

EV and ESR as of March 31, 2020

May 25, 2020



JAPAN POST INSURANCE

Embedded Value

Breakdown of EV

(¥bn)

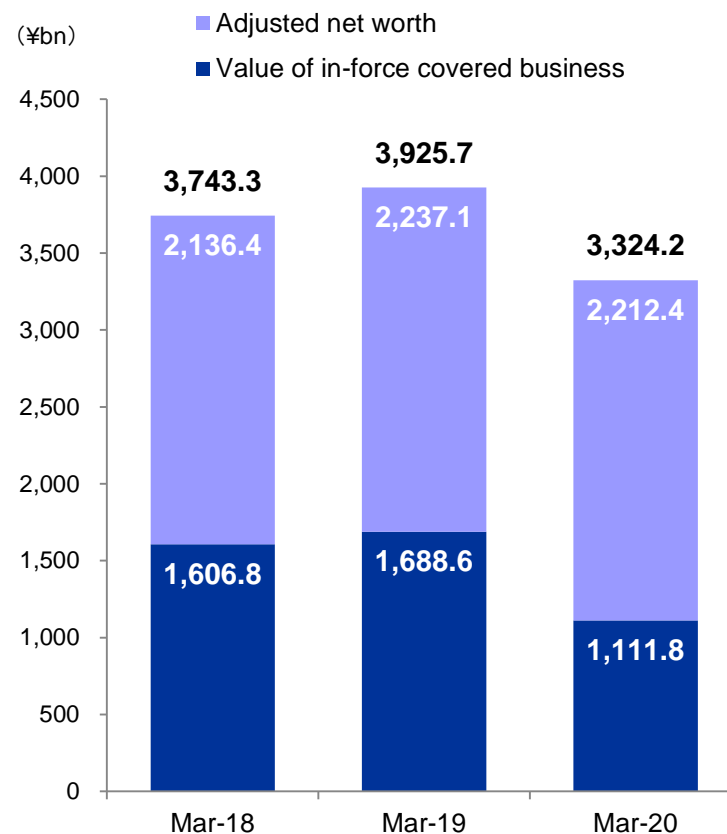
	Mar-19	Mar-20	Change
EV	3,925.7	3,324.2	(601.5) ((15.3) %)
Adjusted net worth	2,237.1	2,212.4	(24.7) ((1.1) %)
Value of in-force covered business	1,688.6	1,111.8	(576.7) ((34.2) %)

	Year ended Mar-19 ¹	Year ended Mar-20 ²	Change (Year on Year)
Value of new business ³	223.8	60.6	(163.1) ((72.9) %)
New business margin ⁴	5.9 %	4.1 %	(1.8) pt

1. Using the economic assumptions as of December 31, 2018, based on the new policies written in the period from April 2018 to March 2019.
2. Using the economic assumptions as of December 31, 2019, based on the new policies written in the period from April 2019 to March 2020.
3. The value of new business includes an increase or decrease due to a switchover of riders.
4. The value of new business divided by the present value of future premium income.
5. Ultimate forward rates were assumed at 3.5% for FY2018 and the years before FY2018, and 3.8% for FY2019.

EV

(¥bn)



