

## 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.



September 15, 2021

Company name: Japan Post Holdings Co., Ltd.  
Representative: MASUDA Hiroya  
Director and Representative Executive  
Officer,  
President & CEO  
(Code number: 6178, First Section of the  
Tokyo Stock Exchange)  
Contact: IR Office (Phone: +81-3-3477-0206)

### **(Update on the Previous Disclosure) Progress of the Business Improvement Plan**

JAPAN POST HOLDINGS Co., Ltd. (“Japan Post Holdings”; Chiyoda-ku, Tokyo; MASUDA Hiroya, Director and Representative Executive Officer, President & CEO), JAPAN POST Co., Ltd. (“Japan Post”; Chiyoda-ku, Tokyo; KINUGAWA Kazuhide, President and CEO) and JAPAN POST INSURANCE Co., Ltd. (“Japan Post Insurance”; Chiyoda-ku, Tokyo; SENDA Tetsuya, Director and President, CEO, Representative Executive Officer) hereby announce that the companies reported today the progress of the business improvement plan (as of the end of August 2021), based on “Administrative Dispositions against Japan Post Insurance” dated December 27, 2019, to the Ministry of 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

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

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

In regard to the sales personnel investigations in connection with the investigations of specified rewriting cases, we have completed the review of sales personnel investigations except for cases which we cannot investigate due to reasons such as salesperson's sick leave. We have identified 415 sales personnel who had violated laws and regulations and 2,215 sales personnel who had violated internal rules. Also, we have taken disciplinary actions in the form of termination of solicitation operations against 76 personnel (including 13 personnel\* who are involved in other cases and 47 retired personnel subjected to penalties equivalent to termination of solicitation operations), suspension of solicitation operations of 1 month to 6 months against 1,002 personnel, suspension of solicitation for 2 weeks or 3 weeks against 1,550 personnel and undetermined disciplinary actions in order to allow for appeals against 2 personnel.

Meanwhile, we have already started remedial training for the sales personnel who were identified to have violated laws and regulations or internal rules, based on the results of the sales personnel investigations in connection with the investigations of specified rewriting cases (2,456 personnel were subject to training).

\* 10 of 13 personnel who are involved in other cases, are involved in the portion of investigations of multiple policies which have been implemented since 2019 and the other 3 of 13 personnel are involved in the cases which have been found out from customers' voices.

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

In the investigations of all insurance policies, we sent notification documents with reply cards to approximately 19 million customers to confirm their intentions and received over 1 million replies. We completed responding to customers as of the end of March 2020,

except for cases that could not be finished due to reasons attributable to customers. We continue responding to customer requests, such as the requests for compensation for disadvantages experienced, including those that could not be finished due to reasons attributable to customers.

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

① Status of progress of investigations of multiple policies

In regard to investigations of multiple policies, we finished responding to customers, except for the cases that could not be finished due to reasons attributable to customers. We will continue responding to customer requests, including cases that could not be finished due to reasons attributable to customers.

We are making progress in the investigation of the customers who are to receive priority responses (897 policyholders)\*<sup>1</sup> from February 2020 and other customers (5,532 policyholders)\*<sup>2</sup>. 6,371 customers (99%)\*<sup>3</sup> have confirmed their policy coverage, as of August 31, 2021. Of this number, 2,794 customers (44%) have requested compensation for their policies, and we have finished compensation for 2,720 customers (43%).

\*1. Customers who have applied for 15 or more policies, of which half or more have been cancelled, in the last five years (from April 2014 to March 2019; the same hereinafter).

\*2. Customers who have applied for 10 or more policies, of which 30% or more have been cancelled, in the last five years.

\*3. Including the number of customers to whom we resent letters for reconfirming.

② Status of progress of Investigations other than the above investigations of multiple policies

In regard to the investigations other than the investigations of multiple policies, we have contacted customers who have policies with high insurance premiums or who had changes of the insured or type of insurance when enrolling in new policies through visits by staff of Japan Post Insurance or sending letters explaining policy status to confirm the policy coverage, in proportion to the amount of premiums and the number of times policies were rewritten. We have completed responding to customers, except for cases that could not be finished due to reasons attributable to customers. We will continue responding to customer requests, including cases that could not be finished due to reasons attributable to customers.

