

Operations of Japan Post Insurance

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1. Internal Control Systems

Japan Post Insurance considers the establishment of strong internal control systems to be extremely important to increasing our corporate value and to our goal of becoming the most highly trusted

insurance company. We will establish systems for the execution of our business based on the principle of self-responsibility, and will continue our efforts to enhance our organization and systems.

Outline of Organization and Systems

We have adopted a “company with committees” system, which separates the roles of management supervision and business execution, assigning the former to the Board of Directors and the latter to the Executive Officers, to establish clear responsibility for management of the Company.

Within the organization of the Board of Directors, we have set up three committees, the Nomination Committee, the Audit Committee and the Compensation Committee, to ensure the fairness of the management supervision function to be performed by the Board of Directors. Each committee fulfills the following roles:

- The Nomination Committee determines proposals for General Shareholders' Meetings concerning the appointment and dismissal of Directors.
- The Audit Committee monitors the execution of duties by Directors and Executive Officers; determines resolutions for submission to General Shareholders' Meetings concerning the appointment and dismissal of accounting auditors and other related matters; and approves the compensation for accounting auditors as determined by Directors.
- The Compensation Committee formulates compensation policies for Directors and Executive Officers and determines the detailed compensation for each individual.

Important management decisions related to business execution are first discussed by the Executive Committee and then made by the President, CEO. The Executive Committee comprises the President, CEO and the Executive Officers in charge of respective business operations. In addition, we set up the following seven specialized committees to serve as an advisory body to the Executive Committee. With regard to such matters delegated to each Executive Officer, cross-sectional issues are discussed by the respective specialized committees.

1 Earnings Management Committee

This Committee deliberates on investment and sales policies and related issues. It also performs appropriate earnings management by monitoring and analyzing such matters as the overall management of Japan Post Insurance's assets and liabilities and status of various earnings.

2 Risk Management Committee

This Committee deliberates on risk management policies and matters concerning the establishment and operation of risk management systems as well as the implementation of risk management. It also performs appropriate risk management by monitoring and analyzing the status of each risk and other related matters.

3 Compliance Committee

This Committee deliberates on management policies concerning compliance, specific compliance operations and response to various issues. It also works to ensure legal compliance and prevent misconduct by monitoring and analyzing such matters as the progress made in the Company's compliance promotion efforts.

4 CS Committee

This Committee promotes improvement of customer convenience and our services to customers by deliberating on improvement efforts based on customer feedback as well as measures designed to raise the level of customer satisfaction.

5 Product Development Committee

This Committee promotes the development of products tailored to customer needs by deliberating on policies for the development of insurance products and examining important matters from a multifaceted perspective.

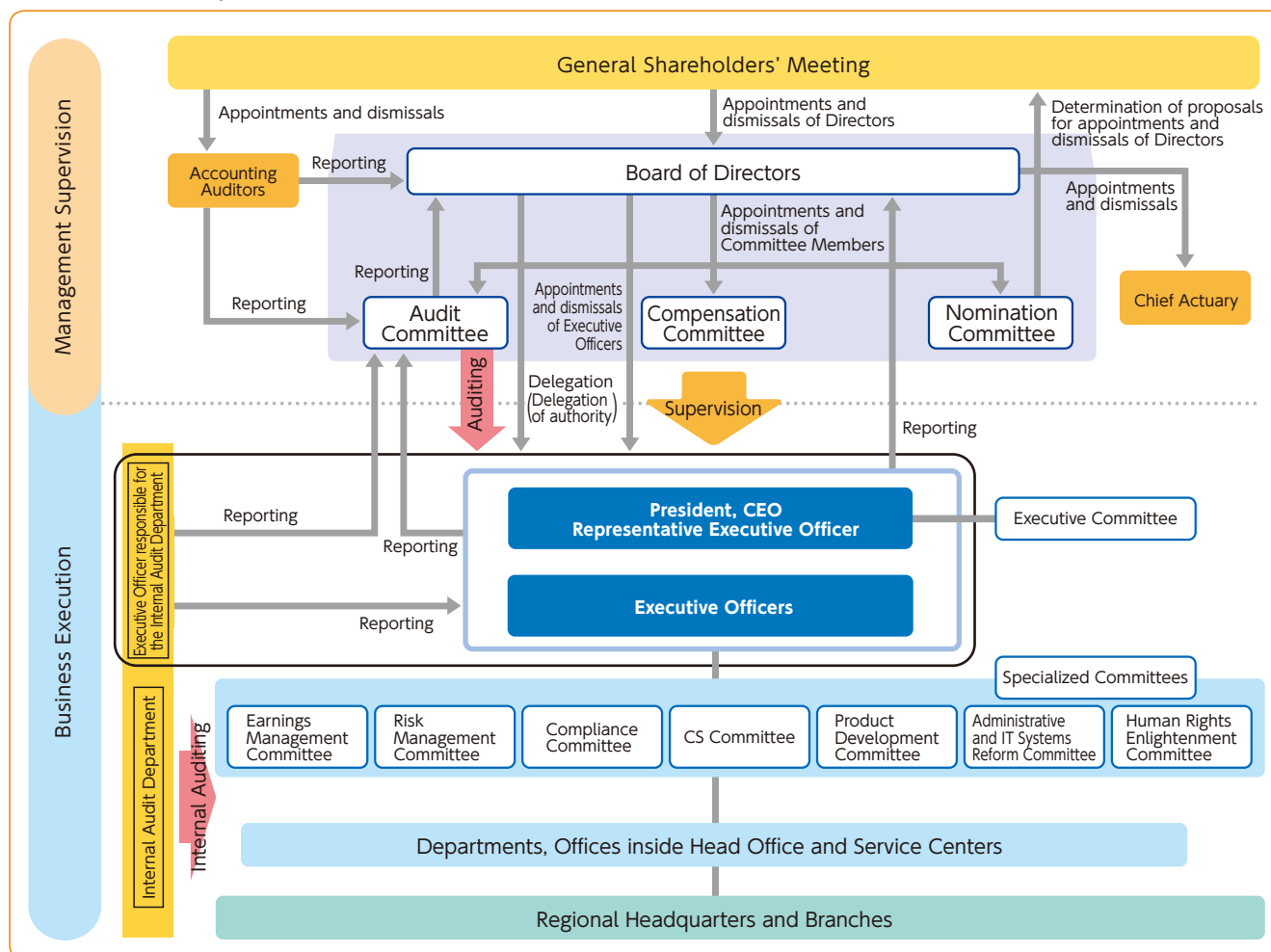
6 Administrative and IT Systems Reform Committee

