Management Policy Meeting for the Six Months Ended September 30, 2018
Summary of Q & A

Date: November 22, 2018, 2:00-3:10 p.m.
Place: Otemachi Place, Otemachi Conference Center

* The statements have been partially edited for clarity.

[Financial Results]

Q The two causes of profit growth this fiscal year seem to be lower commissions to Japan Post Co., Ltd. and lower reserves for price fluctuations. Will there be changes to plans for next fiscal year and onward?

○ As sales commissions are paid within the range of loading, the formula means that commissions will fall if the pace of new policies slows down.

○ The price fluctuation reserve fluctuates according to the scale of capital gains and losses, included hedge costs, but at present, we are not thinking about changing current policy on reserves.

○ Considering the slowdown in overall sales volume, we cannot see any cause for any major upswing from the time of the Medium-term Management Plan's formulation. Therefore, at the present time we do not foresee changes to the plan for the next fiscal year and onward.

[Products]

Q Do you expect to gain a certain amount of new business from previously denied customers by launching products with relaxed underwriting criteria? In addition, what is the ratio of previously rejected applications?

○ Since acceptance and rejection for Japan Post Insurance's products is only based on what customers report and does not require an examination by a physician, our rejection rate tends to be higher than at other companies in the industry. This also means that seniors, our main customer segment, are prone to relatively higher rejection rates. By introducing products with relaxed underwriting criteria, we can accept previously denied customers to bring in a certain amount of additional income.

○ Note that since we do not release exact rejection rates, I'll refrain from providing that answer.

Q Commissioned sales of Neo-de-Kigyo, an accident protection type of term insurance with a fixed term from Neo First Life Insurance, began in October this year. The Financial Services Agency is expected to see it as a tax-saving product and call for restraint in selling it. What is your view?

○ We are aware of such reports, but our understanding is that primary responsibility for dealing with problems concerning the characteristics of underwritten products lies with the company providing the product.

[Investments]

Q Referencing page 18 of the materials provided, the projected spread indicates that the spread between investment return on core profit and average assumed rates of return will bottom out in the fiscal year ending March 31, 2019. Is this from a simulation based on actual ALM?

○ Since our assumptions about the future will change, the graph provides our idea about that. Assets and liability duration will not undergo extreme fluctuations over the coming few years, and beyond the Medium-term Management Plan, beginning in the fiscal year ending March 31, 2022, the accumulation of policies with low assumed rates of return is expected to expand profit margins. Therefore, we see the spread growing over the long term.

Q What is the state of expansion for investment organization?

○ In recent years, we have reinforced the investment organization to seek diversified investment. We currently have about 180 investment asset managers, including risk management and investment asset reviews.

Q What is your in-house asset management policy?

○ When deciding whether to manage assets in-house or commission it elsewhere, we decide after taking the costs and merits of each investment and potential performance into consideration.

[Additional Restrictions & System]

Q If Japan Post Holdings Co., Ltd.'s shareholding ratio falls below 50% and regulations are relaxed, what specific strategies, such as product development or M&A deals, will you consider?

○ Japan Post Insurance will mostly consider new products. We are simulating order of priority for product development as we prepare so we can sell them promptly.

○ As for M&A deals, we are presently studying the matter internally.

Q Regarding the amended law to help sustain the network of post offices, the Management Organization for Postal Savings and Postal Life Insurance will calculate the necessary costs and request them from Japan Post Insurance and Japan Post Bank. Will this burden be excessive?

○ For the costs which the Management Organization will pay to sustain the network of post offices, relevant insurers and banks will fund the minimum necessary costs for maintaining the network and the Management Organization will provide subsidies. For the costs for maintaining post office network, the Management Organization provides subsidies to Japan Post Co.,. The subsidies will be compensated by the funds which relevant insures and banks pay for minimum necessary costs for maintaining the network. Therefore, we do not believe the burden will be excessive.

○ Japan Post Insurance pays Japan Post Co., Ltd. maintenance commissions. Based on presumptions for future payments, we are considering reworking the current system for commissions.

Q In its administrative guidelines for the 2018 accounting period, the Financial Services Agency says it will conduct monitoring on the governance of Japan Post Holdings Co., Ltd. to carry out the management policies of Japan Post Bank and Japan Post Insurance. What is your reaction to this?

○ As a holding company, Japan Post Co., Ltd. is examining group decision-making and the allocation of management resources in various forms. In addition, since Japan Post Co., Ltd. accounts for 90% of Japan Post Insurance's life insurance solicitation, we must have a close partnership with Japan Post Co., Ltd. However, when strengthening that partnership, we feel that the support and cooperation of Japan Post Holdings Co., Ltd., the parent company, is essential.