

Sales Strategies

Summary of Q&A

Date & Time: Friday, March 29, 2024, 4:00 to 4:45 p.m.

* The statements have been partially edited for clarity.

<Sales Performance>

Q: Page 4 of the materials shows a substantial improvement in the number of new policies sold. Is there any gap between your expectations and the current situation? In addition, the number of existing products sold has declined due to strong sales of lump-sum payment whole life insurance policies. What are your expectations for the next fiscal year?

- While we see the strong sales of lump-sum payment whole life insurance policies as a positive, we recognize that it is an issue that existing products sold have been less than expected.
- We believe the factor behind this is that consultants have accurately grasped customer needs through activities including policy coverage confirmation activities, and they have been prioritizing solicitations to customers with asset succession needs since the launch of lump-sum payment whole life insurance policies.
- Going forward, we aim to strike a balance between sales of lump-sum payment whole life insurance policies and existing products by actively promoting existing products to customers in line with their needs.

Q: Following on from January, the number of new policy sales was again strong in February. Is this trend set to continue?

- As you've just mentioned, the number of new policies sold in February was around 98,000, marking a significant increase since January due to the launch of lump-sum payment whole life insurance policies.
- Although progress in March was moderate compared to February as more Retail Service Division offices and Post Office counters had already achieved their sales

targets, we continue to see strong demand for lump-sum payment whole life insurance policies.

- We expect a certain degree of demand for lump-sum payment whole life insurance policies to remain steady, with sales volume trending at around the same level.

Q: If the number of new policies sold in lump-sum payment whole life insurance policies continues to achieve around 100,000 per month, is there a possibility that policies in force will bottom out and turn around in the next fiscal year?

- At present, it is difficult to see policies in force bottoming out and turning around in the next fiscal year, and we expect policies in force to continue to decline for a while longer.
- Our current sales performance, however, is beginning to show signs of a brighter outlook. Going forward, we will work to increase the number of customers by enhancing our sales skills and product lineup, and in turn aim for the number of policies in force to bottom out and turn around as soon as possible.

Q: Is there any possibility of changing the assumed rate of return for lump-sum payment whole life insurance policies in light of the increases in interest rates that lie ahead?

- We will need to manage our assumed rate of return by assessing trends in standard interest rates.
- With that said, although lump-sum payment whole life insurance policies do have a savings aspect, their primary focus is to meet the needs of asset succession and death protection. Therefore, we are not thinking of relying solely on the assumed rate of return to make our products more appealing.

Q: The liability duration as of the end of December 2023 stood at 11.9 years. How is this likely to change as sales of lump-sum payment whole life insurance policies increase?

- The liability duration for lump-sum payment whole life insurance policies is assumed to be around 15 years, so we expect that the liability duration will increase to a certain extent in the future.

<Incentive System>

Q: Will you consider changing the evaluation indicators of the Kampo GD System with a view to increasing the percentage of existing products? Will you set new items related to profitability as indicators in the next fiscal year as sales recover?

- In the Kampo GD System, under the item “alignment with corporate strategy,” we evaluate the number of medical riders added, which are highly profitable among our products.
- The employees have got a sense of satisfaction with the evaluation indicators, and they are able to approach their sales activities with a positive attitude. To boost the number of existing product sales, we are considering revisions such as adding more weight to evaluations related to existing product sales, which will lead to further increases in employee motivation.

Q: What changes have been made to the evaluation indicators of the Kampo GD System since before the solicitation quality issues? How do you measure increases in motivation brought about by the introduction of the system?

- The Kampo GD System is designed based on a reflection of the solicitation quality issues. It is a system for comprehensively and quantitatively evaluating consultants’ activities without overemphasizing sales results.
- We conducted a questionnaire on the system to all consultants and confirmed that the system has given most of them a sense of satisfaction in their work. In addition, some commented that aiming for the top level has led to personal growth, so we were able to confirm the effectiveness of the system.

<EV>

Q: How do you see the effect of the current sales recovery on EV for the fiscal year ended March 31, 2024?

- Although we will disclose our EV when we announce our FY24/3 4Q financial results, you can consider that the increase in new policies will have a positive effect on EV.

<Future Product Development>

Q: What is your policy going forward on developing new products?

- We will take advantage of the situation where we are returning from a world without interest rates to one with interest rates, and will strive to boost the appeal of savings-type products (products to prepare for the future while saving) that have always been in strong demand from our customers. We also aim for a product strategy that combines savings and protection.
- We would like to continue enhancing the areas of coverage we provide to our customers. Specifically, we are considering providing coverage for nursing care and inability to work.
- As explained, the launch of lump-sum payment whole life insurance policies has given our sales performance a substantial boost, and has also improved the atmosphere in the workplace and employee motivation. We have been keenly aware once again of how important it is to provide products and services that meet customer needs.
- On the other hand, with many peer companies competing fiercely on product development, we recognize the need to eliminate additional restrictions, such as limit on coverage amount, in order to further expand our range of compelling products and services in response to changes in customer needs.

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