This Committee discusses basic policies and related matters for system development and promotes the reform of administrative operations and IT systems by monitoring and analyzing such matters as the progress made in each of the Company's major IT projects.

7 Human Rights Enlightenment Committee

This Committee deliberates on basic policies to ensure that employees always act with respect for human rights and examines measures to facilitate human rights enlightenment activities.

Internal Control System



Internal Audit Environment

To contribute to sound and appropriate business operations, we established an Internal Audit Department that is independent of our operational organization. With this measure, we have set up an environment to inspect and assess the Company's internal control environment and the appropriateness and effectiveness of our business execution.

The Internal Audit Department carries out internal audits of various internal and external entities, including individual sections within the Head Office, Service Centers, Regional Headquarters, branches and subsidiaries of Japan Post Insurance as well as through the sales agencies of Japan Post.

Business sections where problems or issues have been identi-

fied in an internal audit must carry out the corrections or improvements that the audit indicates. Follow-up inspections are undertaken to determine the status of those efforts. The Internal Audit Department reports on the results of internal audits as well as other matters to the President, CEO and the Audit Committee.

The Internal Audit Department is also seeking to upgrade the specialized skills required for auditing by enhancing its training programs for internal auditors and encouraging staff to obtain related certification. At the same time, the Department is taking steps to strengthen the Company's internal audit environment through such efforts as securing human resources well versed in each area of the Company's operations.

2. Achieving Thorough Compliance

Japan Post Insurance defines compliance as all its executives and employees comply not only with the laws, regulations and internal rules but also with social standards of behavior and corporate ethics.

To further our goal to become Japan's most familiar and trusted insurance company, we place the highest priority on compliance in the management of our business. To that end, company-wide efforts are undertaken to achieve thorough implementation of compliance.

Compliance Policies

We have established our compliance framework by formulating compliance rules that set out the basics for the promotion of compliance within the Company. These rules incorporate the Japan Post Group's Charter of Corporate Conduct and Fundamental Compliance Policy stipulated by Japan Post Holdings Co., Ltd., together with the Fundamental Policy for Establishment of Internal Control Systems stipulated by the Company's Board of Directors. To provide a guide to the laws and regulations and other rules that concern our corporate activities, we have created a Compliance Manual that is distributed to all departments at our Head

Office, branches and other relevant parties. For our executives' and employees' easy reference at any time, we have also produced a Compliance Handbook, which describes the essentials of the Compliance Manual, as well as a Pocket-Size Compliance Card, which contains a summary of our management philosophy and other directives. In addition, we work to undertake thorough implementation of compliance through our Compliance Program, a plan developed annually to lay out specific details for promoting compliance.

Compliance Promotion System

To promote compliance within our organization, we have established the Compliance Committee, headed by the Executive Officer responsible for the Compliance Control Department, and been holding meetings regularly.

