

Financial and Capital Policies

Aiming for Further Improvement of Market Valuation and Corporate Value Through a Virtuous Capital Cycle

Under management that is conscious of cost of capital and share price, we will achieve a *virtuous capital cycle* through appropriate capital management and balanced allocation of generated profits to growth investments and shareholder returns, thereby enhancing corporate value on a sustainable basis.

SOMA Nobuhiro Managing Executive Officer



As a company listed on the Prime Market of the Tokyo Stock Exchange, we recognize that improving capital efficiency and achieving the sustainable enhancement of corporate value are vital to realizing management that is conscious of cost of capital and share price. In May 2024, in light of changes in the internal and external environment, we revised the previous Medium-Term Plan, upgraded our growth strategies, and introduced adjusted profit^(*) and adjusted ROE^(*) as new performance measures. In November of the same year, we set a market capitalization of ¥2 trillion as an immediate guideline, and have been working to achieve that.

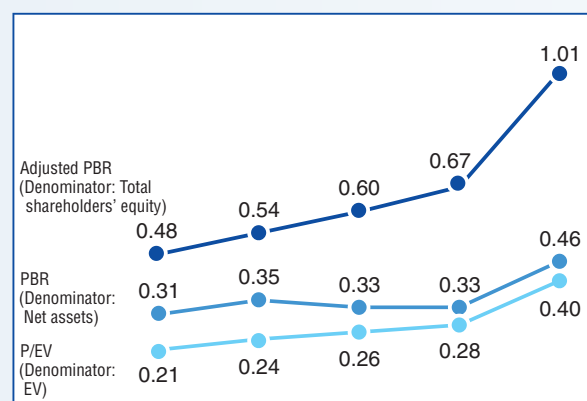
During the period of the previous Medium-Term Plan, we focused on the three pillars of our growth strategies and on management efficiency improvements, and as a result, our share price at the end of the final year of the plan had more than doubled compared to the average annual share price in the plan's first year. This development is among several encouraging signs that we are moving toward growth.

Under the new Medium-Term Plan announced in May 2026, we will, through appropriate capital management, steadily execute the growth strategies and allocate the profit generated in the process in a balanced manner between strategic investment for future growth and shareholder returns, and thereby achieve a virtuous capital cycle and, in turn, further enhance corporate value.

In the new Medium-Term Plan, we have set the ambitious targets of ¥190.0 billion for adjusted profit and approximately 10% for adjusted ROE for the fiscal year ending March 31, 2029, and we will also enhance shareholder returns (raising the total payout ratio to 55% and increasing shareholder dividends). We will continue to work toward a bottoming out and reversal in the number of policies in force, profitability improvement, and appropriate capital policy and shareholder returns, with the aim of continuously achieving adjusted ROE that exceeds the cost of shareholders' equity.

Status of Adjusted PBR^(*) and P/EV

	FY2021	FY2022	FY2023	FY2024	FY2025
Share prices ^(*)	¥2,015	¥2,194	¥2,482	¥2,900	¥4,725
Profit level ^(*)	¥158.0 bn	¥97.6 bn	¥87.0 bn	¥145.7 bn	¥171.5 bn



Adjusted ROE	9.4%	6.3%	5.5%	8.8%	10.1%
Adjusted PER ^(*)	5.1	8.6	10.9	7.6	10.0
Earnings yield	19.6%	11.6%	9.2%	13.2%	10.0%

*1 Adjusted profit = Net income + Adjustment for policy reserves + Amortization of goodwill

*2 Adjusted ROE = Adjusted profit / (Shareholders' equity - Unamortized balance of goodwill)

*3 Adjusted PBR = Market capitalization / (Shareholders' equity - Unamortized balance of goodwill)

*4 For FY2021 to FY2024, the average share price for each period, and for FY2025 the share price as of March 31, 2026, is used (the same applies to the share prices used to calculate the following indicators).

*5 Each indicator is calculated based on actual profit (net income for FY2023 and the earlier periods, adjusted profit from FY2024 onward).