We have made progress in the investigation in regard to the customers who have paid monthly premiums of 200,000 yen or more (5,103 policyholders)\*<sup>1</sup>. 5,085 customers (100%)\*<sup>2</sup> have confirmed their policy coverage. Of this number, 1,986 customers (39%) have requested compensation for their policies, and we have finished compensation for 1,913 customers (38%), as of August 31, 2021.

In regard to the investigation of the customers who had multiple changes of the insured or the type of insurance and enrolled in new policies (2,650 policyholders)<sup>\*3,4</sup>, 2,608 customers (98%)<sup>\*2</sup> have confirmed their policy coverage. Of this number, 848 customers (33%) have requested compensation for their policies, and we have finished compensation for 819 customers (31%), as of August 31, 2021.

Also, we have made progress in the investigation in regard to the customers who have paid monthly premiums of 100,000 yen or more (14,059 policyholders)<sup>\*5</sup>. 14,030 customers (100%)<sup>\*2</sup> have confirmed their policy coverage. Of this number, 1,197 customers (9%) have requested compensation for their policies, and we have finished compensation for 1,119 customers (8%), as of August 31, 2021.

In regard to the investigation of the customers who had a single change of the insured or the type of insurance and enrolled in a new policy, and the customers who used the policy rewriting system to shorten the maturities of existing contracts (32,814 policyholders)<sup>\*6,7,8</sup>, 32,195 customers (98%)<sup>\*2</sup> have confirmed their policy coverage. Of this number, 1,251 customers (4%) have requested compensation for their policies, and we have finished compensation for 1,175 customers (4%), as of August 31, 2021.

In addition, we sent notification documents with reply questionnaires again to customers who had not replied on July 30, 2020.

\*1. As of December 2019, policyholders aged 65 or older who have paid monthly premiums of 200,000 yen or more, and have had at least 1 policy which was cancelled in a short period thereafter during the period from April 2014 to December 2019.

\*2. Including the number of customers to whom we resent letters for reconfirming.

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

\*4. Cases where sales personnel led customers to repeat rewriting insurance ↔ annuity multiple times.

\*5. As of December 2019, policyholders aged 65 or older who have paid monthly premiums of 100,000 yen or more, and have had at least 1 policy which was cancelled in a short period thereafter during the period from April 2014 to December 2019.

\*6. In the last five years, cases where sales personnel led the policyholders to change the insured at new enrollment without a change in policyholder, but the new policy was cancelled at once in a short period thereafter.

\*7. In the last five years, cases where sales personnel led customers to rewrite from annuity to insurance.

\*8. 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.

(5) Status of the sales personnel investigations in connection with the additional investigations of all insurance policies and other investigations

In regard to the sales personnel investigations in connection with the additional investigations of all insurance policies and other investigations, we have identified 860

sales personnel who had violated laws and regulations and 244 sales personnel who had violated internal rules as of August 31, 2021.

Meanwhile the portion of investigations of multiple policies which have been implemented since 2019, we have completed except for one case in which the sales personnel has returned from sick leave and been currently under investigation.

We have identified 85 sales personnel who had violated laws and regulations and have taken disciplinary actions in the form of termination of solicitation operations against 77 personnel (including 9 retired personnel subjected to penalties equivalent to termination of solicitation operations), and suspension of solicitation operations of 1 month to 6 months against 8 personnel.

In addition to the above, we have executed for investigations to 292 sales personnel who have problems that they are related to cases including serious complaint, and to their joint sales personnel. Of this number, we have identified 17 sales personnel who had violated laws and regulations and 5 sales personnel who had violated internal rules as of August 31, 2021.

We now consecutively investigate a cumulative total of 14,609 sales personnel by letters who are not included in prior investigations. Through such activities, we have confirmed the existence of problems in sales process by sales personnel answers. We have executed for investigations to 41 sales personnel who answered that their sales process had problems and to their joint sales personnel. Of this number, we have identified 17 sales personnel who had violated laws and regulations and 2 sales personnel who had violated internal rules as of August 31, 2021.

#### (6) Follow-up support activities to recover customer's trust

In addition to the above cases being investigated, as the support activities to recover customers' trust and to confirm policy coverage, we have carried out the confirmation activities for 12,104 customers who experienced policy rewriting since April 2019. We have completed responding to customers, except for cases that could not be finished due to reasons attributable to customers. We will continue responding to customer requests, including cases that could not be finished due to reasons attributable to customers.