The Compliance Committee deliberates on the management policies concerning compliance, specific compliance operations and response to various issues. It also works to achieve thorough implementation of compliance and prevent misconduct by monitoring and analyzing the Company's compliance promotion efforts. Also, the Chief Compliance Officer (CCO) reports on important matters to the Executive Committee, Audit Committee and Board of Directors, and takes responsibility in operating and maintaining our compliance framework. The Compliance Control Department, which has been created to supervise compliance within the Company, plans and coordinates overall compliance-related matters. We have also established Regional Compliance Divisions at 13 locations nationwide, which operate under direct control of our Head Office. Within their respective geographical areas of responsibility, these divisions oversee general compliance planning, coordination, promotion and guidance, and manage response to violations of compliance.

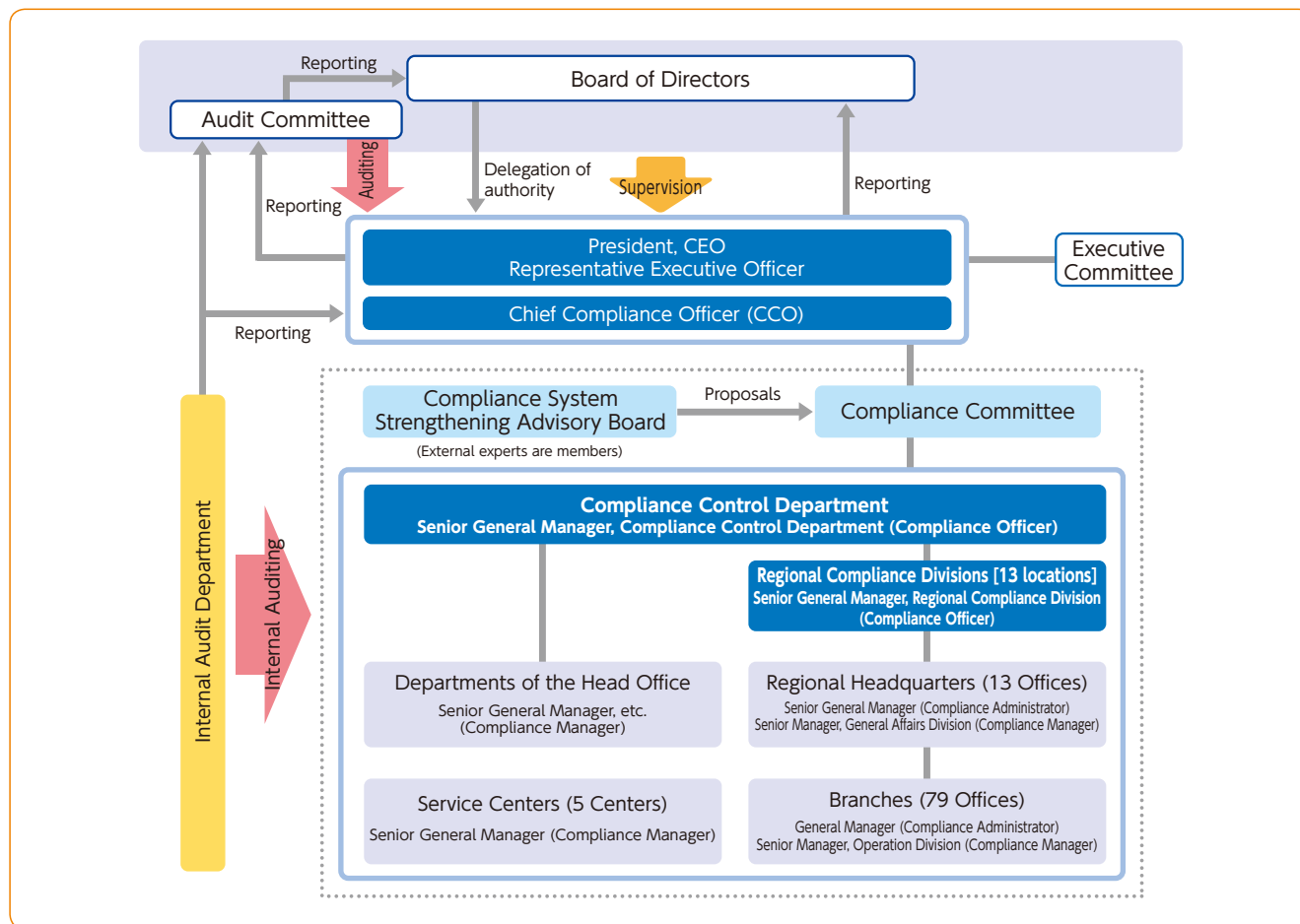
In order to build a system to promote compliance company-

wide, we have appointed the heads of the Compliance Control Department and Regional Compliance Divisions as Compliance Officers. In addition, as the officers responsible for the promotion of compliance, we have appointed a Compliance Manager at our Head Office and Service Centers, as well as Compliance Administrators and Compliance Managers at our Regional Headquarters and branches.

