


# Management Strategy of Japan Post Insurance



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In April 2016, Japan Post Insurance revised our Management Philosophy to mark the major milestone of our listing on the Tokyo Stock Exchange in November 2015 and 100 years since the establishment of the Postal Life Insurance Services in October 1916. Our new Management Philosophy is a determination that all executives and employees will work together to always be close at hand and to protect the well-being of every one of our customers.

## Management Philosophy

### **Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.**

#### Concept of our Management Philosophy

We have expressed our Management Philosophy based on our “Japan Post Insurance Identity” such as receptiveness to always support customers close at hand in a broad range of regions and across generations.

#### Be a trustful partner for people, always being close at hand

With our brand image of “trustworthiness” and “reliability” developed thus far as our asset, we will continue to fulfill our mission as a member of the Japan Post Group to provide the peace of mind that is insurance to a wide range of customers all over Japan through a network of post offices that are close to regional societies.

#### Endeavoring to protect their well-being

With confidence, pride and a sense of obligation as one of the largest life insurance companies in Japan, we strive to ensure that all people can dream, embody the brilliance of life and experience positive lives. We will protect their well-being by the power of insurance and support regional societies throughout Japan.

To realize our Management Philosophy, we have established the Management Policy, defining in concrete terms the attitude we should aim toward, and the Code of Conduct, setting out the norms that every executive and employee must actively work to follow.

## Management Policy

**We aim to become the No.1 Japanese insurance company selected by customers.**

1. We are always close to people's lives, offering easy-to-understand products and high-quality services.
2. We always ensure that employees who have contact with our customers make full use of their strengths to offer better customer services.
3. We create a working environment in which all employees can develop their talents and work with energy and vitality.
4. We practice sound management based on strong corporate governance, constantly creating new value to achieve sustainable growth.
5. We actively contribute to health promotion, environmental protection, and the development of local communities and society as a whole.
6. We work to communicate closely with all stakeholders.

## Code of Conduct

1. We put the customer first in everything we do.
2. We offer comprehensive and heartfelt services by working together closely with our business partners.
3. We always improve ourselves, embarking on new challenges and contributing to the development of the company and society.
4. We leave no stone unturned in ensuring compliance based on a strong ethical sense of the company as a responsible member of society.
5. We respect human rights and create a diverse and inclusive working environment.



## Framework of Business Operations

Japan Post Insurance aims to provide services that meet customers' needs with a high degree of customer satisfaction through an extensive nationwide network of post offices serving as bases for providing our products and various procedures and services.

### Bases for providing our products and services

We are pursuing business expansion with the agency sales channel (our business partners JAPAN POST Co., Ltd. (post offices) and contracted post offices) and the directly-managed wholesales channel (our branches) as our sales channels.

#### Agency sales channel

JAPAN POST Co., Ltd. ("Japan Post Co.") solicits our insurance products through its post offices which can be found in every corner of the country as bases of operations. Post offices provide simple and easy-to-understand products (with smaller coverage amounts and easy procedures) and services mainly to households and the individuals market, taking advantage of their nationwide network.

We have placed organizations (Agency Relations Divisions) for agency support at 76 directly-managed offices (as of March 31, 2016) and offer support for sales promotion, as well as training and administration support. We also take advantage of our strengths while working as one with Japan Post Co. to promote development of

products that meet customers' needs, development of new markets and channels, and sophistication of sales processes.

As of March 31, 2016, there were 20,056 post offices undertaking life insurance solicitations.

Contracted post offices (postal counter service consignees) provide simple and easy-to-understand products and services in the same manner as the post office channel.

As of March 31, 2016, there were 624 contracted post offices that had concluded life insurance solicitation consignment contracts with Japan Post Insurance.

Note: In addition, some contracted post offices conduct work to refer customers to post offices.

#### Directly-managed wholesales channel

Whole Sales Divisions of our directly-managed offices are placed in 76 major cities nationwide (as of March 31, 2016), where they provide our products and services primarily to the corporate

and worksite market including small- and mid-sized companies, and also handle other life insurance companies' products for corporate customers.

### Bases for various procedures

For policies with Japan Post Insurance, we provide services for the collection of insurance premiums, the payment of insurance benefits and various other procedures at post offices located all across Japan.

