

# Palliser



## **Japan Post Holdings (TSE: 6178)**

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**A major Japanese conglomerate offering postal, logistics, banking and insurance services  
\$27bn Mkt Cap, \$55bn intrinsic value, \$55m ADV**

Majority of intrinsic value today is either listed stakes or net cash equivalent to 143% of current market capitalisation

**Currently trading at a post-IPO low 51% Discount to NAV**

Opportunity to unlock \$28bn of value whilst continuing to deliver on universal service obligations

**Huge real estate portfolio with potential to be worth up to \$19bn**

Based on analysis from a leading real estate consultant, portfolio worth up to double company's assessed value

**Historic rate of shareholder return (yield of >9%) can continue for years to come**

Net cash of \$7bn and dividends from listed subsidiaries provide strong visibility for ongoing returns via dividends and buybacks

### **Next Medium-Term-Plan Suggestions**

- ✓ Improve transparency and IR practices to increase investor understanding and conviction in business value
- ✓ Focus on increasing capital efficiency and ROE of core business
- ✓ Consolidate real estate operations into a separate company and conduct strategic review to unlock full potential

**Upside of up to 63% in addition to ongoing shareholder return yield**

# 1 A National Champion Supporting Japanese Communities

2 Deeply Underappreciated Value Proposition

3 Value Enhancement Suggestions

1871

Deeply embedded in Japan's modern history, JPH continues to support the daily lives of citizens and local communities

Today



**1949**

Ministry of Posts and Telecommunications established

**2003**

Japan Post established

**2012**

Current four-entity holding company structure established

**1871**

Japan's postal service established and first postage stamps issued

**2001**

Postal Services Agency established

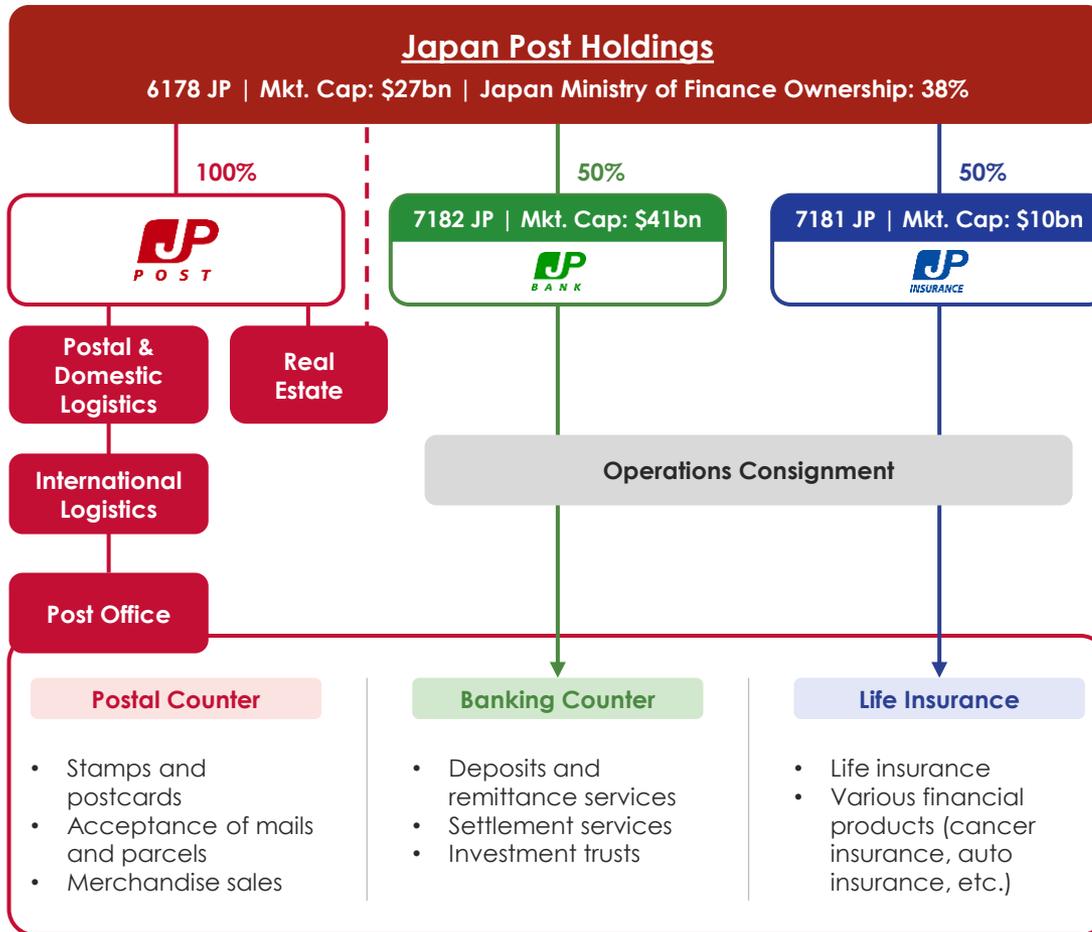
**2007**

Japan Post Group established following privatization

**2015**

JPH, JPB and JPI simultaneously listed on TSE

JPH serves as the command centre for the Japan Post Group, one of the largest employers in Japan



## Privatisation Act Requirements

- Japan Post Holdings is **required to dispose its entire interest in JPI and JPB**, albeit without a set deadline
- Additionally, Japan's **Ministry of Finance must retain a one-third ownership of JPH and is required to dispose its equity interest that exceeds this threshold**; Currently owns 38% of JPH and has regularly reduced its holdings towards the minimum creating **positive alignment on share price between government and minority shareholders**

## Universal Service

- Requires that **postal services and banking / insurance operations** should be **integrally made available at post offices**
- JPH and Japan Post Co. are obliged to maintain and ensure operations
- In return, **receives commissions and contributions from the respective divisions** to support operations

# Japan Post Company (“JPC”) overview

JPC is at the centre of the group providing logistics and is the interface for a range of community-focused services utilising the unparalleled reach of its extensive network of 24k post offices across Japan



Japan's postal and logistics operations with a vast network of post offices and delivery services that reach every corner of Japan

Market Cap

**Private**

JPH Ownership

**100%**

Est. ROE<sup>(1)</sup>

**2.4%**

% of JPH NAV<sup>(3)</sup>

**4%**

## Extensive Distribution Network

**24,185**

Post Offices Nationwide

**~30m**

Delivery Locations Served Daily

**172,609**

Postboxes Nationwide

**~150**

Countries Included in International Logistics Network

## “Core” Segments

**Postal & Domestic Logistics**

- Operates Japan's national postal operations focused on mail and parcels (Yu-Pack & Yu-Packet)
- Aims to become a comprehensive logistics company leveraging recent M&A (Tonami and Logisteed) to create synergies with its last-mile network

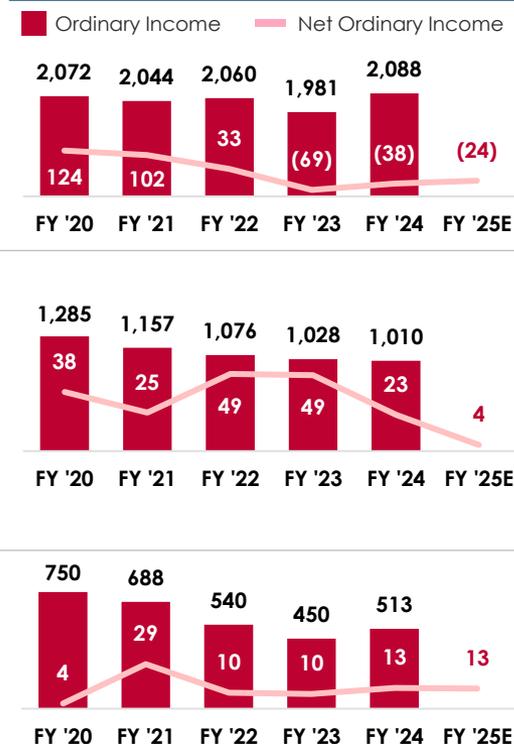
**Post Office**

- Operates and obligated to maintain operations of post offices around the country providing universal services
- Key services includes postal, banking and life insurance counters at the post offices
- Aims to transform post offices into local community hubs providing additional services such as administrative work for local governments, shopping, medical etc.

**International Logistics**

- Largely composed of Toll Holdings, which was acquired by Japan Post in 2015
- Leading logistics service provider in Australia with strengths in forwarding and 3PL

## Key Financial Performance (JPYbn)<sup>(2)</sup>



Source: Company Filings, Bloomberg, Palliser Analysis. Note: Market data as of 14-November-2025. (1) Represents estimated FY '24A ROE adjusted for deconsolidation of JPB, JPI and real estate net income and net assets based on latest company filings. (2) FY '25E net ordinary income figures represent management guidance; Post office results pre-FY '23 include real estate business. (3) Includes Logisteed stake valued at acquisition price.

# JPC is responding to changes in the external environment

While the group faces well-known challenges, management and the government are well aligned in their commitment to strengthen profits, develop new growth areas and ensure maintenance of the network

## Ongoing challenges for Japan Post Company

### Declining Paper Mail Demand

- Ongoing structural headwind driven by declining physical mail use and increased digitization

### Low Mail Prices

- Mail prices are fixed and regulated, requiring government approval for changes
- Despite the price revision in Oct 2024 by around 30% (the first since the early 1990s), there is ongoing concern due to the political sensitivity on postal affordability

### Increasing Labor Cost & Difficulty Recruiting Employees

- Recent increase in personnel and postal delivery cost driven by inflation and fall in working-age population

### Declining Post Office Profitability

- Decline in post office profitability with declining bank and insurance commissions and increasing costs

### Governance Issues Restricting Use of Vehicles

- Recent scandal leading to the government's revocation of JPC's licenses for cargo transport operations using approximately 2.5k trucks
- Disrupted transport volume to be outsourced to industry peers bringing additional profitability headwinds

## Ongoing efforts to ensure operational sustainability

### Developing New Growth Areas

- Deepening the co-creation platform to expand revenue from logistics, increasing parcel volumes, broadening local services offered at rural post offices, growing financial services and further developing real estate

### Actions to Strengthen Profitability

- Investment in systems and technology (IT & DX) to increase labour efficiency, optimize last-mile delivery functions and improve compliance and governance

### Discussions For Government Subsidies

- Proposed Revision Bill of the privatization act stipulates that a portion of dividends from JPH to the MoF and postal savings which have expired can be used as subsidies back to Japan Post (c. JPY 65bn p.a.) to support the post office network

