

# Corporate Governance



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## Basic Concept of Corporate Governance

Japan Post Insurance, with a view to ensuring sustainable growth of the Group (Japan Post Insurance and JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.; the same shall apply hereinafter) and creating its corporate value over the medium to long term, has set out the “Basic Policy Regarding Corporate Governance” as follows (please refer to pages 74-78) and has developed the corporate governance structure of the Group accordingly.

## Organizational Design

We have adopted a company with three committees structure, under which the Board of Directors’ role of management supervision is separated from the Executive Officers’ role of business execution, thereby clarifying the responsibilities with respect to corporate management. Within the organization of the Board of Directors, the three committees, namely the Nomination Committee, the Audit Committee and the Compensation Committee, have been established to ensure the fairness of the management supervision function of the Board of Directors. The specific roles of these committees are as described on the right:

- The Nomination Committee determines proposals for general meetings of shareholders concerning the appointment and dismissal of Directors.
- The Audit Committee audits the execution of business by Directors and Executive Officers, determines proposals for general meetings of shareholders concerning the appointment and dismissal of the accounting auditor and approves the compensation for the accounting auditor as determined by Directors.
- The Compensation Committee formulates compensation policies for Directors and Executive Officers and determines detailed compensation for each individual.

### **BASIC POLICY REGARDING CORPORATE GOVERNANCE** (Established on October 28, 2015)

#### **CHAPTER I. GENERAL PROVISIONS**

##### **(Purpose)**

Article 1. This basic policy sets out the basic views, framework, and operation policy regarding the corporate governance of JAPAN POST INSURANCE Co., Ltd. (the “Company”), with a view to ensuring sustainable growth of the Group (the “Group” refers to the Company and JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.; the same shall apply hereinafter) and enhancing its corporate value over the medium to long term.

##### **(Basic Views on Corporate Governance)**

Article 2. The Company shall develop the corporate governance structure of the Group based on the following concept, with a view to ensuring sustainable growth of the Group and creating corporate value over the medium to long term.

- (1) The Company shall continue to create new convenience for customers and pursue the provision of high quality services, while generating consistent value by providing life insurance services through the post office network.
- (2) Fully recognizing its fiduciary responsibility to its shareholders, the Company shall give consideration to effectively secure rights and equal treatment of shareholders.

- (3) The Company shall place emphasis on dialogue with all stakeholders including customers and shareholders with an aim to ensure appropriate collaboration and sustainable coexistence. To this end, the Company shall strive to secure management transparency and commit to appropriate disclosure and provision of information.
- (4) The Company shall carry out swift and decisive decision-making and business execution under the effective supervision by the Board of Directors, in order to promptly cope with changes in social and economic environment and meet the expectation of all stakeholders.

##### **(Corporate Governance Structure of the Company)**

Article 3. The Company has adopted a “company with three committees structure” from the following points of view.

- (1) To separate the especially vital decision-making and supervision of business execution, such as the formulation of basic management policy, from the business execution based on such decisions, thereby increasing the flexibility in management and establishing the management supervision structure of the Group governed by the Board of Directors.
- (2) To fully utilize external views on the management of the Company and ensure the transparency and

fairness of decision-making on the management through enabling the exercise of functions of the Board of Directors comprised mainly of Independent Directors and the three committees, namely the Nomination Committee, the Compensation Committee and the Audit Committee.

- (3) To realize a corporate governance structure that can fulfill its accountability to all stakeholders.

## **CHAPTER II. COMPOSITION OF THE BOARD OF DIRECTORS AND ITS ROLE, ETC.**

### **(Composition of the Board of Directors and its Role)**

Article 4.

1. The Board of Directors shall be diversely comprised of Directors with a wealth of knowledge and experience as well as deep insight. The number of Directors shall be an appropriate number not exceeding 20 as set forth in the Articles of Incorporation and one-third or more of the Directors shall be, in principle, Independent Directors.
2. The Board of Directors shall, in accordance with the “Board of Directors Regulations,” develop a system, in which it facilitates swift management decision-making by delegating all authority concerning business execution of the Company to Executive Officers, except for business execution concerning statutory matters to be resolved exclusively by the Board of Directors and some especially critical matters, and exercises supervision through receiving reports from Executive Officers on such business execution in a timely and appropriate manner.
3. The Board of Directors shall set out the basic management policies such as the Company’s management philosophy and medium-term business plans, with a view to collaborating and coexisting with all stakeholders, and strive to materialize sustainable growth of the Group and generation of corporate value over the medium to long term through appropriate supervision of the exercise of such policies.
4. The Board of Directors shall, in accordance with the Companies Act, set out the “Fundamental Policy for Establishment of Internal Control Systems” that includes matters relating to the proper development of a risk management system, and regularly receive reports from responsible Executive Officers over the operation status of such policy. The Board of Directors shall then carry out evaluation and analysis based on those reports in order to support swift and decisive decision-making by Executive Officers, and thereby carry out adequate monitoring as a supervisory body.
5. The Board of Directors shall recognize effective supervision of Executive Officers from an independent and objective standpoint as one of their major roles and responsibilities and formulate the “Appointment Criteria for Executive Officers.” Based

on such criteria and assessment of business performance of the Company, the Board of Directors shall appropriately elect Executive Officers as well as Executive Officers with titles.

