

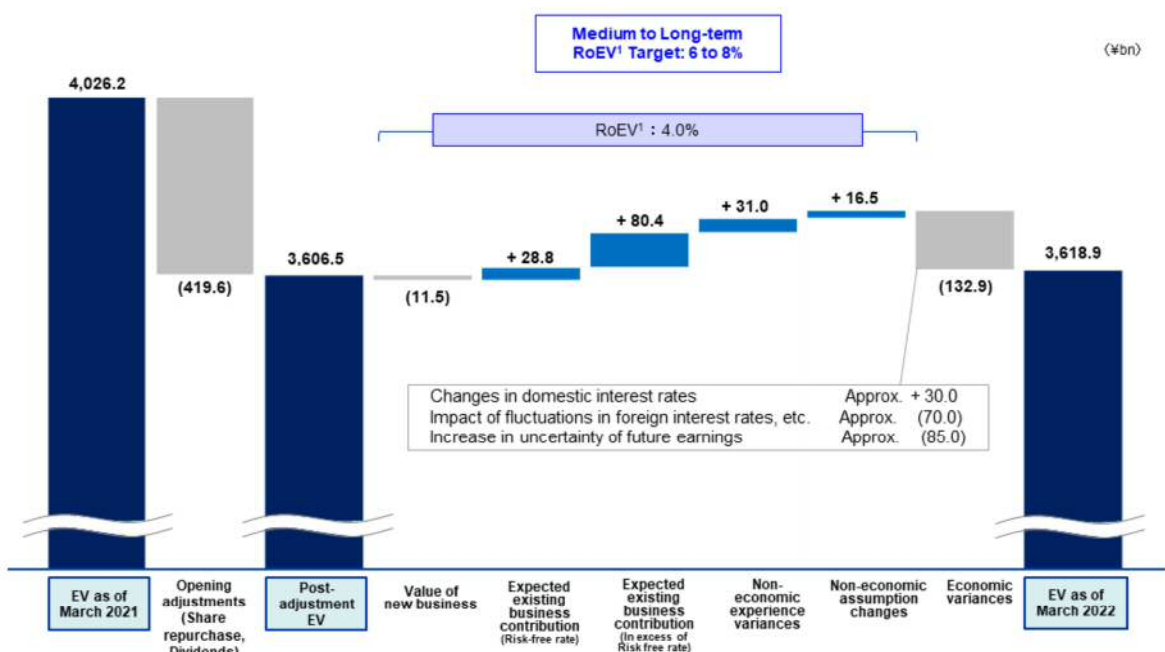
EV and ESR as of March 31, 2022

May 25, 2022



- I am AYANO Taizou 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, 2022 based on the materials in front of you. Then we will have a Q&A session.
- Please look at page 1.

Movement Analysis of EV



1. Calculated by excluding economic variance factors

- Movement Analysis of EV is as follows:
- EV decreased by ¥ 132.9 billion mainly due to economic variances caused by impact of fluctuations in foreign interest rates, etc. and increase in uncertainty of future earnings.
- Please look at page 3.

Sensitivity Analysis of EV

Sensitivity to Economic Assumptions

Assumptions	EV	Change (%)	(#bn)	
			Adjusted net worth	Value of in-force covered business
50bp increase in risk-free rate	3,571.8	(47.1) ((1.3)%)	1,994.5	1,577.2
50bp increase in risk-free rate of foreign interest rates ¹	3,530.2	(88.7) ((2.5)%)	2,084.8	1,445.3
50bp decrease in risk-free rate	3,620.6	+ 1.7 (+ 0.0%)	2,154.1	1,466.4
50bp decrease in risk-free rate (parallel shift without zero floor)	3,604.4	(14.4) ((0.4)%)	2,198.8	1,405.5
30% decrease in equity and real estate value ¹	3,161.9	(457.0) ((12.6)%)	2,075.0	1,086.8