To discuss matters related to the enhancement and reinforcement of the compliance framework of Japan Post Co., Ltd., which serves as our insurance agent, we have set up a liaison meeting, members of which include the CCO. We also provide guidance to post offices and manage their compliance activities through this committee. In addition, we have established a Compliance System Strengthening Advisory Board comprised of external experts and knowledgeable persons. This Board provides neutral and professional appraisals of matters such as the current status of our compliance along with recommendations on the future direction of our compliance efforts. We utilize these appraisals and recommendations to enhance our compliance framework.

The Internal Audit Department conducts internal audits of how we observe the laws and regulations, and checks the adequacy and effectiveness of our compliance promotion system.

Compliance Promotion System



Implementing Compliance Education

Through our Compliance Program, we conduct training courses that include Compliance Administrators and Compliance Managers at our Head Office, branches and other locations. The program covers explanations and instructions regarding the role of persons in charge of compliance, as well as important points to note and other details regarding compliance in our business activities. In order to raise awareness of compliance, we also conduct

training courses via e-learning for all executives and employees.

Within respective sections at our Head Office, branches and other business units, we carry out activities designed to enhance compliance awareness. These activities include the use of business study groups and meetings. We also offer various training programs and compliance-related information to post offices.

3. Management of Conflicts of Interest

Japan Post Group has released the Japan Post Group Conflicts of Interest Management Policy. This Policy governs the management of conflicts of interest transactions by our Group as a whole in order to prevent our customers' interests from being unduly harmed.

In line with this Policy, Japan Post Insurance has put in place a system for the proper management of conflicts of interest

transactions, with the Compliance Control Department assuming responsibility for managing and controlling conflicts of interest. To prevent our customers' interests from being unduly harmed, we have committed to engage in appropriate business conduct that complies with laws and regulations, internal rules and ethical standards.

4. Protecting Personal Information

(1) Fundamental Approach to Personal Information

We are fully aware of the seriousness of society's demands for the protection of personal information. We are proceeding with

measures that will provide proper protection for personal information in accordance with relevant laws and standards of behavior.

(2) System of Protection of Personal Information

As our internal control system for providing security for personal data, we have appointed a Chief Personal Information Protection Officer, who exercises overall control for our entire Company's administrative processes pertaining to the protection of personal

information. We also appoint persons undertaking management of these administrative processes in each department. This system enables us to implement the proper protection and handling of personal information.

5. Risk Management System

Economic, demographic and other conditions surrounding the life insurance industry business environment are dramatically changing. Amid such circumstances, we need to maintain sound business management now and into the future in order to manage precious funds entrusted to us from customers and ensure payment of the sum insured to secure their living in time of need. In this respect, appropriate risk management has become increasingly important.

In view of such conditions, we address the conduct of effective risk management according to the risk profiles of life insurance business as one of management's highest priorities. Our Basic Risk Management Policy stipulates basic matters concerning our risk management systems and techniques, and we conduct risk management in accordance with this policy. We define and manage risks by category. Furthermore, we manage each risk through comprehensive risk management.

Outline of Risk Management Systems

We have formulated our Basic Risk Management Policy based on the Japan Post Group Basic Risk Management Policy stipulated by Japan Post Holdings and the Fundamental Policy for Establishment of Internal Control Systems defined by the Company's Board of Directors. According to our Basic Risk Management, we work to identify, monitor and manage risks associated with the conduct of our business. We also set up a Risk Management Committee headed by the Chief Risk Officer (CRO), which meets regularly.

The Risk Management Committee deliberates on risk management policies and matters concerning the establishment and operation of risk management systems as well as the implementation of risk management. This Committee also performs appropriate risk management by monitoring and analyzing the status of each risk and other related matters. The CRO reports on important matters to the Executive Committee, Audit Committee and Board of Directors.

Also, the CRO is responsible for operating and upgrading the overall risk management system. The Risk Management Department,

assuming overall control of risk management, verifies the appropriateness of the status of risk management and risk management standards in each risk category, and works to monitor overall risk on a company-wide basis.

Each of the Executive Officers in charge of risk management sections of respective risk categories also takes responsibility in operating and upgrading the system to manage assigned risks. Risk management sections work to manage their assigned risks based on the risk management standards of respective risk categories, while operating a mutual checks and balances system with sections carrying out business operations.

In order to maintain the internal checking function and strengthen our risk management systems, the Internal Audit Department conducts internal audits and examines the appropriateness and effectiveness of our risk management systems.

In enforcing risk management, we collaborate with risk management sections of Japan Post Holdings.

Comprehensive Risk Management

To ensure our sound corporate management, we implement comprehensive risk management in accordance with the following policies.