6. In the event of any conflicts of interest between the Company and its Directors and/or Executive Officers (hereinafter, “Officers”), the Board of Directors shall appropriately supervise the situation pursuant to the provisions of the Companies Act. In addition, in the event of an irregular transaction between the Company and its principal shareholders, the Board of Directors shall closely monitor the situation, by receiving reports on details of such transactions, to prevent such transactions from harming common interests of the Company and its shareholders.

### **(Operation of the Board of Directors)**

Article 5.

1. The Company shall develop an operational system of the Board of Directors, which gives consideration for time-affordable annual scheduling, appropriate provision of information as needed, provision of adequate briefing and review time over the meeting agenda prior to the Board of Directors’ meeting, and allocation of sufficient time for questions and answers at the Board of Directors’ meeting, in order to ensure effective and smooth operation of the Board of Directors, especially to enhance the effectiveness of the supervision by Directors.
2. Apart from the development of the operational system in the preceding paragraph, appropriate personnel shall be assigned to support effective and efficient operation of the Board of Directors and to communicate and coordinate with Outside Directors, including optimization of the deliberation or reporting processes at the Board of Directors’ meeting, verification of the progress concerning the matters resolved at the Board of Directors’ meeting.

### **(Evaluation of the Board of Directors)**

Article 6. The Board of Directors shall conduct analysis and evaluation on an annual basis over the effectiveness of the Board of Directors as a whole, through obtaining opinions from each Director regarding the Board of Directors and others. Summary of the results of such analysis and evaluation shall be disclosed and utilized for improving the operation of the Board of Directors.

## **CHAPTER III. STRUCTURE AND ROLE OF COMMITTEES**

### **(Nomination Committee)**

Article 7.

1. The Nomination Committee shall be comprised of three or more members, majority of whom shall be Independent Officers.
2. The Nomination Committee shall formulate and elect candidates for Directors based on the “Nomination



Criteria for Candidates for Directors," which stipulates the concepts regarding the appropriate balance between knowledge, experience and skills of the Board of Directors as a whole, diversity and the appropriate board size, as well as the qualification for Directors required by the Company.

3. The Nomination Committee shall formulate the "Designation Criteria for Independent Officers," which stipulates the requirements for Outside Directors that does not have the potential to cause conflicts of interest with shareholders, and designate Independent Officers from among Outside Directors.
4. The Nomination Committee shall appropriately supervise the succession planning for the management including the President and CEO.

#### **(Compensation Committee)**

Article 8.

1. The Compensation Committee shall be comprised of three or more members, majority of whom shall be Independent Officers.
2. The Compensation Committee shall formulate the "Compensation Policies for Directors and Executive Officers by Individual" and determine the amounts of compensation for Officers based on such policies.
3. The compensation for Executive Officers specified based on the policies in the preceding paragraph shall provide a scheme that serves as sound incentive for sustainable growth.

#### **(Audit Committee)**

Article 9.

1. The Audit Committee shall be comprised of three or more members, majority of whom shall be Independent Officers. In principle, at least one member of the Audit Committee shall be a person with adequate knowledge of finance and accounting.
2. The Audit Committee shall, in principle, elect full-time members of the Audit Committee for the purpose of ensuring audit effectiveness.
3. The Audit Committee shall take part in the supervising function performed by the Board of Directors, and audit the execution of duties by Executive Officers and Directors.
4. The Audit Committee shall monitor and verify the status of development and operation of the internal control systems of the Group.
5. The Audit Committee shall regularly receive reports from the accounting auditor on the status of audit implementation and the results of audits, while reinforcing cooperation with the accounting auditor through exchange of information. Meanwhile, the Audit Committee shall monitor and verify the status of the execution of duties by the accounting auditor, and determine details of proposals regarding the appointment, dismissal or non-reappointment of the accounting auditor to be submitted to the general meeting of shareholders.

6. The Audit Committee shall conduct investigation on the status of business and assets of the Company and verification of the content of interviews with Executive Officers and reports made by them, through effective cooperation with the internal audit department, etc., on the premise of the development and operation of the internal control systems within the Group.
7. An Office of Audit Committee shall be established as a secretariat which provides assistance to the Audit Committee.

