Conference Call on Financial Results
for the Nine Months Ended December 31, 2022
Summary of Q&A

Date & Time: Tuesday, February 14, 2023, 5:45 to 6:30 p.m.

* The statements have been partially edited for clarity.

<Financial Result>

Q: Net income is progressing at a performance as high as 87.6% against the forecast, even after the upward revision to the original financial results forecast. Do you envision any adverse factors that may drive down the net income in 4Q, or is the actual performance likely to improve even further against the revised forecast?

○ The revised forecast is calculated based on our best estimate at present.

○ While the rate of progress against the revised forecast is certainly high at present, we can point out as potential adverse factors for 4Q that our operating expenses tend to increase in March, and that impairment losses on securities are expected at the fiscal year-end. Thus, we presently expect that the fiscal year will end with the progress against the forecast at around 100%.

<Sales/products>

Q: The cumulative value of new business is still negative, and the growth of annualized premiums for new policies between 2Q and 3Q is weak compared with the growth between 1Q and 2Q. Tell us what the situation is like on the sales front.

○ While the annualized premiums for new policies in 3Q increased by 44.4% compared with the previous fiscal year, it still failed to achieve our expectations for the quarter.

○ A comparison between the 2Q cumulative total and 3Q cumulative total for each indicator, namely the number of interviews, number of proposals presented, and number of new policies per business day at the Retail Service Division , as explained at the Financial Results & Corporate Strategy Meeting for the Six Months Ended September 30, 2022 held in November 2022, is as follows: The number of interviews increased slightly, while the number of proposals presented and the number of new policies increased by approximately 10%, thanks in part to the effect of the campaign. Currently the number of proposals presented trended at a similar level.

○ The value of new business of 1Q, 2Q and 3Q is ¥ (1.4) billion, ¥ (0.9) billion and ¥ (0.4) billion, respectively, and is in line with the progress in sales to a certain degree.

Q: What impact do you expect from the revision to educational endowment insurance in April 2023?

○ The educational endowment insurance is the brand product representative of the post office and Japan Post Insurance, and is defined as an entry-level product for new customers and placed in a pivotal position in our sales strategy.

○ However, its merchantability is that the rate of return on maturity refund is below 100% as a result of the premium increase under the negative interest regime.

○ An improvement in the rate of return on maturity refund due to the revision in April 2023, will restore both customer satisfaction and the confidence of consultants and other staff in marketing this product.

○ Furthermore, it is essential for us to use sales of the educational endowment insurance as a basis for expanding our customer base, approaching young and middle-aged customers, and making proposal-based marketing to the parental generation, in an effort to provide protection to an even wider range of customers.

<Asset Management>

Q: The amount of hedged foreign bonds was reduced by approximately 25% compared with the end of March 2022. Other life insurance companies in Japan have carried out larger reduction. What is the reason behind this relatively smaller reduction? Also, since you have already made a considerable reduction, may we assume that a further substantial reduction is unlikely?

○ We believe that the relatively smaller proportion of hedged foreign bonds in our overall portfolio is one of the major factors behind such a relatively smaller reduction.

○ In reducing the balance of hedged foreign bonds, sale of these bonds is carried out in consideration of factors including the yield after deducting hedging costs, the interest rate environment in Japan and overseas, and income and expenditure.

○ In terms of the yield after deducting hedging costs, hedged foreign bonds no longer have the appeal to investors that they once had, leading us to believe that yen-denominated interest-bearing assets will remain relatively attractive, and that the return to yen-denominated interest-bearing assets will continue, to a certain extent.

○ On the other hand, we must remain aware of the potential transition to a recessionary phase, despite the possibility of a soft-landing. As hedged foreign bonds are the type of assets whose fair value is expected to rise in a recessionary phase, we will consider hedged foreign bonds while reviewing the balance.

<EV>

Q: Among the factors causing fluctuations in EV on page 24 of the materials, with reference to the difference between economic assumptions and actual results, how significant were the impacts of fluctuations in domestic interest rates and stock prices? Is the "impact from fair value fluctuation of investment trust, etc.," mentioned in the materials different from that of stock price fluctuations?

○ The impact of fluctuations in domestic interest rates was approximately ¥ (10.0) billion, while the impact of fluctuations in stock prices, including both domestic and overseas stocks was approximately ¥ (10.0) billion. Analyzing the impact of fluctuations in stock prices, we found that the impact of overseas stocks was slightly larger than that of domestic stocks.

○ The "impact from fair value fluctuation of investment trust, etc." and the impact of stock price fluctuations are two different things.

Q: Do you expect EV and the value of new business to be exposed to an impact from the unit cost review due to the changes in the structure of operating expenses, in line with the transition to the new Japan Post Insurance sales system?

○ There may be an impact. However, the impact of the changes in the structure of operating expenses has not been expected for 3Q, and we will continue to consider it for 4Q.

Q: In reference to the factors causing fluctuations in EV, the impact of fluctuations in domestic interest rates remained positive up to 2Q, but turned negative in 3Q. Is it correct to understand that the rising interest rates of 10–15-year Japanese government bonds are having an impact on Japan Post Insurance, on a scale equivalent to the flattening of the interest rate? Are you not taking countermeasures against an increase in the interest rates of Japanese government bonds with maturities of around 10 years?

○ As for the impact of fluctuations in domestic interest rates on EV, the situation is exactly as you mentioned. In 3Q, an increase in the interest rates of Japanese government bonds with maturities of around 10 years had a particularly significant impact on adjusted net worth.

○ While the positive impact on the value of in-force covered business from an increase in the interest rate of super long-term Japanese government bonds is absorbed by policyholder dividends, the same absorption effect will not work in the case of adjusted net worth. Thus, the negative impact on adjusted net worth was enormous.

○ Since the fact that fluctuations in domestic interest rates had a negative impact may have had something to do with the shortened duration of liability arising from the sluggish acquisition of new policies, we are determined to work hard to ensure an early recovery of sales performance.

<Other>

Q: Are you taking any countermeasures against the sharp rise in domestic interest rates? What kind of impact do you expect?

○ Since we believe that mass cancellation is one of the risks in the event of a sharp rise in domestic interest rates, we are conducting a stress test under certain assumptions, to make sure that there are no impediments to securing liquidity, and to clarify other aspects. However, since there have been no past instances of mass cancellations associated with a rise in interest rates, we will continue to examine such assumptions.

Q: In order to be prepared against the risk of cancellation and other risks following a rise in domestic interest rates, will you consider increasing Japanese government bonds held under available-for-sale securities, in view of the latest interest rate hike overseas and the change in the Bank of Japan’s monetary policy?

○ Although the sale of held-to-maturity bonds and policy-reserve-matching bonds is subject to certain constraints for accounting purposes, it is not impossible. We believe that we can adopt this method in the event that an extremely large cancellation risk materializes.

○ On the other hand, in consideration of the fact that holding assets under available-for-sale securities gives us the greatest degree of liberty in our portfolio management under normal circumstances, we will continue to hold a certain proportion of domestic bonds and others under available-for-sale securities.