12,065 customers (100%)\* have confirmed their policy coverage. Of this number, 4,254 customers (35%) have requested compensation for their policies, and we have finished compensation for 4,213 customers (35%) as of August 31, 2021.

We also have conducted these activities for 34,201 customers with whole life insurance where the customer and the insured are different. We have completed responding to customers, except for cases that could not be finished due to reasons attributable to customers. We will continue responding to customer requests, including cases that could not be finished due to reasons attributable to customers.

34,041 customers (100%)\* confirmed their policy coverage. Of this number, 1,463 customers (4%) have requested compensation for their policies, and we have finished compensation for 1,396 customers (4%) as of August 31, 2021.

And, we have carried out the confirmation activities for 9,907 customers with policies that were cancelled and rewritten after the payment period had ended. We have completed responding to customers, except for cases that could not be finished due to reasons attributable to customers. We will continue responding to customer requests, including cases that could not be finished due to reasons attributable to customers.

9,887 customers (100%)\* confirmed their policy coverage. Of this number, 404 customers (4%) have requested compensation for their policies, and we have finished compensation for 384 customers (4%) as of August 31, 2021.

\* Including the number of customers to whom we resent letters for reconfirming.

Through these support activities, we are listening carefully to customer's opinions and requests.

Furthermore, we have sent "Notification of Policy Coverage" documentation to each customer in accordance with the month prior to his/her birthday from May 2021. (We have started sending the customers whose month of birth are July). We have progressed the confirmation activities through visits and explanation by staff to policyholders who receive "Notification of Policy Coverage" documentation.

We will continue to strive to ensure that customer's life insurance policies are useful to them while being suited to customers' intentions and changes in their life styles, through continuing initiatives to ensure that we hear our customers' voices in a wide range of situations.

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

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

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

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

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

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

(2) Increase the strictness of criteria for disciplinary action

① Addition of “suspension of solicitation” and “warning” in the disciplinary actions against sales personnel

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

② Disciplinary actions for managers

Japan Post Insurance had revised the rules in March 2020 which stipulated about disciplinary action for managers of sales personnel found to have engaged in improper solicitation, in order for Japan Post Insurance to request to Japan Post that these managers receive rigorous disciplinary actions in accordance with the degree of their dereliction and has applied these rules from April 2020. [Implemented in April 2020]

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

We have conducted training for sales personnel found to have engaged in improper solicitation and sales personnel who have solicitation process problem, and they have been subject to “sales pre-checking system” and follow-up work has been carried out to control the preparation of insurance policy documents in the process of solicitation and make confirmation of customers’ intentions by post office managers for a certain period of time. [Implemented in April 2020]

### 3. Progress of the main measures of Japan Post Insurance

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

① Set appropriate sales targets

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

Continuing from FY2020, we have resolved not to set sales targets for FY2021. We will continue to work on building relationships of trust with customers and engage in management transformation that appreciates not only sales results but also the process of sales activities.

When setting sales targets after this, sales targets will be determined based on the prospects for the life insurance market, etc., through discussion among the sales, corporate planning, and solicitation management departments by checking whether expected on-site sales potential includes improper solicitation, and calculating by incorporating the impact of changes in the number of sales personnel in the variables involved in setting various measures for the current and following fiscal years. This process also includes checking whether sales targets can be achieved with the sales capability that ensures appropriate solicitation quality.

In regard to the allocation of sales targets to branches of Japan Post and post offices, together with the optimization of the level of sales targets, we will check if the efforts of Japan Post are implemented appropriately.

