

**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.

January 31, 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) 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 submitted a business improvement plan to the Financial Services Agency of Japan Today. The summary of the business improvement plan is described in the attachment.

Japan Post Insurance accepts the seriousness of administrative dispositions and is resolved to treat the implementation of the business improvement plan that we have formulated as our top-priority management issue.

At this time, although Japan Post Insurance anticipates to incur additional costs in connection with the business improvement plan, we are 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, from the business improvement plan 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.

## Summary of the Business Improvement Plan

### 1. Result of the investigations of policies by Japan Post Insurance

**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 other categories that may involve improper solicitation actions)**

#### **(1) Status of investigations of specified rewriting cases**

##### **① Status of confirmation of customers' intentions**

As of January 28, we were able to contact approximately 154 thousand customers (98%), of which we were able to confirm the intentions of approximately 132 thousand customers (85%).

##### **② Status of policy reinstatement initiatives**

47,447 customers have requested detailed explanations, and we have provided guidance on the procedures for policy reinstatements through visits by our staff or by mail to 34,057 customers. Of this number, 22,137 customers have requested reinstatement, and we have finished the process for reinstatement for 20,994 customers.

##### **③ Status of sales personnel investigations**

Out of the total of 183 thousand specified rewriting cases, as of January 29, the number of cases requiring investigations of sales personnel is 13,215, and there are 4,855 cases that we have finished judging whether or not in which violations of laws and regulations or internal rules were identified in the solicitation process.

Out of those cases, we have identified 106 cases of violations of laws and regulations and 1,306 cases of violations of internal rules.

##### **④ Future initiatives**

###### **A. Confirmation of customers' intentions and policy reinstatement**

Going forward, we will continue to strive to confirm the intentions of customers, and for customers who request reinstatement, we will complete sending of guidance on reinstatement and visits by our staff to explain procedures for reinstatement. By the end of March 2020, except for the cases that cannot complete the process at the convenience of the customers, we plan to complete the procedures related to reinstatement, etc.

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

## B. Sales personnel investigations

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

### (2) Future initiatives for responding to customers

In regard to the investigation of all insurance policies, as of January 28, we have received approximately 1 million replies to postcards sent to approximately 19 million customers, and have sent letters of appreciation to 760 thousand customers who replied. In regard to the opinions and requests which we have received, we have provided by telephone explanations and procedures for the insurance policies from a dedicated call center of Japan Post Insurance in stages by the end of March 2020. In regard to cases that require additional time to respond to customers, we will politely continue to strive from April 2020 onward.

From February 2020, as a further investigation of all insurance policies, we will carry out certain additional measures, such as visits by our staff of Japan Post Insurance in descending order of priority in order to confirm customers' negative responses and opinions, and investigate the circumstances of solicitation process. Based on the results of this further investigation of all insurance policies, we will plan to compensate customers for disadvantages experienced.

Based on the answers and opinions from customers through the 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 (refer to "① Investigation of multiple policies" below). Of these cases, we put priority on certain policyholders (approximately 9 hundred policyholders, consisting of those who, in the last five years, have applied for 15 or more policies, of which half or more have been cancelled) and conducted visits by our staff of Japan Post Insurance in order to confirm policy coverage by the end of February 2020.

For customers other than those mentioned above, employees will also visit the customers to confirm their policies by the end of April 2020.

#### ① Investigation of multiple policies:

Category	Outline of cases to be investigated (definition)*	Number of applicable policyholders
Multiple policies	In the past 5 years, the policyholders have applied for 10 or more policies, and 30% or	Approximately 6 thousand

	more of such policies have been cancelled (cancel, lapse, reduction of policy amount and change for fully paid insurance policy, same of table ② below).	
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\* The number of applicable policyholders investigated in the table ① above includes the number of policyholders investigated in the table ② below (The number of duplicate policyholders is included in the number of the ① investigation).

We have identified certain other cases which may have been not in line with customers' intentions, potentially causing them disadvantages, such as where premiums paid by one policyholder became inordinately expensive due to the underwriting of policies for high insurance amounts, where sales personnel led customers to change the insured or the type of insurance at new enrollment following cancellation of an existing policy, etc. As part of our investigation into these other cases (refer to "② investigations except the above investigation of multiple policies " below), we will also confirm each policy coverage by various measures, such as home visits by staff of Japan Post insurance, phone calls or the sending letters which indicate personal status of their policies, by the end of June 2020.

