

**UNOFFICIAL TRANSLATION**

Although the Company 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

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**Business Improvement Plan**

JAPAN POST HOLDINGS Co., Ltd. ("Japan Post Holdings"; Chiyoda-ku, Tokyo; Hiroya Masuda, Representative Executive Officer, President & CEO), JAPAN POST Co., Ltd. ("Japan Post"; Chiyoda-ku, Tokyo; Kazuhide Kinugawa, President and CEO) and JAPAN POST INSURANCE Co., Ltd. ("Japan Post Insurance"; Chiyoda-ku, Tokyo; Tetsuya Senda, President, CEO, Representative Executive Officer) hereby announce that the companies have submitted a business improvement plan to the Minister of Internal Affairs and Communications and the Financial Services Agency on January 31, 2020.

We apologize sincerely for the inconvenience to our customers and other stakeholders in relation to the recent administrative dispositions.

All officers and employees of the Japan Post Group accept the seriousness of the administrative dispositions, are resolved to treat the implementation of the business improvement plan that we have formulated as our top-priority management issue, and will take the necessary steps to prevent an incident of this kind from happening ever again. In implementing improvement measures, a task force will be established under the direct control of the President with the aim of steadily implementing and expediting these measures, while being monitored by a third party.

Furthermore, we will not only implement the business improvement plan, but also receive advice from outside experts and thoroughly take necessary steps to restore the trust in the Japan Post Group and achieve customer-first operations, while undergoing their rigorous evaluation from a fair and neutral standpoint.

The summary of the business improvement plan is described in the following pages.

## **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 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).	Approximately 6 thousand

\* 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.

② Investigations 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	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	Approximately 27 thousand

change of the insured	new policy was cancelled in a short period thereafter.	
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 to shorten the maturities of existing contracts	In the past 5 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.	Approximately 4 thousand

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 February 2020]

**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]

## **(2) Main measures of Japan Post**

- ① **Revise the sales promotion management structure (sales targets, sales incentives, etc.)**

### **A. Policy on setting sales targets [Details to be determined in February 2020]**

- a. We will shift from sales targets focused on new sales amounts (flow) to the sales targets focused on the policies in force (stock)**

Specifically, evaluation will be conducted based on the net increase of premium amounts, which is the difference between the premium amounts of new contracts and those of cancelled contracts, and the rate of cancelled policies in the past three years, which is the rate of policy cancellations that occurred in the current fiscal year out of the new policies in the past three years.

In addition, we will index the number of first-time policy holders and the number of working age policy holders, making our sales activities more focused on working age customers.

Furthermore, we will also set an index for solicitation quality.

- b. Until we have considered how we set individual sales targets for personnel evaluations, we will set neither individual sales targets for personnel evaluations nor individual sales goals for sales promotion purpose.**

### **B. Organizational performance evaluation**

In the evaluation of organizational performance for the fiscal year ending March 31, 2021, “solicitation quality” will be set as an independent evaluation item, which takes into account scandal, invalid or cancelled contracts, etc. [Scheduled start of briefing to branch offices in January 2020 and scheduled implementation in April 2020]

### **C. Sales incentives**

- a. We will review levels of payment of sales incentives (ratios of base salary to allowances) for sales personnel. [Scheduled proposal to the labor unions in January 2020 and scheduled implementation in April 2020]**

- b. We will review the system to abolish the incentive payments for policy rewriting (policy rewriting equivalent)\*, which are currently paid at 50% of the allowances for the normal incentive. [Scheduled proposal to the labor unions in January 2020 and scheduled implementation in April 2020]**

\* Cases where one and the same person applies for a new policy after cancelling

an existing policy of his or her, or cancels an existing policy of his or her after applying for a new policy.

## ② Establish a solicitation quality control scheme

### A. System and responses to prevent improper solicitation, etc.

#### a. Multiple policies and policies without sufficient understanding of intentions

- (a) For applications for which there are doubts about quality, we have begun implementing a multi-layered system for verification of customers' intentions by a dedicated call center of Japan Post Insurance (for customers aged 70 years or older, intentions of the customer's family members will also be verified), in addition to the verification of intentions conducted by post office managers. [Implemented in January 2020]
- (b) On receiving cancellation requests from customers through sales personnel, the 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]
- (c) For cases of policy rewriting at the request of customers, we have launched a conditional cancellation system whereby an existing policy is cancelled after a new policy is concluded. [Implemented in January 2020]
- (d) 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 a sales personnel's proposal has met the customer's intentions in case of a customer complaint. [Scheduled trial implementation in March 2020]
- (e) When the policyholder and the insured are different in an application for a policy made by a customer aged 70 years or older, prior confirmation that valid consent is acquired will be required. [Scheduled implementation in April 2020]
- (f) We will introduce a policy conversion system to enable transitions to new policies without cancellation of existing policies. [Scheduled implementation in October 2020, as soon as possible]

