Financial Results & Corporate Strategy Meeting
for the Year Ended March 31, 2024
Summary of Q & A

Date & time: Thursday, May 30, 2024,3:00 to 4:30 p.m.

* The statements have been partially edited for clarity.

＜Revision of Medium-Term Management Plan＞

Q: Regarding the outlook for the number of policies in force, what is the likelihood that the new category will bottom out during the period of the current Medium-term Management Plan?

○ Although new policies had only shown a gradual recovery since the solicitation quality issues, the current sales situation is showing positive signs, and we are on a growth trajectory.

○ We aim to reverse and bottom out of the number of policies in force (individual insurance) of new category during the period of the current Medium-term Management Plan by continuing to enhance sales capabilities and increase the number of customers, and to reverse and bottom out of the number of policies in force (individual insurance as a whole) during the period of the next Medium-term Management Plan.

Q: Please explain the validity and feasibility of the 6% adjusted ROE set as a primary target in the revised Medium-term Management Plan.

○ Starting in FY2024, we use adjusted ROE as a management indicator, which is calculated with adjusted profit as the numerator and shareholders' equity as the denominator.

○ This indicator was set after verifying the validity of the assumptions and other factors, and aims for growth that exceeds the cost of shareholders' equity over the medium to long term.

＜**Sales**＞

Q:	What is the outlook for the number of consultant hires and the future target level being aimed for?

○ While we place great importance on face-to-face sales abilities and the post office network, the current hiring environment is challenging.

○ Therefore, we are strengthening our hiring efforts more actively than before and will secure at least 10,000 consultants.

Q:	What is the average enrollment age for lump-sum payment whole life insurance? Are there many new customers for this product? In addition, what is the sales ratio for post office counters and the Retail Service Division?

○ The average enrollment age for lump-sum payment whole life insurance is about 70 years old, and considering that many customers enroll through approaches at post office counters, we believe that we have secured a certain level of new customers.

○ Comparing by sales channel, the sales ratio is 60% at post office counters and 40% at the Retail Service Division, with post office counters slightly exceeding the Retail Service Division.

＜**Alliance and Investment**＞

Q:	Regarding the investment in Daiwa Asset Management, is the hurdle rate set based on your company's capital cost of 6%? How do you perceive the validity of this standard?

○ The capital cost is calculated and verified based on CAPM, considering factors such as the risk premium of Japanese stocks and the beta of the Company's stock relative to TOPIX.

○ For this alliance, the investment decision was made after confirming that the internal rate of return (IRR) exceeds the capital cost.

○ The IRR is calculated based on a scenario (base scenario) where the market assumptions in Daiwa Asset Management's business plan are conservatively revised to a certain level, and it was confirmed that the IRR would exceed the capital cost, so the investment price is considered to be reasonable.

Q:	With regard to the diversification of revenue sources, you specifically mention the diversification through the expansion of the asset management business and overseas alliances. Do you intend to focus on these two areas over the medium to long term? Are there any other areas being researched?

○ The majority of our revenue is from the domestic life insurance business, and we are aware that competitors are diversifying their sources of revenue.

○ Although we face constraints unique to the Company that competitors do not have, such as the prohibition of making domestic and overseas insurance companies our subsidiaries due to additional restrictions under the Postal Service Privatization Act, we aim to expand business into growth areas and diversify sources of revenue. With regard to what areas, we will examine opportunities as they arise.

＜**Operating Expenses**＞

Q:	The required expenses for the fiscal year ending March 31, 2026 remain unchanged at ¥502.0 billion from the Medium-term Management Plan announced in 2021. Have inflationary effects related to personnel expenses and contributions been factored in? In light of the potential amendments to the Postal Service Privatization Act within the Liberal Democratic Party, is there a possibility of changes in the contribution amount?

○ Personnel expenses include certain inflation effects, and we still expect to achieve the operating expense reduction targets set in the Medium-term Management Plan even when taking such effects into account.

○ We do not have detailed knowledge regarding the discussions on amendments to the Postal Service Privatization Act, so we will refrain from commenting.