Movement Analysis of EV

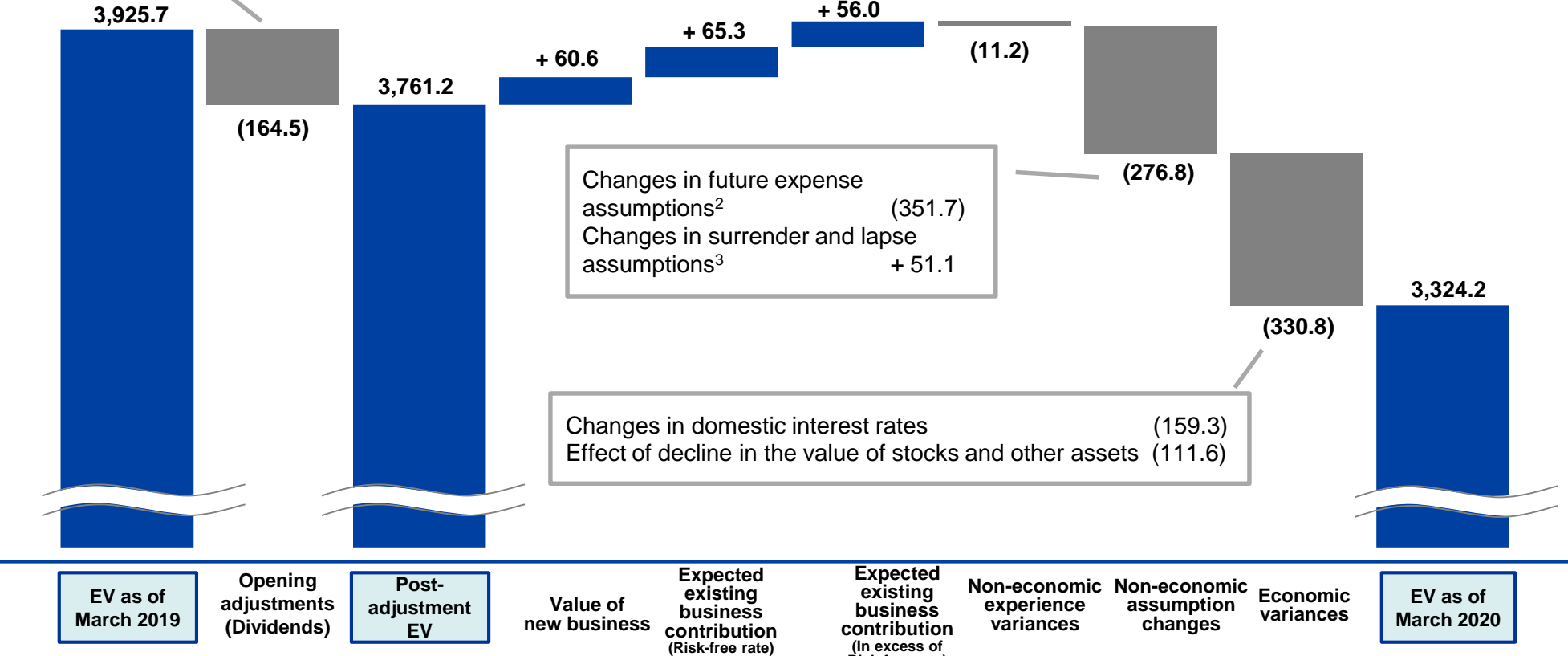
Medium to Long-term
RoEV¹ Target: 6 to 8%

Share repurchase (99.9)
Shareholder dividends (64.5)

RoEV¹ : (2.8)%

RoEV¹ (except non-economic assumption changes) : 4.5%

(¥bn)



1. Calculated by excluding economic variance factors.
2. The expense assumptions were set based on the most recent experience and an allowance was made for future increases in expenses to reflect the decreasing trend in the volume of in-force policies (including Postal Life Insurance policies). In the calculation of the EV as of March 31, 2019, the future trend of in-force volume was estimated based on historical experience. However, in the calculation of the EV as of March 31, 2020, the future trend of in-force volume was estimated under consideration of the issues related solicitation quality at the valuation date. This reduced the estimate of the volume of future in-force policies, in turn increasing the expense assumptions.
3. EV as of March 31, 2019 was calculated based on the surrender and lapse rate that included the effects of rewritings. On the other hand, EV as of March 31, 2020 was calculated based on the surrender and lapse rate that excluded the same effects as the following actions are planned to be taken under the Business Improvement Plan: 1) implementing policy rewriting measures; 2) introducing a conditional cancellation system and policy conversion system; and 3) assessing net increase only for the volume of new business obtained by using the aforementioned systems. This resulted in a decrease in the underlying surrender and lapse rate.

Sensitivity Analysis of EV

Sensitivity to Economic Assumptions

(¥bn)

Assumptions	EV	Change (%)
50bp increase in risk-free rate	3,677.7	+ 353.4 (+ 10.6 %)
50bp decrease in risk-free rate	2,930.8	(393.4) ((11.8) %)
50bp decrease in risk-free rate (parallel shift without zero floor)	2,769.6	(554.5) ((16.7) %)
10% decrease in equity and real estate value	3,205.0	(119.2) ((3.6) %)