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

For policy applications by customers aged 70 years or older, we have begun a system in which the dedicated call center of Japan Post Insurance, as well as the sales personnel, verifies with the customer's family members to agree to the policy application. [Implemented in January 2020]

In coordination with Japan Post Insurance, we will design a training curriculum for solicitation personnel who conducted improper solicitation and solicitation personnel with issues concerning the solicitation method, and conduct training in order to resume solicitation activities. [Scheduled implementation in April 2020]

We are conducting training sessions using a textbook titled "*Tadashiku Shiro Ninchisho* (Essentials of Dementia)." [Implemented in January 2020]

**c. Training sessions on the efforts mentioned in a. and b. above will be conducted in March 2020 to fully instill them. [Planned implementation in March 2020]**

**B. Handling of disciplinary actions**

**a. Disciplinary actions based on the results of the investigation of specified rewriting cases and other investigations**

Based on the results of the investigation of specified rewriting cases, we will take rigorous disciplinary actions against employees and managers whose violations of laws and regulations are identified. [Implementation in stages as soon as the investigation is completed]

We will continue these actions going forward, in addition to those in response to the results of the investigation of specified rewriting cases.

**b. Disciplinary actions against managers**

All managers who are responsible for dealing with financial products are designated as "Insurance Contract Solicitation Quality Improvement Managers" with the roles clearly defined, and rigorous disciplinary actions will be taken against them if any dereliction is found. [Implemented in January 2020]

**C. Customer services system**

We will receive data on all complaints and other comments, including customer comments received at the call center of Japan Post Insurance, and analyze the background and causes of issues for complaints related to activities leading to improper solicitations. We will report case details of complaints and initiatives for

preventing recurrence to the Management Meeting and the Board of Directors.  
[Scheduled analysis in February 2020]

### ③ Strengthen governance

#### A. Exercise the function of the Board of Directors

- (a) The Financial Business Emergency Headquarters led by the President & CEO who serves as its chief has been set up to meet weekly in principle and discuss important matters about solicitation quality and progress of initiatives.  
[Launched in August 2019]
  
- (b) The Board of Directors holds extraordinary meetings to flexibly and specifically discuss issues relating to Japan Post Insurance products and services.  
[Implemented from July 2019 onward]
  
- (c) Issues relating to Japan Post Insurance products and services are also reported to the Board of Corporate Auditors. Corporate Auditors provide advice as necessary and engage in discussions. [Implemented from July 2019 onward]
  
- (d) Important solicitation quality issues discussed at the Compliance Committee, etc., including solicitations that may cause disadvantages to customers, etc., are presented to the Board of Directors, Management Meeting, or Board of Corporate Auditors to deepen discussion.

#### B. Compliance Committee, etc.

- (a) We have newly set up the “Proper Solicitation Promotion Meeting,” a meeting body to report and discuss the efforts to improve solicitation quality and relevant issues, in January 2020. Relevant departments jointly discuss the solicitation management, forging an effective process that contributes to the management decision-making. [Launched in January 2020]
  
- (b) Important matters discussed at the Proper Solicitation Promotion Meeting are further discussed at the Compliance Committee, and discussion results are reported to the Management Meeting and the Board of Directors.



## **C. Manage the three lines of defense**

### **a. The first line of defense**

(a) We have strengthened the verification process for appropriateness and reasonableness of the policy coverage and solicitation activities since September 2019, and will continue our efforts.

(a') In order to strengthen the insurance contract solicitation quality control scheme, managers responsible for over-the-counter services are designated as Insurance Contract Solicitation Quality Improvement Managers, in addition to managers responsible for financial product sales. [Implemented in January 2020]

(b') We will establish a system to increase sophistication and centrally manage customer information, including past cancellations of Japan Post Insurance policies, and utilize the system to manage solicitation quality at post offices and branches of Japan Post Insurance. [Scheduled briefing to employees in March 2020 and scheduled implementation in April 2020]

(c') In order to strengthen preventive measures for circumvention of required periods for policy rewriting, we will extend the policy rewriting qualifying period and introduce a system to display alert messages for policy rewriting in close proximity to the relevant periods as a check function. [Proposal to the labor unions in January 2020 and scheduled implementation in April 2020]