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

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

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

C. Review personnel evaluations

We have unified personnel evaluation items of sales promotion and solicitation quality, which we have heretofore evaluated separately, in order to evaluate sales promotion focusing on the securing solicitation quality. [Implemented in April 2020]

② Measures for policy rewriting

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

We had abolished the recording of sales results for policy rewriting and reviewed



the system to abolish the incentive payments for policy rewriting (50% of the allowances for normal new contract). [Implemented in April 2020]

B. Prevent circumvention of required periods for policy rewriting

We had extended the policy rewriting qualifying period (before the change, the qualifying period was within three months before enrollment in a new policy or within six months after such enrollment, and it has been extended to within twelve months before enrollment in a new policy or within thirteen months after such enrollment) and launched a system to display alert messages and add a reconfirmation process for policy rewriting in close proximity to the relevant periods. [Implemented in April 2020]

③ Measures for solicitation of elderly customers

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

④ Develop new products meeting our customers' insurance needs

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

As part of the above, from the perspective of improving the attractiveness of products for the working generation, we have added ordinary term insurance and special endowment insurance with extended term to existing insurance product line-up. [Implemented in April 2021]

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

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

A. Establish a code of conduct based on the customer-first philosophy

In order to thoroughly implement basic actions based on the principle of providing

insurance coverage founded on high ethical standards which take the original roles and mission of life insurance into account, the solicitation policy that reflects the customer-first philosophy was set by a resolution of the Board of Directors in February 2020.

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

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

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

Based on this standard, we produced a survey document and developed a practical method for confirming customer intentions by using it in order to make proposals that accurately reflect true customers’ needs based on their concerns for the future and their status of policy enrollment. [Implemented in April 2020]

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

We started training on the significance and basic concept of the “Standard of Japan Post Insurance sales” on February 21, 2020. [Training on the significance and basic concept of “Standard of Japan Post Insurance Sales” was implemented for all sales personnel, etc. of Japan Post Insurance and Japan Post as of the end of March 2020]

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

#### ③ Hearing the voices of our employees

We already introduced a system that allows Japan Post Insurance employees to directly make suggestions to the President and we accepted 2,781 suggestions as of the end of August 2021. Based on the suggestions, we are examining ways to strengthen information transmission from headquarter, introducing personnel evaluation system that values the front-line, and develop a system to quickly respond to employee opinions.

In addition to the above, we started “Dialogue with Management” events, in which the management team of Japan Post Insurance visits branches and directly listens to the voices of front-line employees. [Started in February 2020]

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

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

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

Meanwhile, upon receiving cancellation requests from customers at their home, the dedicated call center of Japan Post Insurance confirms customers' intentions and whether or not customers received an explanation about potential disadvantages, in addition to the explanations and verifications by post office manager. [Implemented in January 2020]

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

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

A. Review functions of headquarters, etc.

We had transferred planning and guidance operations aimed at realizing appropriate solicitation activities, that have been so far conducted by the second line (compliance and solicitation management departments), to the first line (sales department). This transfer holds the first line departments more accountable for sales activities focusing on the maintenance of the solicitation quality, while the second line departments focus on the verification of measures taken by the first line. Through these reorganization, we had built a system that will enable us to develop measures based on the customer-first philosophy under an appropriate check and balance mechanism. [Implemented in April 2020]

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

In addition to the above, we will strengthen the structure of the solicitation management, compliance and customer services departments at our

headquarters. [Continue implementation starting in April 2020]

B. Review functions of branches, etc.

We had been focusing on agency support for sales promotion, but we shifted to agency support/guidance conditioned upon securing solicitation quality and have strengthened the investigation of solicitation manner and solicitation guidance.

Branches are in charge of checking operation to confirmation activities about customer feedback. Each agency relations division in branches timely grasps the situation of checking operation and utilize for effective guidance based on the actual solicitation process. [Implemented in October 2020]

C. Increase sophistication of customer information management

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

As part of this, in April 2020, we extended the period available for checking the customers' past policy cancellation histories from the last three months to the last 24 months at post offices. [Implemented in April 2020 and improved functions in October 2020]

③ Introduction of a conditional cancellation system and policy conversion system

For the adjustment of insurance policy content or products from a customer-first point of view, we introduced a conditional cancellation system [Implemented in January 2020]. We also proceeded with system development etc. for a policy conversion system to enable transitions to new policies without the cancellation of existing policies. [Obtained approval in November 2020 and implemented in April 2021]

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

We will ensure transparency of the solicitation process by recording and keeping a voice record of the solicitation process using the mobile devices carried by sales personnel, in order to develop a system that can verify whether sales personnel's proposals have met the customer's intentions in the case of a customer complaint, and started trial implementation on March 2, 2020. After the improvement of this record system through trial implementation, we carried out full implementation for all sales personnel on August 24, 2020. [Implemented in August 2020]

⑤ Identify potential problems from complaints, etc.