- 1) Each risk management section undertakes risk management duly considering risks that the Company may face, based on the risk management standards and by using specified management techniques. The Risk Management Department verifies the appropriateness of these standards and techniques on a regular basis.
- 2) Among the risks mentioned above, we identify those that can be quantified and manage them by checking the balance between the combined risk amount and available capital. Given that there are various techniques available to evaluate the corporate value of life insurance companies, we specifically se-

lected the following two methods.

- Assessment based on economic values*
- Assessment based on current accounting standards

* Assessment based on economic values is carried out in a manner that is consistent with embedded value (EV) results. EV is a corporate value indicator for life insurance companies. For more information on EV, please refer to page 32 or 112 of this report.

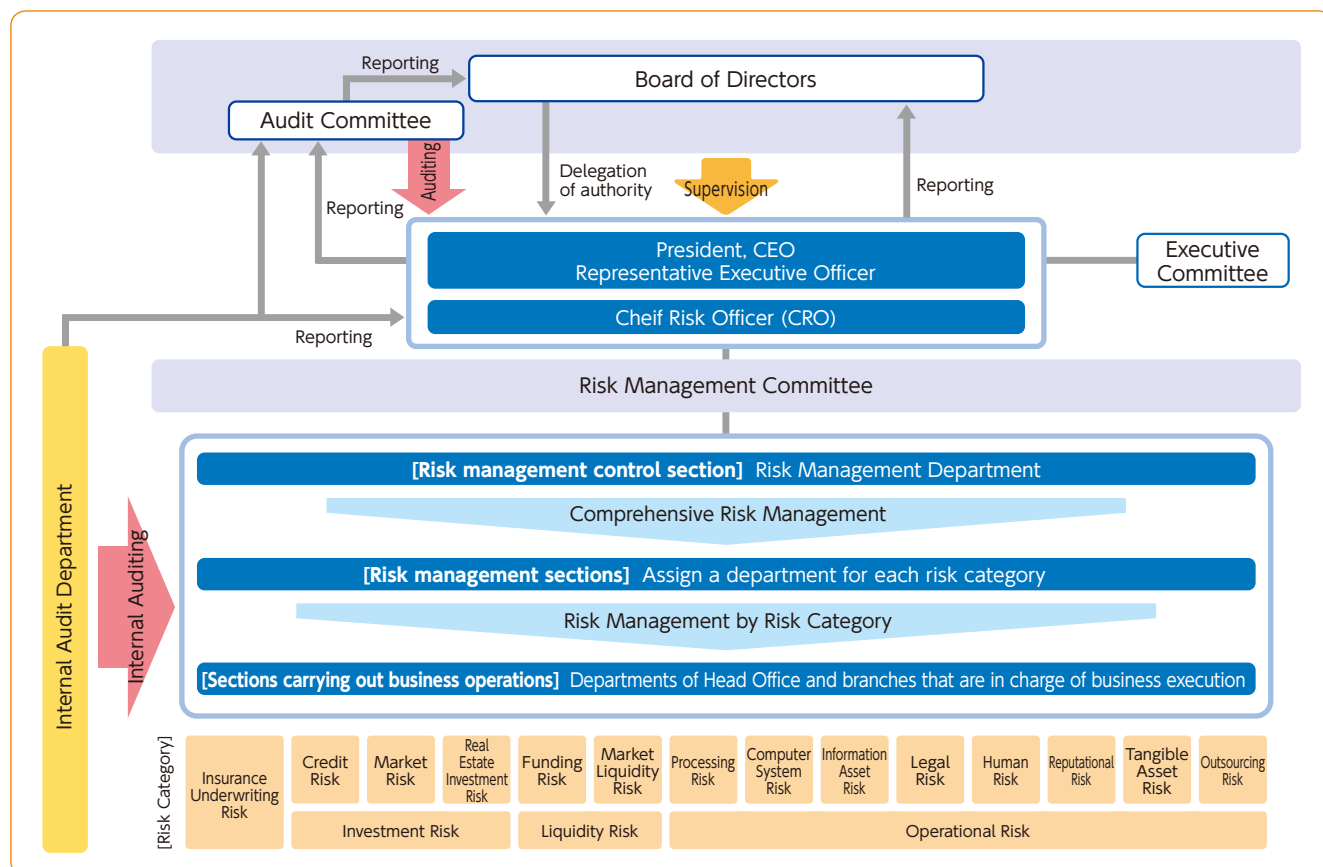
In addition, we are setting up an enterprise risk management (ERM) system, under which we seek to achieve the optimum balance between maintaining financial soundness and improving profitability (capital efficiency) while working to enhance our corporate value in a stable and sustainable manner.