＜**Asset Management**＞

Q: In light of the rise in interest rates, will you actively engage in bond replacement trading in the future? Even if a loss on sale is recorded, the accounting treatment that neutralizes it by the reserve for price fluctuations can be applied. Does that make room for working toward increasing adjusted profit?

○ In the FY25/3, because there is a certain amount of open foreign bonds maturing, we will naturally record profits from redemption, and a gain on sale if they are sold before redemption.

○ The replacement of bonds is expected to be made within the range of capital gains, considering market conditions.

Q: What is the future investment policy for return seeking assets in real estate and infrastructure?

○ We believe it is necessary to build a portfolio suited to an era in which inflation is to take hold to a certain degree, and expect to accumulate assets focusing on stocks, infrastructure equity, and domestic real estate.

○ With regard to real estate investment, we do not have approval for direct investment in investment properties, and our exposure to real estate is low compared to our competitors, so we intend to focus on this area.

○ As part of this initiative, we have contracted real estate management to MBRM in which we indirectly hold shares through an alliance with Mitsui & Co., and we are steadily accumulating assets.

○ In infrastructure equity, we have been accumulating exposure to overseas infrastructure equity, and we will conduct investments in Japan as well if the conditions are favorable. We will also continue to accumulate overseas infrastructure equity while closely monitoring foreign exchange risks, but generally we will not hedge foreign exchange fluctuation risks.

＜**EV and ESR**＞

Q:	What is the appropriate level of interest rate sensitivity for EV and ESR? As new policies increase, is it safe to assume that the duration of liabilities will extend, causing interest rate sensitivity to rise again?

○ Although there is a duration gap between assets and liabilities in the Postal Life Insurance Category, overall matching has progressed, resulting in low interest rate sensitivity for both EV and ESR.

○ To ensure the appropriate level of ESR, we are working on utilization of reinsurance and interest rate swaps and will continue to advance matching from an ALM perspective, so we expect the interest rate sensitivity of EV to remain controlled even with the increase in new policies.

Q:	With the appropriate range of ESR set at 150% to 220%, by how much would ESR need to be raised if infrastructure equity and real estate investments were to be increased?

○ As of March 31, 2024, the ESR (205%) is near the upper limit of the appropriate standards (150–220%), so we do not believe it is necessary to further increase ESR for future investments in infrastructure equity and real estate.

○ We will continue to monitor market conditions and take risks within an allowable range.

＜**Capital Policy**＞

Q:	In an effort to upgrade liability management, reinsurance is being implemented in the Postal Life Insurance Category, but the assets still remain in a 1:1 ratio between the New Category and the Postal Life Insurance Category. Because 80% of the Postal Life Insurance Category profit consists of policyholder dividends and the category contributes little to company profit, it may be necessary to further reduce the ratio of the Postal Life Insurance Category. What are the future plans for reinsurance?

○ The liabilities of the Postal Life Insurance Category are still significant, and we aim to reduce survival risk and interest rate risk for whole life annuity policies by ceding reinsurance.

○ Although a certain degree of improvement in the positive spread can be expected from reinsurance, the contribution to profit will be limited due to the low profitability of the Postal Life Insurance Category.

○ The impact on ESR is expected to improve by a few points due to the increase in EV and the reduction in risk volume, and reinsurance is being implemented to ensure a stable and appropriate level of ESR.

○ We plan to continue implementing reinsurance, but since there are no specific details on timing or amounts decided at this time, we refrain from responding.

＜**Shareholder Return**＞

Q: Is there a possibility of further shareholder returns even if the upper limit of the ESR target range is not exceeded? Are you considering further shareholder returns, not limited to the total payout ratio of 40–50%?

○ There is no change in our shareholder return policy from what was previously indicated, and we will consider further risk-taking and acquisition of treasury stock, etc. not constrained by the total payout ratio of 40–50% under the return policy if the appropriate level of ESR is exceeded.

○ As of March 31, 2024, the ESR (205%) is near the upper limit of the appropriate standards (150–220%), and if the ESR exceeds this range, we will consider returning surplus capital while monitoring the status of policies in force, but no decision has been made at this time.

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