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

⑥ Verify solicitation checking scheme

From the perspective of prevention and early detection of improper solicitations, the second line has verified solicitation checking scheme based on the Business Improvement Plan and confirmed the effectiveness of it. [Implemented interim report in March 2020 and result report in August 2020]

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

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

A. Understand and analyze information on internal and external risks

We have set up a dedicated team to understand and analyze customer complaints, employee opinions, posts on social media and various other information on risks. We have also been building a PDCA system to utilize these kinds of information for improvement, through the activities such as organizing report lines to management team. [Implemented from April 2020 onward and continuously]

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

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

C. Thoroughly implement the PDCA cycle

When considering improvement measures, we will establish a system for the thorough implementation of a cycle of verifying the effects and reviewing our

measures speedily to improve solicitation quality, based on deep discussions at the management level, including the priority of improvement measures, in light of evaluations of root causes.

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

② Strengthen internal controls

A. Strengthen the governance function of the Board of Directors, etc.

(A) Establish a new “deliberation” within the Board of Directors

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

Furthermore, in addition to having the extraordinary meetings of the Board of Directors, we held social gatherings of Directors and meetings of Outside Directors for the purpose such as actively exchanging opinions, and discussed the status of operation of the internal control system, the evaluation of effectiveness of the Board of Directors and policy for resuming sales activity. [Implemented in February 2020 (to be held in the future as needed)]

(B) Strengthen the function of the Audit Committee

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

b. We have created the scheme where the Audit Committee would order an investigation for verification, after receiving an in-depth report on the actual state of the circumstances of the solicitation process and customers’ disadvantages, and the Audit Committee would provide necessary advice to the executive officer in charge based on the results of the investigation. At a meeting of the Audit Committee held in February 2020, the executive officer in charge of internal audit submitted a report

on the investigation, and the Audit Committee members discussed based on that. [Implemented in February 2020 (to be held in the future as needed)]

#### B. Internal audit

In addition to strengthening the human resources and organizational structure for internal audit, we are engaging in strengthening our risk assessment and other measures with the cooperation of external experts. [Implemented from April 2020 onward and continuously]

### (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.

We have implemented the following revisions regarding sales targets from FY2021 onward:

- Newly established "sales activities targets"
- Changed to a "net increase" system to evaluate both new sales and cancellations

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 have also set an index for solicitation quality.

##### 2) Organizational performance evaluation

We have newly set "solicitation quality" as a separate criteria in the organizational performance evaluation from FY2020 onward, and also objectified criteria concerning misconduct incidents and void/agreed cancellations.

##### 3) Sales allowance

We conducted in April 2020 a review over the allowance payments for policy rewriting for individual policies, etc., as well as over the standards of payment of sales allowances to sales personnel (ratio between basic salary and allowances).

#### 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 request, post office employees verify customers' intentions regarding the cancellation, while giving explanation about the potential disadvantages resulting therefrom. Such requests received outside post offices are first dealt with by post office managers who conduct the aforementioned verification and explanation, to be followed up by the dedicated call center of Japan Post Insurance confirming again intentions and whether or not customers received the explanation.

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 implemented since March 2, 2020, trial 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. The system has been applied to all sales personnel since August 24, 2020.

E Procedure had been conducted since 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. The procedure has been applied to policyholders of all ages since October 2020.

F We introduced a conversion system in April 2021 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 have been taking disciplinary actions continuously against the wrongdoers and other concerned individuals involved in the specified rewriting cases, etc. We released the first, second, third, fourth and fifth reports on the status of disciplinary actions on July 29, 2020, on August 26, 2020, on October 28, 2020, on December 14, 2020, and on March 24, 2021, respectively.

## 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.

B The Board of Directors’ meetings are held ad hoc on the solicitation quality issue 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 solicitation quality issue 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 importance concerning compliance were discussed at the Compliance Committee, while outcome of the deliberation at the Proper Solicitation Promotion Meeting was reported to the management team at the Management Committee and other meetings.

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 introduced in April 2020 a system for a centralized control of customer information with increased sophistication, including past policy cancellation histories at Japan Post Insurance.

(C) In order to strengthen the prevention of circumvention of required periods for policy rewriting, we extended the policy rewriting qualifying period in April 2020.