Sensitivity to Non-economic Assumptions

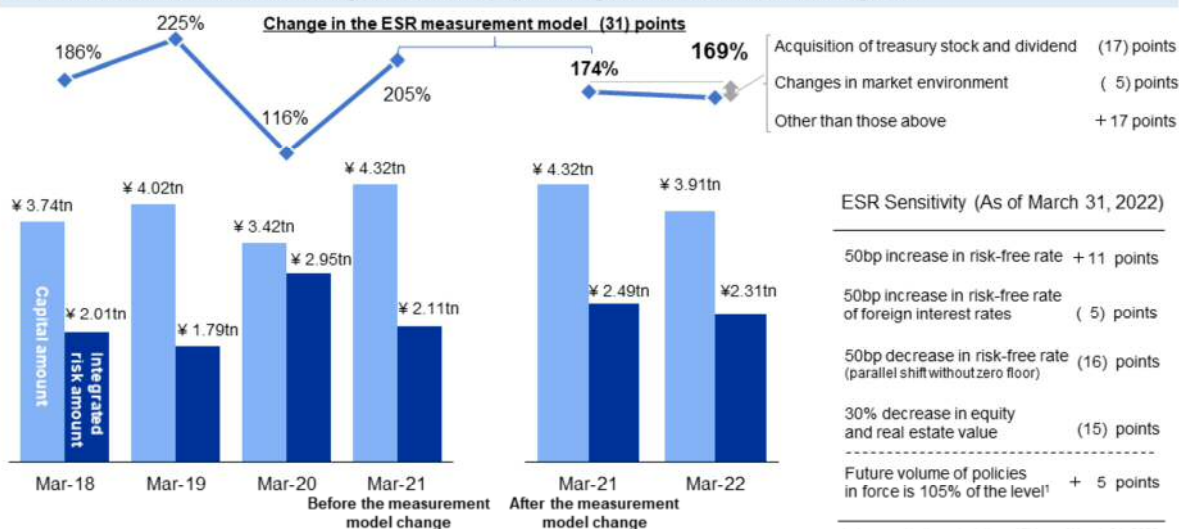
Assumptions	EV	Change (%)	(#bn)	
			Adjusted net worth	Value of in-force covered business
Future volume of policies in force is 105% of the level assumed in the calculation of EV as of March 31, 2022 ¹	3,673.4	+ 54.5 (+ 1.5%)	2,092.7	1,580.7
10% decrease in maintenance expenses	3,817.1	+ 198.1 (+ 5.5%)	2,092.7	1,724.3

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

- Here is a sensitivity analysis of EV.
- The sensitivity of the risk-free rate has decreased, mainly due to progress in the duration matching of assets and liabilities.
- Please look at page 4.

ESR (Economic Solvency Ratio)

- Anticipating the introduction of the new solvency regulations, we partially changed the ESR measurement model effective the end of March 2022. The change lowered the ESR by 31 points, but the ESR was 169% as of March 31, 2022.
- Compared to the end of the previous fiscal year, the acquisition of treasury stock and changes in the market environment lowered the ESR by 5 points.
- We will continue to aim for medium- to long-term ESR stability by controlling the amount of interest risk, among others.



Note: The capital amount (after the measurement model change), the numerator of ESR, is the sum of (1) and (2) below.
(1) EV minus expenses to maintain the required capital (2) Amount of subordinated bonds issued by the Company
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.

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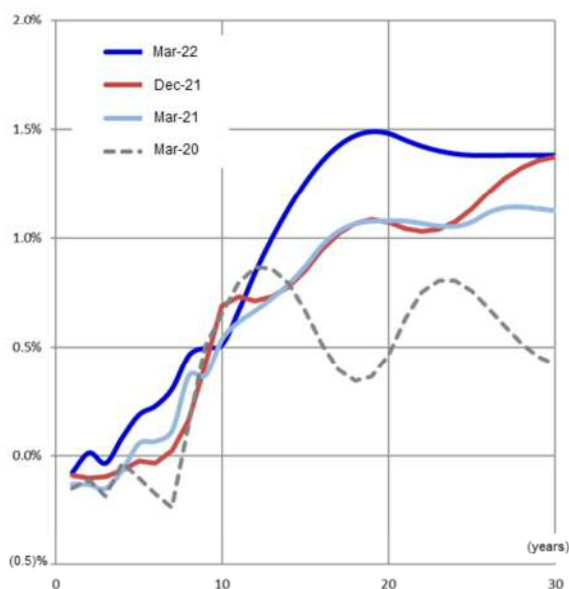
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- I am YAMAZAKI Takeshi, from Japan Post Insurance, and I'd like to describe the status of ESR.
- The ESR as of March 31, 2022, was 169%.
- Anticipating the introduction of the new solvency regulations scheduled for 2025, we changed our ESR measurement model.
- This change increased the integrated risk amount, the denominator of the ESR, and lowered the ESR by 31 points to 174% as of March 31, 2021.
- Looking back at the movement of ESR based on the new model over the past year, the acquisition of treasury stock in May 2021 and dividends reduced the capital amount, the numerator of the ESR, and lowered the ESR by 17 points. However, due to the reduction in interest rate risk and other factors, their impact was mitigated to a certain extent, and as a result, compared to the previous fiscal year, the ESR declined by 5 points to 169%.
- The main reasons for the increase in the amount of integrated risk due to changes in the ESR measurement model are a decrease in the loss absorbing effect on taxes and an increase in the amount of operational risk.
- Changes were also made to the other components of the model, namely investment risk, insurance underwriting risk, and the loss absorption effect on policyholder dividends, and the ESR decreased as a result of the model changes.
- In terms of the ESR measurement model, we intend to make it more reasonable in line with the new solvency regulations.
- This concludes our explanation.

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

Forward Rate (Mar-20 to Mar-22)



Forward Rate

	Mar-20	Mar-21 ^①	Dec-21 ^②	Mar-22 ^③
10 years	0.657 %	0.539 %	0.688 %	0.513 %
20 years	0.466 %	1.080 %	1.074 %	1.480 %
30 years	0.422 %	1.126 %	1.374 %	1.382 %

Note: The economic assumptions used for the calculation of EV and the value of new business are as follows:
 EV as of March 31, 2021 : ①
 Value of new business for FY22/3 : ②
 EV as of March 31, 2022 : 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.