

UNOFFICIAL TRANSLATION

Although Japan Post Insurance pays close attention to provide English translation of the information disclosed in Japanese, the Japanese original prevails over its English translation in the case of any discrepancy.

March 13, 2020

Company name: JAPAN POST INSURANCE Co., Ltd.

Representative: Tetsuya Senda, President, CEO, Representative Executive Officer

Stock exchange listing: Tokyo Stock Exchange First Section (Code Number: 7181)

(Update on the Previous Disclosure) Progress of the Business Improvement Plan

JAPAN POST INSURANCE Co., Ltd. (“Japan Post Insurance”; Chiyoda-ku, Tokyo; Tetsuya Senda, President, CEO, Representative Executive Officer) is hereby announcing that it reported the progress of the business improvement plan (as of the end of February 2020), based on “Administrative Dispositions against Japan Post Insurance” dated December 27, 2019, to the Financial Services Agency of Japan today. The progress of the business improvement plan is described in the attachment.

At this time, Japan Post Insurance is not modifying our financial forecast and dividends forecast for the Fiscal Year Ending March 31, 2020 announced on November 14, 2019.

An announcement will be made promptly if further related matters due for disclosure arise.

Progress of the Business Improvement Plan

1. Results of the investigations of policies by Japan Post Insurance

(1) Status of the investigations of specified rewriting cases

① Status of the confirmation of customers' intentions

As of February 29, we have been able to contact approximately 154 thousand customers (99% of the total), of which we were able to confirm the intentions of approximately 134 thousand customers (86% of the total). We will continue the confirmation of intentions of the customers who could not be contacted by phone or due to unknown address or long-term absence.

We will send a questionnaire with return-envelope again to customers whose intentions have not yet been confirmed by the end of March 2020.

We will continue to respond carefully to inquiries from customers from April 2020 onward.

② Status of policy reinstatement initiatives

As of February 29, 47,968 customers have requested detailed explanations, and we have finished providing guidance on the procedures for policy reinstatements to 43,013 customers. In regard to the remaining customers, we will continue to provide explanation for policy reinstatements through visits by our staff or by mail. Of this number, 36,721 customers have requested reinstatement, and we have finished the process for reinstatement for 35,564 customers.

For customers who have not responded, we will complete the sending of guidance documentation and revisiting by our staff to explain procedures for reinstatement by the end of March 2020.

We will continue to respond carefully to inquiries from customers, such as requests for reinstatement, etc. from April 2020 onward.

③ Status of the sales personnel investigations

Out of the total of 183 thousand specified rewriting cases, as of February 29, the number of cases requiring investigations of sales personnel is 13,396, and there are 8,772 cases that we have finished judging whether or not violations of laws and regulations or internal rules occurred in the solicitation process.

Out of those cases, we have identified 174 cases (the number of sales personnel: 203) of violations of laws and regulations and 1,996 cases (the number of sales personnel: 1,522) of violations of internal rules.

We have mostly finished the interviews of sales personnel in connection with the specified rewriting investigations, except for newly identified cases and cases involving retired personnel whose schedules are pending.

The determination of the presence of violations of laws and regulations or internal rules is scheduled to be completed by the end of March 2020, except for those cases that cannot be investigated due to reasons such as sick leave of the relevant sales personnel, for the cases requiring the reinvestigation of customers, and for the cases in which sales personnel requested redetermination.

(2) Status of the investigation of all insurance policies

We have received approximately 1 million replies to postcards sent to approximately 19 million customers, and in regard to the opinions and requests which we have received, we have provided explanations through home visits or by phone calls from a dedicated call center of Japan Post Insurance, and handled various procedures for the insurance policies.

As of February 29, in regard to the remaining approximately 180 thousand customers, we will continue to provide the measures mentioned above by the end of March 2020. For the customers who could not be reached by phone, we will continue to contact through various measures, such as calling or sending a letter to confirm intentions.

In regard to cases that require additional time, we will continue to make our best efforts from April 2020 onward.