*6 Adjusted PER = Share price / Adjusted profit per share.

Recognition of Current Circumstances and Initiatives to Further Improve Our Market Valuation

Our PBR was below 1.0x and at a low level compared to our competitors, indicating that our stock is not well evaluated by the market, and our ROE was below the cost of shareholders' equity due to factors such as a sluggish acquisition of new policies and a decline in policies in force. We took this situation seriously, and in response, we have been working to strengthen profitability and control capital in order to improve our market valuation. During the period of the previous Medium-Term Plan, sales of new policies increased significantly. Lump-sum payment whole life insurance, which we launched in January 2024, performed especially well, with cumulative sales topping 500,000 policies in the approximately one year since launch. As a result, in order to partially adjust for the effect unique

to life insurance companies whose net income is reduced in the short term as strong sales lead to an increase in new policies, we introduced adjusted profit that adjusts for some of these effects in the fiscal year ended March 31, 2025.

Furthermore, in the fiscal year ended March 31, 2026, profit levels improved due to a favorable investment environment and other factors, and adjusted ROE reached 10%. Adjusted PBR has recently been trending at a level close to 1x, making us confident that our market valuation is steadily improving.

On the other hand, adjusted PER and P/EV remain at levels we consider undervalued, and we believe there is room for further improvement. We will therefore continue to aim for further enhancement of market value.

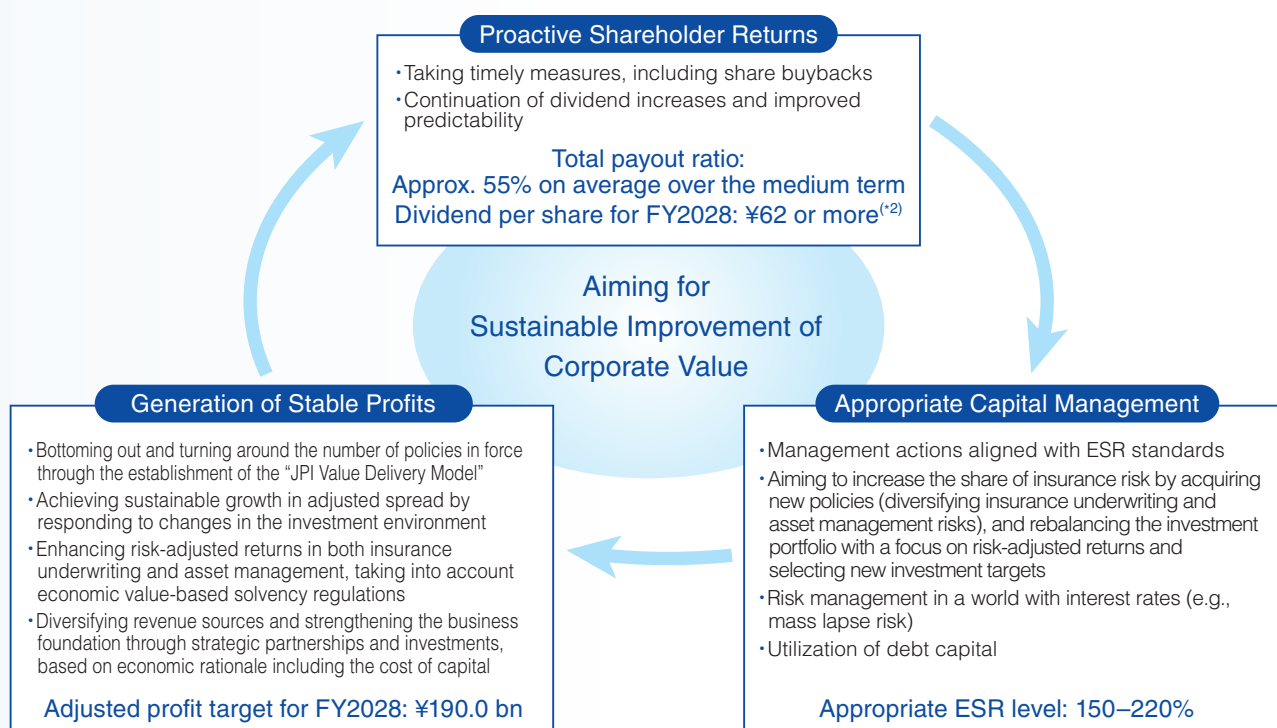
Basic Approach to Financial and Capital Policies