### Price Hike Considerations

- Continuous discussions between key government groups and the company to implement pricing flexibility for its mail products to support profitability and ensure sustainability

### M&A and Collaborations

- Management has refined its focus on domestic growth investments, specifically in its logistics capability (e.g. Tonami and Logisteed), plus collaborations with peers to improve scale and profitability

# Japan Post Bank (“JPB”) overview

JPB is the most valuable business in the group with strong leverage to the ongoing normalisation of interest rates in Japan



Leading savings bank with the largest domestic retail deposit (20% mkt share) and physical branch presence in Japan

Market Cap

**\$41bn**

JPH Ownership

**50%**

ROE<sup>(1)</sup>

**4.5%**

% of JPH NAV

**37%**

## Leading domestic banking business with significant scale

**~120m**  
Ordinary Deposit Accounts

Approximately 85% of revenues comes from earnings on investment in domestic and international securities

**~JPY 190tn**  
Total Deposits

Balance of revenues comes from fees and commissions from retail financial services

**23.5k**  
Physical Branches

Loans business is focused on individual consumers rather than commercial lending

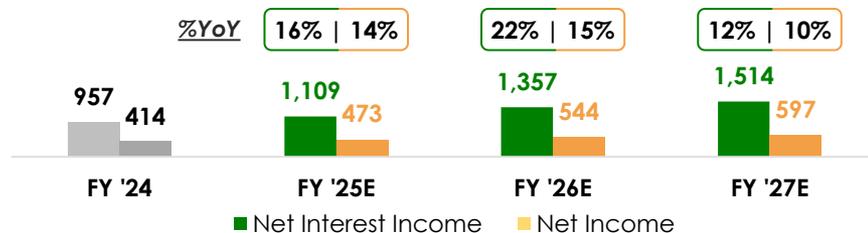
## Continued investments in JGBs on back of increasing rates

### JGBs Held-to-Maturity (JPYtn)



## Increased JGB exposure to support JPB fundamentals

### Net Interest Income and Net Income Consensus (JPYbn)



## Strengthening fundamentals to support JPH through dividends

### DPS Consensus (JPY)



Source: Company Filings, Bloomberg, Palliser Analysis. Note: Market data as of 14-November-2025. (1) Represents estimated FY '24A ROE; Calculated as consolidated net income / average total net assets.

# Japan Post Insurance (“JPI”) overview

JPI is one of the largest life insurers in Japan with improving fundamentals benefiting from rising rates and policy acquisitions



Insurance provider of simple products with small coverage amounts focused on endowment and whole life insurance with medical care riders

Market Cap

**\$10bn**

JPH Ownership

**50%**

ROE<sup>(1)</sup>

**3.7%**

% of JPH NAV

**9%**

## Insurance operator with strong recognition across Japan

**JPY 59.5tn**

Total Assets

No. 1 in the industry for total payments of insurance claims (JPY 4tn)

**16.9mn**

Customers

Also partners with other insurance providers such as Aflac and Nippon Life to offer cancer insurance

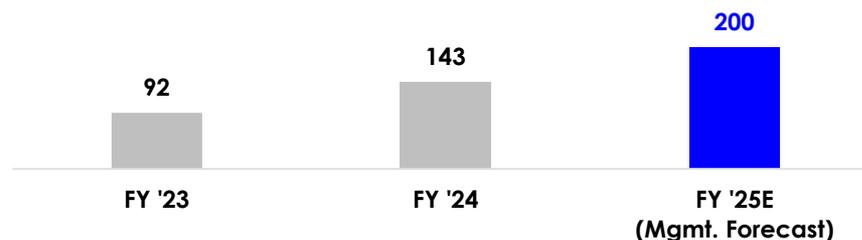
**20.3k**

Post Office Branches

Services provided via the post office network

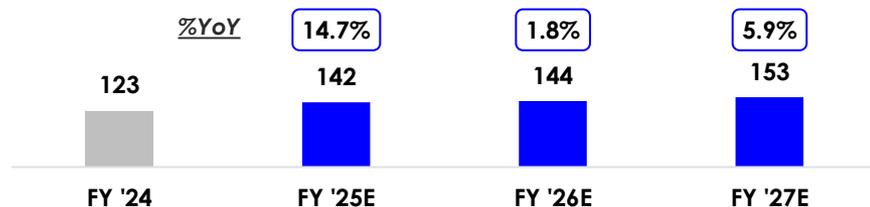
## Portfolio focused on domestic bonds benefit from rising rates

### Positive Spread (JPYbn)



## Optimized portfolio to bring ongoing fundamental support

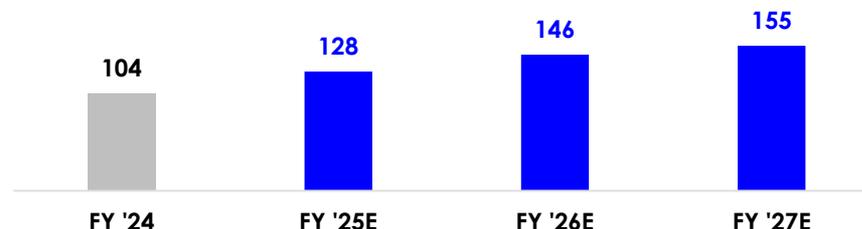
### Net Income Consensus (JPYbn)



## Similar to JPB, tailwinds to support JPH through dividends

### DPS Consensus (JPY)

Aims for stable dividends and a total payout ratio, including buybacks, of 40-50%



# Significant value enhancement progress in recent years

Since the 2015 IPO, the JPH's management have taken significant steps in furthering privatisation, increasing capital efficiency and value enhancement efforts despite a challenging macro backdrop

## JPB & JPI Stake Sell Downs



- Displayed commitment on privatization targets with the reduction of JPB and JPI stakes to 50%, which additionally relaxes regulation on JPB and JPI to pursue new businesses and growth opportunities

## Medium-Term Plan (MTP) FY21-FY23-FY25

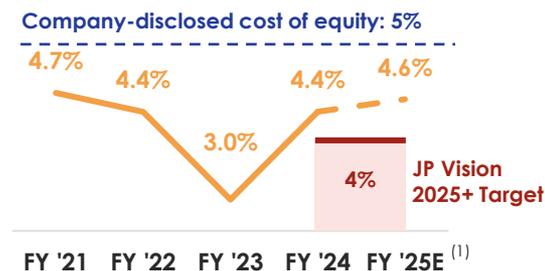
### JP Vision2025<sup>+</sup>

- Announced MTP in 2021 with an update in 2024 as "JP Vision 2025+"
- Vision of a "Co-creation Platform" to support customers and local communities
- Set clear targets and path for consolidated ROE improvement and disclosed estimated cost of equity of 5%
- Disclosed near term shareholder return policy and plan for stake sell downs
- Improved disclosure on real estate and path to strengthen profitability for its core business
- Improved alignment of management compensation with shareholders via greater share of stock-based compensation and linkage of performance targets to MTP

## Policy to Improve P/B

- Nov 2023 announced initiatives for the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" in response to TSE's initiatives
- Target to improve P/B by i) increasing ROE (by improving profitability and increasing capital efficiency); ii) reducing cost of equity (stable dividend and risk control); and iii) increasing of expected growth rate (improving IR, disclosure and growth strategy)

### ROE approaching disclosed cost of capital

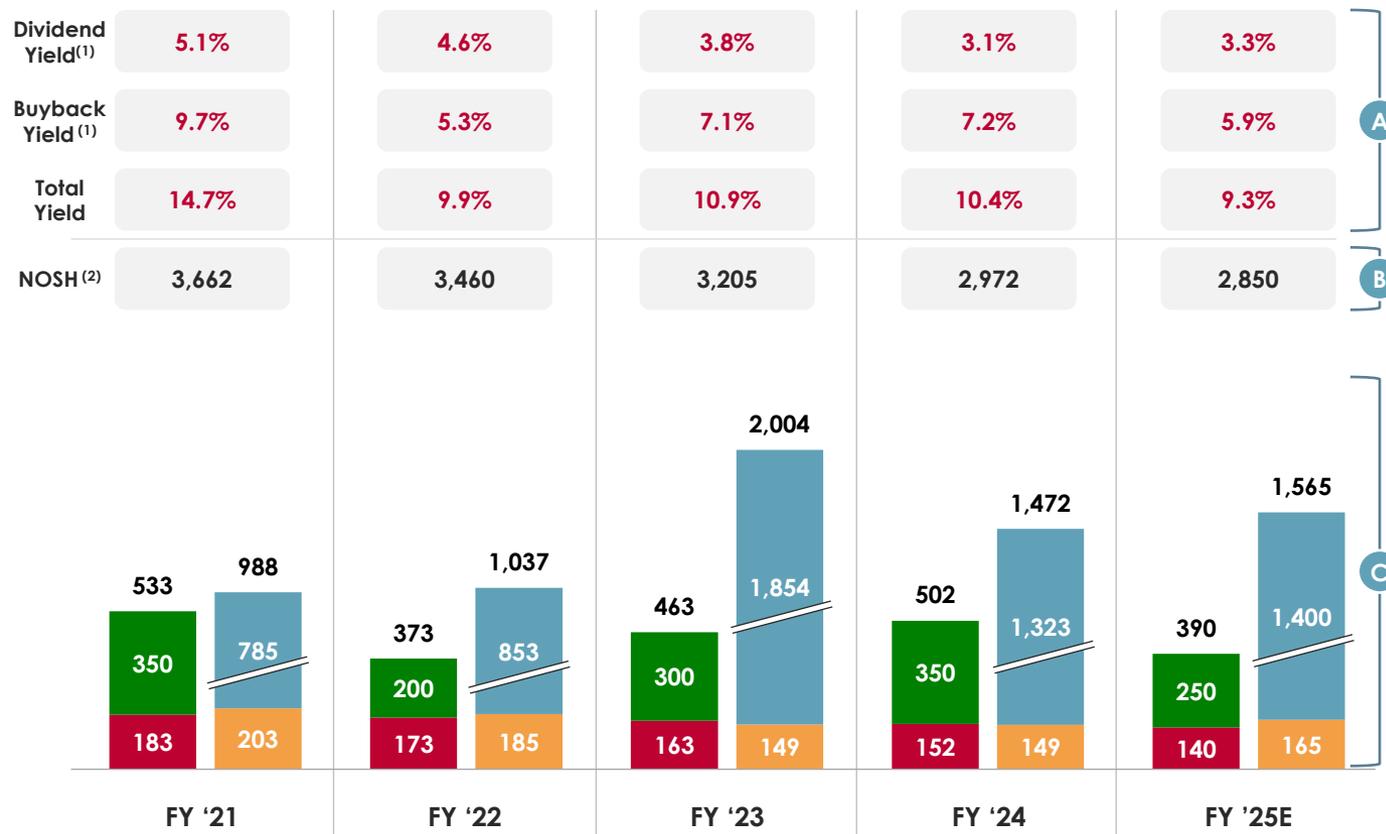


# Consistent shareholder returns and attractive yield

JPH's shareholder return yield is at the top-end of TOPIX companies and is highly sustainable. Dividends are effectively a pass-through of those from JPB and JPI whilst continued buybacks are supported by net cash

