

EV and ESR as of March 31, 2021

May 25, 2021



- I am Yoshihiro Kitamura from Japan Post Insurance.
- Thank you all for participating in this “EV (embedded value) – ESR (economic solvency ratio) Briefing Session” by Japan Post Insurance.
- First of all, We would like to explain about EV and ESR as of March 31, 2021 based on the materials in front of you. Then we will have a Q&A session.
- Please look at page 1.

Embedded Value

Breakdown of EV

	Mar-20	Mar-21	Change
EV	3,324.2	4,026.2	701.9 (+ 21.1 %)
Adjusted net worth	2,212.4	2,376.8	164.4 (+ 7.4 %)
Value of in-force covered business	1,111.8	1,649.3	537.4 (+ 48.3 %)

Value of New Business

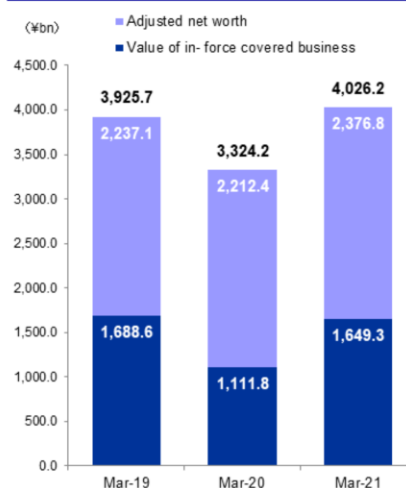
Value of new business year ended Mar-21¹ ¥ (12.7)bn

New business margin year ended Mar-21^{1,2} (5.0) %

- Although Japan Post Insurance had been refraining from proactive sales proposal during FY21/3, certain amount of operating expenses for new policy acquisition is required regardless of the amount of new policies sold. As a result, the value of new business of current period turned negative.

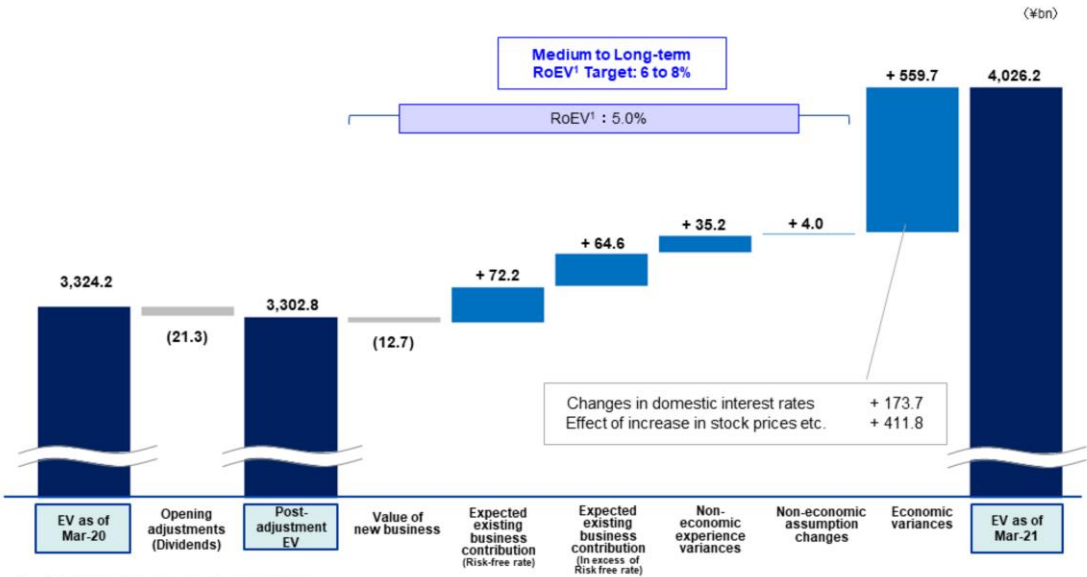
- Using the economic assumptions as of June 30, 2020, based on the new policies written in the period from April 2020 to March 2021. The value of new business includes the increase or decrease due to switchover of riders and conditional cancellation.
- The value of new business divided by the present value of future premium income.

EV



- I would like to explain the current status of EV.
- EV as of March 31, 2021 was ¥ 4,026.2billion, an increase of ¥ 701.9billion from the end of the previous fiscal year.
- Adjusted net worth increased by ¥ 164.4billion from the end of the previous fiscal year to ¥ 2,376.8billion, mainly due to increase in net income.
- Value of in-force covered business increased by ¥ 537.4billion from the end of the previous fiscal year to ¥ 1,649.3billion, mainly due to increases in domestic interest rates, stock prices and other factors.
- Value of new business for the current period was calculated based on the economic assumptions as of the end of June 2020 in which interest rate assumption is almost as same as the average of actual interest rate from April 2020 to March 2021.
- Although we had been refraining from proactive sales proposal during FY21/3, certain amount of operating expenses for new policy acquisition is required regardless of the amount of new policies sold. As a result, the value of new business was ¥ (12.7) billion. Meanwhile, the new business margin was (5.0)%.
- EV as of March 31, 2021 was determined referring to the third-party opinions. For further detail of our EV determining process, please refer to “Disclosure of European Embedded Value as of March 31, 2021” announced today
- Please look at page 2.

Movement Analysis of EV



1. Calculated by excluding economic variance factors.

- Movement Analysis of EV is as follows:
- EV increased by ¥ 559.7billion mainly due to economic variances caused by increases in domestic interest rates, stock prices and other factors.
- Please look at page 3.