Under our Risk Appetite Statement and based on ERM,⁽¹⁾ we maintain the soundness of our business operations, and consider and implement financial and capital policies to achieve sustainable growth and improve corporate value over the medium to long term by securing profitability through the appropriate allocation of management resources.

In addition, we position returning profits to shareholders as one of our important management initiatives. Through the execution of the growth strategies set out in the new

Medium-Term Plan, we aim to generate a record-high level of adjusted profit in the fiscal year ending March 31, 2029, the final year of the new plan, and will allocate this profit to future growth investments and shareholder returns. We will also raise the total payout ratio from the previous *medium-term average of 40–50%* to a *medium-term average of approximately 55%*, and aim for a dividend per share of ¥62 or more in the fiscal year ending March 31, 2029.

Virtuous Capital Cycle



⁽¹⁾ ERM: Enterprise risk management (ERM) refers to integrated risk management.

⁽²⁾ On the premise that the adjusted profit target for FY2028 is achieved.

ERM

Appropriate Capital Management

At the end of March 2026, an economic value-based solvency regulation was introduced in Japan. Even under this new solvency regulation, we continue to take management actions based on our ESR target range and levels, and the appropriate range remains unchanged at 150–220%, just as before.

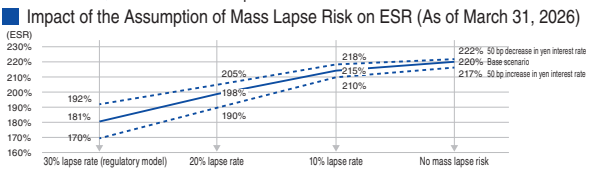
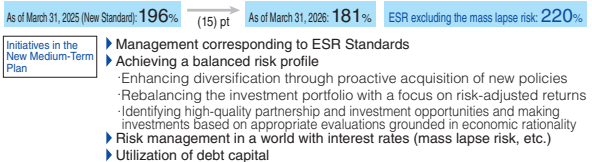
The ESR as of March 31, 2026, was 181%, down 15 points from March 31, 2025, due to the impact of mass lapse risk associated with rising interest rates, but we have confirmed that it remains within the appropriate range. Excluding mass lapse risk, the ESR as of March 31, 2026, was 220%, at the upper limit of the appropriate range, and we have not observed any increase in the lapse rate at present. We will continue to strive to maintain a stable level within the appropriate range and aim for the medium- to long-term improvement of the ESR level through appropriate capital management.

We will also closely monitor the impact on ESR from mass lapse risk amid rising interest rates, and respond appropriately while carefully assessing the actual nature of the risk. Our core products focus on protection needs rather than being purely savings-focused products, and we believe that lapses associated with rising interest rates and other factors will be limited. For lump-sum payment whole life insurance as well, since the average age of policyholders is relatively high at around 70, we expect

