

## 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.



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### **Progress of the 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 reported today the progress of the business improvement plan (as of the end of February 2020), based on “Administrative Dispositions against Japan Post Insurance” dated December 27, 2019, to the Minister for Internal Affairs and Communications and the Financial Services Agency of Japan.

The business improvement plan will continue to be the highest priority of the Japan Post Group, and all officers and employees are making Group-wide efforts to achieve it.

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

## Progress of the Business Improvement Plan

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

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

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

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

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

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

##### ② Status of policy reinstatement initiatives

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

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

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

##### ③ Status of the sales personnel investigations

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

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

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

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

## **(2) Status of the investigation of all insurance policies**

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

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

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

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

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

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

## **① Status of the investigation of multiple policies (customers who are to receive**

**priority responses1 : 897 policyholders)2**

<u>Status of contact, and confirmation of the policy coverage</u>	<u>Number of applicable customers</u>	<u>Ratio</u>
<u>Customers whom we have been able to contact</u>	<u>807</u>	<u>90%</u>
<u>Customers whose policy coverage and their intentions have been confirmed</u>	<u>727</u>	<u>81%</u>
<u>    In line with customers' intentions<sup>3</sup></u>	<u>309</u>	<u>34%</u>
<u>    Not in line with customers' intentions<sup>4</sup></u>	<u>418</u>	<u>47%</u>
<u>Customers with whom we have already made appointments</u>	<u>80</u>	<u>9%</u>
<u>Customers with whom we are making appointments</u>	<u>90</u>	<u>10%</u>
<u>Total</u>	<u>897</u>	<u>100%</u>

1. Customers who have applied for 15 or more policies, of which half or more have been cancelled in the last five years.

2. As of February 29, 2020.

3. Customers who cancelled or applied policies in line with their intentions such as "for the financing of business", "for funds for home renovations", or customers' whose family members are sales personnel.

4. Customers who cancelled or applied for policies not in line with their intentions because they followed the recommendation of post office staff or did not recognize cancellation or application for a new policy.

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

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

**③ Future initiatives**

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

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

phone calls and letters which indicate the personal status of their policies by the end of June 2020.

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

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

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

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

### **(1) Increase the strictness of fact-finding criteria**

#### **① Conduct fact-finding that does not rely on confession**

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

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

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

### **(2) Increase the strictness of criteria for disciplinary action**

#### **① Addition of "suspension of solicitation" and "warning" in the disciplinary**

### **actions against sales personnel**

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

### **② Disciplinary actions for managers**

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

## **3. Progress of the main measures**

### **(1) 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**

##### **i) 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.

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

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

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

**iii) Review personnel evaluations**

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

**2) Measures for policy rewriting**

**i) Non-recording of sales results and non-payment of incentives for policy rewriting**

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

**ii) Prevent circumvention of required periods for policy rewriting**

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

**3) Measures for solicitation of elderly customers**

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

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

#### **4) Develop new products meeting our customers' insurance needs**

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

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

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

##### **i) Establish a code of conduct based on the customer-first philosophy**

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

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

##### **ii) Set a “Standard of Japan Post Insurance sales”**

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

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

#### **2) Training for sales personnel, etc.**

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

Furthermore, we will work to make the “Standard of Japan Post Insurance sales” fully



understood through various training sessions from April onward.

### **3) Hearing the voices of our employees**

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

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

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

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

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

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

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

##### **i) Review functions of headquarters, etc.**

We will transfer planning and guidance operations aimed at realizing appropriate solicitation activities, that have been so far conducted by the second line (compliance and solicitation management departments), to the first line (sales department). This transfer will hold the first line departments more accountable for sales activities focusing on the maintenance of the solicitation quality, while the second line departments focus on the verification of measures taken by the first line. Through

these reorganization, we will build a system that will enable us to develop measures based on the customer-first philosophy under an appropriate check and balance mechanism. [Determined in February 2020, scheduled organizational changes in April 2020]

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

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

**ii) Review functions of branches, etc.**

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

**iii) Increase sophistication of customer information management**

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

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

**3) Introduction of a conditional cancellation system and policy conversion system**

For the adjustment of insurance policy content or products from a customer-first point of view, we have introduced a conditional cancellation system [Implemented in January 2020]. We will also proceed system development etc. for a policy conversion system to enable transitions to new policies without the cancellation of existing policies. [Scheduled implementation in October 2020, as soon as possible]

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

We will ensure transparency of the solicitation process by recording and keeping a voice record of the solicitation process using the mobile devices carried by sales

personnel, in order to develop a system that can verify whether sales personnel's proposals have met the customer's intentions in the case of a customer complaint and started trial implementation on March 2, 2020. [Scheduled Implementation in August 2020 onward]

**5) Identify potential problems from complaints, etc.**

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

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

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

**i) Understand and analyze information on internal and external risks**

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

**ii) Comprehensively and horizontally expand the investigation of problem incidents to cases of a similar type and structure**

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

**iii) Thoroughly implement the PDCA cycle**

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

evaluations of root causes.

