

Teleconference of the Financial Results for the Nine Months Ended December 31, 2024

Summary of Q&A
(February 14, 2025)

Q How do Japan Post Co.'s profit results by segment compare to the plan?

A In the postal and domestic logistics business segment, profit is progressing in excess of the plan for mail, but behind the plan for Yu-Pack and Yu-Packet. We have been unable to make as much progress as we anticipated in raising the unit prices of Yu-Pack amid competition with other companies, in addition to the market-wide cool-down in consumption. For Yu-Packet, we are lagging behind the plan mainly due to less progress than planned in dispatches through our partnership with Yamato, which we had forecast would boost results. Although expenses also came in below the planned level due to a decline in personnel expenses and collection, transport and delivery outsourcing expenses, net operating income was still lower than planned.

In the post office business segment, revenue fell short of the plan but so did expenses, resulting in net operating income that exceeded the plan.

Results in the international logistics business segment were roughly in line with the plan.

In the real estate business segment, rent income was higher than planned, primarily for the JP Tower Osaka, and net operating income exceeded the plan.

As a result, overall net operating income for Japan Post Co. was ahead of the plan.

Q Regarding your strategy for Yu-Pack, will you prioritize unit prices or volumes to increase revenue in the future?

A We do not have a strategy of specifically prioritizing either prices or volumes.

We will continue to set appropriate prices. That being said, it is essential from a competitive standpoint that we present reasonably attractive prices for corporate senders, and price pass-on is not progressing as planned.

Meanwhile, we will continue to expand volumes, aiming to win over our competitors in the industry. This is in addition to the increase in the volume of parcels from our partnerships with the Rakuten Group and others.

Q At the Teleconference of the Financial Results for the six months ended September 30, 2024, you commented that the reason why you did not revise the consolidated financial results forecast for Japan Post Holdings, despite an upward revision to the financial results forecasts for Japan Post Bank and Japan Post Insurance, was that it was necessary to monitor the impact of factors such as the revision of postal fees in the third quarter. Why was the consolidated financial results forecast not revised, then, when the results for the third quarter were announced?

A In addition to lower-than-planned net operating income/loss in the postal and domestic logistics business segment, we considered that it was necessary to continue to monitor the impact of the

revision of postal fees in the fourth quarter and thus have left the forecast unchanged.

Q How does the decline in volumes from the revision of postal fees compare to the plan?

A Volumes have been trending downward for some time. In the plan for this fiscal year, we forecast an even more pronounced decline in volumes due to the revision of postal fees, but volumes are declining even more than we forecast.

Q Is this decline in mail volumes the biggest reason why you have left the financial results forecast unchanged?

A The decline in mail volumes is certainly a major reason, but this decision was also taken upon the comprehensive consideration of factors such as the status of the parcels business and the increase in personnel expenses and non-personnel expenses.

Q Regarding the increase in personnel expenses, I understand that negotiations with the labor union are still pending, but should we expect a similar rate of increase to last year?

A Generally speaking, we believe that it will be necessary to increase wages to some degree. We will discuss the degree of the increase for next fiscal year at the upcoming spring labor-management negotiations.

Q What are Japan Post Holdings' assertions in the court case concerning the partnership with Yamato? You are demanding ¥12 billion in damages, but is this sufficient?

A We have two assertions. First, we seek confirmation of Yamato's legal obligation to transfer management of booklet parcels (mail-bin) and small parcels to Japan Post Co. Second, we seek ¥12 billion in damages.

Of this ¥12 billion, ¥7 billion is for the loss of profits suffered by Japan Post Co. It represents the profits for Kuroneko Yu-Packet incorporated into the business plan for the twelve months from February 2025 to January 2026. The remaining ¥5 billion represents the expenses incurred in preparing to accept the full volume of small parcels from Yamato. Specifically, this includes expenses such as the purchase of specialized containers.

Q It seems likely that these lost profits are even greater when considered over a time frame of several years. Have you not raised this point?

A Correct. We are claiming damages for the loss of profits forecast over one year under the business plan, from the perspective of what we can prove.

Q If the legal obligation to transfer management to Japan Post Co. is confirmed and ¥12 billion is paid, will Japan Post Co. be entrusted with Kuroneko Yu-Packet in addition to Kuroneko Yu-Mail?

A Given the fact that all Kuroneko Yu-Mail is already entrusted to Japan Post Co., we expect that

Japan Post Co. will continue to undertake deliveries.

For Kuroneko Yu-Packet, part of the volume has already been transferred, and Japan Post Co. is undertaking deliveries. To avoid inconvenience to customers, as well as for other reasons, there is no change in our policy to continue to deliver the parcels entrusted to us by Yamato.

Q Apart from your partnership with Yamato, do you have any plans to design new products to increase the volume of posted parcels?

A We are currently considering measures to capture a larger volume of small parcels, one of our strengths. We hope to present details in our plans for the fiscal year ending March 31, 2026, and beyond.

Q Could you share a more detailed understanding of the consolidated net income target of ¥360 billion for the fiscal year ending March 31, 2026? What are Japan Post Holdings' expectations for the financial results of Japan Post Bank and Japan Post Insurance? The net operating income target of ¥90 billion for the postal and domestic logistics business segment seems somewhat far-fetched. What is your perspective on this?

A We expect the investment environment, including rising interest rates, to provide a tailwind for the performance of Japan Post Bank and Japan Post Insurance.

We are aware of the need to reconsider the target for the postal and domestic logistics business segment, although the specific amount is not yet clear, at least based on the status of our partnership with Yamato and the larger-than-anticipated decline in mail volumes resulting from the revision of postal fees.

Q It has been reported that amendments to the Postal Service Privatization Act are currently under discussion. Will these amendments have any impact on revenue or capital policy?

A We have been watching carefully to ensure that these amendments do not restrict Japan Post Holdings' management freedom. Regarding capital policy, we expect the revisions will include limitations on our ownership ratio of Japan Post Bank and Japan Post Insurance, but we do not believe that this will affect the intention, established in our current medium-term management plan, to sell our interest in Japan Post Bank down to below 50%. There are still uncertainties, including whether the bill will be passed, making it difficult to estimate its impact on earnings.

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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