(3) Status of the further investigation of all insurance policies

We have identified cases where sales personnel repeatedly made many new policy applications and cancellations, which may not have been in line with the intentions of the customers. Of these cases, from February 2020, we gave priority to certain policyholders[※] (897 policyholders) and started investigating these cases. As of February 29, we have been able to contact 807 policyholders (90% of the total) and have completed the confirmation of policy coverage of 727 policyholders (81% of the total).

※… Consisting of those who, in the last five years, have applied for 15 or more policies, of which half or more have been cancelled.

① Status of the investigation of multiple policies (customers who are to receive priority responses¹ : 897 policyholders)²

Status of contact, and confirmation of the policy coverage	Number of applicable customers	Ratio
Customers whom we have been able to contact	807	90%
Customers whose policy coverage and their intentions have been confirmed	727	81%
In line with customers' intentions ³	309	34%
Not in line with customers' intentions ⁴	418	47%
Customers with whom we have already made	80	9%

	appointments		
Customers with whom we are making appointments	90	10%	
Total	897	100%	

1. Customers who have applied for 15 or more policies, of which half or more have been cancelled in the last five years.
2. As of February 29, 2020.
3. Customers who cancelled or applied policies in line with their intentions such as "for the financing of business", "for funds for home renovations", or customers' whose family members are sales personnel.
4. Customers who cancelled or applied for policies not in line with their intentions because they followed the recommendation of post office staff or did not recognize cancellation or application for a new policy.

② Status of the investigation of multiple policies for customers other than those receiving priority responses

For customers other than those receiving priority responses (5,532 customers), we have been confirming their intentions and policy coverage. As of February 29, we have been able to contact 1,500 customers and completed confirmation of the policy coverage and their intentions of 882 customers.

③ Future initiatives

In the investigation of multiple policies, our staff will visit and confirm the coverage of each policy and the circumstances of the solicitation process by the end of April 2020. As the result of these confirmations, we will respond appropriately to compensate customers who have experienced disadvantages and investigate sales personnel as necessary.

In investigations other than the above investigation of multiple policies (※), for policyholders who have paid expensive premiums or have rewritten policies involving a change of the insured or a change of the insurance type, we will also confirm the coverage of each policy by various measures as a group, such as visits by staff of Japan Post Insurance and staff of Japan Post Co., Ltd. (hereinafter "Japan Post"), phone calls and letters which indicate the personal status of their policies by the end of June 2020.

In regard to the cases other than those mentioned above, we will listen to customers' opinions and requests through the provision of home visits in order to regain the customers' trust and to confirm their intentions and policy coverage.

Based on the many opinions and requests which we have received, in addition to utilizing them to improve solicitation activities, we will continue to listen to the feedback from customers gained through various methods, such as the continuous activities of confirmation of policy coverage and the improvement of the annual "Notification of Policy Coverage" documentation sent to customers. In addition, we will continue to strive to align more closely with the intentions of our customers.

※… Investigations other than the investigation of multiple policies are described in the release dated January 31, 2020.

2. Appropriate actions toward sales personnel found to have engaged in improper solicitation in the investigations in 1 above (Includes increasing the strictness of criteria for fact-finding and for disciplinary action against sales personnel, and applying them thoroughly)

(1) Increase the strictness of fact-finding criteria

① Conduct fact-finding that does not rely on confession

We will carry out fact finding concerning improper solicitations of insurance contracts that appear to have caused disadvantages to customers, based on responses from affected customers as well as credible circumstantial evidence, even if the sales personnel in question denies such solicitation, which shall be followed up by disciplinary action as appropriate. [Implemented in November 2019]

② Strengthen efforts for the investigative cooperation (self-declaration) system

In conducting investigations, if sales personnel admit to violations or fully cooperate with the investigation, we will reduce or exempt the sales personnel from the ordinary disciplinary actions. Through this, we will make efforts to quickly identify the underlying causes of improper solicitation. [Implemented from November 2019 onward and continuously]

(2) Increase the strictness of criteria for disciplinary action

① Addition of “suspension of solicitation” and “warning” in the disciplinary actions against sales personnel