Stress Testing

In order to identify the impacts of extreme market movements, we measure the potential amount of loss by implementing stress tests based on various scenarios such as the largest fluctuations in interest rates, exchange rates and stock prices in the past 10 years. In addition, we also estimate the potential amount of loss resulting from catastrophic risk, which is risk that has a substantial

impact on our financial strength, such as the increase of insurance payments due to a major earthquake or pandemic. The results of stress tests are reported to the Risk Management Committee and Executive Committee on a regular basis, thus contributing to ensuring our sound corporate management.

Risk Management System



Risk Categories and Definitions

Japan Post Insurance classifies and defines risks into the following categories, and has established a management system and rules

in accordance with each risk characteristics. We are taking various steps to refine our risk management.

Risk Category	Definition
Insurance Underwriting Risk	The risk of losses due to changes in economic conditions, incidence rates of insured events or other factors in contrary to the projections made at the time when premiums were set.
Investment Risk	The risk that consists of following credit, market and real estate investment risks.
Credit Risk	The risk of losses arising when the value of assets (including off-balance-sheet assets) decrease or become worthless due to a deterioration in the financial condition of a borrower or counterparty.
Market Risk	The risk of losses arising from fluctuations in the value of assets (including off-balance-sheet assets) due to fluctuations in various market risk factors such as interest rates, securities prices, foreign exchange and other markets. (The associated risks, such as credit risk related with market risk are collectively called "Market-related Risk".) This risk has the following three components:
1) Interest Rate Risk	The risk of losses arising from fluctuations in interest rates. The risk of earning decline or losses arising from interest rates fluctuations when there are mismatches of interest rates or cash-flows between assets and liabilities.
2) Price Volatility Risk	The risk of declines in the price of assets due to fluctuations in the value of securities and other financial instruments.
3) Foreign Exchange Risk	The risk of losses due to differences in foreign exchange rates from initial assumed rates in cases where there is a net surplus of assets or liabilities denominated in foreign currencies.
Real Estate Investment Risk	The risk of losses due to decline in profitability of real estate caused by factors such as the changes of rents, or due to decrease in the value of real estate itself caused by factors such as changes in market conditions.
Liquidity Risk	The risk that consists of following funding risk and market liquidity risk.
Funding Risk	The risk of losses due to being forced to sell assets at an extremely lower price than normal as a result of a deterioration in cash management caused by the factors such as a decrease of premium income following the decline of new business caused by factors such as a worsening financial conditions, an increase in payments of termination refund following a large amount of policy cancellations, and cash outflows following a significant natural disaster.
Market Liquidity Risk	The risk of losses due to being forced to conduct transactions at extremely unfavorable prices than normal or being unable to conduct market transactions because of market turmoil.
Operational Risk	The risk of losses due to improper business processing, inappropriate behavior by executives and employees, improper computer system operations, or external events.
Processing Risk	The risk of losses due to executives, employees and others neglecting to conduct proper operations, resulting in accidents or engaging in unlawful activities.
Computer System Risk	The risk of losses due to system failures or malfunction, system defects and unauthorized use of computers.
Information Asset Risk	The risk of losses due to a loss of information resulting from system failures or inappropriate processing, alteration, unauthorized use or external leakage of information.
Legal Risk	The risk of losses or damages in the form of payment of compensation (including settlements), surcharges or fines accompanying customer and other complaints, lawsuits or administrative actions caused by failing to fully comply with laws, government or ministerial ordinances, announcements, agreements, internal rules, procedures or manuals, etc.
Human Risk	The risk of losses due to unequal, unfair or discriminatory actions in terms of personnel management.
Reputational Risk	The risk of direct or indirect losses to the company or any other subsidiaries due to the spread of vague information such as rumors, speculations or reputation with regard to the company or any other subsidiaries, and the spread of misunderstandings, misperceptions or exaggerated interpretations associated with an accident or unlawful acts among policyholders or the mass media, etc.
Tangible Asset Risk	The risk of losses due to damage to tangible assets caused by disasters or other events.
Outsourcing Risk	The operational risk that may occur or increase when the company outsources its operation of insurance firms.

6. Incorporating Customer Feedback in Our Business

Japan Post Insurance recognizes that the “voices of our customers” serve as valuable feedback. We believe that reviewing our services daily based on customer input in order to increase our customers’ satisfaction is fundamental to improving our business.