### **CHAPTER IV. ROLE, ETC. OF INDEPENDENT OFFICERS**

#### **(Role of Independent Officers)**

Article 10. Independent Officers shall appropriately protect the interests of general shareholders through supervising the business execution by Executive Officers from an independent and objective standpoint. In addition, they shall provide appropriate advice and support to Executive Officers based on their respective experience and expertise, so that the Group may achieve sustainable growth and generate medium-to long-term corporate value, while appropriately collaborating and coexisting with its stakeholders.

#### **(Acquisition and Sharing of Information by Outside Directors)**

Article 11.

1. The Company shall provide opportunities for Outside Directors (including Independent Officers; the same shall apply hereinafter) to deepen their understanding and acquire necessary knowledge about the Group's businesses, issues to be addressed, management strategies, etc., through measures such as reporting on business conditions and organizing tours of facilities of the Group, in order for them to appropriately fulfill their expected roles and responsibilities.
2. Outside Directors shall develop adequate understanding of business conditions of the Company in order to fulfill their roles and responsibilities, and if deemed necessary, ask responsible Executive Officers for explanation, etc. in a timely and appropriate manner.
3. Outside Directors shall endeavor to exchange information with each other and develop a shared understanding based on an independent and objective standpoint, by holding meetings among themselves as necessary or by other means.
4. The Company shall elect an Outside Director in charge of advanced communication and coordination with Executive Officers through mutual election among Outside Directors.

## **CHAPTER V. BUSINESS EXECUTION STRUCTURE, ETC.**

### **(Business Execution Structure)**

Article 12.

1. The President and CEO shall decide on and execute important businesses entrusted by the Board of Directors.
2. Executive Officers other than the President and CEO shall decide on and execute businesses entrusted by the Board of Directors in respective areas of responsibility according to the segregation of duties determined by the Board of Directors.
3. Decision-making on the execution of important businesses by the President and CEO shall be subject to prior deliberation by the Executive Committee, an advisory body to the President and CEO and comprised of Executive Officers designated by the President and CEO, for accurately understanding the facts which will form the basis of such decision-making and for ensuring rationality and appropriateness of the content and the process of the decision-making. Furthermore, efforts will be made to resolve issues by establishing specialized committees as advisory bodies to the Executive Committee. Specialized committees will deliberate on technical matters, the results of which will be reported to the Executive Committee.

### **(Training for Inside Officers)**

Article 13. The Company shall provide inside officers including newly appointed Executive Officers with opportunities to deepen their understanding and acquire necessary knowledge about their roles and responsibilities, in order for them to fulfill their expected roles and responsibilities.

## **CHAPTER VI. ACCOUNTING AUDITOR**

### **(Accounting Auditor)**

Article 14.

1. To ensure the execution of appropriate audits by the accounting auditor, the Audit Committee shall establish criteria for the verification and evaluation of independence and expertise of the accounting auditor, thereby conducting appropriate evaluation of the accounting auditor.
2. To ensure the execution of appropriate audits by the accounting auditor, the Company shall develop a system relating to the accounting auditor including the following requirements.
  - (1) Ensure independence of the accounting auditor
  - (2) Secure sufficient timeframe for audits by the accounting auditor
  - (3) Secure adequate meeting opportunities between the accounting auditor and the President and CEO, etc.
  - (4) Ensure sufficient cooperation between the accounting auditor and the internal audit department

- (5) Establish a response system within the Company in the event the accounting auditor discovers any misconduct and asks for appropriate measures to be taken by the Company, or points out any defects or problems found in the course of the audit

## **CHAPTER VII. GENERAL MEETING OF SHAREHOLDERS, ETC.**

### **(General Meeting of Shareholders)**

Article 15. Based on the fact that the general meeting of shareholders is a forum for constructive dialogue with our shareholders, the Company shall, from the shareholders' viewpoint, develop an appropriate environment for shareholders to exercise their rights at the general meeting of shareholders through the following measures.

- (1) Provide appropriate information that would help shareholders make appropriate decisions at the general meeting of shareholders
- (2) Prompt electronic announcement and an early dispatch of the notice of the general meeting of shareholders, to secure sufficient time for shareholders to review the proposals for the general meeting of shareholders
- (3) Schedule the general meeting of shareholders and related events in full consideration of the requirements such as enhancement of constructive dialogue with shareholders and provision of accurate information for such purpose
- (4) Adopt electromagnetic means to enable the exercise of voting rights by the shareholders who cannot attend the general meeting of shareholders in person, use an electronic voting platform for enhanced convenience, and provide English translated version of the general meeting of shareholders
- (5) Enhance convenience for the exercise of voting rights by the institutional investors holding shares under the name of trust banks, etc.

### **(Capital Policy)**

Article 16.