Disciplinary actions against sales personnel previously comprised only two levels, namely “termination of solicitation operations” and “strict warning.” We will add additional disciplinary actions such as a disciplinary action which suspends solicitation activities for a certain period. We will revise the rules in March 2020 to ensure the measures are taken according to the condition and level of improper solicitation. [Scheduled implementation in April 2020]

② Disciplinary actions for managers

Japan Post Insurance will revise the rules which stipulated about disciplinary action for managers of sales personnel found to have engaged in improper solicitation in March 2020, in order for Japan Post Insurance to request to Japan Post that these managers receive rigorous disciplinary actions in accordance with the degree of their dereliction. [Scheduled implementation in April 2020]

3. Progress of the main measures of Japan Post Insurance

(1) Establish an appropriate sales promotion scheme (Includes setting sales targets based

on actual sales to avoid encouraging rewriting of policies)

① Set appropriate sales targets

A. Set sales targets according to the sales capability and review the allocation method

We have resolved not to set sales targets for FY2020.

When setting sales targets for the FY2021 onward, sales targets will be determined based on the prospects for the life insurance market, etc., through discussion among the sales, corporate planning, and solicitation management departments by checking whether expected on-site sales potential includes improper solicitation, and calculating by incorporating the impact of changes in the number of sales personnel in the variables involved in setting various measures for the current and following fiscal years. This process also includes checking whether sales targets can be achieved with the sales capability that ensures appropriate solicitation quality.

In regard to the allocation of sales targets to branches of Japan Post and post offices, together with the optimization of the level of sales targets, we will check if the efforts of Japan Post are implemented appropriately.

B. Shift from sales targets focused on new sales amounts (flow) to the sales targets focused on the policies in force (stock), etc.

When setting sales targets for FY2021 onward, we have decided to revise our previous sales targets, which have heretofore overemphasized the monthly premium amounts for new contracts, and shift to sales targets that focus on recording the results on a stock basis, equally considering the monthly premium amounts for new policies and cancelled policies to evaluate both new policies and policies in force.

Through the introduction of a three-year cancellation ratio and indexing of the number of new customers and working age customers, we will shift to sales activities that focuses on working age customers.

C. Review personnel evaluations

We will complete our review of personnel evaluations including increasing the weight of evaluation criteria attributed to solicitation quality till the end of March 2020. [Scheduled implementation in April 2020 onward]

② Measures for policy rewriting

A. Non-recording of sales results and non-payment of incentives for policy rewriting

We reached an agreement with the Japan Postal Group Union about the measures for policy rewriting: to abolish the recording of sales results for policy rewriting and to review the system to abolish the incentive payments for policy rewriting that are currently paid (at 50% of the allowances for normal new contract)(See the press-release dated February 14, 2020).

[Scheduled implementation in April 2020]

B. Prevent circumvention of required periods for policy rewriting

We have extended the policy rewriting qualifying period and launched a system to display alert messages and add a reconfirmation process for policy rewriting in close proximity to the relevant periods. [Scheduled implementation in April 2020]

③ Measures for solicitation of elderly customers

Solicitations from sales personnel to customers aged 70 or older are suspended in principle. When accepting an application from such customers, we require a family member to be present upon application or to give prior explanation to a family member.

In addition, we will require the acquisition of prior consent from the insured person when accepting an application from customers aged 70 or older (previously, 80 or older). [Scheduled implementation in April 2020]

④ Develop new products meeting our customers' insurance needs

Japan Post Insurance has been unable to freely develop and provide various insurance products because of regulatory restrictions. As a result, our main products have been “savings-type” products such as endowment insurance and annuities that are less attractive under the low interest rate environment. Going forward, we will aim for the development of new products that more closely meet our customers' insurance needs, including those of working age customers.

(2) Create a healthy corporate culture that puts a priority on compliance and policyholder protection (Includes creating an appropriate solicitation policy that is well understood by employees, and training for employees and sales personnel)

① Create an appropriate solicitation policy that is well understood by employees

A. Establish a code of conduct based on the customer-first philosophy

In order to thoroughly implement basic actions based on the principle of providing insurance coverage founded on high ethical standards which take the original roles and mission of life insurance into account, the solicitation policy that reflects the customer-first philosophy was set by a resolution of the Board of Directors in February 2020.