## Historical Shareholder Returns (JPYbn)

■ Dividends Paid ■ Buybacks ■ Dividends Received ■ Previous FYE Net Cash



## Commentary

**A** Ongoing best-in-class shareholder return yield notably outperforming TOPIX average total shareholder return yield of ~3.7% (dividend yield of 2.1% and buyback yield of 1.6%)

**B** Active buyback activity reducing share count increases capital efficiency and could enable increase in JPY 50/sh dividend in short-medium term. Buybacks at large discounts to NAV are highly NAV accretive

**C** Healthy coverage of dividend and buyback payments through dividend income and net cash balance respectively

Source: Company Filings, Bloomberg. Note: Market data as of 14-November-2025. (1) Yield calculated based on average market cap for the fiscal year; FY '25E calculated based on average market cap to date since fiscal year start. (2) NOSH = number of shares outstanding net of treasury shares

1 A National Champion Supporting Japanese Communities

2 **Deeply Underappreciated Value Proposition**

3 Value Enhancement Suggestions

# JPH holds clear, tangible value propositions that are largely overlooked by the market presenting significant upside potential

NOL balance of c.JPY 3.4tn (\$22bn) to provide tax shield for potential value maximizing transactions

**Intrinsic Value**  
**\$55.0bn**  
 JPY 2,985 / Share  
 \$28.1bn Value Gap

51% Discount

**JPH Market Value Today**  
**\$26.9bn**  
 JPY 1,462 / Share

	Value	% of NAV	% of Mkt. Cap	Commentary
Real Estate	\$14.4bn	26%	54%	<b>Average of i) Appraisal Value From A Leading 3rd Party Valuation Firm and ii) Company's Fair Value of Rental Properties</b>  Valuation of JPH's real estate portfolio by a leading international property valuation firm indicates substantial value in excess of the Company's disclosed valuation of its rental properties  Significant scale accumulated from recent high-profile development completions and is now comparable to other mid-sized listed developers in Japan in terms of NAV
JPC (excl. RE) <sup>(1)</sup>	\$2.0bn	4%	7%	<b>DCF &amp; Filings</b>   Includes value for recent logistics acquisitions
Net Cash	\$6.8bn	12%	25%	<b>Book Value</b>   Substantial net cash balance at the core level that can support continued best-in-class shareholder return yields
Aflac & Other Listed Stakes	\$6.5bn	12%	24%	<b>Post-Tax Market Value</b>   Notable equity stakes include its 10% stake in Aflac that is now greater in value than JPH's stake in JPI
50% stake in JPI	\$4.8bn	9%	18%	<b>Post-Tax Market Value</b>
50% stake in JPB	\$20.5bn	37%	76%	Stakes in its banking and insurance subsidiaries continue to provide sizeable dividend income that support JPH's own dividend payments  Further stake sales possible under the privatization act and proposed Revision Bill  High-quality assets that are expected to benefit from interest rate tailwinds and now able to pursue new growth opportunities due to relaxed regulation as a result of recent JPH stake reduction

Source: Company Filings, Bloomberg, Palliser Analysis. Note: Market data as of 14-November-2025; JPH's retirement benefit liabilities not included as JPC DCF accounts for ongoing related pension expenses; Tax expenses offset by 50% per Japan tax rules by JPH's significant NOL balance of c. JPY 3.4tn. (1) DCF accounts for consolidated financials including Tonami; Separately includes 19.9% stake in Logisteed valued at acquisition price of JPY 142bn.

# JPH is trading at an excessive holding company discount, the widest since its IPO

High and sustainable shareholder return yield and effective pass-through of listed subsidiary dividends would typically warrant a much lower holding company discount. JPH's discount widened following onset of Covid-19

## JPH Historical Discount to NAV



Source: Company Filings, Bloomberg, Palliser Analysis. Note: Market data as of 14-November-2025; Historical discount to NAV analysis values the core business (excl. net cash and real estate) at a 50% discount to average LTM P/B multiple of Topix, Yamato Holdings, SG Holdings, Singapore Post, International Distribution Services, Poste Italiane and PostNL plus its 20% stake in Logisteed at acquisition price; real estate valued at Company's fair value of rental properties; net cash balance at book value adjusted for ongoing buybacks and proceeds from JPB / JPI stake reductions; Stakes in listed securities valued at a post-tax basis.

# Market capitalization is below the value of its listed assets ...

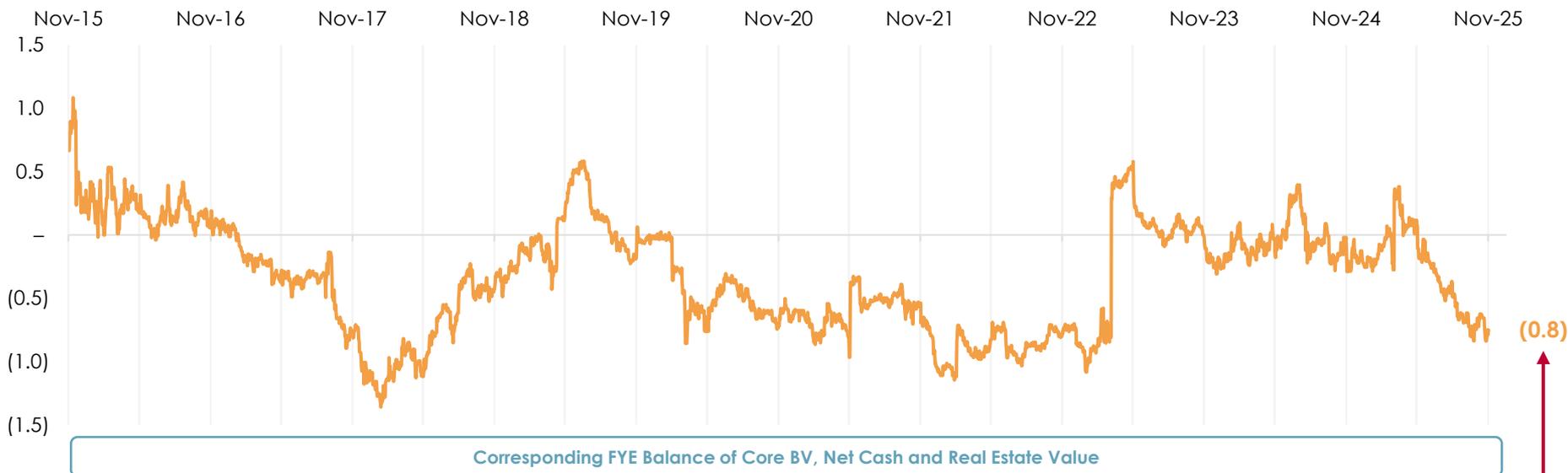
## JPH Discount to Listed Assets (Post-Tax)



Source: Company Filings, Bloomberg, Palliser Analysis. Note: Market data as of 14-November-2025. Note: Calculated as JPH market capitalisation discount to the total post-tax value of listed assets: JPB, JPI, Aflac, Rakuten Group and Daiwa Securities Group.

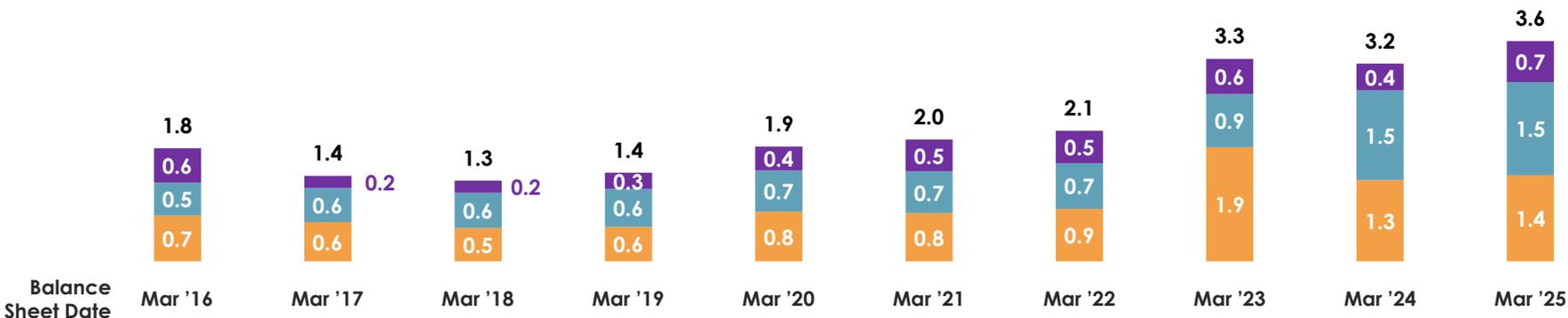
# ... giving no credit for its core business nor, more significantly, the rising net cash balance and real estate value

## Implied Stub Value (JPYtn)



Core BV   Net Cash   Company's Fair Value of Rental Properties

JPY 4.3tn (\$28bn) value difference



Source: Company Filings, Bloomberg, Palliser Analysis. Note: Market data as of 14-November-2025. Note: Calculated as JPH market cap less the total post-tax value of listed assets: JPB, JPI, Aflac, Rakuten Group and Daiwa Securities Group.