1. The Company shall make it a basic policy to maintain a sufficient level of shareholders' equity necessary for strengthening earning power and management base, with a view to continually enhancing shareholder value while paying due attention to capital efficiency. The necessary level of shareholders' equity shall be reviewed as appropriate in consideration of the requirements such as its adequacy in comparison with the risks associated with business activities and the fulfillment of the level required by regulatory authorities.
2. Regarding the distribution of surplus to shareholders, in view of the public nature of the insurance business, the Company shall make it a basic policy to provide stable dividends to its shareholders, while making

efforts to secure internal reserves from the perspective of ensuring sound management.

#### **(Cross-Shareholdings)**

Article 17.

1. The Company may, other than for pure investment purpose, acquire and hold shares in listed companies to reinforce business partnerships or for other purposes which are believed to contribute to the enhancement of the Company's medium-to long-term corporate value (hereinafter, "cross-shareholdings").
2. For the major cross-shareholdings held by the Company, the Company shall review their economic rationale over the medium to long term and future prospects, and report to the Board of Directors each fiscal year on its aim and rationale of holding such shares.
3. With respect to the exercise of voting rights concerning the shares held as cross-shareholdings, the Company shall make decisions whether to approve or disapprove a proposal, based on the case-by-case examination to verify whether such proposal is expected to contribute to the efficient and sound management of the investee and enhance its corporate value, in addition to whether the proposal conforms with the Company's shareholding policy.

#### **(Anti-Takeover Defense Measures)**

Article 18. The Company has set out provisions in its Articles of Incorporation to the effect that resolutions regarding the introduction, continuation or abolition of anti-takeover defense measures may be adopted at the general meeting of shareholders. In introducing and operating anti-takeover defense measures, the Company shall consider its necessity and rationale and fully explain to shareholders in advance.

### **CHAPTER VIII. COLLABORATION AND COEXISTENCE WITH STAKEHOLDERS**

#### **(Dialogue with Shareholders)**

Article 19.

1. The Company shall engage in constructive dialogue with its shareholders in order to ensure its sustainable growth and the enhancement of its corporate value over the medium to long term.
2. The system and initiatives for promoting constructive dialogue with shareholders are as follows:
  - (1) Dialogue with shareholders shall be conducted by the management to a reasonable extent.
  - (2) The Executive Officer in charge of Corporate Planning shall be responsible for dialogue with shareholders to promote a constructive dialogue.
  - (3) In conducting dialogue with shareholders, a unit in charge shall be established within the Company which organically coordinates with related departments and provides assistance therefor.

(4) The Company shall strive to develop means for dialogue such as holding investor meetings.

(5) Opinions of shareholders received in the dialogue shall be reported periodically to the Board of Directors.

(6) In the course of the dialogue, any insider information shall be appropriately managed in accordance with internal regulations.

#### **(CSR)**

Article 20.

1. The Company shall promote CSR activities of the Group as an initiative for enhancing corporate value of the Group and eventually its social presence value.
2. The Company shall adequately and actively address any issues arising in the course of CSR activities, based on the recognition that it is an important part of risk management.

#### **(Promotion of Diversity Management)**

Article 21. Under the recognition that the presence of diverse perspectives and values reflecting various experiences, skills and attributes within the company may be advantageous in ensuring sustainable corporate growth, the Company shall actively make efforts to secure diversity such as promotion of active participation of female employees and promotion of employment and active participation of people with disabilities.

#### **(Whistleblowing System)**

Article 22.

1. The Company shall establish rules for reporting, which the employees of the Group must follow, in the event of violation of laws and regulations or internal regulations (including regulations for ensuring confidentiality and anonymity of whistleblowers and prohibiting disadvantageous treatment), and establish points of contact both inside and outside the Company, in an effort to develop an appropriate system for whistleblowing.
2. The Company shall develop a system to promptly report any serious compliance violations of the Group uncovered through whistleblowing to the members of the Audit Committee.

### **CHAPTER IX. OTHERS**

#### **(Revision and Abolition)**

Article 23. Revision and abolition of this basic policy shall be subject to the resolution at the Board of Directors.