Going forward, we will announce our solicitation policy to customers on our website. [Scheduled implementation in April 2020]

B. Set a “Standard of Japan Post Insurance sales”

We have set a “Standard of Japan Post Insurance sales” based on a solicitation policy that reflects the customer-first philosophy and have prepared training materials that embody the

model in February 2020.

Based on this standard, we will create a survey form (tentatively named the supplementary customer intention confirmation survey form) and develop a practical method for confirming customer intentions by using it in order to make proposals that accurately reflect true customers' needs based on their concerns for the future and their status of policy enrollment. [Scheduled implementation in April 2020 onward]

② Training for sales personnel, etc.

We started training on the significance and basic concept of the "Standard of Japan Post Insurance sales" on February 21, 2020. [To be conducted for all sales personnel, etc. of Japan Post Insurance and Japan Post Co. toward the end of March 2020]

Furthermore, we will work to make the "Standard of Japan Post Insurance sales" fully understood through various training sessions from April onward.

③ Hearing the voices of our employees

We have already introduced a system that allows Japan Post Insurance employees to directly make suggestions to the President. In addition to this, we started "Dialogue with Management" events, in which the management team of Japan Post Insurance visits branches and directly listens to the voices of front-line employees. [Started in February 2020]

(3) Establish an appropriate solicitation quality control scheme (Includes the establishment of an effective control scheme for insurance agents)

① Check from contract applications to the conclusion of a contract in a multilayered manner

In addition to expanding the existing pre-checking function for underwriting [Scheduled implementation in April 2019 onward and continuously], we will be implementing a multi-layered system for the verification of customers' intentions for applications for which there are doubts about solicitation quality, to be conducted by post office managers [Implemented in September 2019], by a dedicated call center of Japan Post Insurance [Implemented in January 2020] and by the Service Center at the time of the underwriting process. [Implemented in August 2019]

Meanwhile, upon receiving cancellation requests, the dedicated call center of Japan Post Insurance will work to confirm customers' intentions and whether or not customers received an explanation about potential disadvantages, in addition to the explanations and verifications by post office sales personnel. [Implemented in January 2020]

Furthermore, in the future, we intend to consider implementing a system where we accept cancellations only at post office counters, and we also intend to establish through direct channels to prevent service degradation upon receiving requests for cancellation.

② Strengthen our organizational structure with a view to implementing appropriate solicitation management

A. Review functions of headquarters, etc.

We will transfer planning and guidance operations aimed at realizing appropriate solicitation activities, that have been so far conducted by the second line (compliance and solicitation management departments), to the first line (sales department). This transfer will hold the first line departments more accountable for sales activities focusing on the maintenance of the solicitation quality, while the second line departments focus on the verification of measures taken by the first line. Through these reorganization, we will build a system that will enable us to develop measures based on the customer-first philosophy under an appropriate check and balance mechanism. [Determined in February 2020, scheduled organizational changes in April 2020]

In addition, we will strengthen investigation functions by integrating command functions over the investigation of improper solicitation activities and other inappropriate actions into the Compliance Investigation Office (to be newly established). [Determined in February 2020, scheduled organizational changes in April 2020]

In addition to the above, we will strengthen the structure of the solicitation management, compliance and customer services departments at our headquarters. [Scheduled implementation in April 2020 onward]

B. Review functions of branches, etc.

We have been focusing on agency support for sales promotion, but we plan to shift to agency support/guidance focusing on both promoting sales and securing solicitation quality. [Scheduled implementation in July 2020 onward]

C. Increase sophistication of customer information management

We will set up an arrangement at our branches and at post offices that will enable us to confirm simply the customers' past policy enrollment and cancellation histories on our systems when accepting policy applications from the customers, and will utilize this arrangement for solicitation quality management.