(b) Regarding the sales activities record, we will add items that are required to be entered by employees, with data entry rules clearly defined. Items to be verified by managers are also clearly defined to strengthen the management function focused on solicitation quality. [Implemented in January 2020]

### **b. The second line of defense**

(a) In order to instill measures for solicitation quality improvements and strengthen guidance and check systems for post offices, we will strengthen the insurance contract solicitation quality control scheme at branch offices. Specifically, we will enhance human resources and systems for solicitation quality guidance experts and Financial Operations Divisions at branch offices. [Scheduled implementation in April 2020]

(b) With regard to the levels of sales targets and individual targets, the confirmation and verification of actual sales activities to be conducted by the

supervisory department will reflect solicitation quality. [Implementation after the resumption of sales activities]

(c) We will continue verifying management systems of insurance policy solicitation quality at all post offices by employees of the Regional Auditors Office.

(d) With regard to solicitation quality issues, we will heighten the accuracy of analysis of solicitation quality data provided by Japan Post Insurance, and present measures, etc. developed based on the factor analysis to relevant meeting bodies, in order to discuss whether to implement measures and evaluate the effectiveness of such measures. [Implemented in January 2020]

**c. The third line of defense**

(a) The auditing system will be enhanced by increasing staff and appointing risk analysis personnel at the Internal Audit Department. [Scheduled implementation in April 2020]

(b) In order to gain a clearer picture of the situation at post offices, we will improve hearing activities by conducting questionnaire surveys beforehand, while continuing strengthened information gathering necessary for themed audits focused on solicitation of Japan Post Insurance products. [Implemented in November 2019]

**④ Create a user-first corporate culture (personnel evaluation, commendation system, training, etc.)**

**A. Human resource management and development toward thorough enforcement of the customer-first philosophy**

a. We will clarify the basic policy for solicitation adhering to the customer-first perspective (including a standard sales model focused on strengthened solicitation process, such as understanding and confirming customer intentions, and confirming suitability), and continue providing training to have the policy well understood by all employees. [Scheduled briefing to employees in March 2020 and continuously implemented onward]

- b. We will conduct employee training to provide knowledge and skills necessary for a comprehensive consulting service, which offers a wide range of products and services that support future life plans of customers and meet their needs. [Launched in January 2020]
- c. We will conduct management-level training to shift from the management approach focused on sales promotions to the management and guidance approach that incorporates coaching. [Scheduled implementation in stages from April 2020 onward]
- d. We will correct inappropriate training, etc., through a mechanism under which employees are able to directly express opinions about training and report problematic training.
  - (a) We will utilize an external point of contact that is planned to be newly established, as well as an internal portal website, to introduce a system that allows employees to directly express their opinions to the headquarters. [Scheduled implementation in March 2020]
  - (b) In addition, we will abolish the so-called “voluntary workshops,” study groups voluntarily set up by those interested, and introduce a mechanism under which Japan Post Holdings plans training that reflects requests from employees and provide opportunity for employees to voluntarily take part in the training. [Scheduled briefing to employees in March 2020 and implementation in April 2020]
- e. We will appoint Consulting Advisors (provisional name) who will provide guidance on a comprehensive consulting service, in order to reinforce the guidance method for post office employees.  
In addition, we will rename the current Sales Capabilities Development Institute the “Consultant Training Center” (provisional name) and make it directly controlled by the headquarters. [Scheduled implementation in April 2020]
- f. We will rename the Financial Services Division of post offices to the “Financial Consulting Division” (provisional name), and newly establish the “Financial Consulting Administration Division” at branch offices to make the management system more focused on customers. [Scheduled implementation in April 2020]

## **B. Incentive measures**

- a. We will revise evaluation items and criteria to promote sales based on customer-first sales activities. (We will not conduct sales promotion for Japan Post Insurance products in the fiscal year ending March 31, 2021 based on the performance in the fiscal year ending March 31, 2020).
- b. Incentive measures will be designed to raise motivation of employees, while contributing to customer-first sales activities. [Scheduled implementation in March 2020]

## **C. Personnel evaluation and treatment**

New evaluation items and criteria related to solicitation quality will be added in the evaluation of post office personnel, sales personnel, and managers to facilitate efforts to prevent improper solicitations and improve solicitation quality. [Briefing to the labor unions in January and February 2020 and scheduled implementation in April 2020]