# Internal Control Systems



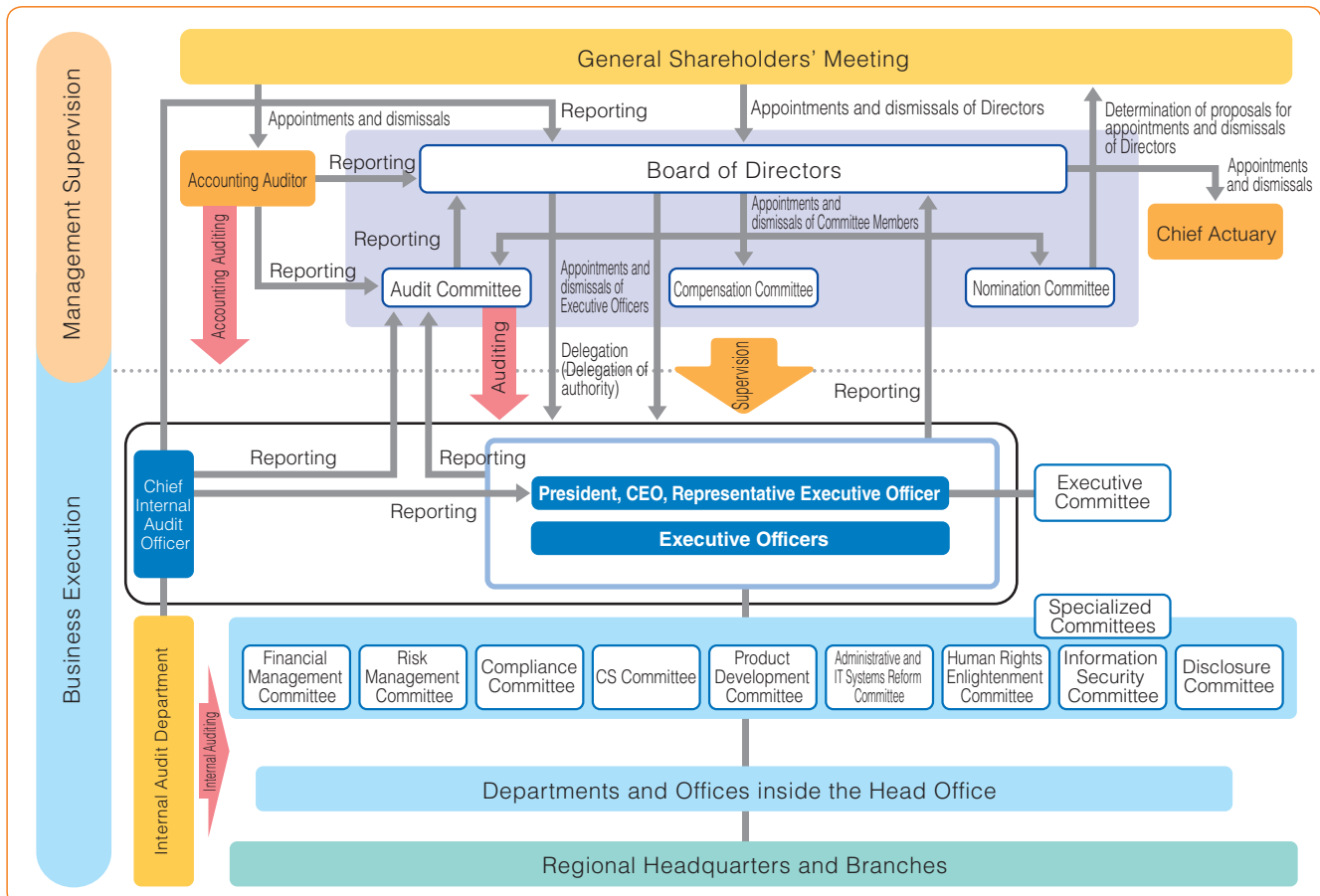
Japan Post Insurance considers the establishment of strong internal control systems to be extremely important to increasing our corporate value and to our goal of becoming the “No.1 Japanese insurance company selected by customers.” We have established systems for the execution of our business based on the principle of self-responsibility and have continued our efforts to enhance our organization and systems.

## Outline of Organization and Systems

Important management decisions related to business execution are first discussed by the Executive Committee and then made by the President, CEO, Representative Executive Officer. The Executive Committee comprises the President, CEO, Representative Executive Officer and the Executive Officers in charge of the respective business operations. In addition, we set up the following nine 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. Financial Management Committee
2. Risk Management Committee
3. Compliance Committee
4. CS Committee
5. Product Development Committee
6. Administrative and IT Systems Reform Committee
7. Human Rights Enlightenment Committee
8. Information Security Committee
9. Disclosure Committee

### Internal Control System





## Initiatives for Internal Control

We have formulated the “Fundamental Policy for Establishment of Internal Control Systems” at the Board of Directors for ensuring proper operations and improving corporate value.

Pursuant to the aforementioned policy, the Company is striving for the establishment of appropriate internal control systems, including the development of the following systems:

- System for ensuring the execution of duties by the Executive Officers and employees of Japan Post Insurance is in compliance with laws and regulations and the Articles of Incorporation
- System for retaining and managing information concerning the execution of duties by the Executive Officers
- System and rules for managing the risk of loss to Japan Post Insurance
- System for ensuring the efficient execution of duties by the Executive Officers
- System for ensuring proper operations within the corporate group comprising Japan Post Insurance and Japan Post Holdings, and subsidiaries of Japan Post Insurance
- System for ensuring effective audits by the Audit Committee

## Internal Audit Framework

We established an Internal Audit Department that is independent of our business-executing departments to contribute to sound and appropriate business operations. We have set up an internal audit framework to review and assess the Company’s internal control system 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, Regional Headquarters, branches and our subsidiaries as well as the sales agencies of Japan Post.