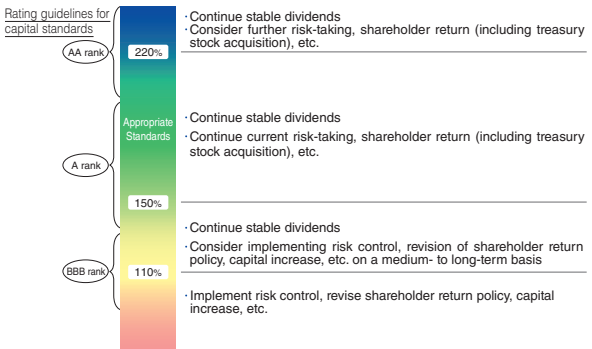
lapses to be limited. However, because this is a highly savings-focused product, the impact of mass lapse at times of rising interest rates is relatively large, and we will continue to manage it appropriately going forward. In addition, we also pay close attention to capital allocation. Regarding the breakdown of required capital (risk profile), even where the measurement method has changed due to the introduction of the new solvency regulation, there has been no change in the fact that the proportion of surrender and lapse risk arising from the impact of mass lapse risk is large, and that investment-related risk accounts for more than half of required capital. We will strive to achieve a balanced risk profile by restructuring our investment portfolio with a focus on risk-adjusted returns and increasing the proportion of insurance risk through the acquisition of new policies. Furthermore, based on ERM, while maintaining soundness in business operations, we will endeavor to appropriately allocate capital to each risk area and secure profitability that exceeds the cost of capital. In cases where the ESR exceeds the appropriate level, we plan to prioritize measures that enhance capital efficiency and lead to the improvement of corporate value. Specifically, we will consider further risk-taking and shareholder returns, among other measures, to achieve both capital efficiency and financial soundness.

Status of ESR

Trends in ESR and Initiatives to Improve Levels
Decreased due to the impact of the mass lapse risk



ESR Target Range and Management Behavior Corresponding to the Standards



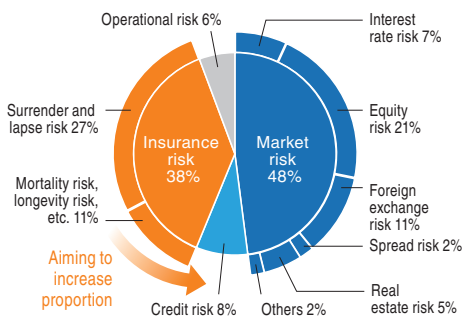
Achieving a Balanced Risk Profile

Breakdown of required capital
(as of March 31, 2026)

Insurance Risk

Significant benefits in terms of diversification
Aiming to take this risk proactively to increase its proportion

- Secure profitability through protection-oriented products and volume through savings-oriented products, thereby ensuring both the margin and volume of profits across all new policies.
- Regarding the profitability of new policies in FY2025, the IRR^(*) is 12% and a break-even period^(*) is 8 years for level-premium products alone. For all new policies, including lump-sum payment products, the IRR is higher than 20%.
- We will continue to maintain high profitability and aim for Value of New Business of ¥170.0 bn or more.



Investment Risks

Rebalancing the investment portfolio based on ALM, with a focus on risk-adjusted returns

- Against the backdrop of a world with interest rates, we will drive portfolio restructuring and aim to continuously achieve record-high adjusted spread.
- We will pursue a return on risk (RoR) that reflects the level necessary to achieve our EV growth rate target.

Strategic Investment Risk

Diversify revenue sources and strengthen our business foundation through strategic partnerships and investments

- Seek out high-quality investment opportunities that are more accretive to EPS than share buybacks.
- Make investment and exit decisions based on appropriate valuations grounded in economic rationality.

Note: The breakdown does not take into account factors such as the diversification effect among risks.

*1 The discount rate at which the initial investment equals future cash flows (certain-value equivalent) when the initial investment is treated as new business costs (including the increased burden of regular policy reserves in the first year of new policies).

*2 The number of years required for the initial investment to be recovered by future cash flows (certain-value equivalent) when the initial investment is treated as new business costs (including the increased burden of regular policy reserves in the first year of new policies).

Risk Appetite Statement

The Risk Appetite Statement stipulates our risk-taking policies in terms of which risks to take in order to achieve our target earnings. We categorize our risk appetite into qualitative risk appetite and quantitative risk appetite.