## **D. Effective information sharing**

- a. In order to establish a mechanism that allows for easier communication from the front line to the headquarters with the aim of understanding and identifying issues and causes related to the occurrence of cases of improper solicitation or allegedly improper solicitation, we will newly establish an external point of contact exclusively for financial services at Japan Post Holdings, in addition to the existing internal point of contact, and make it thoroughly known to employees. [Scheduled implementation at the end of March 2020]
- b. To understand the actual solicitation quality, Japan Post will work closely with Japan Post Insurance in sharing information. Relevant departments will sufficiently understand the actual situation on the front lines and report solicitation quality issues to the management. [Scheduled implementation at the end of March 2020]

### **(3) Main measures of Japan Post Holdings**

#### **① Exercise governance functions**

##### **A. Establish and strengthen liaison committees**

In order to strengthen collaboration among the Group companies, we will establish and strengthen liaison committees for the Group regarding various management issues such as internal audit, compliance, operational risks, and

promotion of customer satisfaction. [Implemented]

## **B. Strengthen the Group Steering Committee**

The Group Steering Committee, a meeting of the management executives of the Group companies, which has been utilized to share the Group's management-related understanding, will be reinforced by utilizing the meeting to report and discuss important matters concerning business subsidiaries, such as the recent issues, among the management of the Group companies. [Implemented from December 2019 and ongoing]

## **② Strengthen group compliance functions**

### **A. Share information on whistleblowing contact points**

The status of usage of whistleblowing contact points at business subsidiaries (the number and content of reports, results of investigation, etc.) will be gathered, and shared among the respective companies. [Implemented from October 2019 and ongoing]

### **B. Establish a new employee contact point exclusively for financial services**

In light of the fact that potential issues and causes concerning policy rewriting and other insurance product solicitations were not identified or verified in connection with the occurrence of improper policy rewriting and other improper solicitations or allegedly improper solicitations, we will establish a new external point of contact exclusively for financial services including solicitation of Japan Post Insurance products. [Scheduled implementation in March 2020]

### **C. Establish a “Japan Post Group One-stop Employee Consultation Office” (provisional name)**

We will newly establish a “Japan Post Group One-stop Employee Consultation Office” (provisional name), where Japan Post Group employees can contact and consult with personnel about their concerns about daily business operations. [Scheduled implementation in February 2020]

### **D. Strengthen functions related to sales and operations**

We will conduct follow-ups of the implementation of improvement measures regarding sales and operations, and collect information on the status of sales and operations at business subsidiaries. We will report, as necessary, potentially serious issues to be discussed to the Board of Directors and the Management Meeting, raise such issues to business subsidiaries and address the coordination

between business subsidiaries. [Placing a sales and operations representative at Japan Post Holdings: Implemented in December 2019; Follow-up: Scheduled implementation in February 2020]

**③ Strengthen the functions of auditing departments**

**A. Implement on-site monitoring of business subsidiaries**

The auditing department of Japan Post Holdings will conduct on-site monitoring of the front lines of business subsidiaries, and directly conduct audits of these business subsidiaries if necessary. [Implemented from January 2020 and ongoing]

**B. Enhance the Group Internal Audit Liaison Committee, etc.**

At the meetings of the Group Internal Audit Liaison Committee, etc., follow-ups will be enhanced for issues deemed to be important in light of the measures for improving customer-first operations and solicitation quality, by managing the progress of future improvement initiatives. [Implemented from December 2019 and ongoing]

**④ Create a system to instill the management philosophy and strengthen governance drastically to steadily implement various measures**

**A. Send message from the top executives**

The presidents of the three Group companies will send their message about the importance of “customer-first business operations” to all employees. [Scheduled implementation from April 2020 onward, corresponding to the resumption of sales activities]

**B. Manage progress of improvement measures and initiatives to achieve customer-first business operations**

A task force will be set up under the direct control of the President to integrate the Group-wide improvement plans and steadily implement such plans, while receiving third-party monitoring. [Establishment of the task force: Implemented in January 2020; Progress management: Scheduled implementation from February 2020 onward]

Furthermore, we will receive evaluations and advice from outside experts, and take necessary steps to restore the trust and achieve customer-first business operations. [Scheduled implementation from April 2020 onward]

### **C. Efforts to instill the management philosophy**

We will seek appropriate ways of instilling the management philosophy at the Japan Post Group and work on initiatives to have customer-first business operations well understood by each and every employee. [Scheduled implementation from April 2020 onward]

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

In order to clarify the responsibilities for the recent events, representative executive officers of Japan Post Holding, Japan Post and Japan Post Insurance have resigned, and we have also implemented a reduction in the monthly compensation paid to Executive Officers.