## Japan Post Real Estate

JPH's real estate business is currently composed of 100 properties, of which 70 are in operation, 7 under development and 23 earmarked for potential development

Total floor area of major rental office buildings is 1.05m sqm

JP Tower (KITTE) was its first major development project completed in 2012

Major properties completed during the period of the latest MTP include Hiroshima JP Building, Kuramae JP Terrace, Azabudai Hills Mori JP Tower, Gotanda JP Building, and JP Tower Osaka

### Key Properties



JP Tower (KITTE)



Azabudai Hills Mori JP Tower



JP Tower Nagoya

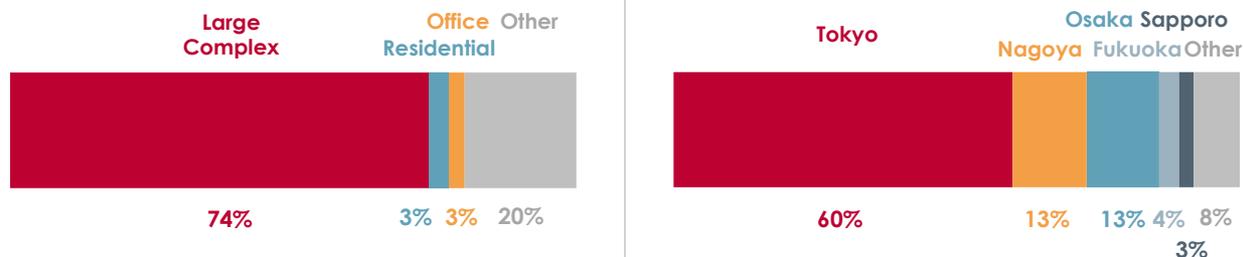


JP Tower Osaka

## Diversified and highly-valuable portfolio

JPH's real estate operations have contributed to the development of local communities and often includes a post office in mixed-use complexes, which do not take a large proportion of floor space

### Value Mix by Property Type and Region<sup>(1)</sup>



## Strong pipeline of land for potential development

Consolidation and relocation of postal operations, former post offices and company housing supplies highly-valuable land (often near major stations) that can be repurposed into for-sale / rental projects

### Properties Earmarked for Potential Development by Region

#### Tokyo

**10**  
Sites  
**32.2k**  
Site Area (sqm)

#### Kyoto

**3**  
Sites  
**10.6k**  
Site Area (sqm)

#### Osaka

**4**  
Sites  
**9.2k**  
Site Area (sqm)

#### Other

**6**  
Sites  
**35.1k**  
Site Area (sqm)

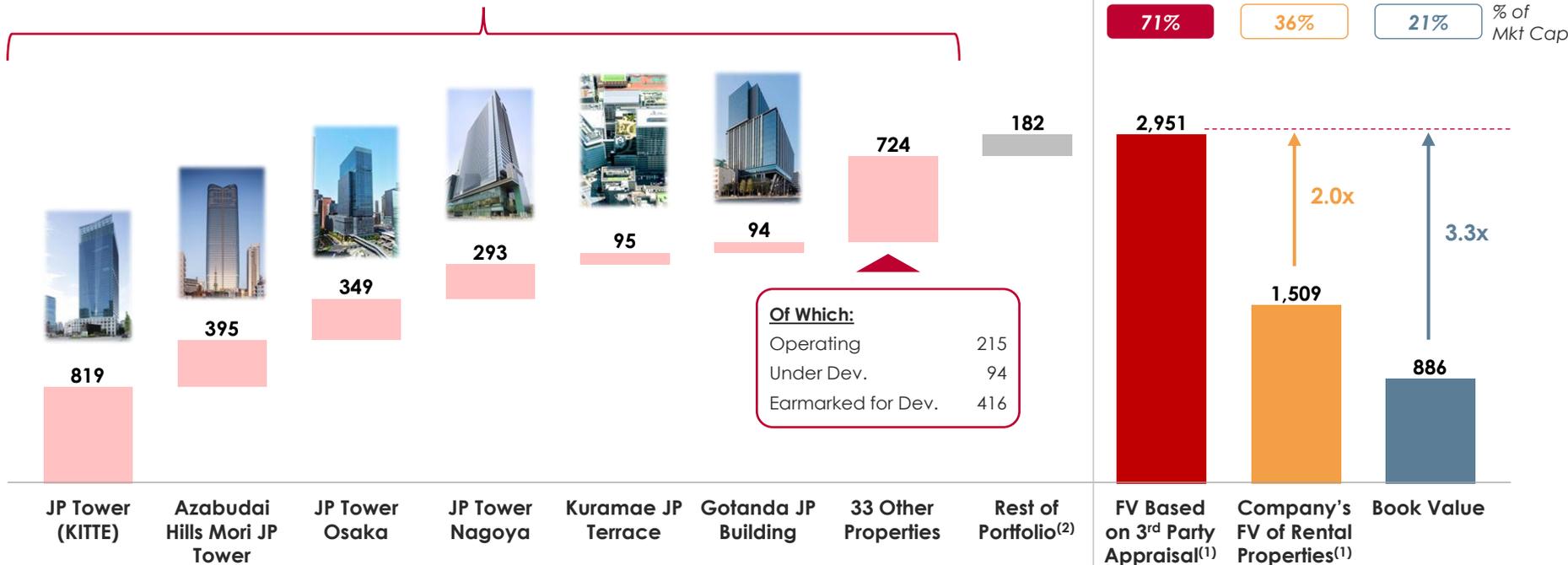
# A third-party valuation of JPH's real estate portfolio implies that it has the potential to be worth double the company's disclosed value

The company recently said in its "Key Initiatives of the Next Medium Term Plan (Outline)" announcement that it aims to be a top 10 player in the real estate industry - in terms of portfolio value, it is already there

## Independent Third-Party Appraisal Valuation of JPH's Full Real Estate Portfolio (JPYbn)

- Palliser has engaged a leading international property valuation firm to appraise 39 properties owned by JPH, accounting for approximately 94% of JPH's estimated total portfolio value
- Analysis was conducted on the basis of market value in accordance with prevailing valuation standards using the Income Approach (Direct Capitalisation Method) and Market Approach
- Value of JPH's nine large complex buildings under the scope of the analysis alone are estimated to be around JPY 2tn or 51% of market cap

Results highlight a significant value upside opportunity if these assets are monetized to their full potential

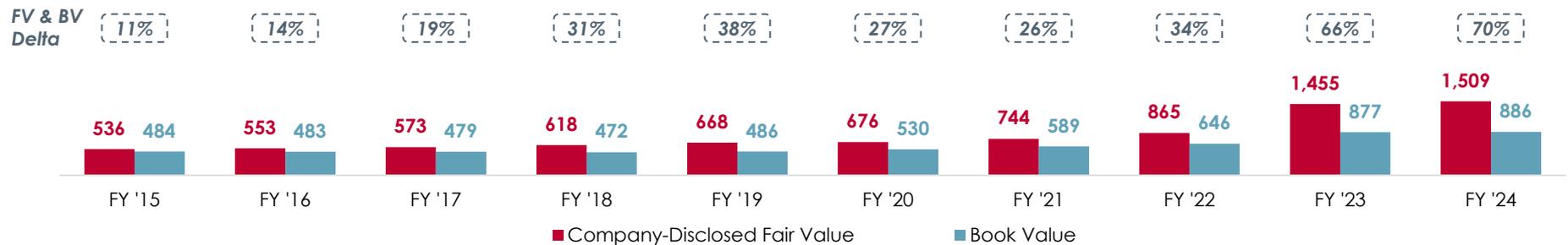


Source: Company Filings, 3<sup>rd</sup> Party Real Estate Valuation Firm, Palliser Analysis. (1) Company's fair value ("FV") only includes that of leased properties (does not include properties under development and properties earmarked for potential development), while fair value based on 3<sup>rd</sup> party appraisal includes completed properties, properties under development and properties earmarked for potential development. (2) Palliser analysis based on extrapolation of 3<sup>rd</sup> party valuation assumptions and reference to most-recent average land prices from Tochidai.

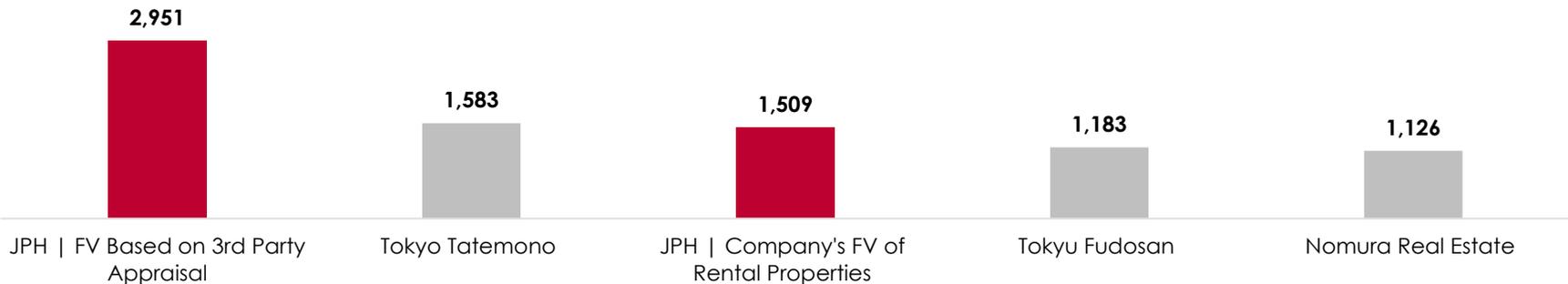
JPH's real estate operations have scaled rapidly with recent high-profile development completions

## Company-Disclosed Rental Property Fair & Book Value (JPYbn)

JPH's real estate business has grown rapidly in recent years; however, development and investment activities have been slowing due to rising construction costs and relative lack of experience to address this compared to more established developers



## Latest Company-Disclosed Fair Value of Rental Properties vs. Mid-Sized Japanese Developer Peers (JPYbn)<sup>(1)</sup>



Source: Company Filings, 3<sup>rd</sup> Party Real Estate Valuation Firm, Palliser Analysis. (1) Company's fair value only includes that of leased properties (does not include properties under development and properties earmarked for potential development), while fair value based on 3<sup>rd</sup> party appraisal includes completed properties, properties under development and properties earmarked for potential development.