In addition, following privatization, we have been commissioned with the management of Postal Life Insurance Policies from the Management

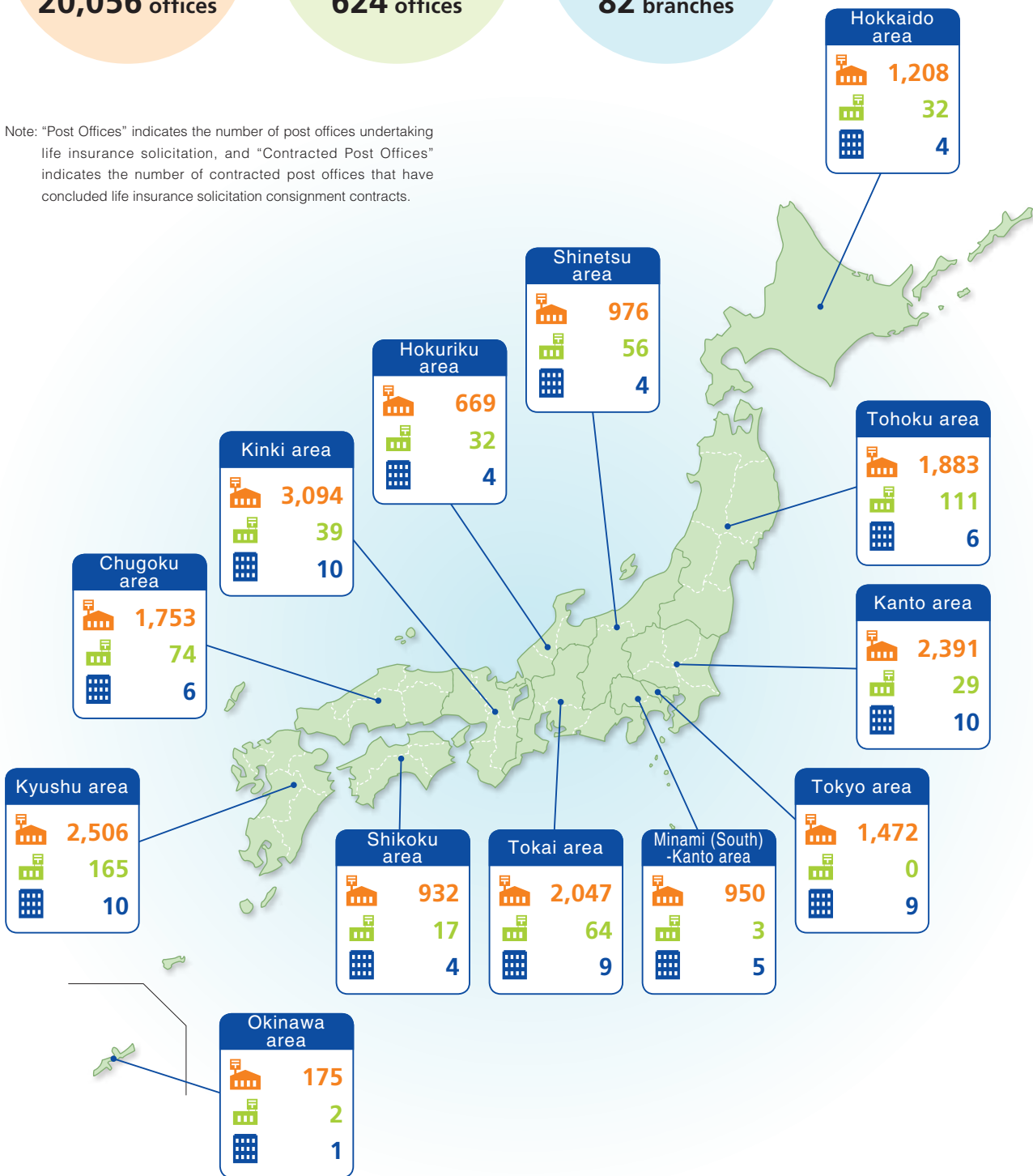
Organization, which took over the Postal Life Insurance Policies from Japan Post Corporation. By consigning some of the commissioned tasks from the Management Organization to Japan Post Co., such as the collection of insurance premiums and the payment of insurance benefits, we provide services at post offices just as we did before privatization.



# The Post Office Network and Japan Post Insurance Bases across Japan (As of March 31, 2016)



Note: "Post Offices" indicates the number of post offices undertaking life insurance solicitation, and "Contracted Post Offices" indicates the number of contracted post offices that have concluded life insurance solicitation consignment contracts.