Sensitivity to Non-economic Assumptions

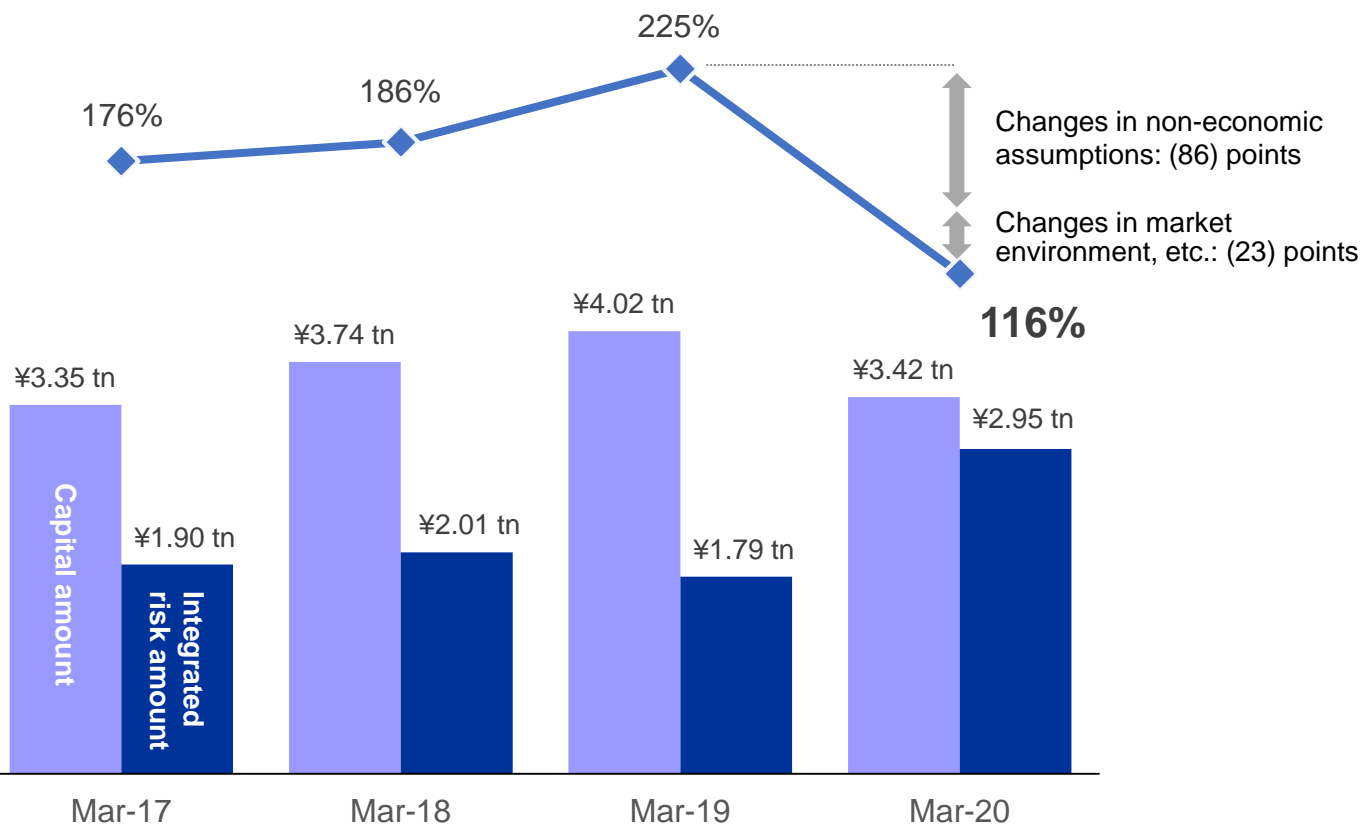
(¥bn)

Assumptions	EV	Change (%)
Future volume of policies in force is 105% of the level assumed in the calculation of EV as of March 31, 2020 ¹	3,410.5	+ 862 (+ 2.6 %)
Future volume of policies in force is 95% of the level assumed in the calculation of EV as of March 31, 2020 ¹	3,226.5	(977) ((2.9) %)
10% decrease in maintenance expenses	3,587.1	+ 262.9 (+ 7.9 %)

1. Provisional calculations that have not been verified by a third party.

ESR (Economic Solvency Ratio)

- ESR as of March 31, 2020 decreased to 116%, as a result of a reduction in the capital amount caused by changes in non-economic assumptions and changes in market environment, etc., as well as an increase in the integrated risk amount.
- ESR is positioned as an indicator to be referred to and responded to on a medium- to long-term basis, as it fluctuates greatly depending on the assumptions made at the time.



ESR Sensitivity (As of March 31, 2020)

50bp increase in risk-free rate	+ 46 points
50bp decrease in risk-free rate (parallel shift without zero floor)	(31) points
10% decrease in equity and real estate value	(5) points

Future volume of policies in force is 105% of the level*	+ 8 points
Future volume of policies in force: 95% of the level*	(8) points