Sensitivity Analysis of EV

Sensitivity to Economic Assumptions

Assumptions	EV	Change (%)
50bp increase in risk-free rate	4,111.7	+ 85.5 (+ 2.1 %)
50bp decrease in risk-free rate	3,852.9	(173.2) ((4.3) %)
50bp decrease in risk-free rate (parallel shift without zero floor)	3,822.3	(203.8) ((5.1) %)
30% decrease in equity and real estate value ¹	3,617.8	(408.3) ((10.1) %)

Sensitivity to Non-economic Assumptions

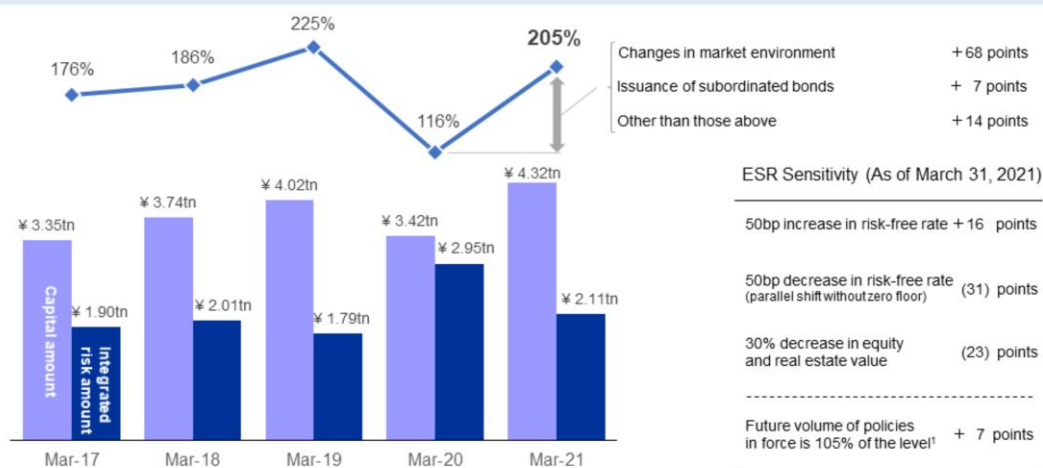
Assumptions	EV	Change (%)
Future volume of policies in force is 105% of the level assumed in the calculation of EV as of March 31, 2021 ¹	4,088.3	+ 62.1 (+ 1.5 %)
10% decrease in maintenance expenses	4,225.3	+ 199.1 (+ 4.9 %)

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

- Here is a sensitivity analysis of EV.
- The sensitivity decreased as EV increased from the end of the previous fiscal year due to an improvement in market environment.
- Please look at page 4.

ESR (Economic Solvency Ratio)

- ESR as of March 31, 2021, increased to 205% , as the capital amount increased and the integrated risk amount decreased due to changes in market environment.
- We aim to stabilize ESR over the medium to long term, and will take various measures, including EV growth, and interest rate risk reduction, as appropriate.



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.

JAPAN POST INSURANCE

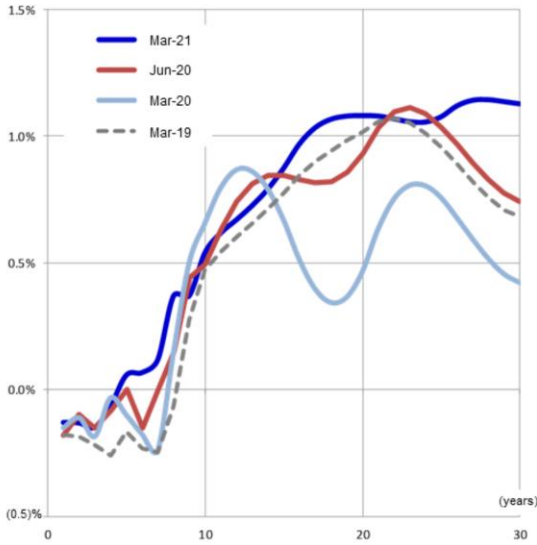
Copyright© JAPAN POST INSURANCE All Rights Reserved.

4

- I am Takeshi Yamazaki, from Japan Post Insurance, and I'd like to describe the status of ESR.
- The ESR as of March 31, 2021, was 205%, up significantly from 116% in the previous fiscal year, due to an increase in the capital amount, which is the numerator, and a decrease in the integrated risk amount, which is the denominator.
- Looking back at the movement of ESR over the past year, the recovery of dividend and tax effects due to the upturn in the market environment accounted for the majority of the increase in ESR, and the issuance of subordinated bonds was also evident.
- Next, please see the ESR sensitivity at the bottom right.
- This time, we have set the sensitivity of equity and real estate value as the 30% decrease, which is approximately matching the probability of the 50bp decrease in risk-free rate.
- The impact of lowering interest rates on ESR continues to be significant, and we will promote the reduction of interest rate risk based on ALM management, etc., as we showed we aimed for the medium- to long-term stability of ESR in the Medium-Term Management Plan.
- This concludes our explanation.

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

Forward Rate (Mar-19 to Mar-21)



Forward Rate

	Mar-19	Mar-20 ^①	Jun-20 ^②	Mar-21 ^③
10 years	0.471	0.657	0.495	0.539
20 years	1.017	0.466	0.930	1.080
30 years	0.683	0.422	0.743	1.126

Note: The economic assumptions used for the calculation of EV and the value of new business are as follows:
 EV as of March 31, 2020 : ①
 Value of new business for FY21/3 : ②
 EV as of March 31, 2021 : ③

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.