

Large Meeting
(Six Months Ended September 30, 2024)
Summary of Q&A
(November 15, 2024)

Q In the parcels fields, what are the results of the increase in unit prices that you implemented so far? What is your outlook and what initiatives are you planning, including for parcel volumes?

A Overall, the postal and domestic logistics business segment recorded a loss for the six months ended September 30, 2024, but secured a profit in the parcels field. We are putting up a very good fight amid strengthening price competition from our competitors, with volumes increasing 1.1% year on year thanks to the collaboration with the Rakuten Group, etc.

Looking ahead, we hope to make our services chosen by customers much more, so we will improve our service levels and expand our market share by pursuing initiatives such as comparison with competitors through measures such as NPS®, more convenient sending and acceptance for parcel products, and DX initiatives.

Q In the postal business, you have noted some concern over the impact of the revision of postal fees on postal volumes, primarily for New Year's postcards. Under the plan established upon your application to the Ministry of Internal Affairs and Communications for the revision of postal fees, you forecast a return to losses two years after the revision. Please share your present thoughts on how the postal business must be changed to ensure its sustainability going forward.

A As you say, in the plan established when we applied to the Ministry of Internal Affairs and Communications for the revision of postal fees, we forecast that it will again become difficult to maintain profitability around two years after the revision. We cannot reverse the downward trend in postal volumes associated with the dramatic growth of email and other communication methods. Through management effort, we will strive to ensure the continuity of the postal business. We also hope to coordinate with the Ministry of Internal Affairs and Communications regarding future postal fees and systems.

In terms of management effort, we need to consider cost reductions, including employee work styles, in line with the decline in postal volumes. Overall, we will shift our main focus from the postal business to the parcels field. We not only intend to strengthen parcels but also engage in steady cost reductions in the postal business while promoting DX. We also hope to expand our product lineup. At present, we have just launched the new POST&GIFT products, New Year's postcards with attached gifts, in November this year. Through new products like this, we will strive to achieve business continuity, even amid the decline in postal volumes.

In terms of postal fees, I understand that until now, fees have been kept at a minimum from a public utility perspective, given their aspect as a universal service. Through coordination with the Ministry of Internal Affairs and Communications, we hope to revise systems so that the demand for our

products, as a private enterprise, and the status of society-wide prices are reflected in postal fees, to ensure business continuity. In addition, councils, etc. at the Ministry of Internal Affairs and Communications are in the process of considering the simplification of procedures for the revision of postal fees and improvements in the way that postal fees are presented to customers.

Q I understand that many of the costs in the post office business are fixed, so that any fall in revenue makes it difficult to maintain profitability. Regional revitalization is one of the key themes of messaging by the current government. Please tell us any steps that Japan Post Holdings can take regarding regional revitalization.

A We believe that the current government has positioned regional revitalization as one of its main themes and we think that in this context, local post offices will be expected to take on even more important roles than before.

Going forward, we think it may be appropriate for local post offices to fulfill roles within the government's plan; for example, by engaging in regional revitalization work on some days of the week when they are not engaged in conventional post office work. In addition, over 100 million Individual Number Cards are issued so far, and maintenance is required once every five years. However, this is difficult for local governments to implement by themselves. If statutory provisions were put in place designating post offices to undertake public duties such as this, we would receive revenue of grant tax, etc. that supplement local governments' expenses. We consider the potential for post offices that take on an expanded role in helping local communities, including undertaking public duties, as one possible direction for the future on the assumption that profitability is maintained.

Q I would like to ask about shareholder returns. The proceeds from the sale of Japan Post Bank shares will last until next fiscal year, so I imagine that some degree of shareholder returns will be implemented until then, but won't it be difficult to conduct share repurchases after that? Please tell us your views on shareholder returns in the medium and long term.

A We believe that it is vital to maximize share repurchases, in addition to dividends. We will begin by ensuring we fulfill the goals of the current Medium-term Management Plan during the plan period. Given the purpose of postal privatization, it is fundamental that we provide steady returns to shareholders as a listed company. In this context, we also intend to examine the level of returns that we should provide under the next Medium-term Management Plan. Likewise, we intend to progressively sell shares of our subsidiaries, and we will consider the timing of these sales under the next Medium-term Management Plan.

Q Regarding the sale of shares of Japan Post Bank, is there any feeling of regret over letting the shares go, considering its extremely strong business performance? With the deadline for the sale, established under the Medium-term Management Plan, approaching, I would like to confirm

whether there is any change of policy.

A There is no change in our policy. We intend to proceed according to the current Medium-term Management Plan.

Q Japan Post Bank and Japan Post Insurance, especially the former, have a substantial influence on consolidated ROE and the cost of capital. In fact, I believe that they are largely dependent on Japan Post Bank. As a group, how do you plan to manage Japan Post Bank, going forward? If it is difficult to manage, perhaps it would be simpler to exclude it from the scope of consolidation and account for it using the equity method. What is your view on this?

A Through the sale of Japan Post Bank shares, we intend to reduce our shareholding ratio to 50% or less during the term of the current Medium-term Management Plan. After that, we will proceed with deliberations on the disposal of our shareholding ratio.

Our legal influence will decline as we progressively lower our shareholding ratio, but we are engaging in the integration of group-wide systems in a way that will provide merits for Japan Post Bank as well by enabling the development of businesses utilizing a variety of information and data held by the Japan Post Group, especially post offices. Going forward, as our shareholding continues to decrease, we will manage based on a structure where its membership of the Group makes economic sense for Japan Post Bank. With the addition of revenue from the parcels field and other businesses, we will strengthen management as the Group's holding company. That is our basic approach.

You suggested that we exclude Japan Post Bank from the scope of consolidation and account for it using the equity method. However, we are still not far enough into our consideration of the scenario and timing of any further developments after we reduce our shareholding ratio in Japan Post Bank to 50% or less to provide any further information. I expect that this will be one of the main themes of the next Medium-term Management Plan.

The same applies for Japan Post Insurance. We intend to make the improvement of Japan Post Holdings' ROE, through Group-wide initiatives such as Japan Post Bank's development of the Σ Business utilizing post office data, a main theme of the next Medium-term Management Plan.

Q I would like to ask about your assessment of your alliances with the convenience store industry and your future plans for these alliances. You have had an alliance with Lawson since 2008 and with Family Mart since 2016. I imagine that the direction that you are aiming for in these alliances has changed together with the substantial changes that have occurred in the environment for these and other convenience stores. Please tell us about the results of these alliances so far and your approach going forward, including any consideration regarding the investment of capital in these alliance partners.

A The Japan Post Group pursues businesses through cooperative relationships with Lawson and Family Mart. We are considering and discussing the possibility of new initiatives to expand services

in regional areas where the population is declining, such as the sale of convenience store products inside post offices.

We are not considering the establishment of capital partnerships, but looking ahead, we are thinking about developing stores through the efficient use of the same real estate properties; for example, through the integrated operation of post offices together with JP Lawson and JR train stations. We aim to expand our patterns of collaboration with the convenience store industry and share ideas to enhance the services we provide to customers.

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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