Conference Call on Financial Results

for the Fiscal Year Ended March 31, 2023

Summary of Q&A

Date & Time: Monday, May 15, 2023, 5:45 to 6:30 p.m.

* The statements have been partially edited for clarity.

<Financial Results Forecast>

Q: On page 26 of the materials, your outlook for positive spread in FY24/3 is for roughly ¥(30.0) billion compared to FY23/3. What's the breakdown for that and what are the potential upside factors?

○ As for the breakdown, first, the impact of rising hedging costs is expected to cause a decrease of approximately ¥20.0 billion. We expect hedging costs to be about ¥80.0 billion for the full year, due to the contribution of persistently high hedging costs throughout FY24/3. Note that we assume hedging costs to be essentially on par with the level at the end of the previous fiscal year.

○ For the positive spread (the difference between interest/dividends and assumed return) excluding hedging costs, the sum of negative and positive factors is expected to be a decrease of about ¥10.0 billion. Anticipated negative factors include a decrease in interest income from foreign bonds, for which the balance was reduced in FY23/3, and a decrease in interest income due to a decline in yen-denominated interest-bearing assets resulting from a decline in total assets. Positive factors are expected to include higher dividend income from alternative assets on the asset side and lower assumed return on the liability side.

○ While the current outlook based on our best estimates is as described above, hedging costs, foreign exchange, stock dividends, and other factors could, as in past years, cause fluctuations in this fiscal year's positive spread.

Q: You are forecasting increased operating expenses, etc. in FY24/3, but don't you expect that there will be a decline in operating expenses, etc. under the new Japan Post Insurance sales system? What is the reason for your expecting an increase?

○ Operating expenses in FY23/3 declined by about ¥30.0 billion from our initial forecast due to fewer new policies than expected. However, operating expenses in FY24/3 are projected to rise by roughly ¥5.0 billion in anticipation of progress made on new policies.

Q: In FY23/3, you reduced the excess provision of contingency reserves to neutralize the impact of losses related toCOVID-19. What will your policy be in FY24/3? In addition, as a decrease in the impact of losses related to COVID-19 you expect approximately +¥50.0 billion. How about the breakdown on that?

○ The excess provision of contingency reserves is projected to have a loss impact of ¥(50.0) billion, compared to FY23/3.

○ The breakdown of "decrease in the impact of losses related to COVID-19" is as follows:

(1) Decline in the payment of insurance claims related to COVID-19	approx. +¥50.0 billion
(2) Increase of excess provision of contingency reserves	approx. ¥(50.0) billion
(3) Impact on IBNR reserves	approx. +¥50.0 billion

○ As for (3), this is the total sum of the impact of increased provision for FY23/3 IBNR reserve falling off in FY24/3, and the impact of the expected reversal of the IBNR reserve in FY24/3.

Q: Among the factors for changes on page 26 of the materials, it appears that core profit will decline compared to FY23/3, while on page 12, FY24/3 forecasts have it increasing from FY23/3, at about ¥200.0 billion. What's the reason for that?

○ The breakdown of "decrease in the impact of losses related to COVID-19" includes an impact of approximately ¥(50.0) billion due to the increase of excess provision of contingency reserves. This is recorded in extraordinary gains/losses, and is excluded from the factors for change in core profit.

Q: I think that the extraordinary gains/losses (reversal of reserve for price fluctuations) will increase in line with increases of hedging costs in FY24/3. What's the factor behind the decline?

○ For capital gains/losses, etc. (including hedging costs related to foreign exchange and excluding gains from cancellation of investment trust), we offset them by reversal or provision of the reserve for price fluctuation corresponding to the amount of them.

○ The profit/loss impact of capital gains/losses, etc. subject to neutralization by the reversal of reserve for price fluctuations in FY24/3 is expected to be +¥60.0 billion compared to FY23/3. The breakdown is as follows:

(1) Increase of capital gains/losses	approx. +¥60.0 billion
(2) Increase in hedging costs related to foreign exchange	approx. ¥(20.0) billion
(3) Excluding the decline in gain from cancellation of investment trust	approx. +¥20.0 billion

○ The above (1) and (3) are factors for decreased reversal of reserve for price fluctuations.