②Investigations except the above investigation of multiple policies:

Category	Outline of cases to be investigated (definition)	Number of applicable policyholders
Policies for high insurance premiums	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 (from April 2014 to December 2019).	Approximately 18 thousand
Policy rewriting involving a change of the insured	In the past 5 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.	Approximately 27 thousand
Policy rewriting involving a change of the insurance type	In the past 5 years, cases where sales personnel led customers to rewrite from annuity to insurance, or to repeat rewriting insurance ⇔ annuity many times).	Approximately 4 thousand
Policy rewriting using a system	In the past 5 years, cases where sales personnel led customers to shorten the	Approximately 4 thousand

to shorten the maturities of existing contracts	maturity of existing policies and apply for a new policy, but the underwriting of the new policy was declined.	
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In addition to the above cases to be investigated, through providing home visits in stages, we will aim to compensate customers for disadvantages experienced sincerely, regarding the cases which need to confirm policy coverage.

Furthermore, through our efforts to confirm policy coverage and by the improvement of the annual “Notification of Policy Coverage” documentation sent to customers, we will ensure that the policyholders better confirm the present coverage of their policies and that we can identify and investigate policies not in line with customer intentions, and will increase the sophistication of the initiatives to resolve customers’ disadvantages.

**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 do 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 identify underlying causes of improper solicitation quickly. [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. By doing so, we will ensure the measures are taken according to the condition and level of improper solicitation. [Scheduled Implementation in April 2020 onward]

**② Disciplinary actions for managers**

Japan Post Insurance shall request of Japan Post Co., Ltd. (hereinafter “Japan Post”) that the managers of sales personnel found to have engaged in improper solicitation receive rigorous disciplinary actions in accordance with the degree of their subordinates’ dereliction. [Scheduled implementation in April 2020 onward]

**3. Main measures**

**(1) 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)**

**A. Set appropriate sales targets**

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

Sales targets shall 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 include 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 and checking whether they can be achieved with the sales capability that ensures appropriate solicitation quality. [Policy to be set in February 2020]

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. [Policy to be set in February2020]

**b. Shift from sales targets focused on new sales amounts (flow) to the sales targets focused on the policies in force (stock)**

We will revise our previous sales targets, which have heretofore overemphasized the monthly premium amounts for new contracts, and introduce a stock target equally considering the monthly premium amounts for new policies and cancelled policies to evaluate both new policies and policies in force. [Policy to be set in February 2020]

**c. Review personnel evaluations**

We will review the weight of evaluation criteria attributed to solicitation quality.  
[Scheduled implementation in April 2020]

**B. Measures for policy rewriting**

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

We will abolish recording of sales results for policy rewriting and review the system to abolish the incentive payments for policy rewriting that are currently paid (at 50% of the allowances for normal new contract). [Scheduled Implementation in April 2020 onward]

**b. Prevent circumvention of required periods for policy rewriting**

We will extend the policy rewriting qualifying period and introduce 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 onward]

**C. Measures for solicitation of elderly customers**

**a. Require registration of the customer's family members**

For customers aged 70 or older, we will require family member registration so that the details of policy coverage can be checked by the customer's registered family members as well. [Implemented in October 2019]

**b. Require explanation to a family member**

Although solicitations from sales personnel to customers aged 70 or older are suspended in principle, when accepting an application from such customers, we will require a family member to be present upon application or to give prior explanation to a family member. [Implemented in October 2019] In addition, we will require the acquisition of prior consent from the insured person when accepting an application from customers aged 70 or older (80 or older previously). [Scheduled implementation in April 2020]

**D. 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. Going forward, we will aim for development of new products more closely meeting 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)**

**A. 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, we will incorporate the customer-first philosophy into our corporate policies (solicitation (invitation) policy, etc.), in order to clarify a desirable format for customer-first operations and create an environment in which employees will of their own volition consider what makes for an optimal service from the customers' perspective. [Scheduled Implementation in February 2020 onward and continuously]