Risk Category	Statement
Qualitative Risk Appetite	Overall Policy - Be active in universal services through the post office network while cultivating a corporate culture where every employee can grow with job satisfaction as the base for sustainable growth of the Company and pursue effective customer-oriented business operations. - Achieve sustainable growth by ensuring profitability through the appropriate allocation of management resources, while maintaining soundness in business operations based on ERM.
	Insurance Underwriting Risk Underwrite insurance products based on sales activities with solicitation quality and respond to the diversification of insurance needs.
	Investment Risk - The basic approach is to promote asset-liability matching while taking into account surrender risk and profitability. - Aim to become one of the world's leading institutional investors and enhance investment income, while giving due consideration to market constraints and financial soundness.
	Strategic Investment Risk - Diversify sources of revenue and strengthen the business foundation through strategic partnerships and investments. - Make decisions on investment and exit in line with the Company's management strategies, based on appropriate valuations grounded in economic rationality.
	Operational Risk - Prevent operational risk from materializing by strengthening internal control systems and establishing a system to perform all operations from underwriting to claim payment in a simple, prompt, and accurate manner. - Prevent actualization of human risks by improving communication between management and employees, supporting diverse career development, and strengthening management capabilities. - Prevent actualization of compliance risks by detecting risk using high-risk-sensitivity as well as embedding behavior to respond to the expectations of society in every employee.
Quantitative Risk Appetite	- Set an appropriate level of financial soundness and establish an appropriate management system to ensure that the relevant indicator remains within this range over the medium to long term. - Appropriate level: Economic Solvency Ratio (ESR) 150–220%

Management Efficiency

Optimal Allocation of Necessary Expenses Through the Streamlining of Operations and Other Measures

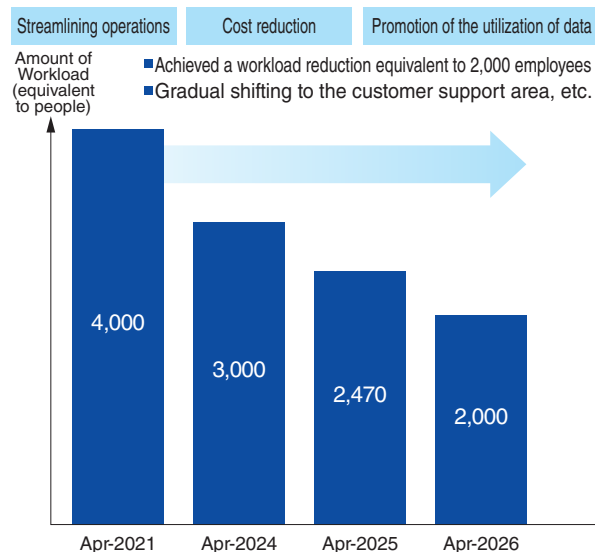
Under the previous Medium-Term Plan, we had set a target of reducing necessary expenses to ¥502.0 billion by the fiscal year ended March 31, 2026, and through steady efforts including streamlining operations, we achieved an overall reduction in necessary expenses and met this target.

From the fiscal year ending March 31, 2027 onward, we will make the necessary investments in priority areas under the new Medium-Term Plan, such as AI-related investment, in order to deliver convenient and attentive services leveraging AI and digital technologies. We will also aim to optimally allocate necessary expenses and improve management efficiency by, for example, reducing workloads and shifting employees to higher-value-added work.

At the same time, we have also advanced the streamlining of operations at our Services Centers, achieving the target set at the start of the fiscal year ending March 31, 2027, of reducing workloads equivalent to approximately 2,000 employees. Under the new Medium-Term Plan, too, we will pursue further reductions in workloads by utilizing AI and digital technologies and redesigning workflows.

Promoting the Streamlining of Operations

Digitalization of insurance operations, etc.



Implementation of Retrocession

To improve capital efficiency, on three occasions since the fiscal year ended March 31, 2024, we have placed retrocession, through reinsurance by coinsurance basis,⁽¹⁾ for policies with a poor risk-return rates among Postal Life Insurance policies that have a high rate of policyholder dividends. While the need to address interest rate risk has decreased as a result of these initiatives and the recent rise in interest rates, on July 10, 2026, Japan Post Insurance and SCOR SE (hereinafter, “SCOR”) decided, from the standpoint of appropriate capital management, to enter into a memorandum of understanding to consider actions 1

through 3 below, in order to continue managing the risk associated with Postal Life Insurance policies.

