Large Meeting
(Fiscal Year Ended March 31, 2025)
Summary of Q&A
(May 16, 2025)

Q What is the potential for other investments after implementing the ¥600 billion capital increase for Japan Post Co.? I would also like to ask for your views on financial leverage and borrowing capacity for investment.

A Going forward, our investment approach will be focused on business alliances and capital-business alliances based on our “Co-creation Platform.” We plan to highlight this approach in our next Medium-term Management Plan. We believe that we can achieve growth through active investments across a range of different fields including real estate, unconstrained by conventional businesses and synergies.

The Japan Post Group still has ample capacity for investment. The capital increase for Japan Post Co. will be funded from the ¥600 billion in proceeds from the sale of Japan Post Bank shares. We also implement integrated cash management, with a Group-wide cash management system (CMS) for Japan Post Holdings and Japan Post Co., as well as their subsidiaries.

Regarding financial leverage and borrowing capacity, we have utilized debt financing, mainly in the real estate business, through borrowings and the issuance of bonds for several years now. We will continue to use a combination of cash on hand and debt to fund investments.

Q Do you have a clear benchmark for the level of shareholder returns for the next fiscal year onward? Will you focus on a total shareholder return ratio of 100% like in the fiscal year ended March 31, 2025, for example?

A We implemented the recent transfer of capital to ensure flexibility in our capital policy. We have implemented substantial share repurchases of around ¥300 billion and ¥350 billion in the fiscal years ended March 31, 2024 and 2025, respectively, and while I cannot comment on the scale, our basic approach is to continue to provide returns to shareholders. I should note that in the fiscal year ending March 31, 2026, the planned scale of share repurchases is around ¥100 billion lower than in the previous fiscal year, but is based on a consideration of the shorter repurchase period, which will begin from August onward, after the transfer of capital comes into effect.

Q There has been a marked deterioration in profitability in the postal business, and the entire postal and domestic logistics business appears to be headed for continuing losses. How does Japan Post Co. plan to use the proceeds of the ¥600 billion capital increase to expand revenue?

A As the volume of mail declines, it is essential for Japan Post Co. to shift its focus from the postal business to logistics so that it can maintain business continuity into the future. We do not anticipate losses in the logistics business, and we hope to continue to expand profits by working on revenue growth and reducing costs through greater operational efficiency.

Meanwhile, we expect revenue in the postal business to fall, primarily due to the impact of digitalization. Despite a return to profit this fiscal year due to the effect of the revision of postal rates, the outlook is difficult for next fiscal year and beyond. We recognize the huge task of curbing the decrease in revenue while simultaneously achieving cost reduction through efficiency improvements.

Q President Masuda, with your retirement imminent, I would like to ask you for an outline of the issues you will hand over to your successors and a brief recap of the environmental changes that occurred during your term of office.

A The first half of my five-and-a-half years in office was marked by the COVID-19 pandemic, which severely limited our activities.

Meanwhile, the postal and domestic logistics business faced a dire situation. I hoped to somehow get the business back on its feet, and in October last year, we implemented a revision of postal rates: the first for three decades. With some assumptions, we have calculated that this revision of postal rates has boosted results by around ¥100 billion compared to the situation if we left the rates unchanged.

I also hoped to grow the real estate business to supplement the postal and domestic logistics business. Despite issues such as the soaring costs of construction materials, the real estate business is expected to secure at least ¥20 billion in net operating income per year. Income is expected to continue to grow, and because the business is focused on leasing, we believe it can contribute to stable income ever the long term. We must also break away from the Group’s reliance on Japan Post Bank and Japan Post Insurance.

Japan Post Bank’s asset management operations have been focusing on overseas private equity. It has also increasingly invested funds back into the Japanese domestic market through Σ Business and other initiatives. Meanwhile, we have reduced our shareholding ratio in Japan Post Insurance, which has led to the relaxation of some of the regulatory requirements previously placed on it. In this context, Japan Post Insurance must expand its product lineup and modify premium rates to grow its revenue base.

