Conference Call on Financial Results
for the Three Months Ended June 30, 2018
Summary Q&A

Date & time: Friday, August 10, 2018, 6:00 to 6:40 p.m.

* The statements have been partially edited for clarity.

<Financial Results>

Q: Core profit grew compared with the first quarter of last fiscal year. Has the trend switched from profit decline to profit growth?

○ To break it down, it was caused by a decline in commissions to Japan Post Co. and an absence of a temporary increase in depreciation and amortization at the first quarter of last fiscal year. The trend of decline in policies in force is continuing, so it is not our view that core profit has switched to a trend of growth.

Q: What factors are behind the degree of progress in quarterly net income?

○ It resulted from an upswing in investment income from accelerated foreign bonds investment and the decrease in commissions to Japan Post Co., among other factors.

Q: Net income from the new category during the first quarter hit a historical high on a quarterly basis. How did it compare to the forecast?

○ Net income is at a good level compared to the forecast due to the upswing in investment income and other factors. The new category is also paying stable dividends to policyholders, so net income will also increase if there is an upswing in core profit compared to the Postal Life Insurance category.

Q: How likely is it that net income for the full year will not reach four times the level of first quarter results (34 billion yen)?

○ We think the risk factors are market fluctuations in stock prices, interest, and so on.

<Sales>

Q: What are the factors behind the growth in annualized premiums from new policies in the medical care compared to the first quarter of last fiscal year and the previous quarter? Will the revision in insurance premiums at other life insurance companies alter the competitive environment?

○ It was caused by the shift to efforts to acquire new policies, in light of good sales resulting from an emphasis on customer protection and due to the fact that the cycle of recommendations to switchover has run full course. We are not aware of any changes in the competitive environment in relation to other life insurance companies.

Q: Will the trend of growth in annualized premiums from new policies in the medical care also continue in the future?

○ The share of products such as special endowment insurance and ordinary whole life insurance (Increased amount type) with a high number of rider additions is increasing due to marketing efforts with a focus on customer protection. In addition, we revised our riders in October, 2017 and the strengthening of the protection is one factor behind the growth in annualized premiums. We will focus on securing sales volume in the future as well.

Q: How does the level of commissions to Japan Post Co. compare to the forecast?

○ The forecast of commissions to Japan Post Co. for the full year is anticipated to be on par with last fiscal year, so we recognize that first quarter commissions were low compared to the forecast.

Q: The rate of decrease in sales commissions (11.9% decrease year on year) is larger than the rate of decline in annualized premiums from new policies (9.5% decrease year on year). Will the trend of decline in sales commissions continue in the future as well?

○ There is an incentive component to sales commissions, and the results in the first quarter also include a decrease due to failure to meet the incentive requirements. We will work to increase the number of new policies to stem the decline in annualized premiums from new policies.

Q: Will sales commissions decline even if the annualized premiums from new policies in the medical care grow while annualized premiums from new policies for individual policies overall decline?

○ Sales commissions are paid within the range of loading, so sales commissions will decrease if there is a decrease in overall insurance premiums.

<Asset Investment>

Q: Was the loss on the sale of foreign bonds due to portfolio restructuring? Were there any other factors?

○ It was the result of trading to improve the portfolio and change in allocation due to expansion of investment targets. We also sold unhedged foreign bonds to reduce our exposure to exchange rate fluctuations.

Q: Was the increase in the balance of hedged foreign bonds in the Postal Life Insurance category or new category? What percentage of foreign currency denominated bonds are hedged?

○ The balance of hedged foreign bonds has mainly increased in the new category. Around 80% of foreign bonds is hedged.

Q: Unrealized gains on foreign securities increased while unrealized gains on other securities decreased. What is the reason for that?

○ Unrealized gains on foreign securities increased due to depreciation of the yen. The majority of other securities is comprised of hedged overseas credit, and this category includes very little unhedged bonds. The rise in U.S. interest rates therefore resulted in an increase in unrealized losses on other securities.

Q: Do you intend to take gains or losses on the sale of other securities?

○ A profit on fund cancellation was posted in the first quarter. While the balance was small relative to the foreign credit held in-house, generation of gains and losses on sale due to fund cancellations is a possibility in the future as well.

Q: Where do you think you will be in terms of return seeking assets at the end of this fiscal year?

○ We expect to expand return seeking assets to around 14% of total assets, and are making progress according to schedule.

<EV>

Q: What is the impact of switchover in riders on the value of new business?

○ An increase of around 3 billion yen.

Q: What are the factors behind the 18.4 billion yen year on year increase in the value of new business?

○ The positive impacts were 3 billion yen from the switchover in riders, and around 18 billion yen from the change in product composition. The rise in interest rates produced a negative impact of 3 billion yen.

Q: What factors are behind the year on year improvement in the new business margin from 4.5% to 6.5%?

○ The growth in the highly profitable medical care as a percentage of business was responsible for the improvement in the margin.