

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.

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Representative: SENDA Tetsuya, 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; SENDA Tetsuya, President, CEO, Representative Executive Officer) is hereby announcing that it submitted “Progress of the Business Improvement Plan (as of the end of May, 2020)” based on the business improvement order (December 27, 2019), to the Financial Services Agency of Japan, today. The summary of the Progress of the Business Improvement Plan is described in the attachment.

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

In regard to the investigations of specified rewriting cases, we confirmed solicitation circumstances at the time of enrollment and customers' intentions about reinstatement by letters, phone calls and home visit to approximately 156 thousand customers. We finished responding to customers as of the end of March 2020, except for cases that could not be finished due to reasons attributable to customers. We will continue responding to customer requests, including the above cases that could not be finished due to reasons attributable to customers.

(2) Status of the sales personnel investigations in connection with the investigations of specified rewriting cases

In regard to the sales personnel investigations in connection with the investigations of specified rewriting cases, we have mostly completed the review of sales personnel investigations as of the end of April. We have identified 315 cases (the number of sales personnel: 420) of violations of laws and regulations and 3,277 cases (the number of sales personnel: 2,207) of violations of internal rules as of May 31, 2020, and already started proceeding the procedure of disciplinary actions against sales personnel.

Meanwhile, we have already started remedial training for the sales personnel who were identified to have violated laws and regulations or internal rules, based on the results of the sales personnel investigations in connection with the investigations of specified rewriting cases (1,889 personnel were subject to training through June 15, 2020).

(3) Status of the investigation of all insurance policies

In the investigations of all insurance policies, we sent notification documents with reply cards to approximately 19 million customers to confirm their intentions and received over 1 million replies. We completed responding to customers as of the end of March 2020, except for cases that could not be finished due to reasons attributable to customers. We continue responding to customer requests, such as the requests for compensation for disadvantages experienced, including those that could not be finished due to reasons attributable to customers, and plan to complete the compensation by the end of June 2020.

As of May 31, we confirmed whether customer opinions that we received during the investigation of all insurance policies resulted from cases that may involve violations of laws and regulations or internal rules, and we have identified 3,661 such potential cases, for which we will conduct sales personnel investigations and compensate customers for disadvantages experienced.

(4) Status of progress of additional investigations of all insurance policies

① Status of progress of investigations of multiple policies

In regard to investigations of multiple policies, we have nearly completed confirmations of policy coverage with all applicable customers as of the end of April 2020, except for the cases that could not be finished due to reasons attributable to customers.

We have made progress in the investigation in regard to the customers who are to receive priority responses (897 policyholders) from February 2020. As of May 31, 851 customers (95%) have expressed their intention and 490 customers (55%) have answered that their policies were not in line with their intentions. Of this number, 414 customers (46%) have requested compensation for their policies.

In addition, we have made progress in the investigation in regard to the customers other than those receiving priority responses (5,532 policyholders). As of May 31, 4,712 customers (85%) have expressed their intention and 2,199 customers (40%) have answered that their policies were not in line with their intentions. Of this number, 1,860 customers (34%) have requested compensation for their policies.

Status of investigations of multiple policies (*1)

Status of contact, and confirmations of policy coverage	Customers who are to receive priority responses (*2)		Customers other than those receiving priority responses (*3)	
	Number of applicable customers	Ratio of total	Number of applicable customers	Ratio of total
Customers whose policy coverage and their intentions have been confirmed	851	95	4,712	85
Not in line with customers' intentions (*4)	490	55	2,199	40
Customers who have requested compensation for their policies	414	46	1,860	34
Applicable customers	897	100	5,532	100

*1. As of May 31, 2020.

*2. Customers who have applied for 15 or more policies, of which half or more have been cancelled, in the last five years (from April 2014 to March 2019; the same hereinafter).

*3. Customers who have applied for 10 or more policies, of which 30% or more have been cancelled, in the last five years.

*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 progress of Investigations other than the above investigations of multiple policies

In regard to the investigations other than the investigations of multiple policies, we have contacted customers who have policies with high insurance premiums or who had a change of the insured or type of insurance when enrolling in a new policy through visits by staff of Japan Post Insurance or sending letters explaining policy status to confirm the policy coverage by the end of June 2020.

We have made progress in the investigation in regard to the customers who have policies with high insurance premiums (19,162 policyholders). As of May 31, 6,944 customers (36%) have expressed their intention and 1,813 customers (9%) have answered that their policies were not in line with their intentions. Of this number, 1,055 customers (6%) have requested compensation for their policies.

In addition, in regard to the investigation of the customers who had a change of the insured and enrolled in a new policy (27,169 policyholders), as of May 31, 8,872 customers (33%) have expressed their intention and 1,436 customers (5%) have answered that their policies were not in line with their intentions. Of this number, 547 customers (2%) have requested compensation for their policies.