# However, JPH's real estate performance is currently not realizing its full profit potential

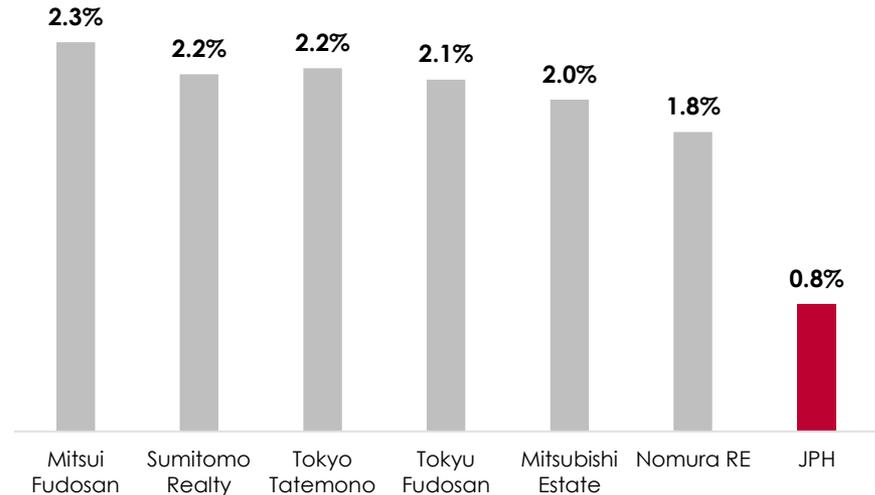
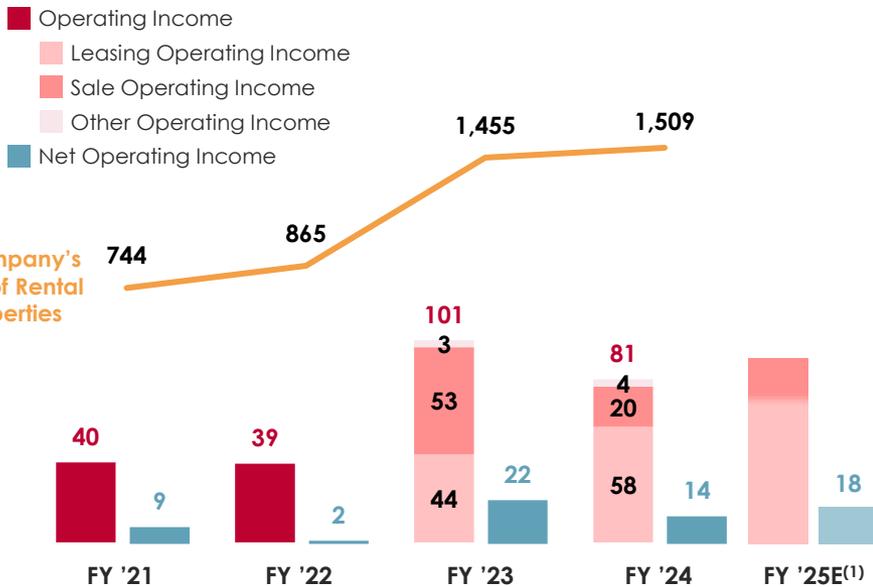
JPH's limited disclosure on its real estate business coupled with low earnings contribution to the Group is likely driving market's underappreciation and low value attribution for the assets

## JPH Real Estate Financial Performance (JPYbn)

## Latest FY Rental Profit as a % of Rental Property Fair Value<sup>(2)</sup>

The real estate business contribution to earnings is growing but still small relative to real estate's share of NAV...

...and its rental profit yield is lagging that of other domestic listed developer peers suggesting operational inefficiencies. Unlike JPH, peers also utilize debt to optimize capital efficiency increasing ROE



**There is significant potential to enhance the profitability and capital efficiency of the current real estate business so that it can contribute more meaningfully to group profits**

Source: Company Filings, Palliser Analysis. (1) Management guidance. (2) Based on real estate for rent disclosure in annual securities report for each company; Ratios derived by net rent income divided by company-disclosed fair value of real estate for rent.

Largely overlooked by the market, such significant amounts of net cash will be supportive of ongoing healthy shareholder returns in the future

### Current Net Cash Reconciliation

- Since the sell-downs of its stakes in JPI and JPB, JPH has been accumulating significant amounts of net cash on its balance sheet
- Consolidation of bank and insurance subsidiaries make the balance sheet complex and masks the underlying net cash position
- Following analysis by a leading domestic accountant engaged by Palliser, estimated net cash is approximately JPY 1.1tn or 25% of current market cap

**A** Cash balance at core JPH, which notably increased during sale of its JPB and JPI stakes

**B** Represents cash from sale of revenue stamps (Shunyu Inshi): stamps used to pay government taxes / fees and are payable to the government

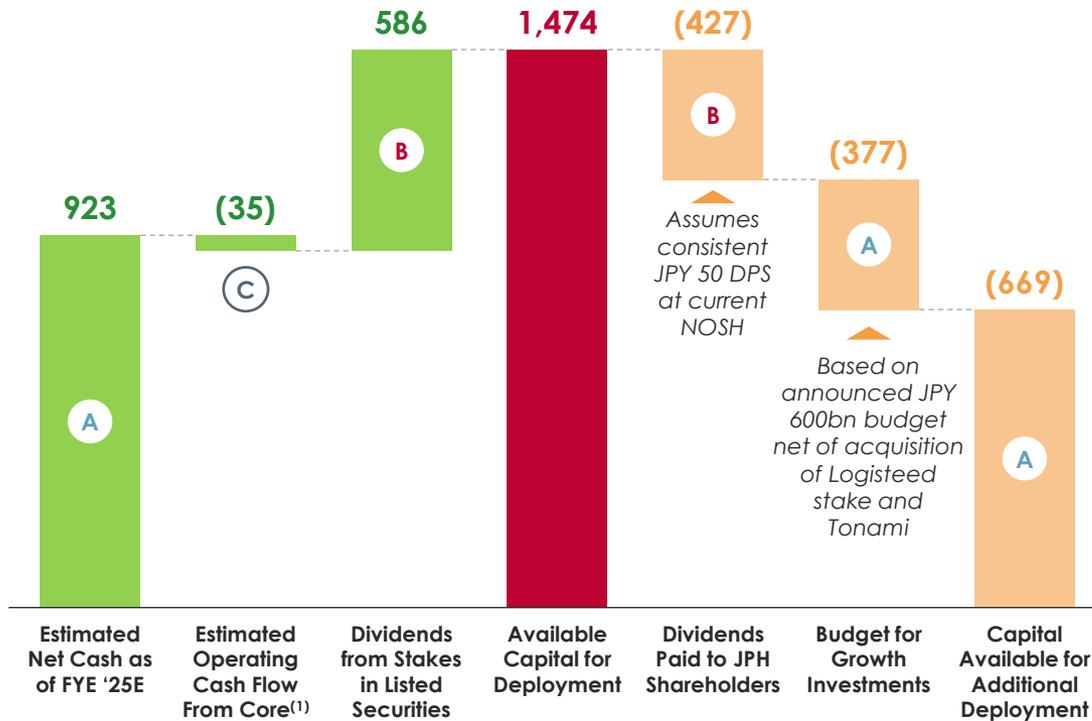
**C** Adjustment for cash deposits for JPB and JPI that are held in core JPH

**D** Includes cash outflow from acquisition of Tonami and minority stake in Logisteed

	JPYbn	USDbn
<b>FYE '24 Net Cash</b>		
Cash at JPH Unconsolidated	1,551	10.0
Cash at JPC Consolidated	1,260	8.1
<b>A</b> <b>Cash at Core</b>	<b>2,812</b>	<b>18.2</b>
(-) Borrowings at Core	(394)	(2.5)
(-) Bonds at Core	(85)	(0.6)
<b>B</b> (-) Cash Payable to Government	(172)	(1.1)
<b>C</b> (-) Deposits Held for JPB & JPI	(760)	(4.9)
<b>Net Cash as of FYE '24</b>	<b>1,400</b>	<b>9.1</b>
<b>Post-FYE '24 Adj.</b>		
(+) Dividends Received from JPB & JPI	114	0.7
(-) Dividends Paid	(74)	(0.5)
(-) Share Repurchase	(184)	(1.2)
(+) Proceeds From Nov '25 JPI Stake Sale	22	0.1
<b>D</b> (+/-) Acquisitions & Other	(223)	(1.4)
<b>Current Net Cash</b>	<b>1,055</b>	<b>6.8</b>

During the next MTP, JPH's dividend income and net cash balance can fully support healthy shareholder returns while leaving capital for future re-investment even without additional JPB and JPI stake sales

Next MTP Period: FY '26E – '28E Cumulative Key Cash Flow Drivers (JPYbn)



### A Significant net cash balance support

- Remaining JPY 377bn of JPY 600bn invested into JPC earlier this year to be used for growth investments and M&A
- Balance of net cash and dividend from listed security stakes can provide a total of JPY 669bn of capital for additional deployment that can support annual buybacks of >JPY 200bn while leaving additional room for growth investments

### B Pass-through dividend structure

- Consistent shareholder return policies of JPB and JPI provide steady dividend income to JPH
- Those dividends received are largely passed through to cover JPH's dividend at the current rate of JPY 50/sh with room for a moderate increase to JPY 60/sh
- Annual share buybacks of JPY 200bn can reduce dividends paid by JPY 50bn during the next MTP period, which can be used to support higher shareholder returns and / or growth investments

### C Minimal Cash Flow Impact From Core

- Relatively minimal impact from JPH Core on overall JPH cash flow profile
- In event of introduction of mail pricing flexibility and subsidy as per proposed Revision Bill, core business would be expected to make a positive cash flow

"...under the next medium-term management plan, we will formulate a new policy aimed at promoting stable, ongoing dividends and share repurchases as shareholder returns measures, while also maintaining financial soundness" – JPH: Key Initiatives of the Next Medium Term Plan (Outline) | 14 Nov 2025

Source: Company Filings, Sell-Side Consensus, Bloomberg, Palliser Analysis. (1) Includes consensus driven cash flow from real estate business.

