Financial Results & Corporate Strategy Meeting

for the Year Ended March 31, 2023

Summary of Q & A

Date & time: Friday, May 26, 2023, 3:00 to 4:30 p.m.

* The statements have been partially edited for clarity.

<Change of President>

Q: What was discussed by the Nomination Committee in regards to the change of president?

○ As background to the change of president, President KINUGAWA of Japan Post Co. submitted a request to retire at the Ordinary General Meeting of Shareholders to be held in June of this year, and Japan Post Holdings nominated President SENDA of Japan Post Insurance as President KINUGAWA's successor. In light of this, we requested that the Nomination Committee of Japan Post Insurance consider a successor for the President, CEO, and Representative Executive Officer of Japan Post Insurance.

○ The Nomination Committee of Japan Post Insurance interviewed several candidates for the next President, CEO, and Representative Executive Officer, including Mr. TANIGAKI, and after several discussions, determined a director candidate for the prospective President, CEO, and Representative Executive Officer on April 19.

Q: With the appointment of Mr. SENDA as the next president of Japan Post Co., do you think that post office counter channel will gain a larger proportion in sales of new policies in the future?

○ Moving forward, in order to raise overall sales, we need to further increase the proportion of consultant channel, which has much more room for expansion.

○ Meanwhile, post office counters remain a key retail channel for the Company, and we are examining concrete measures to reinforce cooperative systems between post offices and the Retail Service Division. These include collaboration with customer follow-up support, development of customer touchpoints that draw upon post office characteristics (the regional bond and personal connections of the postmaster), and the active use of on-site sales at companies through cooperation between both parties.

○ We hope to promote these measures at both Japan Post Insurance and Japan Post Co. and build a win-win relationship.

<Sales>

Q: Launch of sales of new policies in FY24/3 seems to be progressing well so far, but how does it compare to the plan? Also, do you predict you can achieve the target of 40% of FY19/3 result if this pace of recovery is maintained?

○ The new policy result in April 2023 was approximately double that of the same month last year, but was still below the plan.

○ Last year, even the most successful operation bases did not reach the target, but since the beginning of this fiscal year, about 10% of the operation bases have achieved sales results above the target. While some of the bases are improving their performance, there are still many that have yet to reach their full potential, and there is a large variation in the performance of each base and consultant.

○ We will continue to identify and resolve each employee's issues, and if progress cannot be seen, we will take the next countermeasure. If the entire company unites to implement the PDCA cycle at high speed and ensure it is fully functioning, we believe we can achieve our full-year target.

Q: What is the outlook for achieving the Medium-Term Management Plan's final year target of 20 million policies in-force?

○ Considering that sales performance is below expectations, it will be difficult to achieve our policies in-force target.

○ On the other hand, the current sales situation is beginning to show signs of a promising future.

<Products and Services>

Q: In considering the introduction of products related to nursing care and inheritance in the future, how do you plan to handle the burden on sales employees who sell such products?

〇 Products related to inheritance and nursing care can meet the needs of not only the elderly but also the young and middle-aged, and we believe that it will make the younger generation aware of the value we offer.

〇 The sales consultants must have a high level of ability in order to properly understand needs and provide explanations, and we will work on this by developing a training system and an environment in which they can make proposals to customers with confidence.

<Asset Management>

Q: Of the impact of positive spread on net income, it appears that the increase in hedging costs will be neutralized by price fluctuation reserves. On the other hand, would the changes in the portfolio, such as a reduction in foreign-currency-denominated bonds, lead to lower investment return on core profit?

〇 As you say, of the impact of positive spread on net income, the increase in hedging costs will be neutralized by price fluctuation reserves.

〇 The balance of hedged foreign-currency-denominated bonds was reduced in FY23/3, and the reduction will continue this fiscal year. Moreover, due to the fact that foreign exchange risk is increasing in line with the accumulation of alternative assets, our policy is to reduce open foreign-currency-denominated bonds corresponding with the exchange rate level.

〇 Reduction of the foreign-currency-denominated bonds balance is a contributing factor to the decrease in interest and dividend income. However, moving forward, alternative assets are likely to gradually contribute to earnings, and this is expected to partly offset the decrease in interest and dividend income due to a reduction in foreign-currency-denominated bonds. Rising yen interest rates will also contribute to improving profit margins in the medium term.

〇 Although we expect the positive spread to decrease due to hedging costs remaining at a high level in FY24/3, our current assumption at this point in time is that, from the next fiscal year onwards, we will see a recovering trend.

〇 Foreign exchange rate and stock dividends may contribute to fluctuations in the positive spread in FY24/3, as in the previous fiscal year.

Q: If U.S. interest rates rise more than expected, how will this affect your asset management plan?

○ Rising U.S. interest rates will first lead to an increase in hedging costs, but since the Company uses price fluctuation reserves to neutralize the impact of hedging costs on net income, there will be no direct impact on net income.