Audited organizations where problems or issues have been identified in an internal audit must carry out the corrections or improvements.

Follow-up is to be undertaken periodically to evaluate improvement measures taken by audited organizations in response to suggestions by the internal audits. The Internal Audit Department reports the results of internal audits to the President, CEO, Representative Executive Officer, the Audit Committee and the Board of Directors.

The Internal Audit Department is also seeking to improve the professional skills required for auditing by enhancing its training programs for internal auditors and encouraging staff to obtain the relevant qualifications. At the same time, the Department has endeavored to strengthen the Company’s internal audit framework by securing experienced staff in each area of the Company’s operations.





Japan Post Insurance assures the soundness and appropriateness of its business operations and maintains a framework that meets the trust of society by ensuring all its executives and employees comply with laws and regulations (laws, regulations, rules and internal rules, and social norms and corporate ethics) in every aspect of its business activities.

To realize our goal of becoming the “No.1 Japanese insurance company selected by customers,” company-wide efforts are undertaken to achieve thorough implementation of compliance.

## Compliance Policies

We have formulated our compliance framework by formulating compliance rules that set out the basics for the promotion of compliance within the Company. These rules incorporate the Fundamental Policy for Establishment of Internal Control Systems developed 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 company, we have established the Compliance Committee, headed by the Chief Compliance Officer (CCO), which meets regularly.

The Compliance Committee deliberates on the management policies concerning compliance, specific compliance operations and responds to various issues. It also works to achieve thorough implementation of compliance and prevent violations of compliance by monitoring and analyzing the Company's compliance promotion efforts. Also, the 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 the direct control of the Compliance Control Department. 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 Compliance Managers at our Head Office (including Services Centers) and at our Regional Headquarters and branches.

To discuss matters related to the enhancement and reinforcement of the compliance framework of Japan Post, 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 on the basis of discussion at the meeting. In addition, we have established a Compliance System Strengthening Advisory Board comprised of external experts and knowledgeable persons, etc. 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 compliance in our business activities and checks the adequacy and effectiveness of our compliance promotion system.