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

## **2) Strengthen internal controls**

### **i) Strengthen the governance function of the Board of Directors, etc.**

#### **A. Establish a new “deliberation” within the Board of Directors**

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

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

#### **B. Strengthen the function of the Audit Committee**

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

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

### **ii) Internal audit**

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

## **(2) Progress of the main measures of Japan Post**

### **① Review of the framework for managing sales promotion (Sales target and sales allowance systems, etc.)**

#### **1) Policy for setting sales targets**

We have resolved not to set sales targets for FY2020, with a view to engaging in activities to regain the customers' trust with the highest priority.

While no sales targets will be set, we will shift from sales activities focused on new sales amounts (flow) to sales activities focused on the policies in force (stock).

Meanwhile, we will also engage in building up relationships with working age customers as well as customers that are not currently post office users.

We will also set an index for solicitation quality.

#### **2) Organizational performance evaluation**

We have started explaining to branches that we have newly set "solicitation quality" as a separate criteria in the organizational performance evaluation for FY2020, along with objectifying criteria concerning misconduct incidents and void/agreed cancellations.

#### **3) Sales allowance**

We made a proposal to, and reached an agreement with the Japan Postal Group Union on the review over the allowance payments for policy rewriting for individual policies, etc., as well as over the standards of payment of sales allowances (ratio between basic salary and the allowances) to sales personnel (See the press-release dated February 14, 2020).

### **② Establishment of a solicitation quality control scheme**

#### **1) System for deterring improper solicitation activities and other inappropriate actions and its operation**

##### **i) Multiple policies and policies inadequately reflecting customers' intentions**

A We have implemented a multi-layered system for the verification of customers' intentions for applications for which there are doubts about quality, by a dedicated call center of Japan Post Insurance (Verification shall be made with family members if the policyholder is aged 70 or older), in addition to verification conducted by post office managers.

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

C For policy rewriting done at the request of customers, a conditional cancellation system is in place that allows cancellation of existing policies after the inception of new policies.

D We have prepared ourselves for trial implementation from March 2, 2020, of a system to 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, thereby verifying whether sales personnel's proposals met the customer's intentions in the case of a customer complaint (Instruction for its implementation was given on February 20, 2020).

E Instruction was given in February 2020 to implement an advance training on the procedure scheduled to be in place from April 2020, to confirm that valid consent can be acquired beforehand, about a policy application involving a policyholder aged 70 or older, where the policyholder and the insured person are different individuals.

F A workflow is being developed based on the policy conditions and manual prepared by Japan Post Insurance, with a view to introducing at an earlier date a conversion system to enable transitions to new policies without the cancellation of existing policies.

**ii) Measures for solicitation of elderly customers, etc.**

For policy applications received from persons aged 70 or older, a procedure is in place whereby consent from family members on such applications must be confirmed, not only by the sales personnel but also by the dedicated call center of Japan Post Insurance.

Meanwhile, we have implemented training sessions utilizing a booklet titled “Tadashiku Shiro Ninchisho (Essentials of Dementia)” in January and February 2020.

## **2) Taking of disciplinary actions**

We are considering disciplinary actions against the wrongdoers and other concerned individuals involved in the specified rewriting cases.

## **3) Complaint management framework**

We analyze the background and cause behind the complaints concerning actions, etc. amounting to improper solicitations, based on all data provided concerning complaints, etc. including the “voice of customers” received by the call center of Japan Post Insurance, and report to the Management Committee as well as the Board of Directors on the cases of complaint and how they are being dealt with including initiatives.

## **③ Strengthen governance**

### **1) Fulfillment of the function of the Board of Directors, etc.**

A The Financial Business Emergency Headquarters headed by the President & CEO has been established for discussing important matters related to solicitation quality, the progress of relevant initiatives, and other matters, on a weekly basis in principle.

B The Board of Directors’ meetings are held ad hoc on the issue of the misselling of Japan Post Insurance products, apart from the regular meetings, for flexible and concentrated discussions.

C The Board of Corporate Auditors also reports on the issue of the misselling of Japan Post Insurance products, where advices are provided as appropriate, while discussions are held among the Corporate Auditors as well.