Status of investigations other than the above investigations of multiple policies (*1)

Status of contact, and confirmations of policy coverage	Customers who have policies with high insurance premiums (*2)		Customers who rewrote policies and changed the insured (*3)	
	Number of applicable customers	Ratio of total	Number of applicable customers	Ratio of total
Customers whose policy coverage and their intentions have been confirmed	6,944	36	8,872	33
Not in line with customers' intentions (*4)	1,813	9	1,436	5
Customers who have requested compensation for their policies	1,055	6	547	2
Applicable customers	19,162	100	27,169	100

*1. As of May 31, 2020.

*2. As of December 2019, policyholders aged 65 or older who have paid monthly premiums of 100,000 yen or more, and have had at least 1 policy which was cancelled in a short period thereafter during the period from April 2014 to December 2019.

*3. In the last five years, cases where sales personnel led the policyholders to change the insured at new enrollment without a change in policyholder, but the new policy was cancelled in a short period thereafter.

*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.

In regard to the investigation of the customers who changed the type of insurance and enrolled in a new policy (4,030 policyholders), as of May 31, 1,444 customers (36%) have expressed their intention and 193 customers (5%) have answered that their policies were not in line with their intentions. Of this number, 63 customers (2%) have requested compensation for their policies.

In addition, in regard to the investigation of the customers who used the policy rewriting system to shorten the maturities of existing contracts (4,265 policyholders), as of May 31, 266 customers (6%) have expressed their intention and 52 customers (1%) have answered that their policies were not in line with their intentions. Of this number, 5 customers (0%) have requested compensation for their policies.

Status of investigations other than the above investigations of multiple policies (*1)

Status of contact, and confirmations of policy coverage	Customers who rewrote policies and changed the type of insurance (*2)		Customers who used the policy rewriting system to shorten the maturities of existing contracts (*3)	
	Number of applicable policyholders	Ratio of total	Number of applicable policyholders	Ratio of total
Customers whose policy coverage and their intentions have been confirmed	1,444	36	266	6
Not in line with customers' intentions (*4)	193	5	52	1
Customers who have requested compensation for their policies	63	2	5	0
Applicable customers	4,030	100	4,265	100

*1. As of May 31, 2020.

*2. In the last five years, cases where sales personnel led customers to rewrite from annuity to insurance, or to repeat rewriting insurance ⇔ annuity many times.

*3. In the last five years, cases where sales personnel led customers to shorten the maturity of existing policies and apply for a new policy, but the underwriting of the new policy was declined.

*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.

③ Future initiatives

In addition to the above cases being investigated, through providing home visits to regain customers' trust and to confirm policy coverage, we are listening carefully to customer's opinions and requests.

As part of above activities, we are confirming the policy coverage by sending questionnaires for the approximately 1.8 thousand corporate customers who experienced policy rewriting. As of May 31, 2020, 1,814 (approximately 99.8%) corporate customers confirmed policy coverage and 27 corporate customers requested detailed explanation about policy coverage. We will contact these customers and explain policy coverage in detail by visits or phone calls.

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. We will continue to strive to align more closely with the intentions of our customers.

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 are carrying 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 improper solicitation, to 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 added additional disciplinary actions such as a disciplinary action which suspends solicitation activities for a certain period. We had revised the rules in March 2020 to ensure the measures are taken according to the condition and level of improper solicitation and have applied these rules from April 2020. [Implemented in April 2020]

② Disciplinary actions for managers

Japan Post Insurance had revised the rules in March 2020 which stipulated about disciplinary action for managers of sales personnel found to have engaged in improper solicitation, 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 and has applied these rules from April 2020. [Implemented in April 2020]

③ Actions toward sales personnel found to have engaged in improper solicitation and sales personnel who have solicitation process problem

We had conducted training for sales personnel found to have engaged in improper solicitation and sales personnel who have solicitation process problem, and they have been

registered in “sales pre-checking system” and follow-up work has been carried out to control the preparation of insurance policy documents in the process of solicitation and make confirmation of customers’ intentions by post office managers for a certain period of time. [Implemented 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 to 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 have unified personnel evaluation items of sales promotion and solicitation quality,

which we have heretofore evaluated separately, in order to evaluate sales promotion focusing on the securing solicitation quality. [Implemented in April 2020]

② Measures for policy rewriting

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

We had abolished the recording of sales results for policy rewriting and reviewed the system to abolish the incentive payments for policy rewriting (50% of the allowances for normal new contract). [Implemented in April 2020]

B. Prevent circumvention of required periods for policy rewriting

We had extended the policy rewriting qualifying period (before the change, the qualifying period was within three months before enrollment in a new policy or within six months after such enrollment, and it has been extended to within twelve months before enrollment in a new policy or within thirteen months after such enrollment) and launched a system to display alert messages and add a reconfirmation process for policy rewriting in close proximity to the relevant periods. [Implemented 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 require the acquisition of prior consent from the insured person when accepting an application from customers aged 70 or older (previously, 80 or older). [Implemented in April 2020]

④ Develop new products meeting our customers' insurance needs

Japan Post Insurance has been unable to develop a wide variety of insurance products. 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.