Going forward, we intend to continue discussions on details of the reinsurance transaction and the investments in the reinsurance vehicle, and, subject to reaching a final agreement on these matters and obtaining the necessary regulatory approvals and licenses, Japan Post Insurance and SCOR intend to proceed with the commencement of the transaction outlined above and the investment in the reinsurance vehicle.

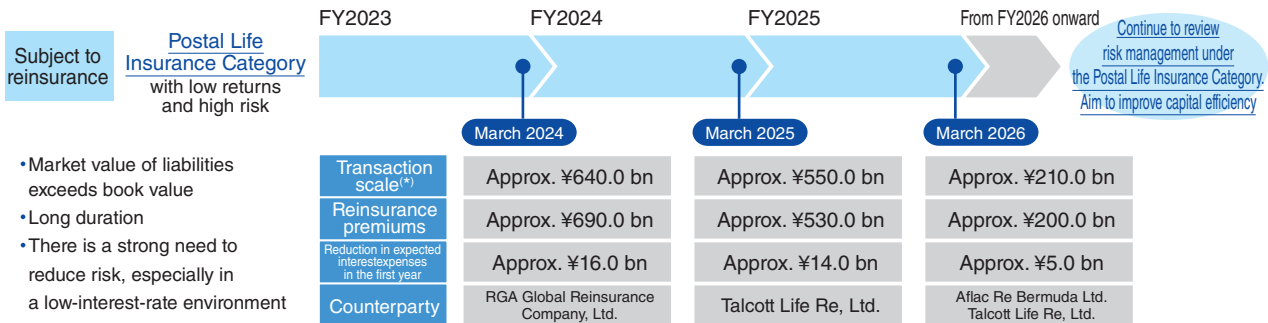
1. The cession of the underwriting risks under Japan Post Insurance’s Postal Life Insurance policies.

2. The establishment, investment and operation by SCOR of a reinsurance vehicle for risk management purposes, intended to assume underwriting risks held by both Japan Post Insurance and SCOR and thereby provide both parties with risk diversification benefits.

3. Japan Post Insurance’s investment⁽²⁾ in the reinsurance vehicle for the purpose of ensuring its financial soundness, with the expectation that the reinsured contracts ceded thereto will be appropriately managed by the ceding reinsurer.

^{*1} This refers to a form of reinsurance in which insurance underwriting risk and interest rate risk are ceded. In implementing this reinsurance, comprehensive reinsurance terms, including collateral conditions, will be set with due consideration to counterparty risk.
^{*2} Japan Post Insurance plans to hold less than 50% of the voting rights of the reinsurance vehicle.

Utilization of Reinsurance



^{*} Based on policy reserves. The gaps between policy reserves and reinsurance premiums are neutralized with contingency reserves (no impact on adjusted profit).

Shareholder Returns

Status of Shareholder Returns

In light of the improvement in adjusted profit, a measure we adopted as the source of shareholder returns in the fiscal year ended March 31, 2025, we strengthened shareholder returns during the period of the previous Medium-Term Plan, Regarding dividends for the fiscal year ended March 31, 2026, we paid ¥124 per share as initially forecast, and total dividends reached a record high of ¥45.4 billion. As a result, the total payout ratio rose to approximately 47%, exceeding the median of

the medium-term average of 40–50% set forth in our shareholder return policy.