D Of the subjects discussed at the Compliance Committee, etc., those concerning important solicitation quality issues including the true state of solicitation which may cause disadvantages to customers, are submitted for deliberation at the Board of Directors, the Management Committee or the Board of Corporate Auditors for further in-depth discussions.

### **2) Compliance Committee, etc.**

A The “Proper Solicitation Promotion Meeting” was newly established in January

2020, as a body for reporting and discussing initiatives and other agendas for improving solicitation quality, in which concerned departments coordinate and discuss solicitation quality control, to ensure an effective process for contributing to sound management decision on this subject.

B Of the matters discussed at the “Proper Solicitation Promotion Meeting,” those of particular importance were discussed at the Compliance Committee and further submitted to the Management Committee for deliberation and reported to the management team.

### **3) Management of the three lines of defense**

#### **i) The first line of defense**

A Since September 2019, we have strengthened the process to verify the appropriateness and reasonableness of policy coverage and solicitation activities, and this effort shall further be pursued going forward.

(a) In order to strengthen the insurance contract solicitation quality control scheme, not only managers responsible for the financial services business, but also managers responsible for the service counter business have been appointed as solicitation quality improvement managers.

(b) We are in the process of setting up a system for a centralized control of customer information with increased sophistication, including past policy cancellation histories at Japan Post Insurance, with a view to implementing such system from April 2020.

(c) In order to strengthen the prevention of circumvention of required periods for policy rewriting, we made a proposal to, and reached an agreement with the Japan Postal Group Union on the extension of the policy rewriting qualifying period.

B We have added to the format of the sales activities log, items mandatorily required to be filled by our employees, while clarifying rules for filling the log as well as the items to be verified by managers, in an effort to strengthen the control function focused on solicitation quality.

#### **ii) The second line of defense**

A We have decided to implement in February 2020 organizational changes



involving solicitation quality instruction specialists and the structure of the Financial Operations Division at branches, with a view to strengthening the insurance contract solicitation quality control scheme at branches for improving solicitation quality.

B The policy for setting sales targets has been affirmed by the departments responsible for improving solicitation quality, incorporating the measures to exclude excessive targets, such as prohibition of extra loading at the branch level.

C Employees of the Regional Auditors Offices are continuously engaged in verifying the insurance contract solicitation quality control scheme at all post offices.

D Regarding solicitation quality issues, we are engaged in enhancing the accuracy of analyzing solicitation quality data provided by Japan Post Insurance, whereby countermeasures, etc. based on factor analysis are submitted to the concerned committees, where such countermeasures are decided whether to be implemented or not, while being verified for their effectiveness, etc.

### **iii) The third line of defense**

A The Audit Department decided in February 2020 to implement an organizational change for appointing internal audit specialists, etc. for enhancing the audit structure, including the appointment of personnel or staff responsible for risk analysis.

B We are strengthening our effort to gather information to grasp the actual status of operation at post offices by means such as implementing prior questionnaires for enhancing hearings, while conducting theme-based audit specifically targeting the solicitation of Japan Post Insurance products.

### **④ Create a customer-first corporate culture (Personnel evaluation, commendation system, training, etc.)**

#### **1) Management and personnel development for thoroughly disseminating customer-first business attitude**

i) We decided in February 2020 to review basic solicitation policies (Namely sales/services policy and basic policies for customer-first business operation).

ii) We are conducting various training programs that contribute to enhancing customer-first sales activities and comprehensive consulting services, including

improvement of solicitation quality, reinforcement of business knowledge, and improvement in communication skills, to enable our employees to align more closely with our customers' future life plans and provide a wide range of products and services that meet their objectives.

iii) We proceeded with reviewing the system and contents of training for managers, prior to its implementation from April 2020.

Meanwhile, we are also considering a desirable form of new management method, along with a type of training which helps managers to learn a management/instruction method adopting coaching technique, with a view to getting rid of conventional management with excessive focus on sales promotion control.

iv) We will be committed to rectifying inappropriate training, etc. by introducing a system whereby employees can directly feed back their opinions on the training they receive, or blow whistle on a questionable training.

A As a system allowing employees to directly report to our headquarters about their opinions on trainings, we are studying the possibility of utilizing our internal portal site.

B We are considering to plan a training with contents designed by the company at the request of employees, providing a training opportunity in which individual employees participate of their own accord, and are working on the details of such a plan and how it should be operated.

v) From April 2020 onward, we will be appointing consulting advisors as instructors capable of providing instruction on comprehensive consulting service, in an effort to review the method for instructing post office staff.

Furthermore, the Sales Capabilities Development Institute shall be renamed as the "Consultant Training Center," supervised directly by our headquarters, while review is going on over the contents of training.