## Overview of Medium-term Management Plan

In April 2015, Japan Post Group announced a new Medium-term Management Plan spanning three years from the fiscal year ended March 31, 2016 to the fiscal year ending March 31, 2018, the “New Japan Post Group Network Creation Plan 2017,” to indicate the direction of its management.

Based on this Medium-term Management Plan, Japan Post Insurance aims to become the “No. 1 Japanese Insurance Company Selected by Customers,” paving the way for real growth by establishing a financial management base that will be necessary for our growth, as well as by developing products and services to enhance our strengths.

In the fiscal year ended March 31, 2016, having listed our stock in November, we achieved ahead of schedule our goal for the fiscal year ending March 31, 2017 in the Medium-term Management Plan of ¥50 billion in insurance premiums from new policies through the launch of endowment insurance with a shortened premium period, among other factors.

In the fiscal year ending March 31, 2017, as we celebrate the 100th anniversary of the establishment of Postal Life Insurance Services, we will strive to further improve customer services and aim to secure the business objectives outlined in the Medium-term Management Plan.

### Strategic Goals

Establish our financial management base which will be necessary for growth

Develop products and services to enhance our strengths

Aim for the reversal of the decreasing trend of policies in force after the final fiscal year of the Medium-term Management Plan (FY2018/3)

### Business Objectives (FY2018/3)

#### Contracted monthly insurance premiums from new policies

Our target is to achieve 50 billion yen in contracted monthly premiums from new policies by the 100th anniversary of the establishment of Postal Life Insurance (in FY2017/3) and to make them grow further, aiming to reverse the decreasing trend of policies in force after the final fiscal year of the Medium-term Management Plan (FY2018/3) and enter into growth phase.

#### Net income

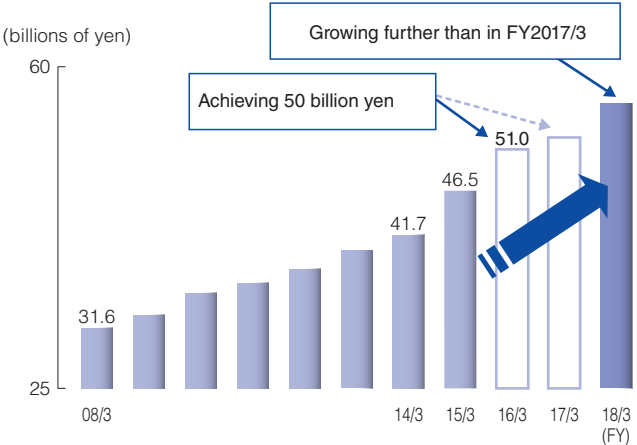
Assuming no drastic changes in the market environment, our target is to secure around 80 billion yen in net income.

#### Dividend payout ratio

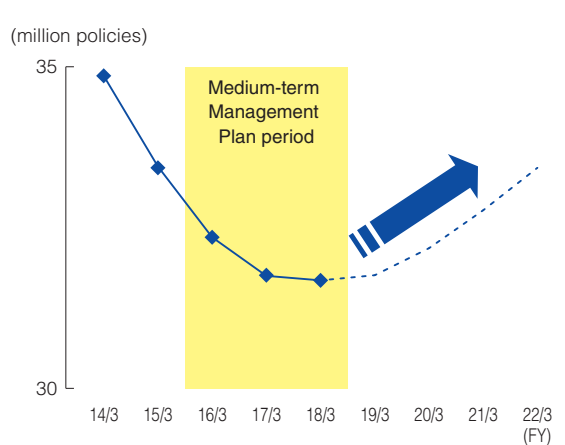
We will redistribute profits to our shareholders steadily, setting a dividend payout ratio within the range of roughly 30–50%, while considering financial soundness and balance between shareholder and policyholder dividends.

### Aim at Early Reversal of Policies in Force

Contracted monthly premiums from new policies



Number of policies in force



### Business Alliance with The Dai-ichi Life Insurance Company, Limited

On March 29, 2016, we reached a basic agreement to form a strategic business alliance with The Dai-ichi Life Insurance Company, Limited (“Dai-ichi Life”), in the three areas of international life insurance business, asset management business, and joint research in the new product and IT fields as pillars of the alliance.