As part of this, in April 2020, we will extend the period available for checking the customers' past policy cancellation histories from the last three months to the last 24 months at post offices. [Scheduled implementation in April 2020]

③ Introduction of a conditional cancellation system and policy conversion system

For the adjustment of insurance policy content or products from a customer-first point of view, we have introduced a conditional cancellation system [Implemented in January 2020]. We will also proceed system development etc. for a policy conversion system to enable transitions to

new policies without the cancellation of existing policies. [Scheduled implementation in October 2020, as soon as possible]

④ Record and keep a voice record and a video record of the solicitation process

We will ensure transparency of the solicitation process by recording and keeping a voice record of the solicitation process using the mobile devices carried by sales personnel, in order to develop a system that can verify whether sales personnel's proposals have met the customer's intentions in the case of a customer complaint and started trial implementation on March 2, 2020. [Scheduled Implementation in August 2020 onward]

⑤ Identify potential problems from complaints, etc.

We have begun various studies to establish a framework in which we will provide follow-up support responsibly from start to finish, by increasing our risk sensitivity to detect complaints potentially involving problems with the circumstance of solicitation, and by clarifying the roles of the relevant departments. [Implemented from December 2019 onward and continuously]

(4) Strengthen governance drastically to implement and ensure the success of the above initiatives

① Strengthen the investigation of circumstances of the solicitation process and thoroughly implement the PDCA cycle

A. Understand and analyze information on internal and external risks

We have set up a dedicated team to understand and analyze customer complaints, employee opinions, management data and various other information using systems, etc. to be sensitive for our business risk. Going forward, we will conduct a trial analysis (analysis of customer complaints and employee opinions) in order to establish a practical analysis method. [Scheduled Implementation in April 2020 onward]

B. Comprehensively and horizontally expand the investigation of problem incidents to cases of a similar type and structure

Besides individually handling incidents where problems were detected, we will conduct a trial that identifies cases of a similar type and structure and horizontally expands our investigation to include them, thereby establishing a system for grasping the depth of the problems concerned. [Scheduled implementation in April 2020 onward]

C. Thoroughly implement the PDCA cycle

When considering improvement measures, we will establish a system for the thorough implementation of a cycle of verifying the effects and reviewing our measures speedily to improve solicitation quality, based on deep discussions, including the priority of improvement

measures, at the management level, in light of evaluations of root causes.

In the meantime, we will conduct verifications of the effects of our current improvement measures in the business improvement plan and other initiatives in order to establish appropriate solicitation management. [Scheduled implementation in April 2020 onward]

② Strengthen internal controls

A. Strengthen the governance function of the Board of Directors, etc.

(A) Establish a new “deliberation” within the Board of Directors

In order to broadly discuss management issues in advance, the establishment of a new “deliberation” which will leverage the expertise of Outside Directors from the resolution drafting stage as well as the existing “resolution” and “report” will be resolved at the Board of Directors’ meeting in March 2020. [Implemented in March 2020]

Furthermore, in addition to having the extraordinary meetings of the Board of Directors, we held meetings of Outside Directors in February for the purpose of actively exchanging opinions, and discussed the evaluation of effectiveness of the Board of Directors this fiscal year. [Implemented in February 2020 (to be held in the future as needed)]

(B) Strengthen the function of the Audit Committee

a. We will revise relevant rules, which require the advance agreement of the Audit Committee, for the decision and amendment of the internal audit plan and the important personnel appointments (Executive officers in charge and General Managers) of the internal audit department. [Scheduled implementation in March 2020]

b. We have decided the scheme that the Audit Committee would order an investigation for verification, after receiving an in-depth report on the actual state of the circumstances of the solicitation process and customers’ disadvantages, and Committee would provide necessary advice to the executive officer in charge based on the results of the investigation. At a meeting of the Audit Committee held in February 2020, the executive officer in charge of internal audit submitted a report on the investigation, and the Audit Committee members discussed based on that. [Implemented in February 2020 (to be held in the future as needed)]

B. Internal audit

In addition to reinforcing the human resources and organizational structure for internal audit, we are making necessary arrangements to seek the cooperation of external experts in order to realize audits with higher efficacy such as by strengthening our risk assessment. [Scheduled implementation in April 2020 onward]