In addition to developing and improving products and services,

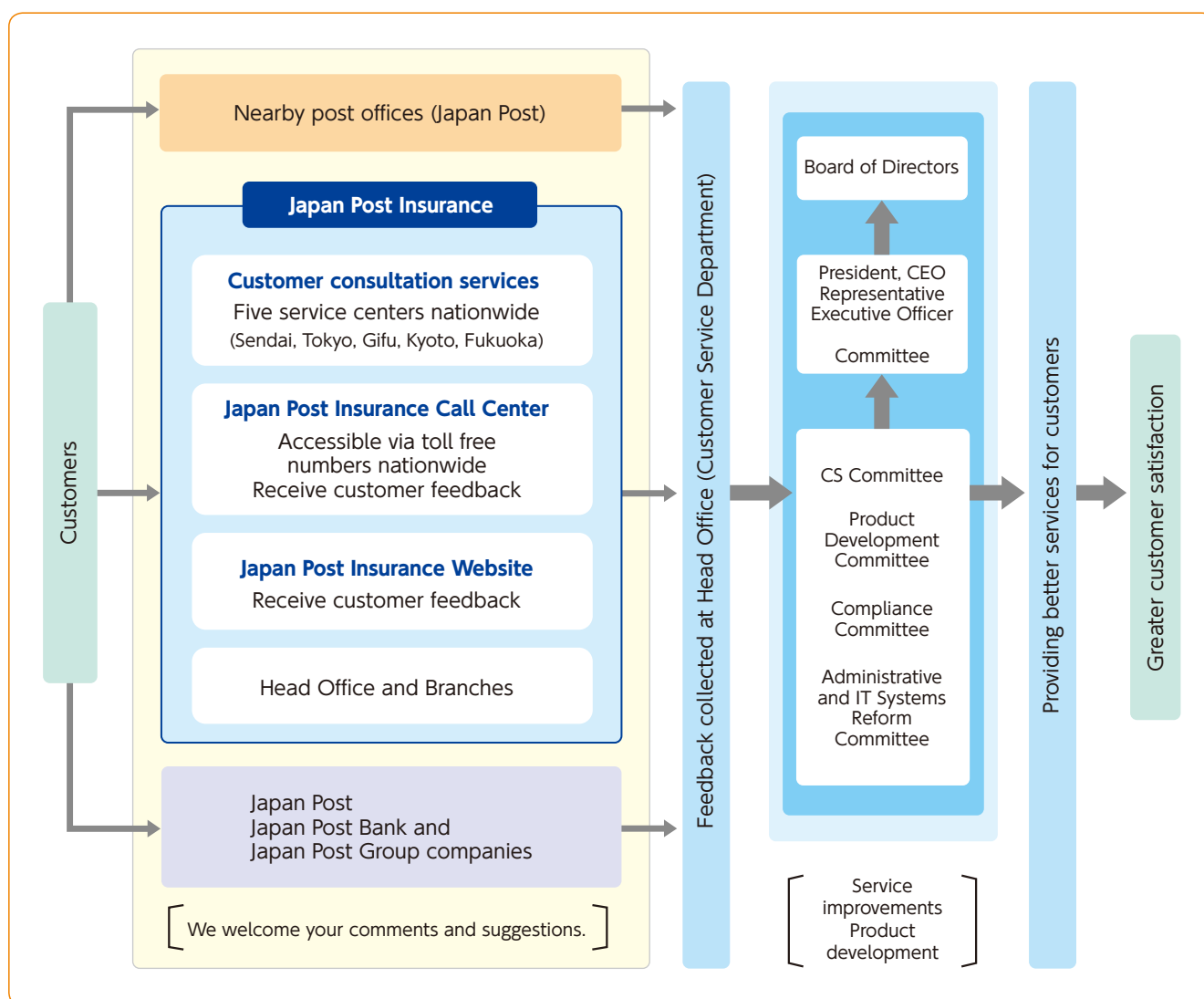
we utilize our customer feedback system to ensure sound and appropriate operations. Our Directors and Executive Officers as well as our employees give careful consideration to and act on the comments and suggestions received from customers.

Using Feedback from Each Customer to Increase Customers’ Satisfaction

Customer feedback is compiled and centrally managed by our Customer Service Department. We analyze the feedback, identify management issues and devise solutions to improve our services

and develop superior products. Through this process, we aim to provide services that bring satisfaction to our customers.

Product and Service Improvements Using Customer Feedback



Number and Content of Customer Feedback

The number of complaints received from customers during the period from April 1, 2013 to March 31, 2014 was as follows.

Items	April 2013 to March 2014	
	Number	%
Purchases of insurance policies	49,242	14.9%
Payments of premiums, etc.	25,235	7.6%
Procedures, dividends and other issues following the purchase of a policy	46,487	14.1%
Payments of insurance benefits	146,634	44.4%
Payment certificates	44,937	13.6%
Other issues	17,372	5.3%
Total	329,907	100.0%

Note: Japan Post Insurance defines all expressions of customer dissatisfaction as "complaints."

Customer Satisfaction Survey

We conduct customer satisfaction surveys to seek feedback directly from customers and utilize these customer inputs in providing better insurance services in the future.