Q: How will the provision of reserve for policyholder dividends change from FY23/3? Also, regarding the ¥(50.0) billion impact from the decline in volume of policies in force, what is the breakdown of the amount offset by policyholder dividends and for the amount other than that?

○ Provision of reserve for policyholder dividends is not expected to change significantly from the FY23/3 results for the total under "Postal Life Insurance category" and "New category".

○ We do not present the offset of policyholder dividends against the decrease in volume of policies in force, as there are no accurately corresponding figures.

Q: Your current forecast of ¥72.0 billion in net income falls below that of the ¥78.0 billion for FY24/3 set out in the Medium-Term Management Plan. What's the reason for that?

○ The main factor is that the volume of policies in force declined greater than anticipated since the recovery of new policy remained slow.

<Sales/products>

Q: New policies are reportedly increasing at present, and I believe that the revision of educational endowment insurance is having some effect. Do you expect the recovery to be sustained?

○ We can see the effect of the revision as the sales numbers of educational endowment insurance exceeds that of the previous fiscal year's level.

○ We will continue to introduce a wide range of products to customers, including by up-selling, etc., and that will lead to recovery in sales.

<EV>

Q: What is the respective impact on EV from reflecting changes in the structure of operating expenses in line with the transition to the new Japan Post Insurance sales system, and from the increase in unit cost on account of decreased volume of policies in force?

○ The impact that comes from "non-economic assumption changes," stated on page 24 of the materials, includes the impact from changes to operating expense structure, and other factors.

○ As for the breakdown of the impact from "non-economic assumption changes," the impact of changes to assumptions for the insured accident rate, the cancellation rate, and others, is +¥110.0 billion. This is mainly as a result of having refined a conservative projection for payments of rider benefit in the super-aged segment.

○ Meanwhile, changes in the operating expense structure have an impact of ¥(120.0) billion. The breakdown is as follows:

(1) Impact of higher fixed costs per policy due to lower future volume of policies in force
approx. ¥(40.0) billion

(2) Impact of reflecting changes to operating expense structure
approx. ¥(80.0) billion

○ (1) is due to having reflected our current product portfolio. For (2), because we were able to obtain the actual operating expenses after the transition to the new Japan Post Insurance sales system with the current financial results, a more accurate forecast than before became available. The impact of this was that the amount of increase in costs with sales restructuring, which was planned to be reflected only for a certain period as of the end of FY22/3, was reflected over the entire period.

Q: The value of new business is significantly negative this time compared to the trend up until 3Q. Is this because of changes to the method of calculating unit cost? And how about your forecast for the value of new business in FY24/3?

○ Up until 3Q of FY23/3, it was difficult to predict the allocation of the Retail Service Division's personnel costs to new policy expenses, so the calculation assumed that commissions would be paid just as before.

○ As these new policy expenses were identified in the FY23/3 year-end financial results, the value of new business was calculated based on these expenses. The result was a major negative when compared to trends up until 3Q.

○ We cannot present the outlook for this fiscal year's value of new business, but assumption of new policy premiums is at the same level of that of the previous fiscal year and about 40% of the FY19/3 results.

<Shareholder Return>

Q: What is the reason for passing on the acquisition of treasury stock this time? What discussions have taken place within the company, including those related to the TSE's March 31, 2023 notice, "Action to Implement Management that is Conscious of Cost of Capital and Stock Price"? In addition, is there a possibility of considering the acquisition of treasury stock within this fiscal year?

○ We aim for a medium-term average total payout ratio of 40 to 50% under our shareholder return policy during the Medium-Term Management Plan period.

○ The company has increased the FY24/3 shareholder dividend by ¥2, to ¥94 per share, which puts the medium-term average total return ratio in the 40%-50% range.

○ In our case, the ratio of voting rights of Japan Post Holdings will be maintained at 50% or less when implementing the acquisition of treasury stock, and therefore it is necessary to acquire treasury stock in roughly equal amounts with respect to Japan Post Holdings and general shareholders, respectively, and it also requires implementation on a certain scale. This time we've determined that we have not reached that necessary amount, and so passed on the acquisition.

○ While we will consider implementing the acquisition of treasury stock in a flexible manner while keeping an eye on the situation with net income, we do not anticipate a share repurchase within this fiscal year.

○ Regarding the response to the TSE’s request, we recognize that our first priority is sales recovery. We would like to present our thinking after further analysis of the current situation.