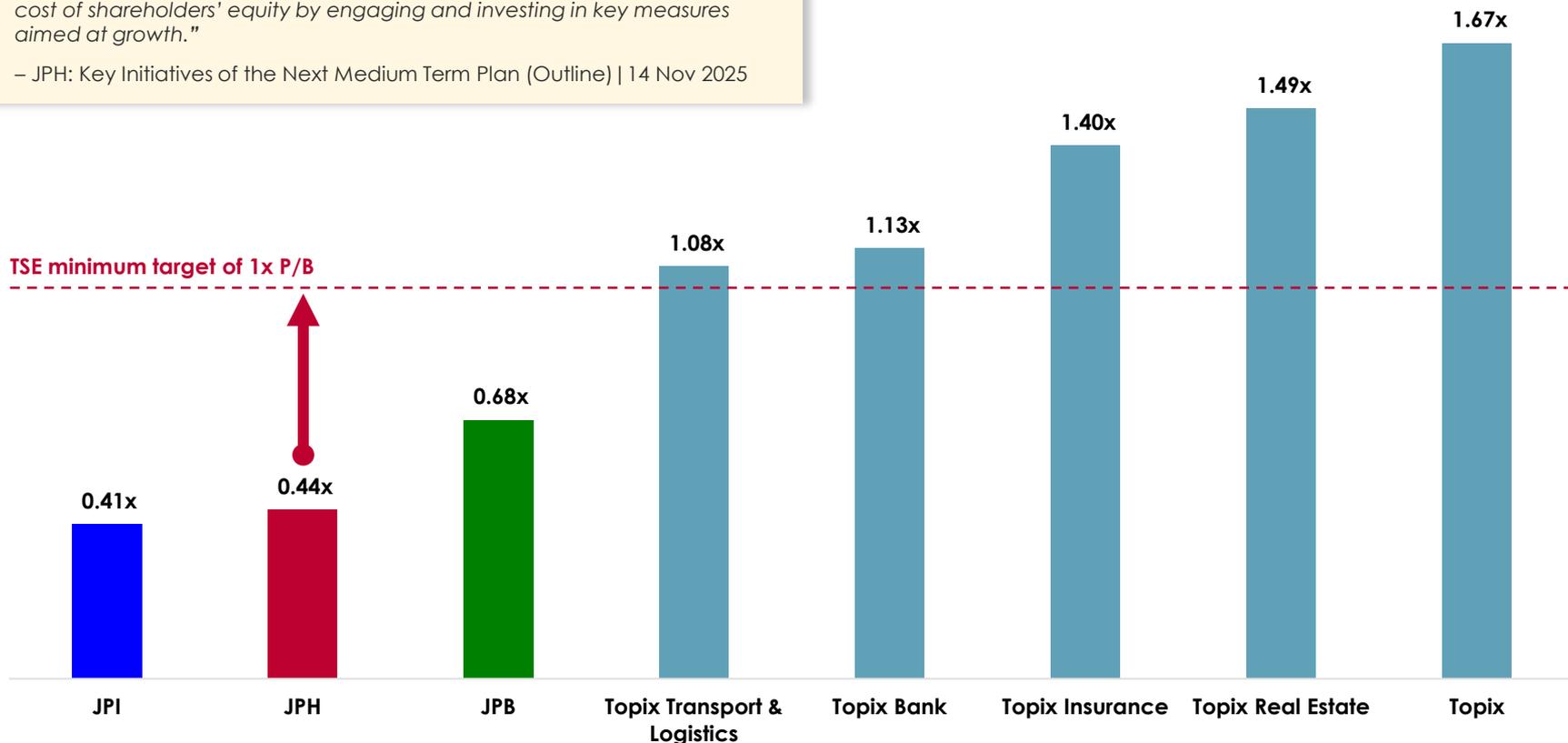
# Price-to-Book (P/B) ratio is well under TSE minimum target

Low P/B indicates that JPH is earning returns below its cost of capital requiring an improvement in profitability, growth and better capital efficiency

## LTM P/B

"We focus on swiftly achieving a return on equity (ROE) that exceeds the cost of shareholders' equity by engaging and investing in key measures aimed at growth."

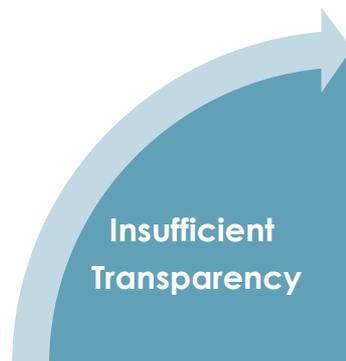
– JPH: Key Initiatives of the Next Medium Term Plan (Outline) | 14 Nov 2025



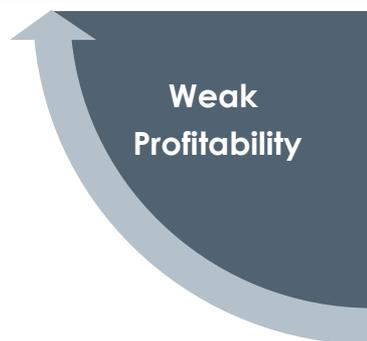
# Key causes of JPH's widening value gap

**These four issues have collectively led to a lack of clarity on the underlying value of JPH's real estate business and net cash balance and caused an increase in the risk premium attached to the shares of the Company**

- Insufficient disclosure, particularly of the real estate business and available cash at core level
- Hard to understand the balance sheet of the core businesses given consolidation of financial entities JPB and JPI
- Lack of clarity on plan for residual stakes in JPB and JPI and subsequent use of proceeds
- Limited investor and analyst access to senior management



- As recognised by the Company, recent incidents of misconduct and associated remedial costs leave a negative impression and lead to application of higher risk premium
- Continued perception of bureaucratic approach to management and poor internal controls



- Decline in profitability of core postal business leading to negative value attribution
- Initiatives to improve profitability often lack quantitative targets leading to credibility gap
- Low ROA of net cash and real estate are a drag on consolidated ROE despite their significant underlying value

- Lack of clarity around whether expected returns, cost of capital hurdles and other similar metrics are applied to decisions on investment
- M&A decisions often lack quantitative KPIs (e.g. expected synergies, EPS accretion etc)
- Recent acquisition of Logisteed stake has raised questions given limited financial information
- Questions on quantum and continuity of current shareholder return plan in light of weak core profits and uncertainty from proposed Revision Bill

**1** A National Champion Supporting Japanese Communities

**2** Deeply Underappreciated Value Proposition

**3** Value Enhancement Suggestions

Ahead of the next MTP, our highly-actionable suggestions can support proper recognition from the market of JPH's value proposition and pave the way to realize full value of its crown-jewel real estate business

**A**

## **Transparency & Accountability**

Improve disclosures and IR practices for the market to better appreciate the value of JPH's net cash and real estate business

**B**

## **Profitability & Capital Efficiency**

Set and clarify i) clear targets for improving core business ROE to levels above cost of capital; ii) expectations on shareholder returns; and iii) investment framework for M&A and capex

**C**

## **Real Estate Value Unlock**

Consolidate real estate operations into a separate company and initiate a strategic review to unlock full potential

We believe that these suggestions are supportive of the outline for the next MTP announced on 14 November

**Greater transparency will strengthen investor conviction and guide the market to attribute proper value to the core business, net cash, shareholder return practices and real estate portfolio**

## Core Business Disclosure and Guidance

- Clear and regular disclosure of JPH's core balance sheet (deconsolidated for JPB and JPI), including capital required for maintaining universal service obligations and net cash, will help investors to gain confidence on the value in the core business and future shareholder return continuity
- Key drivers of core business outlook, specifically on top-line and cost components, will improve confidence in execution towards improved profitability and bring credibility to management guidance

## Real Estate Business Disclosure / KPIs

- Increased disclosure on the real estate business with inclusion of key market-standard KPIs to track performance will allow real estate focused investors and sell-side analysts to have a more wholesome coverage and understanding of the value of JPH's prime real estate assets

## Clarity on JPB and JPI Stake

- Clarity on future plans for further reduction of stakes in JPB and JPI and commitment to return significant capital to shareholders will strengthen investor trust in sustainability of JPH's current shareholder return practices and potential future increases

## Senior Management Availability

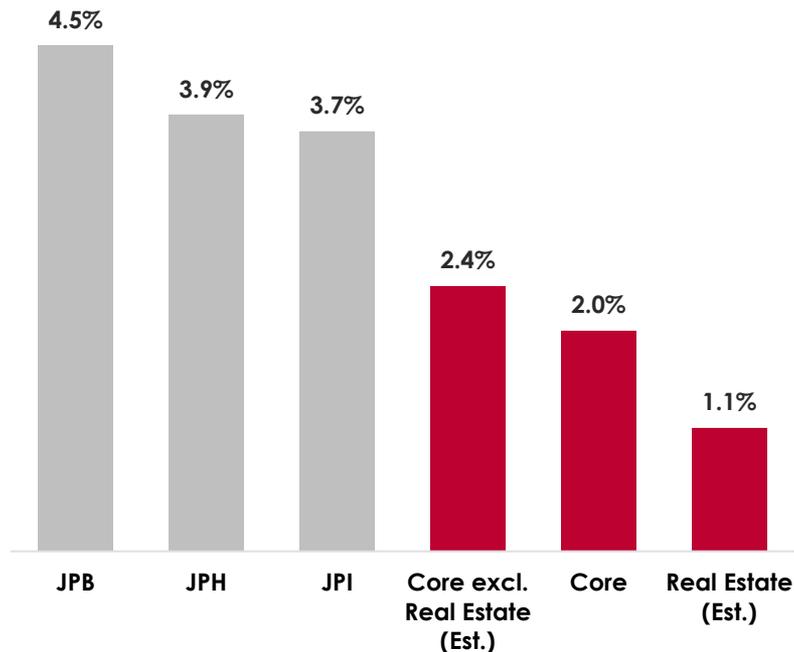
- Regular touch points and engagement of senior executives with sell-side and investors, in line with FSA guidance, will improve market confidence in management's oversight and provide an opportunity for the market to clearly understand / clarify ongoing strategy

Sustainably increasing profitability and capital efficiency will raise ROE above cost of equity and increase corporate value while allowing JPH to deliver essential services to the nation and a fair return to shareholders

## FY '24A ROE by Business Units

Presently JPH's core business is a drag on group ROE and is generating a return well below cost of equity

**Company-Disclosed Cost of Equity: 5%**



### Clear targets for improving core business ROE

- Providing targets for ROE of the core business, not just consolidated targets, will increase management accountability
- Aim should be to ensure that all business units within JPH can be self sustaining
- Consider a separation of JPH's real estate business to remove the drag on core ROE and allow the assets to realize their full potential with greater efficiency as a standalone entity

### Shareholder returns

- Provide clear plans for shareholder returns and utilizing net cash for additional returns to improve capital efficiency
- Palliser estimates that there is room to increase dividends at JPY 50/sh to JPY 60/sh fully funded by dividends from listed stakes. This level of dividend would also provide an annual income to MoF equivalent to proposed JPY 65bn per year subsidy under the proposed Revision Bill
- Furthermore, net cash provides capacity to conduct approximately JPY 200bn p.a. of buyback for the next three-year MTP while maintaining room for growth investments and the post office network
- Recent confirmation that a policy to promote "stable, ongoing dividends and share repurchases as shareholder returns measures, while also maintaining 'financial soundness'" is welcome