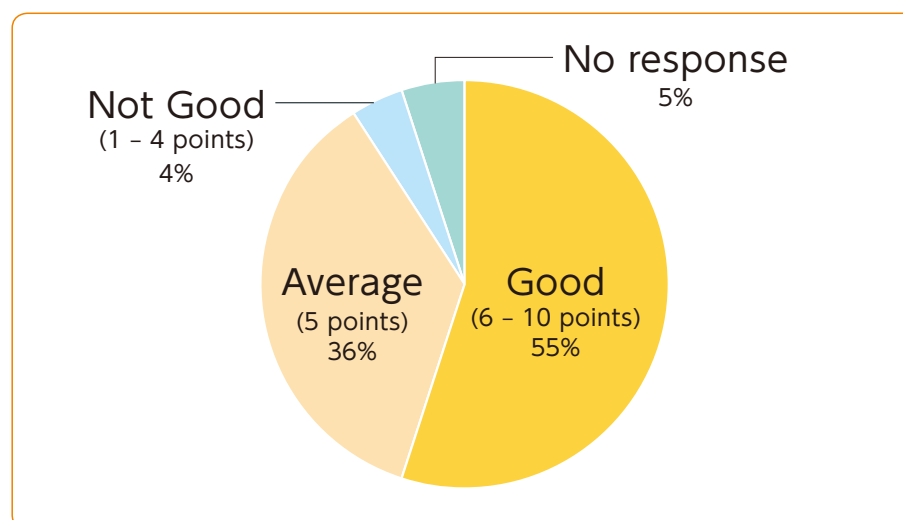
[Overview of Customer Satisfaction Survey Conducted in the Year Ended March 2014]

- Period of survey: November 2013
- Survey targets: Customers who purchased our products for the first time, and those who filed claims for maturity, death, hospitalization and other benefits
- Number of questionnaires sent: 30,000
- Number of questionnaires returned: 7,654

[Survey Results]

The general satisfaction level was rated "Good" (6 to 10 points on a 10-point scale) by approximately 50% of respondents. We will continue to undertake efforts to improve our customer service to receive higher points from more customers.

General Satisfaction Level



Compliments and Positive Comments

During the period from April 1, 2013 to March 31, 2014, we received a total of 16,421 compliments and positive comments from our customers.

<Sample Voices of Our Customers>

- "I am elderly, and the staff was very thorough in explaining details of the product I was purchasing, making sure that I understood everything. I am glad I purchased that product".
- "I received a policy maturity notice three months before the actual maturity date. It is convenient that I can take necessary procedures in advance, and the staff at the counter were very kind. I am pleased with your service".

Examples of Improvements Made through Customer Feedback

Feedback

It is inconvenient that the certificate of premiums payment does not show the total amount of premiums paid during the year.

Improvement

As a general rule, all our premiums payment certificates now show a yearly total. We also made revisions to the statements printed on the back of the certificate to make it easier to understand for customers. (October 2013)

Feedback

Procedures to file claims for maturity benefits are cumbersome. Couldn't you make them simpler?

Improvement

We now allow customers to receive maturity benefits without filing claims by having them specify a bank account to receive maturity benefits upon the purchase of a product. (September 2013)

Feedback

When do you send me a payment slip for the first premium payment? Why can't I have it when I purchase an insurance policy?

Improvement

We have changed our process and now issue the first premium payment slip (for Japan Post Bank branches) with the purchase of an insurance policy. (October 2013)

7. Information Systems to Support Customers

System Development Efforts

Since the start of our operations in October 2007, Japan Post Insurance has been promoting system development in order to reform our administrative operations and IT systems for simply, quickly and accurately performing functions ranging from underwriting to claims payments and to provide better quality services to customers.

With particular emphasis on supporting consulting activities that promote interaction with customers and providing stable services, we fully leverage the network of post offices as a source of safety, reassurance, trust and convenience for customers. To help facilitate these efforts, we started operating a New Policy Processing System in October 2011. This system is designed to support the entire process concerning new policy processing from formulating insurance plans to the conclusion of insurance policies. We are currently working to enhance the system's functional capabilities.

In October 2013, we replaced our mobile terminals used for proposing insurance policies, going through contractual procedures and collecting premiums from policyholders with multi-purpose tablet devices capable of wireless communication. These new devices enable our sales force to propose insurance products in an even more customer-friendly manner and immediately check the status of policies held by customers at their home or other locations outside post offices.

In addition, we will launch a new system service in April 2014 for corporate customers to collect insurance premiums individually by company or organization. Meanwhile, we have started the phased implementation of a Claim Payment Processing System (SATI) designed to improve customer service through simple, quick and accurate payments of insurance benefits.



Initiatives for Next Core Systems Development

Currently, we are undertaking development of backbone systems, as existing systems will enter a renewal or upgrade cycle in January 2017. Our efforts are aimed at improving systems quality and development productivity as well as reducing system-related costs.

We will continue to promote the enhancement of our IT systems that support our efforts to improve customer service, which include implementing business processing that is easier to understand for customers and building a structure to offer meticulous customer support.