* Assumed in the calculation of EV as of March 31, 2020

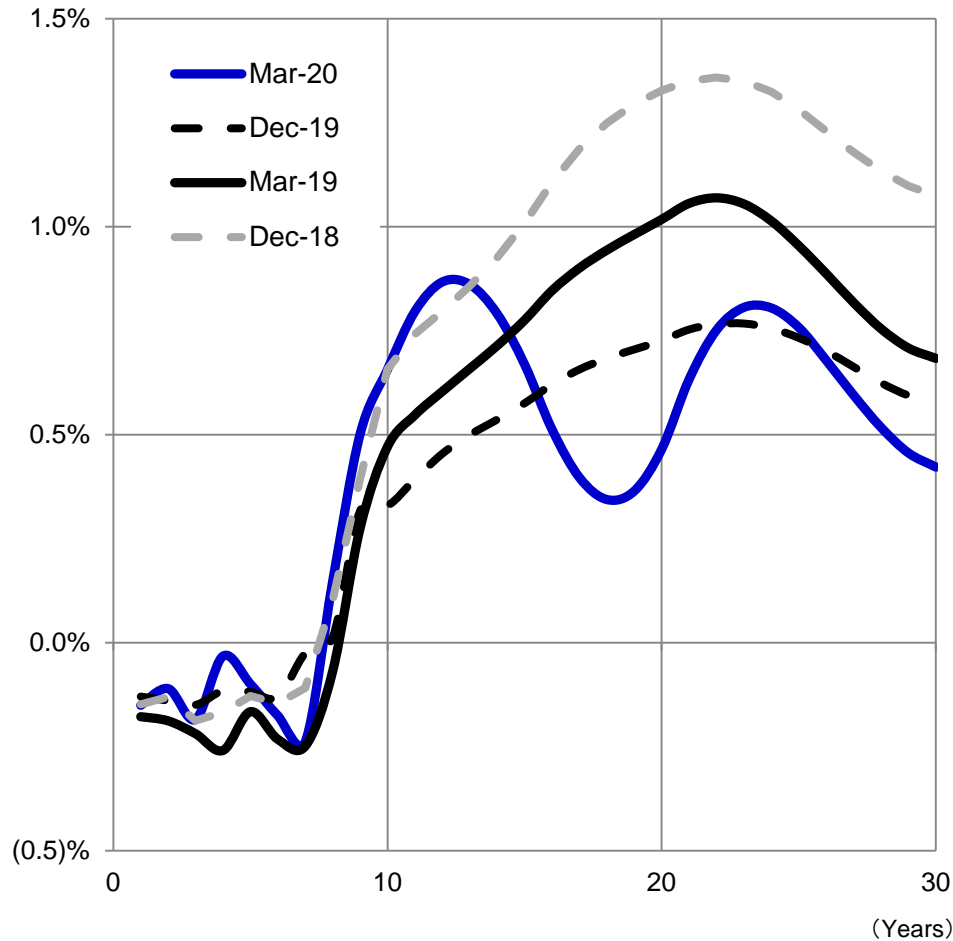
ESR (As of September 30, 2019)

ESR	128 %
Capital amount	¥3.57 tn
Integrated risk amount	¥2.80 tn

Notes: The capital amount, the numerator of ESR, was calculated by adding the amount of subordinated bonds issued by the company to EV.
The integrated risk amount, the denominator of ESR, was calculated based on an internal model (holding period: 1 year, confidence level: 99.5%), recognizing fluctuations in the capital amount as risk.
Changes in non-economic assumptions correspond to the identical item used in the EV movement analysis.

(Reference) Fluctuations of Interest Rates (EV Assumptions)¹

Forward Rate (Dec-18 to Mar-20)



Forward Rate

(%)	Dec-18 ^①	Mar-19 ^②	Dec-19 ^③	Mar-20 ^④
10 years	0.657	0.471	0.329	0.657
20 years	1.327	1.017	0.726	0.466
30 years	1.074	0.683	0.578	0.422

*The economic assumptions used for the calculation of EV and the value of new business are as follows:

- Value of new business for FY19/3... ①
- EV as of March 31, 2019... ②
- Value of new business for FY20/3... ③
- EV as of March 31, 2020... ④

1. Interest rates used herein (assumptions for EV) are forward rates calculated based on the market yields on JGBs announced by the Ministry of Finance, Japan.

(Reference) EVs as of the Ends of Jun., Sep., and Dec. 2019

- Below are EVs as of June 30, 2019, September 30, 2019, and December 31, 2019 (calculated based on the same non-economic assumptions as those as of March 31, 2020):

(¥bn)

	Jun-19 ¹	Sep-19 ¹	Dec-19 ¹
EV	3,420.1	3,478.9	3,585.3
Adjusted net worth	2,135.4	2,186.5	2,193.3
Value of in-force covered business	1,284.6	1,292.4	1,391.9

	3 months ended Jun-19 ^{1,2}	6 months ended Sep-19 ^{1,3}	9 months ended Dec-19 ^{1,4}
Value of new business ⁵	64.6	66.7	63.8
New business margin ⁶	6.6 %	4.9 %	4.4 %

- Provisional calculations that have not been verified by a third party. The assumed ultimate forward rate is 3.8%.
- The economic assumptions as of March 31, 2019 are used, based on the new policies written in the period from April to June 2019.
- The economic assumptions as of June 30, 2019 are used, based on the new policies written in the period from April to September 2019.
- The economic assumptions as of December 31, 2019 are used, based on the new policies written in the period from April to December 2019.
- The value of new business includes an increase or decrease due to a switchover of riders.
- The value of new business divided by the present value of future premium income.