I have served as president longer than I initially anticipated. My decision to step down was also motivated by the fact that we are now in the process of formulating the next Medium-term Management Plan. In this extremely difficult environment for growth, I would like to see the incoming management team incorporate a broad range of new ideas to position the entire Group on a growth trajectory.

Q Regarding investments, the revised Medium-term Management Plan targets total investments of ¥400 billion over the two fiscal years ending on March 31, 2026. However, according to the briefing materials, actual investments in the fiscal year ended March 31, 2025, were only around ¥130 billion.

Am I correct to assume that this implies investments of around ¥270 billion this fiscal year? I imagine that this will be quite difficult to achieve. Why did investment lag behind the plan last fiscal year? Please explain in terms of the investment plan and its effectiveness.

A We planned total investments of ¥400 billion over these two fiscal years, with last fiscal year accounting for just under half, and this fiscal year accounting for just over half of the total. Actual investments last fiscal year totaled ¥134 billion, which is around 70% of the planned amount.

This was mainly due to delays in real estate investment resulting from the rapid rise in construction costs and other expenses. However, we do not believe that this situation is permanent. Moreover, even in this environment, we are investing based on individual circumstances, primarily in the built-for-sale business.

In addition, the development of infrastructure at our logistics bases and the introduction of systems in the postal and domestic logistics business have not progressed as planned. There may be issues with capacity and procurement, but we will identify the bottlenecks and implement investments this fiscal year. Going forward, with discussions beginning on the next Medium-term Management Plan, we will reflect on specific areas to improve and establish an effective investment plan.

Q What are the reasons for the appointment of the incoming presidents of Japan Post Holdings and Japan Post Co.?

A It is common practice among companies that have undergone privatization to choose the first president from another private-sector company. The second and subsequent presidents are usually chosen from among personnel who have built careers within the company. The incoming presidents of Japan Post Holdings and Japan Post Co. are both internal personnel who have worked for a total of about 30 years in the postal business, including at the Ministry of Posts and Telecommunications, the Postal Services Agency, Japan Post, and in the Japan Post Group after privatization. The Nominating Committee conducted extensive discussions from the perspectives of rejuvenating the management team and the value of experience and opted to appoint the two presidents from within the Group.

Q How should we assess the construction of the Co-creation Platform? How far do you think it has progressed so far?

A The concept behind the Co-creation Platform is to move away from self-reliance and collaborate with various other companies. If we lived in an era when the entire market was enjoying strong growth, it might have been possible to take a self-reliant approach to managing businesses focused solely on mail and logistics, banking, and life insurance. However, Japan's overall market is shrinking, and we cannot stay wedded to self-reliance. In this sense, we must collaborate with a range of companies outside the Group to promote growth and achieve results in areas beyond these three main businesses. It is important that we leverage existing collaborations such as those with the Rakuten Group, for example. We hope to establish a foundation for collaboration in several other fields, too.

Q I imagine that you would welcome a system of postal rates that enabled inflation and other factors to be reflected flexibly in pricing. What is the current situation, and what is the likelihood of such a system becoming a reality?

A The committee responsible for postal rate policy within the advisory council of the Ministry of Internal Affairs and Communications has been discussing the nature of the postal rates system since July last year. Japan Post Co. was invited to appear before this committee and requested a reasonable system that is as flexible as possible and reflects foreseeable increases in costs.

Q Will the postal rates system include a mechanism for automatically increasing prices in line with any increase in costs?

A We have requested a mechanism in which the level of postal rates is determined using reasonably objective measures such as inflation and the decision to raise prices is made by management. Currently, postal rates can only be revised by amending the relevant ministerial ordinance after deliberation in the National Diet. We hope for some flexibility in this process.

Q I imagine that post offices in regional areas, especially, are recording accounting losses. How do you plan to maintain the post office network in these areas?

A Post offices in regional areas do not contribute to profitability in terms of our core business. Since most of them are two-person post offices, they do not incur high costs individually, but there is a large number of them. We have received requests from local governments to perform duties similar to public services at these post offices. If local governments secure funding through local grant tax and choose, based on their own judgment, to outsource services to post offices, this cannot be deemed to distort our management as a private company. I believe that expanding the services contracted from local governments will be a temporary measure to maintain the postal network.