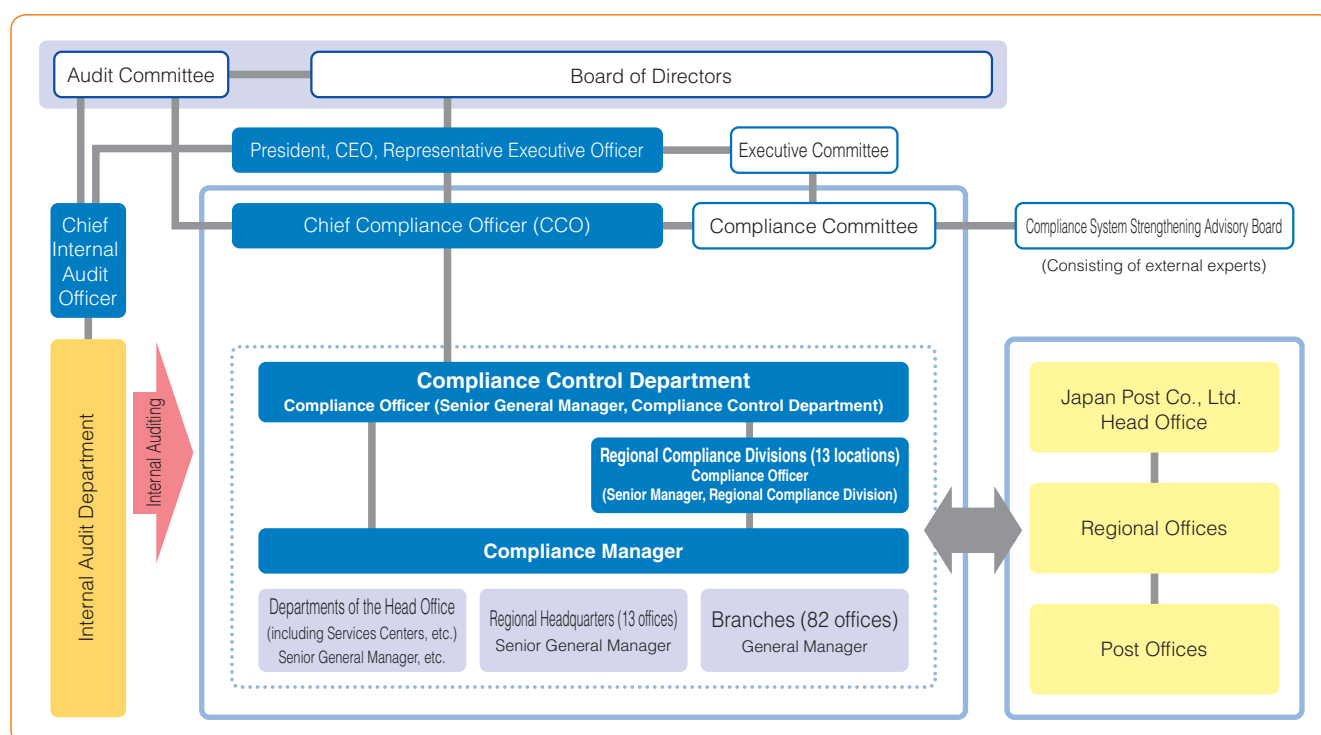
## Implementing Compliance Education

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 Compliance Managers, 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 hold e-learning training courses for all executives and employees.

Within 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.

### Compliance Promotion System



## Solicitation Policy of Japan Post Insurance

### I. Basic Policy

Under the Management Philosophy of "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being," we are always close to people's lives, offering easy-to-understand products and high-quality services.

In sales of insurance policies, we will appropriately sell our products, abiding by laws and regulations as well as social norms, etc.

**1. We will provide customers with appropriate product proposals and product explanations to attain customers' understandings.**

We will provide customers with appropriate product proposals in accordance with our customers' intention, knowledge and experiences, asset portfolio, life plan, etc., and will explain insurance product details with Contract Outline and Information Calling for Attention, etc. in written form in order that our customers will fully understand.

Especially for elderly customers, we will expound and respond in an attentive manner.

**2. We will manage insurance systems soundly so as to achieve our customers' peace of mind.**

We will endeavor to receive accurate declarations as well as consent of insured persons in order to maintain the sound management of insurance systems and fairness among policyholders.

We will solicit with appropriate policy amounts for contracts of life insurance policies whose insured persons are under age, especially below 15 years old.

**3. We will solicit our customers for our products from the customers' perspective.**

We will act in a customer-oriented way, taking sales methods, place and time, etc. as well as our customers' perspective into consideration in visiting and contacting our customers.

**4. We will educate and train employees so as to raise the level of customer satisfaction.**

We will provide comprehensive and heartfelt services as well as optimal benefits to our customers by always being self-disciplined and by fulfilling education and training of knowledge of our insurance products and consulting ability to all officers and employees.

**5. We will appropriately handle information on our customers.**

We will appropriately handle and strictly manage information gained through proposing our insurance products.



To prevent our customers' interests from being unduly harmed in conjunction with conflicts of interest transactions between our customers and Japan Post Insurance, we have released "Conflicts of Interest Management Regulations" in light of the Insurance Business Act and Financial Instruments and Exchange Act, and others. In accordance with these regulations, we engage in appropriate business conduct that complies with laws and regulations, internal rules and ethical standards.

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.

## Japan Post Group Conflicts of Interest Management Policy

The Japan Post Group ("the Group") conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to a conflict of interest.

1. The following companies are main examples in the Japan Post Group ("Group companies") that fall within the scope of the Conflicts of Interest Management Policy

- Japan Post Bank Co., Ltd.
- Japan Post Insurance Co., Ltd.
- Japan Post Co., Ltd.

2. The Group will manage conflicts of interest for the transactions stipulated below.

(1) Transactions that may unduly impair the interests of customers among the following transactions:

- Transaction with a customer that has an interest in one of the Group companies based on an agreement
- Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
- Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement

(2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest

3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:

- Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
- Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
- Discontinue the target transaction or the secondary transaction with the customer
- Properly disclose to the customer that the target transaction may unduly impair his or her interests

4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.

5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.

Japan Post Insurance recognizes the importance of information security management and promotes measures to prevent the leakage or loss of information due to inappropriate handling and the leakage of information due to unauthorized access and to secure and manage personal information of customers.

We manage information security on a company-wide basis through the Information Security Control Office established under the Chief Information Security Officer (CISO), who is charged with overall control of information security, and the System Planning Department, which is charged with the management of system security. In addition, by designating an individual responsible for information protection in each division, we maintain systems to implement information security management at each division.

## Japan Post Insurance Privacy Policy

Japan Post Insurance ("the Company") is dedicated to providing services that can achieve a high degree of customer satisfaction.

Properly protecting personal information is vital to accomplishing this goal. Accordingly, the Company has established the following fundamental policy for protecting personal information, which is generally known as the Company's privacy policy.