The Alliance will complement and merge each company's expertise, leading to a sustainable enhancement of corporate values of the two companies. Through an improvement in quality of products and services, it also will contribute to a development of local communities throughout Japan. Finally, it will accelerate penetration of life insurance products in overseas markets, leading to a development of society and economy in these countries.



#### Outline of the Alliance

##### 1) International Life Insurance Business

In order to develop cooperative ground in developing life insurance business overseas, Japan Post Insurance and Dai-ichi Life intend to discuss in view of extending various support to the project where Dai-ichi Life's subsidiary, Dai-ichi Life Insurance Company of Vietnam, Limited (“Dai-ichi Life Vietnam”), will consign sales of life insurance products to Vietnam Post Corporation (“Vietnam Post”), a state-owned postal service provider.

In order to strengthen cooperative relationship between the two companies in Vietnam, Japan Post Insurance considers taking a stake in Dai-ichi Life Vietnam.

##### 2) Asset Management Business

Faced with the difficult environment such as extended period of lower interest rates, Japan Post Insurance and Dai-ichi Life intend to discuss in view of diversification of asset management strategy and strengthening of risk diversification capabilities, in addition to a sharing of Dai-ichi Life's asset management affiliates DIAM Co., Ltd. and Janus Capital Group Inc., and joint investment in growing sector such as project financing.

Furthermore, in order to strengthen asset management administration service platform, Japan Post Insurance and Dai-ichi Life consider transferring a part of interest in Trust & Custody Services Bank, Ltd. (“TCSB”), an affiliate of Dai-ichi Life, to Japan Post Insurance which consigns asset administration services to TCSB.

##### 3) Joint Research on Domestic Life Insurance Business

Japan Post Insurance and Dai-ichi Life consider joint research in view of product development and deployment of IT technologies in order to pursue future growth in domestic life insurance market, to improve quality of products and services and to streamline expenses.

### Memorandum Regarding Trilateral Collaboration Signed by Japan Post Insurance, Dai-ichi Life and Vietnam Post



On April 19, 2016, Japan Post Insurance, Dai-ichi Life, and Vietnam Post have signed the memorandum with regard to their trilateral collaboration in providing life insurance services in Vietnam.

Vietnam Post is a government-owned enterprise with approximately 11,000 branch offices and 40,000 employees throughout the nation, having sales experience in both insurance products and postal/distribution services.

Taking this opportunity, Japan Post Insurance, Dai-ichi Life and Vietnam Post will enhance their business relationship, so as to spread and penetrate their life insurance services within Vietnam as well as to contribute to the development of the Vietnamese society and economy.

## ■ Cooperation in a Feasibility Study on “Health Promotion Service” by JAPAN POST Co., Ltd. —■

We have cooperated in a feasibility study on “Health Promotion Service” by JAPAN POST Co., Ltd. since June 2016 in *Date City*, Fukushima Prefecture.

This service aims to extend people’s healthy life expectancy and thereby contribute to solving the problems of an aging society in Japan, while it aims to contribute to invigorating local communities and regional revitalization by supporting health promotion and creating a society where people can enjoy active lives. This service provides “Health Promotion Programs” optimized to individual participants and monitors the progress of efforts by participants using iPads or wearable devices in order to support the achievement of health improvement goals.

## ■ Obtained Approval for Underwriting of Reinsurance —■

We applied to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications for approval to underwrite reinsurance pursuant to Article 138, Paragraph 1 of the Postal Service Privatization Act on January 19, 2016 and received approval on March 11, 2016.

We believe that the reinsurance business will lead to improving the potential for revenue acquisition by the diversification of revenue sources, while also leading to improvement of our risk portfolio by holding different risks from those that we currently hold.

## ■ Obtained Approval for Commissioned Sales of Insurance Products for Corporate Clients and Started Sales —■

We applied to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications for approval of Commissioned Sales of Insurance Products for Corporate Clients based on Article 138, Paragraph 3 of the Postal Service Privatization Act on July 1, 2015. On September 30, 2015, we obtained approval for consignment sales of term insurance for corporate executives from all life insurance companies, as well as consignment sales of general welfare group term insurance

## ■ Changes in the Maximum Amount of Insurance Coverage (In the case where a certain period of time has passed since enrollment) —■

There are limits on the amount of insurance coverage for which each insured person can enroll in set forth by Article 137 of the Postal Service Privatization Act, etc., for our insurance policies.