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 implemented in April 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 Inspection Offices completed the verification of the insurance contract solicitation quality control scheme at all post offices in March 2021.

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 implemented in April 2020 an organizational change for appointing internal audit specialists, etc. for enhancing the audit structure, including the appointment of personnel and 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 employee questionnaires for enhancing hearings, while conducting theme-based audit regarding the solicitation of insurance products provided by Japan Post Insurance.

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 reviewed in April 2020 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 formulated the system and contents of training for managers.

We have been implementing 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 We introduced in March 2020 a system whereby employees can directly report to our headquarters about their opinions on training, by using the internal portal site.

B We introduced in April 2020 a training plan with contents designed by the company at the request of employees, providing a training opportunity in which individual employees participate of their own accord.

v) We appointed in April 2020 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, we conducted in April 2020 an organizational change whereby the Sales Capabilities Development Institute was renamed as the "Consultant Training Center," supervised directly by our headquarters.

vi) We also implemented in April 2020 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.

We shall position FY2021 as a year to firmly establish sales activities processes among employees, based on our sales policy. Therefore, we shall not organize sales personnel commendation in FY2022 based on the results in FY2021.

- ii) No incentives shall be offered for FY2020.

We shall not offer uniform headquarters incentives for sales promotion in FY2021, but incentive measures may be implemented at the level of branches or local liaison meetings, with an emphasis on factors such as employee activities and customer satisfaction.

## 3) Personnel evaluation and treatment

We newly established in April 2020 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 implemented training designed for dissemination to and for ensuring awareness among employees about the external whistleblowing contact point that is exclusively for financial sales issues, which was newly established at Japan Post Holdings.

- ii) For grasping the true state of solicitation quality, efforts such as initiatives for solicitation quality improvement were discussed at the “Proper Solicitation Promotion Meeting” newly established in January 2020. Meanwhile, important compliance-related matters were submitted to the Compliance Committee for deliberation, while outcome of the deliberation at the Proper Solicitation Promotion Meeting was reported to the management team at the Management Committee and other meetings.

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

① Fulfillment of governance function

1) New establishment and enhancement of liaison meetings

Various committees including the Group Compliance Committee, which was newly established, and the liaison meetings were continuously held, and the details of these committees and liaison meetings were reported to the Management Committee and other meetings.

2) Strengthen the “Group Steering Committee”

Discussions were made regarding the important subjects concerning the Group including business conditions of each company, voices of customers and employees, and analysis of data such as posts on social media.

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 ongoing 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

We continued to operate the “Contact Point for Improper Financial Sales,” which was established on March 23, 2020, and prepared a report on the summarized status of utilization of the contact point. The report was submitted to the Group Compliance Committee, etc.

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

We dealt appropriately with the consultation received at the “Contact Point for Business Consultation for Japan Post Group Employees,” and prepared monthly reports on the summarized status of consultation received. The reports were submitted to various meetings and committees.

4) Strengthen functions concerning sales and operation

Issues and concerns related to sales and operation at each business subsidiary were reported to the Management Committee as well as the Board of Directors.

③ Strengthen the function of audit departments

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

We have been conducting on-site monitoring of post offices by implementing prior questionnaires and hearings through onsite visits, in principle.

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

A summarized report of the implementation of the on-site monitoring of post offices was submitted to the Group Internal Audit Liaison Committee, etc.

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

On September 11, 2020, we announced the “Pledge to Regain Customers’ Trust” when announcing the implementation of operations to regain the customers’ trust. In addition, when commencing operations to regain the customers’ trust, we issued messages from the Presidents of the four Group companies through emails and videos.

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

Each department responsible for specific measures explained the progress in the Implementation of the improvement measures of the Japan Post Group as of the end of February 2021 to the JP Reform Execution Committee, and the committee verified the progress. A report on the progress in the implementation of the improvement measures was submitted to the ninth meeting of the JP Reform Execution Committee held on March 5, 2021.

3) Initiatives for disseminating the management philosophy

The Management Philosophy Handbook was prepared to have all employees reaffirm our management philosophy. The handbook was distributed to all employees.

When distributing the Management Philosophy Handbook, we had employees view a video message (DVD) prepared for seminars on the handbook featuring the President of Japan Post Holdings as the speaker, to share the importance of our management philosophy.