of the House of Representatives general election, volumes have been largely in line with forecasts.

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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