According to the Cabinet Order on the Partial Revision of the Order for Enforcement of the Postal Service Privatization Act, which came into effect on April 1, 2016, the maximum amount of insurance coverage for one insured person may be raised, under certain conditions, from a maximum of ¥13 million to a maximum of ¥20 million. As a result, we are now able to meet the additional enrollment needs of our customers. Going forward, we will continue to study products and services based on our customers’ needs and others.

## ■ Obtained Approval for Ancillary Services —■

We applied to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications for approval to implement ancillary services pursuant to Article 138, Paragraph 3 of the Postal Service Privatization Act on January 19, 2016 and received approval on March 11, 2016.

From May 9, 2016, we started providing a free telephone consultation service on “health, medicine and nursing,” as well as “taxes in life,” and believe that it will contribute to the improvement of the convenience and satisfaction of our customers.

from MetLife Insurance K.K.

In order to meet the diverse needs of corporate executives, in addition to Commissioned Sales of Insurance Products for Corporate Clients of other life insurance companies that we have handled thus far, we launched consignment sales of term insurance for corporate executives from Dai-ichi Life and general welfare group term insurance from MetLife Insurance K.K. in November 2015.

## Launched Sales of Short-Term Premium Payment Endowment Insurance

To respond to customers' needs to be free from the burden of paying insurance premiums earlier, etc., we launched sales of Ordinary Endowment

Insurance "Shin Free Plan (short-term premium payment)" in October 2015.

### Product features

Feature  
1

This product release customers from the burden of paying insurance premiums earlier as it enables them to complete premium payments in a shorter period (10 years) than the insurance period (15 years).

Feature  
2

By making the insurance premium payment period shorter than the insurance period and offering a certain deferment period after completing premium payments, this product enables customers to enroll in the insurance policy with less total premiums than those paid over the full term of insurance.

Feature  
3

By adding a hospitalization rider, hospitalization costs are covered. In addition, the coverage lasts until the maturity date even after the completion of premium payments.



Text promoting Short Term Premium Payment Endowment Insurance; "Now available! Receive 15 years of coverage for 10 years of premium payments!"

## Introduced "Deferred First Premium Payment System" and "Special Provision on Designating Commencement Date of Liability"

### Deferred First Premium Payment System

In October 2015, we launched a deferred first premium payment system in which the coverage (liability) starts from the time customers apply and report their health status, and then customers make their first premium payment through a bank transfer or other ways after the policy is concluded.

Previously, customers were requested to pay the first premium in cash at the time of application because a bank transfer was not available for such initial premium payment. The adoption of this system enables customers to start paying premiums by bank transfer from the first payment.

With the commencement of this new system, customers are no longer requested to bring cash when they pay the first premium, thus enhancing customers' convenience and improving our operational efficiency of collection of premiums.

### Special Provision on Designating Commencement Date of Liability

In October 2015, we commenced the handling of a special provision on designating the commencement date of liability whereby policy holders can designate the commencement date of coverage (liability) at the time of application.

As a result, customers can start application procedures for new insurance policies and designate the commencement date of coverage (liability) at most three months prior to the maturity of the insurance policies in which they are already enrolled, thus enabling seamless transition to new coverage (liability) without causing duplicate coverage or an in-between period.

With the commencement of this new provision, procedures to make an insurance claim for maturity proceeds and application for new insurance policies can be handled at the same time, thus enhancing customers' convenience and improving our operational efficiency for the solicitation of new insurance policies.

## Further Refinement of Insurance Benefit Payment Operations through Utilization of IBM Watson

We are promoting study on further refinement of our insurance claim payment operations through utilization of the Watson technology, which is IBM's cutting-edge cognitive computing system.

More specifically, we will consider the development of an operational support system to enable examination staff to handle payment operations more promptly and accurately. This operational support system proposes options with certainty factors for staff to make payment decisions based on an analysis of our payment

examination data (one of the largest data sources in Japan), contract terms, relevant laws and regulations, and past cases.

We will continue to work toward our management philosophy of becoming the "No. 1 Japanese Insurance Company Selected by Customers" through initiatives such as the improvement of our service level.

Note: Cognitive computing is a technology whereby computers autonomously make links to various data input and analyze and learn from that to provide support for decision-making through computing and evaluating the estimated results.