○ Moreover, an increase in U.S. interest rates will be a deteriorating factor for unrealized gains/losses on foreign-currency-denominated bonds. However, we believe the overall impact is relatively minimal, because the Company has further reduced the ratio of hedged foreign-currency-denominated bonds, which has been low relative to our peers, and also the duration is comparatively short at around five years.

<Financial Results>

Q: On page 22 of the document, the net income for FY24/3 is predicted to be ¥72.0 billion. However, excluding the impact due to reversal of IBNR carried forward from last fiscal year in relation to COVID-related payments, would the predicted net income be lower than this? If this is the case, do you believe the target of ¥91.0 billion for the final year of the Medium-Term Management Plan is feasible?

○ As you say, if we exclude the reversal of IBNR, the predicted net income for FY24/3 will be lower than the ¥72.0 billion shown on page 22.

○ The new policy results are significantly lower than the prediction of the Medium-Term Management Plan, thus leading to an unexpected decline in policies in-force and impacting our profit level.

○ In order to achieve the Medium-Term Management Plan targets, we will consider and implement new measures to secure revenue, reduce operating expenses, etc.

<Reduction in Expenses>

Q: As you proceed with the transformation of service center operations, will there be an increase in system-related investments and other expenses ahead of reduction in expenses? What is the outlook for reductions?

○ The necessary expenses of ¥502.0 billion expected for the final year of the Medium-Term Management Plan remains unchanged.

○ Through DX and streamlining of operations, we will reduce back office operations to the extent that we can reduce the number of personnel by about half, therefore freeing up personnel for reallocation to customer support operations and promoting re-skilling so that we can simultaneously reduce expenses and improve CX.

<ERM/Capital Policy>

Q: In regards to ESR, by what percentage do you believe it will improve with the capital raised through debt financing and reinsurance mentioned in page 25 of the document? Also, what is the schedule for these initiatives?

○ We are still in the process of conducting studies into capital raised through debt financing and reinsurance.

○ We expect that the effect on ESR from a single implementation of each of these measures will be a few percent, and a certain level of results will be accomplished by implementing these measures continuously over a certain period of time.

Q: Do you anticipate that the reinsurance will have an impact on financial accounting profits, such as a reduction in the assumed interest rate?

○ We recognize that there are cases of other companies utilizing reinsurance for contracts that are in negative spread.

○ Meanwhile, the Company is conducting a study into implementing reinsurance with the premise of transferring risk of long-term liabilities of policies in Postal Life Insurance category. Although we have no clear indication of the impact on profits at this point, we expect some effect on ESR in the first place.

Q: How do you plan to increase ROE for financial accounting purposes?

○ We are analyzing the current status of our capital cost, return on capital, and market valuation. We recognize that our first priority is to restore new policies as soon as possible.

<Shareholder Return>

Q: Regarding the ESR target range, what factors are considered when studying acquisition of treasury stocks when the ESR is within the appropriate standards?

○ As indicated in our shareholder return policies during the period of Medium-Term Management Plan, our target for the average total payout ratio in the medium term is 40%-50% and we consider flexible acquisition of treasury stocks aiming that ratio.

Q: If ESR exceeds the appropriate standards, can we expect an extra payout in addition to the average total payout ratio of 40%-50% indicated as the shareholder return policy? Also, are you looking into considering DOE like other life insurance companies do?

○ If the ESR exceeds the appropriate standards, the Company will consider further risk-taking measures, such as raising the share of return seeking assets to total assets, allocating excess capital to equity investments and other growth investments, and acquisition of treasury stock without being restricted to an average total payout ratio of 40%-50%.

○ We are aware that some companies adopt DOE as an indicator for shareholder return. Although at this point in time, we will not make changes to our shareholder return policies during the period of the Medium-Term Management Plan, we will conduct various studies according to future conditions.

Q: If the future profit level drops lower than expected, it is feasible that 50% will be exceeded with payout ratio alone. Even in such a case is there a possibility you will decide to increase the dividends?

○ The average total payout ratio of 40%-50% indicated as our shareholder return policy is not the ratio for a single fiscal year but rather determined based on an average over the medium term.

○ Even if the payout ratio temporarily exceeded 50%, that fact alone does not lead to our immediate decision not to increase the dividend.

<EV>

Q: What is the level at which value of new business becomes positive?

○ This can change depending on the status of our policy portfolio and costs involved in acquiring new policies. As it is difficult to make a general analysis, we refrain from giving a specific level.

○ We believe the value will become positive if we can achieve our new policy target for this fiscal year.

<Compensation for Executive Officers>

Q: The indicators on page 40 of the document for the Performance-Linked Stock Compensation System appear as they do not reflect the reality of sluggish sales performance, assuming that evaluation would be enhanced immediately if net income exceeds the target. Please share your views on that.

○ As per page 40, the indicators relating to Performance-Linked Stock Compensation System are not only income target for the fiscal year (consolidated net income), but also net increase in life insurance policies, degree of achievement in establishment of administrative/IT system framework, etc. and the progress in promotion of ESG management. Therefore it is not the case that an evaluation would immediately be given a high score if the income target for the fiscal year is achieved.

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