

Financial Results & Corporate Strategy Meeting
for the Year Ended March 31, 2022
Summary of Q & A

Date & time: Thursday, May 26, 2022, 2:00 to 3:30 p.m.

* The statements have been partially edited for clarity.

<Sales>

Q: How are sales of the new medical rider under the new Japan Post Insurance sales system? At the conference call on May 13, you told us that sales were lower than expected. What measures are being taken to address to increase sales? Has the mindset of sales personnel and the suspension of solicitation of elderly customers had an impact?

- We will disclose the specific number of policies in our financial results for 1Q. In the meantime, however, I can tell you that the numbers are gradually rising, although they have not reached our initial expectations.
- Since April, we have been working on specific environmental enhancements in conjunction with the launch of the new system, and have been focusing on sending greeting cards and making greeting visits as the first step in building relationships with customers under a customer assignment system.
- Because the amount of activity varies from consultant to consultant, we will strengthen management of each employee to ensure that sales activities are firmly established in the new environment.
- We will continue to revitalize our activities by introducing the new medical rider, confirming policy coverage under a customer assignment system and other activities to further increase the volume of activities.

<Products>

Q: What customer segments are targeted by the new medical rider?

- We actively inform customers of the new medical rider at every stage, including policy coverage confirmation activities and various claim procedures, and propose a product plan that meets their needs and intentions to those customers who are interested in the rider.

- In FY2022, we will conduct proactive sales proposals through various customer contact points, including the policy coverage confirmation activities, particularly for policyholders of educational endowment insurance whose protections may not be sufficient, existing policyholders' families, and maturing customers.

Q: The new medical rider has low premiums. Do you think it is price-competitive compared to products of other insurers? Also, is the premium per policy decreasing?

- With the new medical rider launched in April this year, the amount of rider benefits can be set up to five times the basic policy benefit, making it possible to provide generous medical coverage at low premiums.
- We believe that the premiums are comparable to those of other companies, and many customers have actually purchased the rider equal to or higher than the basic policy amount.
- While we recognize that premiums per policy are on a declining trend because the basic policy amount can be kept low, we will increase profitability by raising the ratio of rider premiums to total premiums.

Q: Are you considering launching a stand-alone medical product? Are there any legal restrictions?

- In our Medium-Term Management Plan, we have set forth a policy to meet the coverage needs of customers of all ages, and we have launched a new medical rider so that we can provide generous coverage at low premiums.
- While the style of adding a medical rider to the basic policy remains the same, the flexibility in setting the basic policy amount and rider benefit amount has increased, and we believe that this product will meet the protection needs of our customers.
- We will continue to expand insurance services by meeting various customers' needs.
- Last year, the additional restrictions on new business under the Postal Service Privatization Act were relaxed and sifted to notification system, and we will continue to give consideration so as not to impede appropriate competition, etc.

Q: Are you considering raising the limit on coverage amount?

- We withhold the comment on this, as the limit on coverage amount is prescribed in a cabinet order under the Postal Service Privatization Act.

<Financial Results>

Q: Is there any possibility of an upward swing in future profit forecasts? In particular, for FY26/3, if the costs were reduced and the excess provision of contingency reserves were decreases, isn't it expected for net income to exceed ¥91.0 billion?

- For FY22/3, we expect net income to be ¥71.0 billion due primarily to an increase in operating expenses, etc. associated with the intake of more than 10,000 employees including consultants from Japan Post Co. and stabilization of business operations.
- As for costs, commissions will gradually decrease throughout the Medium-Term Management Plan period due to the intake of consultants from Japan Post Co. and a decrease in policies in force. In addition, we will review expenses under our direct control from time to time to see if further reductions can be made, thereby securing investment in areas of strength while gradually reducing necessary expenses.
- The excess provision of contingency reserves is expected to be terminated during the Medium-Term Management Plan period.
- However, we believe that net income of ¥91.0 billion for FY26/3 is a reasonable level considering the decrease in policies in force.

Q: What is the impact on the contingency reserves and price fluctuations reserves that are currently being built up, given the expected decrease in policies in force under the Postal Life Insurance category?

- We expect a gradual decline in line with the decrease in policies in force.

<Shareholder Return>

Q: What was the background behind the introduction of the total payout ratio as part of your shareholder return policy for the Medium-Term Management Plan period?

- In the Medium-Term Management Plan, we clearly stated our shareholder return policy, which aims not to decrease but to increase dividends in principle.
- We have now added specific numerical targets to the current shareholder return policy in order to enhance shareholder returns, given that the environment for stabilized business operations is now in place, including the establishment of the new Japan Post Insurance sales system, business operations based on the vision of Japan Post Insurance Sales Activities, and new product launch under the notification system.
- In addition to dividends, we intend to flexibly return profits to shareholders through timely acquisition of treasury stock.

Q: Will you make decisions on future dividend increases based on the recovery of new policy sales or on the level of profits?

- While the recovery of new policy sales is an important factor, we will make decisions on shareholder returns based on the level of profits, in light of the total payout ratio targets we have presented.
- We do not rule out the possibility of increasing dividends if new policy sales are recovered and the profit level is expected to rise over the medium term.

<EV>

Q: Do you expect the value of new business to be in the tens of billions of yen this fiscal year?

- Although it depends on the policy portfolio, assuming a new policy portfolio centered on protection-type products as assumed in the Medium-Term Management Plan, the value of new business is expected to turn positive if the volume of new policy sales is at least double the FY22/3 actual results.
- We aim to recover the value of new business through sales of new medical riders.

<ESR>

Q: What do you think about in-force reinsurance ceding that other insurers are working on? Is there a possibility that ceding will be used for the purpose of reducing interest risk, although it will incur a temporary cost? Or are there any legal restrictions?

- We are considering the use of various risk hedging instruments to reduce interest risk.
- The reinsurance ceding as you have suggested is one option that we have been considering and we do not recognize any major legal restriction at this time.

<DX>

Q: In light of the Group's alliance with Rakuten, are you considering insurance sales through online?

- We have not made any decision on alliance with Rakuten at this time.
- As for initiatives using digital transformation (DX), we are enhancing various maintenance procedures that can be completed on the web service for policyholders (My Page) and plan to expand the scope of insurance claims going forward as well.
- While we do not deny the possibility of a non-face-to-face sales channel, relationship of trust with customers remain important as it is necessary to explain and confirm that the customer could fully understand the policy coverage at the time of solicitation.
- We will continue to promote DX, which is set forth in the Medium-Term Management Plan, and aim to enhance convenience and improve the customer experience value by providing services that integrate face-to-face and digital technologies in the sales process.

Q: What is the current status of the CX/DX initiatives that you are aiming for during the Medium-Term Management Plan period, such as the establishment of a customer database?

- Last fiscal year, our discussions focused on how to proceed with CX/DX and the structure of the system.
- In addition, the service center, which currently handles back-office operations, is scheduled to directly respond to customers as a customer center, which will require a major change in awareness among employees.

- We plan to gradually begin trial operations at the customer center and launch of the customer database in this fiscal year, and to promote them further in the next fiscal year onwards.

<NPS>

Q: Are you utilizing the results of the NPS survey? What changes have you seen in NPS over the past year?

- Although the NPS itself is on an upward trend, we recognize that the situation is difficult compared to other companies in the industry.
- We are conscious of the NPS in our business operations, and are building a system to improve it by carefully examining customer feedback.
- Going forward, we intend to make improvements through consultants' activities under the new Japan Post Insurance sales system and CX/DX initiatives.

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