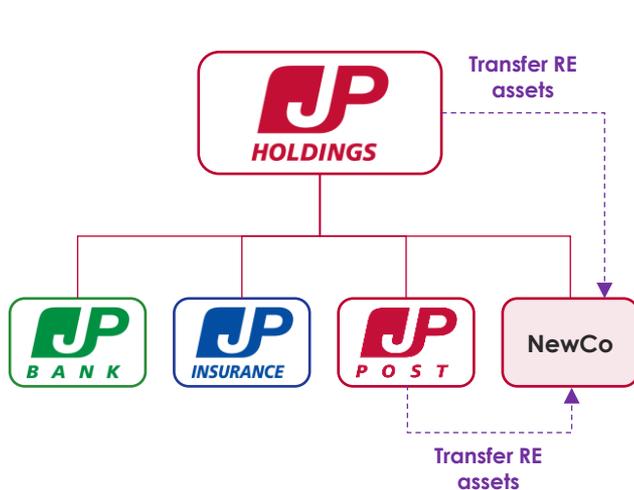
### Investment framework for capex and M&A

- M&A and growth investments should be carefully considered with the aim to ensure that they are additive to ROE with quantitative KPIs communicated alongside strategic rationale

Real estate business has tremendous value that is currently trapped within the present corporate structure which could be unleashed to benefit all stakeholders

Consolidate Real Estate Operations as Separate Entity

Strategic Review of Value Unlock Options



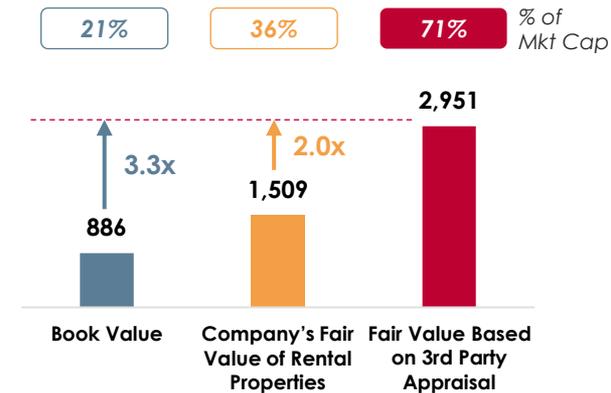
**Option A<sup>(1)</sup>** Spin-off IPO while retaining a stake

**Option B<sup>(1)</sup>** Merge with a listed developer

**Option C** Sponsor REIT and sell developed assets to REIT

**Option D** Tax free spin-off with distribution of 100% shares to JPH shareholders

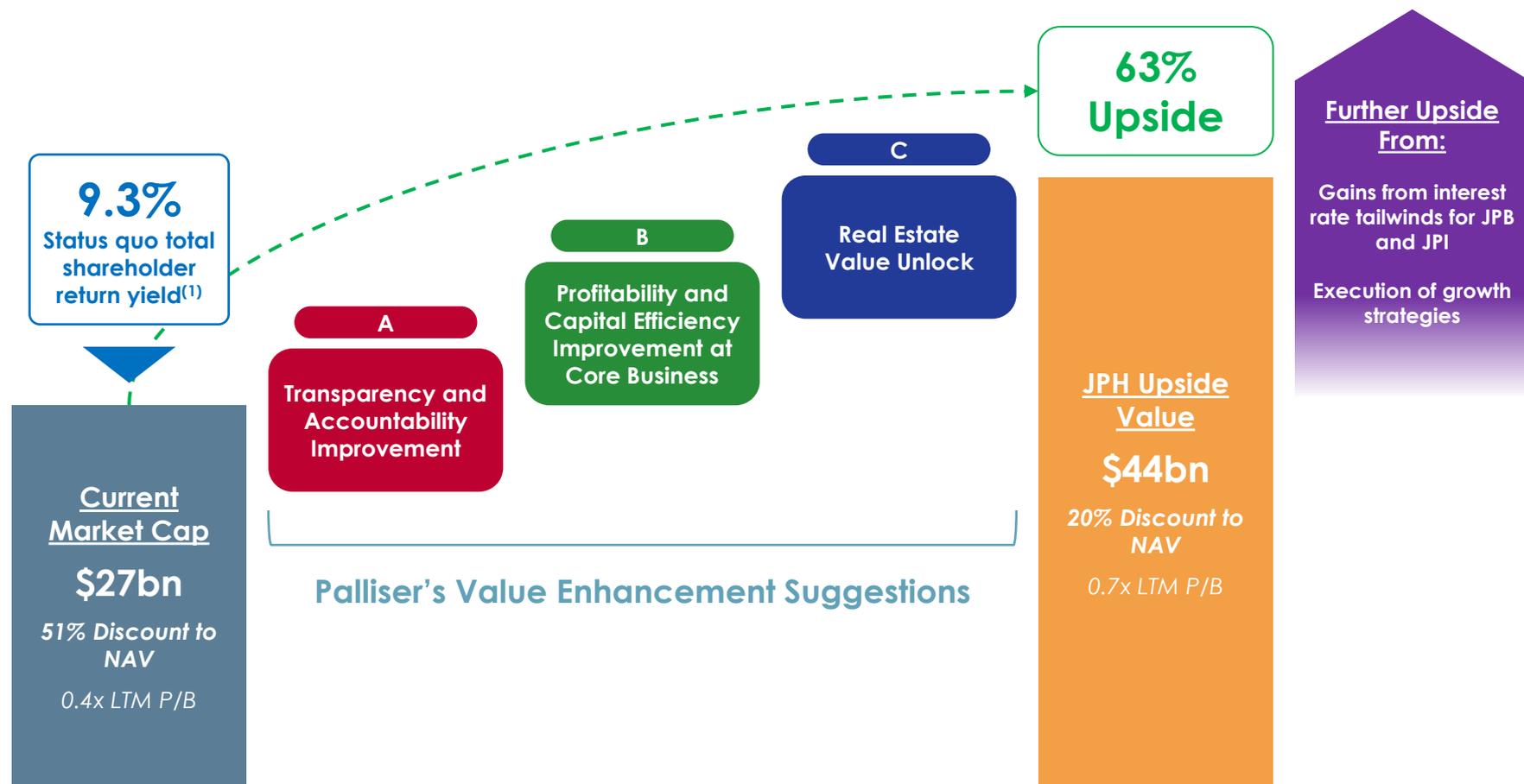
**JPH Real Estate Value (JPYbn)**



- ✓ Logical next step given limited synergies with the core postal & logistics businesses and JPB / JPI being run separately with their own listings. As a separate entity, business would still be able to coordinate with JPC on reorganization of collection and delivery bases
- ✓ Disclosure of separate accounts will enable management and shareholders to properly monitor and evaluate the business
- ✓ Facilitate improvement of capital efficiency through direct use of leverage
- ✓ Greater ability to incentivize management and establish an appropriately dimensioned board with first-rate real estate expertise
- ✓ Reduce inefficiencies to enable real estate to increase yield/monetization and become a fourth pillar of earnings for JPH
- ✓ Subsequently, perform a strategic review of options to unlock full potential value of up to JPY 3 tn (c.71% of market cap) over time
- ✓ Any potential tax liabilities from transactions to be substantially insulated with JPH's significant tax loss (NOL) balance

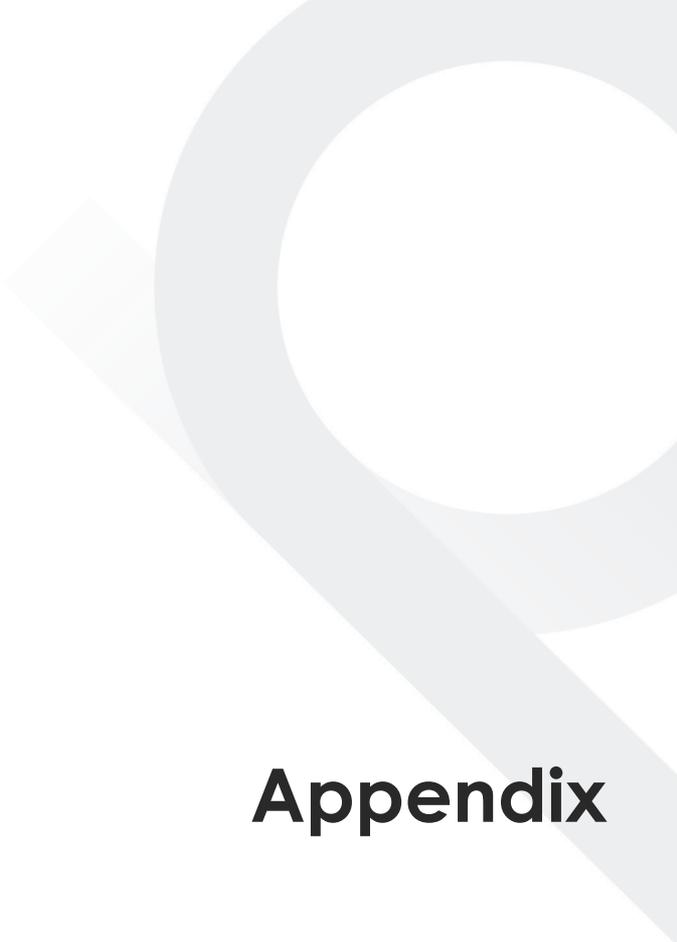
# Attractive opportunity to unlock JPH's true value

Execution of the value enhancement suggestions will significantly narrow the current discount to intrinsic value, leading to a P/B re-rating and significant share price upside



Source: Company Filings, Bloomberg, Palliser Analysis. Note: Market data as of 14-November-2025; Upside value based on discount to NAV tightening to 20%. (1) Based on FY '25E dividend and buyback outlook per management guidance; Yield calculated based on current JPH market capitalization.

# Palliser

A large, light gray, stylized letter 'P' logo is positioned in the upper right corner of the page. It is partially cut off by the right edge.

