

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.

December 27, 2019

Company name: JAPAN POST INSURANCE Co., Ltd.

Representative: Mitsuhiko Uehira, Director and President, CEO, Representative Executive Officer

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

Administrative Dispositions against JAPAN POST INSURANCE

JAPAN POST INSURANCE Co., Ltd. (“Japan Post Insurance”; Chiyoda-ku, Tokyo; Mitsuhiko Uehira, Director and President, CEO, Representative Executive Officer) is hereby announcing that it received a business suspension order and a business improvement order pursuant to Insurance Business Act Article 132-1 from the Financial Services Agency of Japan today.

The details of the dispositions are described in the attachment. Japan Post Insurance accepts the seriousness of these dispositions and will reflect deeply on them. In addition, Japan Post Insurance will create an improvement plan and regain our stakeholders’ trust by thorough implementation of customer-first sales activities and drastic improvement measures.

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.

In addition, Japan Post Insurance anticipates that the impact on our consolidated solvency margin ratio, which represents our financial soundness, will be immaterial based on the forecast referred to above. (Our consolidated solvency margin ratio as of the end of September 2019 is 1,189.5%.)

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

Administrative Dispositions

1. Administrative dispositions

(1) Administrative dispositions against Japan Post Insurance

① Administrative dispositions by the Financial Services Agency of Japan (the “FSA”)

A. Details of the administrative dispositions

(a) Suspend solicitation activities (for the purposes hereof, including consignments to insurance agents) and underwriting of Japan Post Insurance products from January 1, 2020 to March 31, 2020

(Excludes solicitation activities and underwriting done upon voluntary application from customers. Also excludes activities that the FSA approves separately as necessary operations from the perspective of policyholder protection)

(b) Implement initiatives as follows in order to ensure appropriate business operations and policyholder protection

a. Clarification of the responsibilities of management based on the dispositions

b. Appropriate responses to customers such as identification of policies that may involve disadvantages to customers, investigations and reinstatement of policies

(Includes each category of specified rewriting cases and categories that may involve other improper solicitation actions mentioned at C(a))

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

d. Establish an appropriate sales promotion scheme (Includes setting sales targets based on actual sales to avoid encouraging rewriting of policies)

e. 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)

- f. Establish an appropriate solicitation quality control scheme (Includes the establishment of an effective control scheme for insurance agents)
- g. Strengthen governance drastically to implement and ensure the success of the initiatives above

(c) Submit to the FSA an improvement plan corresponding to (b) by the end of January 2020, and implement it immediately

(d) Report to the FSA on the progress in implementing the plan described in (c) and status of improvement every 3 months, by 15th day of the next month (The end of the first reporting period will be the end of February 2020)

B. Statutory basis for administrative dispositions

Insurance Business Act (the 105th Act of 1995) Article 132-1

C. Reasons for the administrative dispositions

The FSA identified the following improper solicitation actions and underlying systemic problems, through the results of its inspection of Japan Post Insurance from August 23, 2019 and from the report from Japan Post Insurance according to Insurance Business Act Article 128-1. The FSA also referred to the report of Special Investigative Committee about rewriting policy issues released on December 18, 2019.

(a) Improper solicitation actions

The FSA recognized improper solicitation actions (actions disadvantageous for customers or unreasonable policy rewriting not in line with customer intentions) as follows in cases those Japan Post Insurance and JAPAN POST Co., Ltd. (“Japan Post”) investigated as “specified rewriting cases”.

- a. Identified at least 67 cases of violations of Insurance Business Act Article 300-1 where disadvantages to customers were caused by double premium payments from overlapping policies or occurrence of periods of no insurance due to incorrect explanations from sales personnel to policyholders, such as claims that “the current policy

cannot be cancelled during a certain period” and “policies can be underwritten even if there has been a notification of record of illness”.

- b. Identified at least 662 cases of violations of internal rules where disadvantages to customers were caused by double premium payments from overlapping policies, resulting from requests by sales personnel that customers “delay the current policy cancellation to achieve sales targets”.
- c. In addition, identified cases where customer disadvantages were caused through improper solicitation actions whether or not there was any violation of laws and regulations or internal rules.

The authority also identified the possibility of improper solicitation actions not in line with customers’ intentions as follows in cases other than those Japan Post Insurance and Japan Post investigated as “specified rewriting cases”.

- Cases that where sales personnel repeated new policy applications and cancellations many times
- Cases that where premiums paid by one policyholder became inordinately expensive due to the underwriting of policies for high insurance amounts
- Cases that where sales personnel led customers to change the insured at new enrollment following cancellation of an existing policy
- Cases that where sales personnel led customers to change the type of insurance (such as from annuity to insurance)
- Cases where sales personnel led customers to shorten the maturities of existing contracts and, shortly thereafter, enter into new contracts

Furthermore, the FSA identified situations that would tend to encourage improper solicitation actions, such as where sales training documents encouraged sales personnel to explain and sell certain Japan Post Insurance products as part of inheritance tax reduction strategies, although such products would not be effective for tax reductions at all.

Additionally, the FSA identified a large number of invalidated policies or of contract rescission upon agreement (cancellation and refund following customers' complaints), rescission without first premium payment, lapse and cancellation after first premium payment and withdrawal (cooling-off). Even if such cases did not result in disadvantages to customers, or if only a few of such cases did, those cases may have involved policies entered into that were not in line with customers' intentions as a result of improper solicitation actions.