**b. Set “Standard model of Japan Post Insurance products”**

We will define a customer-first standard sales model for our products, such as making product proposals to customers that accurately reflect their true needs based on their concerns for the future and their current situations by using survey form, etc. [Scheduled implementation in February 2020]

**B. Training for sales personnel, etc.**

We will create the operation manuals for post offices based on “Standard model of Japan Post Insurance products” and conduct training to instill the code of conduct (solicitation (invitation) policy, etc.) based on the customer-first philosophy and “Standard model of Japan Post Insurance products” to business sites such as post offices. [Scheduled Implementation in March 2020 onward and continuously]

**C. Hearing the voices of our employees**

We will set up a new employee contact point exclusively for financial product services, including sales proposals of Japan Post Insurance. [Scheduled implementation in March 2020]

In addition, we will strive to hear the voices of our employees by, for example, introducing a system that allows Japan Post Insurance employees to directly make suggestions to the President [Implemented in December 2019] and the creation of point of contact for group-wide employees to consult on issues arising in their daily duties [Scheduled implementation in February 2020].

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

**A. Check from contract applications to 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], we will be implementing a multi-layered system for 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 Service Center at the time of the underwriting process [Implemented in August 2019 ].

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

Moreover, we intend, in the future, to consider implementing a system where we accept cancellations only at post office counters, and we also intend to establish through direct channels (other methods such as call centers) to prevent service degradation on receiving requests for cancellation.

**B. Strengthen our organizational structure with a view to implementing appropriate solicitation management**

**a. Strengthen the organizational structure**

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 headquarters and branches, etc.**

We plan to strengthen our investigation systems by setting up an organization with command functions over investigation operations. In addition, 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 April 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 to confirm simply the customers' past policy enrollment and cancellation history as well as the information about the relevant sales personnel related to those policies on our systems when accepting policy applications from the customers, and will utilize this arrangement for solicitation quality management. [Scheduled Implementation in April 2020 onward and

continuously]

### **C. 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 introduce a policy conversion system to enable transitions to new policies without cancellation of existing policies in order to prevent occurrences of policy conversion which are not along with customers' needs. [Scheduled implementation in October 2020, as soon as possible]

### **D. Record and keep a voice record and a video record of 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 proposal have met the customer's intentions in case of a customer complaint. [Scheduled trial implementation in March 2020 about record and keep a voice record]

### **E. Identify potential problems from complaints, etc.**

We will 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 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**

### **A. Strengthen investigation of circumstances of solicitation process and thoroughly implement PDCA cycle**

#### **a. Understand and analyze information on internal and external risks**

We will increase our risk sensitivity, and will understand and analyze customer complaints, employee opinions, management data and various other information using systems, etc. [Scheduled Implementation in April 2020 onward]

#### **b. Comprehensively and horizontally expand investigation of problem incidents to cases of a similar type and structure**

Besides individually handling incidents where problems were detected, we will identify cases of a similar type and structure and horizontally expand 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 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 priority of improvement measures, at the management level, in light of evaluations of root causes. [Scheduled Implementation in April 2020 onward]

**B. 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, we will establish a new “deliberation” which will leverage the expertise of Outside Directors from the resolution drafting stage as well as the existing “resolution” and “report”, and will also review the range of the matters to be resolved. [Scheduled Implementation in February 2020 onward]

Furthermore, we will also actively use informal meetings of the Board of Directors in addition to extraordinary meetings of the Board of Directors to promote exchange of opinions. [Scheduled implementation in February 2020 onward]

**(b) Strengthen the function of Audit Committee**

(a') 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 will require the advance agreement of the Audit Committee. [Scheduled implementation in February 2020 onward]

(b') After receiving a report on the actual state of the circumstances of the solicitation process and customers' disadvantages, the Audit Committee will order an investigation for verification. Based on the results of the investigation, the Audit Committee will provide necessary advice to the executive officer in charge. [Scheduled implementation in February 2020 onward]

**b. Internal audit**

In addition to reinforcing the human resources and organizational structure for internal audit, we improve the efficacy of our audits by improving faculties such as strengthening our risk assessment. [Scheduled implementation in April 2020 onward]

**4. Clarification of the responsibilities of management**

In order to clarify the responsibilities for the recent events, representative executive officer of

Japan Post Insurance have resigned, and we have also implemented a reduction in the monthly compensation paid to Executive Officers.