In addition, we have announced our solicitation policy to customers on our website. [Implemented in April 2020]

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

We set a “Standard of Japan Post Insurance sales” based on a solicitation policy that reflects the customer-first philosophy and made training materials that embody the model in February 2020.

Based on this standard, we produced a survey document and developed 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. [Implemented in April 2020]

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. [Training on the significance and basic concept of “Standard of Japan Post Insurance Sales” was implemented for all sales personnel, etc. of Japan Post Insurance and Japan Post as of the end of March 2020]

Furthermore, we will work to make the “Standard of Japan Post Insurance sales” fully understood through various training sessions going forward.

③ Hearing the voices of our employees

We had already introduced a system that allows Japan Post Insurance employees to directly make suggestions to the President and we have accepted more than 400 suggestions as of the end of May 2020. Based on the suggestions, we are examining ways to strengthen information transmission from headquarter, introducing personnel evaluation system that values the front-line, and develop a system to quickly respond to employee opinions.

In addition to the above, 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] (We had suspended it in light of the growing effects of the novel coronavirus disease, but after that we have partly restarted by using web communication system from May 28, 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 [Implemented in April 2019 onward and continuously], we have implemented a multi-layered system for the verification of customers' intentions for applications for which there are doubts about solicitation quality, 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 from customers at their home, the dedicated call center of Japan Post Insurance confirms customers' intentions and whether or not customers received an explanation about potential disadvantages, in addition to the explanations and verifications by post office manager. [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 consider accepting cancellations through direct channels to prevent service degradation at the time requests for cancellation are received.

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

A. Review functions of headquarters, etc.

We had transferred 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 holds 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 had built a system that will enable us to develop measures based on the customer-first philosophy under an appropriate check and balance mechanism. [Implemented organizational changes in April 2020]

In addition, we had strengthened investigation functions by integrating command functions over the investigation of improper solicitation activities and other inappropriate actions into the Compliance Investigation Office (newly established). [Implemented 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. [Continue implementation starting in April 2020]

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 conditioned upon securing solicitation quality in order to strengthen the investigation of solicitation manner and solicitation guidance. [Scheduled implementation in October 2020]

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 more easily 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 extended the period available for checking the customers' past policy cancellation histories from the last three months to the last 24 months at post offices. [Implemented 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 introduced a conditional cancellation system [Implemented in January 2020]. We also proceed with system development etc. for a policy conversion system to enable transitions to new policies without the cancellation of existing policies. [Scheduled implementation in April 2021]

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. Furthermore, we expanded the range of trial implementation on April 20, 2020. [Scheduled full implementation in August 2020 onward]

⑤ Identify potential problems from complaints, etc.

We will continue to strengthen our organizational structure 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]

⑥ Verify solicitation checking scheme

From the perspective of prevention and early detection of improper solicitations, the second line has verified solicitation checking scheme based on the Business Improvement Plan, confirmed the effectiveness of it, and made suggestions for further improvement plan to the first line. [Implemented interim report in March 2020]

(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. [Implemented from April 2020 onward and continuously]

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

In order to ensure that materials risks do not go undetected, besides individually handling incidents where problems were detected, we collect and analyze all sources of inappropriate solicitations, and when we detect cases of a similar type and structure, our policy is to actively investigate such cases. We have clarified the division of roles with the above process and have started engaging in such efforts. [Implemented from April 2020 onward and continuously]

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

In the meantime, we are conducting verifications of the effects of our current improvement measures in the business improvement plan and other initiatives in order to establish appropriate solicitation management. [Implemented from April 2020 onward and continuously]

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” had been 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 social gatherings of Directors and meetings of Outside Directors for the purpose of actively exchanging opinions, and discussed the status of operation of the internal control system and the evaluation of effectiveness of the Board of Directors in the 2019 fiscal year. [Implemented in February 2020 (to be held in the future as needed)]

(B) Strengthen the function of the Audit Committee

a. We had revised relevant rules, which require the advance agreement of the Audit Committee, for the decision and amendment of the internal audit plan and important personnel appointments (Executive officers in charge and General Managers) of the internal audit department in March 2020 and applied these rules starting in April 2020. [Implemented in March 2020]

b. We have created the scheme where 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 the Audit 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 strengthening 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. [Implemented from April 2020 onward and continuously]