(b) Systemic Problems

The FSA identified the following systemic problems behind the spread of improper solicitation actions at Japan Post Insurance and Japan Post.

a. Excessive sales promotion

Japan Post Insurance and Japan Post continued to set sales targets overly focusing on new policy sales, including policy rewriting. In addition, despite foreseeable difficulties in meeting sales targets arising from the deterioration of the business environment, they also set the sales targets lacking feasibility and rationality.

b. Corporate culture lacking awareness of compliance and policyholder protection

Japan Post Insurance and Japan Post encouraged a corporate culture lacking awareness of compliance and policyholder protection by (i) deeming policy rewriting to be in line with customers' intention solely due to the existence of customers' signature on the underwriting documents, even though certain policy rewriting caused disadvantages to customers, (ii) they judged certain solicitation actions where there was no admission of improper actions by sales personnel as being in line with the applicable rules, and (iii) they did not institute appropriate measures against sales personnel who might have taken improper solicitation actions.

c. Ineffective solicitation quality control scheme

Japan Post Insurance did not grasp the actual state of solicitation activities at Japan Post's post offices, sales targets and incentive payments for each sales personnel, awards to sales personnel with

excellent results and the content of sales training. Japan Post Insurance did not give the necessary guidance to Japan Post as sales agent to establish an appropriate solicitation quality control scheme.

In addition, Japan Post Insurance did not maintain an appropriate internal organization for solicitation quality control, such by deploying sufficient human resources at the solicitation management, compliance and customer services department, which act as a “second line” of defense, or at Japan Post’s post offices.

Further, Japan Post Insurance did not coordinate sufficiently with Japan Post to implement effective measures in a timely manner.

d. Insufficient governance

Japan Post Insurance did not grasp the actual state of solicitation activities at post offices even though it grasped the implication of improper solicitation actions through complaints from customers, “thank you” calls (the confirmation process of customers’ intentions after enrollment) and analysis of multiple policies, in addition to media reports and communications with the FSA.

2. Reoccurrence prevention measures by Japan Post Group

Japan Post Group has announced the results of the investigation of specified rewriting cases and the status of the investigation of all insurance policies, and has been examining future initiatives for improving solicitation quality (Refer the Attachment 2).

On top of those initiatives, Japan Post Group will create an improvement plan and take measures to compensate customers for disadvantages experienced. Japan Post Group will also continue to examine further measures to prevent reoccurrences.

3. Clarification of the responsibilities of management

Our current President, CEO and Representative Executive Officer will resign on January 5, 2020, and our Board of Directors has designated Tetsuya Senda as our new President, CEO and Representative Executive Officer today (He will take office effective January 6, 2020).

For our other Executive Officers, our Board of Directors decided to implement a reduction in compensation the percentages set forth below (excluding Executive Officers who took office after June 2019),

(1) Executive Officers

Our Board of Directors decided to implement the following reductions in monthly compensation from January 2020 to June 2020 (until the end of the current terms of service). (Positions listed below are as of May 31, 2019)

Deputy President, Representative Executive Officer	40%
Senior Managing Executive Officer	30%
Managing Executive Officer (in charge of internal audit)	30%
Managing Executive Officer (in charge of sales planning and sales promotion)	30%
Managing Executive Officer (in charge of wholesale, sales training and regional headquarters)	30%
Managing Executive Officer (in charge of corporate planning)	20%
Managing Executive Officer (in charge of underwriting)	20%
Managing Executive Officer (in charge of product planning)	20%
Managing Executive Officer (others)	10%
Executive Officer (in charge of internal audit)	10%
Executive Officer (in charge of corporate planning)	10%
Executive Officer (in charge of sales promotion)	10%
Executive Officer (in charge of regional headquarters)	10%
Executive Officer (others)	5%

(2) Non-Executive Directors

They will voluntarily forfeit between 5-10% of their monthly compensation from January 2020 to June 2020 (until the end of their current terms of service).

Preventive measures (Solicitation quality management measures for the time being)

(1) Review of sales targets and incentive payments

- Shift from sales targets focused on new sales amounts to a net increase in premiums [April 2020]
- Abolition of incentive payments for policy rewriting that are currently paid (at 50% of the allowances for normal new contract) [April 2020 onward]

(2) Strengthening of customer-focused sales activities

① Provide customer-focused consulting services [April 2020]

② Increase sophistication of customer information management [April 2020 onward]

We will establish a system in which customer information related to products provided by Japan Post Insurance are managed in a consolidated manner. In addition, we will develop and utilize a system for solicitation quality management by verifying customers' past policy records.

③ Strengthen verification process of customers' intentions [January 2020]

We will be implementing a multi-layered system for verification of customers' intentions for applications for which we have doubt about solicitation quality, which shall be conducted by a dedicated call center of Japan Post Insurance.

④ Restructure organizational structure with a view to strengthening solicitation management [April 2020 onward]

We will strengthen the management structure of our branches and the Financial Liaison Department of Japan Post.

(3) Expand the functions of the compliance and audit departments [April 2020]

(4) Measures for policy rewriting

① Introduction of a conditional cancellation system [January 2020] and policy conversion system [October 2020 onward, as soon as possible]

② Extension of policy rewriting qualifying period [April 2020 onward]

(5) Develop new products meeting our customers' insurance needs, including those of working age customers

(6) Change and strengthen the system for the investigation of sales personnel

(7) Reform corporate culture (Firmly cement a philosophy of 'customer-first business operations,' setting up a new employee contact point exclusively for financial services [By March 2020], and strengthening of the collaborations between the group companies.)

(8) Establishment of Task Force managing the progress of improvement measures

We plan to establish a new Task Force in Japan Post Holdings to manage the progress of improvement measures planned as a whole group. In doing so, we will steadily implement these measures while being monitored by a third party, and disclose the progress on a regular basis.

* For further information, please refer to the release entitled '(Update on the Previous Disclosure) Results and Future Initiatives on Investigation of Rewritten Insurance Policies' dated December 18, 2019.