These organizational changes were decided in February 2020.

vi) We also decided in February 2020 to implement an organizational change to rename the Financial Services Division at post offices as the "Financial Consulting Division," while newly establishing the "Financial Consulting Administration Division" at branches, with a view to reforming into a customer-

first management framework.

## **2) Incentive measures**

- i) Since we resolved not to set sales targets for FY2020, we also decided against organizing sales personnel commendation in FY2021 based on the results in FY2020.
- ii) Accordingly, no incentives shall be offered for FY2020.

## **3) Personnel evaluation and treatment**

We made a proposal to the Japan Postal Group Union on the new establishment of solicitation quality evaluation items and evaluation standards for the purpose of personnel evaluation such as service counter and sales personnel.

## **4) Genuine information sharing**

- i) We have prepared for training, etc. designed for dissemination to and for ensuring awareness among employees about the external whistleblowing contact point that is exclusively for financial sales issues, which is scheduled to be newly established at Japan Post.
- ii) For grasping the true state of solicitation quality, efforts such as initiatives for solicitation compliance were discussed at the “Proper Solicitation Promotion Meeting” newly established in January 2020. Of the issues discussed there, those of particular importance were submitted to the Compliance Committee for deliberation, which were further reported to the management team.

### **(3) Progress of the main measures of Japan Post Holdings**

#### **① Fulfillment of governance function**

##### **1) New establishment and enhancement of liaison meetings**

We newly established the Group Compliance Committee and Group Operational Risk Management Liaison Meeting for sharing information among each Group company, while reinforcing the Group Internal Audit Liaison Committee and reactivating Group Customer Satisfaction Promotion Liaison Meeting, among other measures.

The details of these committees and liaison meetings are reported to the Management Committee as well as the Board of Directors.

## **2) Strengthen the “Group Steering Committee”**

At the Group Steering Committee, weekly/monthly report were made on management information, and summary of the Management Committee meeting was explained, while discussions were held on issues such as the management plan for the following fiscal year, and major topics at each Group company.

## **② Strengthen the Group compliance function**

### **1) Sharing of information collected through the internal whistleblowing contact point**

Information was shared with each Group company through reporting to the Group Compliance Committee on the summarized status of utilization of the internal whistleblowing contact point.

### **2) New establishment of the external whistleblowing contact point exclusively for financial sales operation**

Preparation is under way for establishing a reception center for accepting whistleblowing reports from employees via e-mail or telephone.

Negotiation is also under way with a lawyer for engagement in the legal scrutiny of the reports accepted.

### **3) New establishment of the “Contact Point for Business Consultation for Japan Post Group Employees”**

On February 25, the “Contact Point for Business Consultation for Japan Post Group Employees” was established and became operational at each Group company’s portal site, following a coordination with each Group company.

### **4) Strengthen functions concerning sales and operation**

We instructed all departments related to sales and operation at each Japan Post Group company to share information as appropriate on the matters that are actually or potentially significantly controversial, and the information received as a result was reported to the concerned officers.

Meanwhile, issues and concerns related to sales and operation at each company were reported to the Management Committee, etc. of Japan Post Holdings.

## **③ Strengthen the function of audit departments**

### **1) On-site monitoring of business subsidiaries, etc.**

We conducted on-site monitoring of post offices and the Financial Services Headquarters, while attending audits of business subsidiaries.

## **2) Enhancement of the Group Internal Audit Liaison Committee, etc.**

We reported to the Group Internal Audit Liaison Committee on the on-site monitoring of post offices carried out in January 2020, along with the status of engagement at the audit department of each company.

## **④ Development of a scheme for disseminating management philosophy and radical governance enhancement for ensuring solid implementation of various measures**

### **1) Message from the top management**

Top management is scheduled to send a message to all employees at the resumption of sales operation, on the importance of “customer-first business operation.” Thus we have started to consider how such message can be delivered most effectively to ensure that all Japan Post Group employees can appreciate the importance of “customer-first business operation.”

### **2) Initiatives for managing progress in the improvement measures as well as for materializing customer-first business operation**

The first meeting of the task force members was held on February 7, 2020, at which the agendas of the task force as well as the content of initiatives in future were shared with the members from each business subsidiary. The task force has been meeting twice a week thereafter joined by an external consulting company.

Furthermore, as we are planning to launch a third-party body (an advisory committee) comprising external experts early next fiscal year, process for member selection and sounding on the acceptance of offer, etc. are under way.

### **3) Initiatives for disseminating the management philosophy**

With respect to the activities to disseminate the management philosophy and the reform of corporate culture currently under way at Japan Post Holdings and each business subsidiary, we conducted hearings from the responsible department joined by an external consulting company, and evaluated the initiatives thus far.