**Appendix**

# Summary of 3<sup>rd</sup> party valuation appraisal for JPH's key real estate assets

Final value derived based on weighted valuation of the direct capitalization method and market comparable method

Direct Capitalization Method  
Assumptions and Valuation

Market Comparable  
Assumptions and  
Valuation

Weight

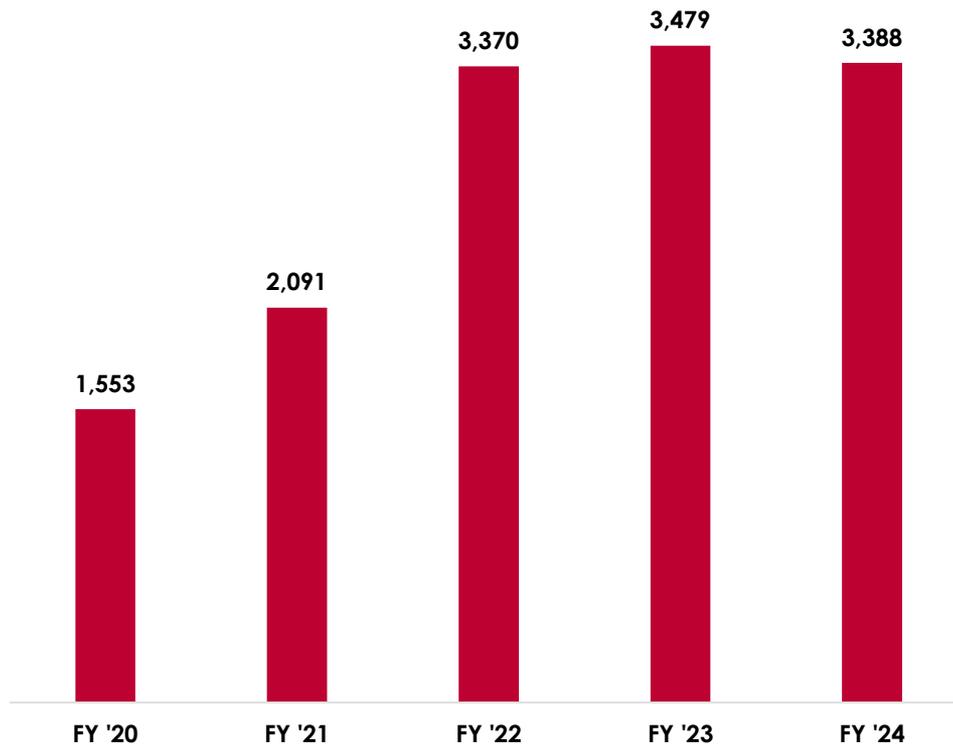
	Property	Completion	Site Area (sqm)	GFA (sqm)	Direct Capitalization Method Assumptions and Valuation			Market Comparable Assumptions and Valuation			Weight		Valuation (JPYbn)
					JPH NLA	Rent (JPY/sqm)	Cap Rate %	Direct Cap (JPYbn)	Unit Rate (JPYk)	Market (JPYbn)	Direct Cap	Market	
Large Complexes	JP Tower (KITTE)	May-12	11,600	212,000	164,167	16,033	2.5%	884	4,390	721	60%	40%	819
	Azabudai Hills Mori JP Tower	Jun-23	24,100	461,770	95,600	12,705	2.5%	408	3,930	376	60%	40%	395
	JP Tower Osaka (KITTE OSAKA)	Mar-24	12,900	227,000	138,600	11,000	3.3%	388	2,100	291	60%	40%	349
	JP Tower Nagoya (KITTE NAGOYA)	Nov-15	12,000	180,000	113,200	10,587	3.3%	305	2,420	274	60%	40%	293
	Kuramae JP Terrace	Mar-23	14,400	99,700	70,630	4,012	3.4%	95 <sup>(1)</sup>	1,350	95	50%	50%	95
	Gotanda JP Building	Dec-23	6,700	69,000	48,300	8,000	3.3%	98	1,800	87	60%	40%	94
	Hiroshima JP Building	Aug-22	4,200	44,200	30,900	7,260	4.2%	45	1,390	43	60%	40%	44
	KITTE HAKATA	Mar-16	5,000	64,300	10,800	9,000	3.5%	23	1,820	20	60%	40%	22
	Iidabashi Grand Bloom	Jun-14	11,000	124,000	4,353	10,890	2.7%	15	3,330	15	50%	50%	15
Office Buildings	Omiya JP Building	Aug-14	6,100	45,700	32,000	9,000	3.4%	71	2,300	74	60%	40%	72
	Mita Building	Mar-93	690	4,400	3,100	4,500	3.8%	3	1,200	4	60%	40%	3
	Garden City Kokura	Sep-19	4,050	40,710	2,052	5,445	4.3%	2	1,000	2	60%	40%	2
	Nishigotanda 1-Chome Building	Jun-21	390	1,470	1,000	6,650	3.5%	2	1,700	2	50%	50%	2
Warehouse	Logisite KumiYama	Feb-21	12,930	22,380	22,380	1,210	4.0%	7	300	7	60%	40%	7
Rental Housing <sup>(2)</sup>	JP noie Ebisu Nishi (Adjoined with co-ba ebisu)	Nov-19	1,890	5,700	4,600	6,100	3.2%	8	1,380	8	60%	40%	8
	JP noie Todoroki	Sep-24	2,120	6,260	4,896	4,700	3.5%	6	850	4	60%	40%	5
	CORONADE KASUGA	Jul-91	1,130	5,880	4,700	4,235	3.5%	5	910	5	60%	40%	5
	JP noie Kiba	Jan-13	1,930	6,430	5,100	3,720	3.5%	5	850	5	50%	50%	5
	JP noie Maruyama Omotesando	Feb-08	1,580	8,390	6,700	2,178	4.1%	3	500	4	60%	40%	4
	JP noie Waseda	Mar-14	730	3,380	2,700	4,560	3.3%	4	1,040	4	70%	30%	4
	Blance SHIBAURA	Nov-97	660	2,740	2,200	4,300	3.3%	3	1,130	3	50%	50%	3
	JP noie Mita	Mar-19	270	1,740	1,400	4,940	3.2%	2	1,130	2	50%	50%	2
	Ichigayatakajo-machi Residence	Aug-21	710	1,350	1,080	5,000	3.4%	2	1,070	1	60%	40%	1
Daycare Center / Elderly Facility	BRANCHEILE MEGURO	Dec-23	1,990	9,000	9,000	3,300	3.5%	8	850	8	50%	50%	8
	Guranda Mejiro Nibankan (Adjoined with Benesse Mejiro Nursery School)	Feb-19	2,450	3,120	3,120	3,025	4.0%	2	700	2	60%	40%	2
Under Development	The Landmark Nagoya Sakae	FY '25E	4,870						16,100	78	-	100%	78
	Shirokane Company Housing	FY '28E	5,330						2,900	16	-	100%	16
Earmarked for Development (Tokyo)	Takanawa Post Office	-	3,960						10,500	42	-	100%	42
	MIELPARQUE TOKYO	-	7,550						5,450	41	-	100%	41
	Akasaka Post Office	-	2,700						15,300	41	-	100%	41
	Shiba Post Office	-	2,110						14,100	30	-	100%	30
	Nakano Post Office	-	6,580						4,160	27	-	100%	27
	Nihonbashi Post Office	-	2,990						7,150	21	-	100%	21
	Kojimachi Post Office	-	1,910						8,690	17	-	100%	17
Earmarked for Development (Nationwide)	Kyoto Central Post Office	-	7,520						9,060	68	-	100%	68
	Yokohama Central Post Office	-	6,450						8,490	55	-	100%	55
	Fukuoka Central Post Office	-	4,750						11,100	53	-	100%	53
	MIELPARQUE Osaka	-	5,299						3,180	17	-	100%	17
	Former Hokkaido Training Institute	-	14,900						250	4	-	100%	4
<b>Total</b>												<b>2,770</b>	

Source: 3<sup>rd</sup> Party Real Estate Valuation Firm. Note: Analysis assumes expense ratio of 30% for offices, 20% for residences and 10% for logistics for the calculation under the direct cap method. (1) Kuramae JP Terrace direct cap valuation represents the sum of separate valuations for different use mixes (office, residence, daycare and warehouse). (2) Market comparables method rates estimated based on GFA.

# Substantial net operating loss balance (“NOL”)

JPH’s substantial NOL balance can be used to offset taxes to improve free cash flow and allow management to consider potential value maximizing transactions

## Historical Estimated NOL Balance at JPH (JPYbn)



Upon engagement with a leading Japanese tax advisor, JPH currently holds an estimated JPY 3.4tn (\$22bn) balance of NOLs

Significant amount of this NOL balance has largely accumulated from sale of JPB and JPI stakes at below cost in recent years

Substantial amounts of NOLs at JPH are expected to provide ongoing tax savings of up to 50% p.a. and potential future value maximizing transactions, for example real estate spin-off, that may otherwise incur large tax charges

Source: Company Filings. Note: NOL balance estimated by dividing disclosed tax-loss carryforward balance by Japan corporate tax rate of 31%; Under Japanese tax law, NOL balances can be rolled over by up to 10 years before expiry.

# JPC on a path to sustainable free cash flow

The government is consistently monitoring the health of JPC's core business given its essential nature to local communities and infrastructure. Positive outcome of discussions on mail pricing flexibility and an annual subsidy should meaningfully support management-led initiatives to ensure long-term sustainability

## Japan Post Company Core (excl. Real Estate) FY '24A – '27E Free Cash Flow Scenarios (JPYbn)

	FY '24A	FY '25E	FY '26E	FY '27E
<p><b>Illustrative</b></p> <p><b>Status Quo Based on Palliser Analysis In Reference to Guidance and Consensus</b></p> <ul style="list-style-type: none"> <li>Challenges from external environment and cost of administrative dispositions associated with unperformed roll calls driving cash outflow; however, quantum is manageable relative to overall value of JPH, its consolidated earnings and net cash balance</li> <li>Conservatively assumes no future mail price increases</li> </ul>	(38)	(25)	(19)	(18)
<p><b>With Mail Pricing Flexibility</b></p> <ul style="list-style-type: none"> <li>Discussions are ongoing with the government to allow JPH to implement flexible price adjustments to support the core business</li> <li>Assuming a moderate mail price increase of 1.5% p.a. beginning FY '26E, we believe JPC Core can return to free cash flow positive and can generate sustainable positive free cash flow in the long-run</li> </ul>	(38)	(25)	(7)	6
<p><b>With Government Subsidy + Pricing Flexibility</b></p> <ul style="list-style-type: none"> <li>Proposed Revision Bill to the privatization act includes a provision for a c.JPY 65bn per annum subsidy to support the post office business and ensure it can continue to deliver on its universal service obligations</li> <li>Coupled with potential mail pricing flexibility, JPC's core business should be self sustaining and not be a drag on the rest of the group</li> </ul>	(38)	(25)	47	61

Source: Company Filings, Sell-Side Consensus, Japanese Government Filings, Bloomberg, Palliser Analysis. Note: Status quo scenario derived from recent management guidance and broker consensus estimates.

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