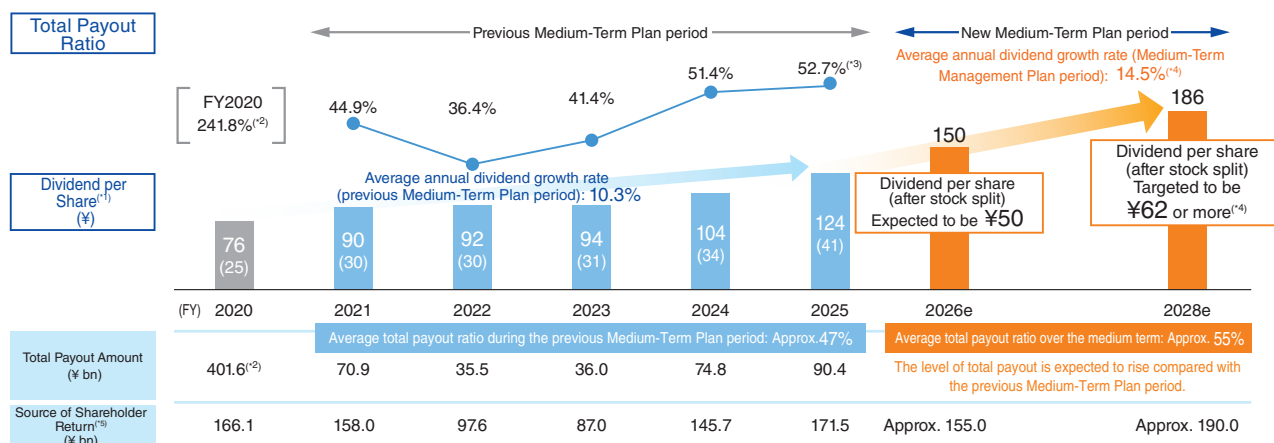
In addition, with the aims of making the Company easier to invest in by lowering the amount per investment unit, and of improving the liquidity of our common stock and expanding our investor base, we conducted a three-for-one split of our common stock (effective date: April 1, 2026).

Shareholder Return Policy

During the previous Medium-Term Plan period, we actively worked to enhance shareholder returns with the aims of responding to market expectations and improving our market valuation. For the new Medium-Term Plan period, with the aim of improving the predictability of shareholder returns, we have decided,

against the backdrop of improved and stable profit levels, to raise our target for the total payout ratio to a medium-term average of approximately 55%, while appropriately managing capital. For the fiscal year ending March 31, 2029, we will aim for dividends per share of ¥62 or more.

Trends and Policy on Shareholder Returns



*1 The dividend per share shown in the graph is the amount prior to the 3-for-1 stock split effective April 1, 2026 (converted figures are shown for FY2026 and beyond). The amounts after the split are shown in brackets (the amounts less than 1 yen rounded down).

*2 The total payout amount related to profits for FY2020 includes the repurchase of treasury stock from Japan Post Holdings (¥358.8 bn) conducted in May 2021.

*3 We will separately consider additional shareholder return in response to the higher-than-expected adjusted profit for FY2025, in conjunction with share buybacks to be conducted at some point from FY2026 onward.

*4 On the premise that the adjusted profit target for FY2028 of approximately ¥190.0 bn is achieved.

*5 A source of shareholder returns is net income for FY2023 and prior, and adjusted profit for FY2024 and onward.

Enhancing Corporate Value

We believe that, in order to achieve a sustainable enhancement of corporate value, it is essential for us to further promote dialogue with a wide range of stakeholders, to deepen their understanding of our strategy, and to build mutual trust. We have various unique characteristics, such as restrictions on certain operations due to the nature of the life insurance business as well as accounting treatments and regulations specific to our business. For this reason, we strive to provide appropriate and accurate information by means of

thorough investor relations activities and clear disclosure in materials such as our Annual Report. We have long reflected the views obtained through dialogue with stakeholders in our financial and capital policies. The financial and capital policies and the enhancement of shareholder returns under the new Medium-Term Plan were also determined with reference to dialogue with stakeholders. We will continue to take the opinions we receive from all stakeholders seriously and strive to reflect them appropriately in our management.

Logic Tree Diagram for Improving Market Valuation and Key Targets for FY2028

Initiatives Under the New Medium-Term Plan