1. Compliance with laws and regulations  
When handling personal information, the Company complies with all laws and regulations associated with protecting personal information, national government policies and this privacy policy.
2. Purpose of using personal information  
The Company specifies the purposes of using personal information and uses this information solely for achieving these purposes. The Company may use personal information for the following purposes.
  - (1) Underwriting, renewing and maintaining and managing various insurance policies, and making claims and benefits payments
  - (2) Notifying and providing various products and services, including those of its subsidiaries and business partners, and maintaining and managing contracts
  - (3) Providing information on and operating and managing the Company's business, and enhancing its products and services
  - (4) Other operations related or attached to the insurance businessSpecific personal information, that means personal information that includes the individual numbers, in particular, is to be used by the Company solely for purposes prescribed by laws.  
The Company may use specific personal information for the following purposes.
  - (1) Administrative procedures related to preparation of payment records for insurance transactions
  - (2) Administrative procedures related to tax exemption for asset-formation insurance policiesNote: Specific personal information refers to personal information such as contents which include individual number (commonly known as "My Number").
3. Acquisition of personal information  
The Company acquires personal information, within the scope necessary to attain the purposes listed above, using methods that are legal and proper.
4. Security measures for management of personal information  
Fully recognizing that the Company acquires and uses customers' healthcare records and individual numbers in undertaking the life insurance business, the Company implements appropriate security management measures to prevent leaks, losses or alterations of personal information it handles.  
In addition, the Company properly supervises employees and outsourcing parties.
5. Provision of personal information to external parties  
Except in cases where required by laws, the Company does not supply personal information to third parties without the prior consent of each individual.  
In cases where two or more Group companies share the same personal information, this sharing is performed only after providing prior notice or public announcements of items required by laws.  
In addition, the Company does not supply specific personal information to third parties except when required by laws.
6. Procedures for requesting disclosure of personal data  
The Company responds in a sincere manner in cases where there are requests for the notification of the purpose of use or for the disclosure, correction or termination of use of personal data as prescribed by laws.
7. Points of contact for inquiries  
Inquiries and requests regarding disclosure and other uses of personal data can be made to designated points of contact.
8. Continuous improvements  
The Company constantly reviews and improves its management and handling methods for the protection of personal information in response to advances in information technology and shifts in social demands.



## Succession of Personal Information Associated with the Postal Life Insurance Policies

We have succeeded personal information about policyholders and insured persons (hereinafter “customers” in this section), associated with the Postal Life Insurance Policies held by Japan Post at the time of the privatization to the extent required in performing the business operation and functions succeeded from Japan Post by the Management Organization and by the Company, in accordance with the “Implementation Plan Concerning the Business Succession of Japan Post” approved by the government pursuant to the Postal Service Privatization Act.

Personal information of the customers acquired by the Company in the course of the aforementioned business succession (including information concerning personal medical history such as hospitalization records) shall be used as necessary solely for the following purposes, with a view to ensuring adequate management of life insurance operation on an ongoing basis.

Note: Information concerning personal medical history shall be used solely for purposes such as underwriting, renewing and maintaining insurance policies, and making payments of insurance claims and benefits, as well as conducting medical research and statistics.

### Purposes of using personal information succeeded from Japan Post

1. Underwriting, renewing and maintaining various insurance policies, as well as making payments of insurance claims and benefits  
[Examples] Examination for the purpose of underwriting, renewing and maintaining various insurance policies, as well as making claims and other payments
2. Notifying and providing various products and services from Japan Post Insurance, including those of its subsidiaries and business partners  
[Examples] Visiting customers and sending mail for notifying of products and services
3. Providing information on the business of Japan Post Insurance, operating and managing it, as well as enhancing its products and services  
[Examples] Delivery of disclosure booklets and development of products and services
4. Facilitating appropriate and smooth transactions with customers  
[Examples] Handling of customer inquiries and consultation regarding transactions



Japan Post Insurance recognizes that the complete elimination of relationships with antisocial forces is an integral part of our corporate social responsibility and is essential in maintaining the trust of our customers and realizing sound management.

Based on the “Fundamental Policy for Establishment of Internal Control Systems” formulated by the Board of Directors, we have stipulated a “Basic Policy on Handling of Antisocial Forces” to take appropriate actions against and eliminate and avoid any relationships with antisocial forces.

## Rules for Handling of Antisocial Forces

Our “Fundamental Policy for Establishment of Internal Control Systems” requires the elimination of any relationships with antisocial forces that pose a threat to the order of society and sound corporate activities by routinely collaborating with the police and other outside experts and firmly rejecting the unjustified demands of antisocial forces. Accordingly, we have created “Rules for Handling of Antisocial Forces,” which define our

framework for eliminating and avoiding relationships with antisocial forces and the basics for organizational actions, as well as “Procedures for Handling of Antisocial Forces” and an “Antisocial Forces Manual” to lay down specific processes to ensure proper business conduct. We require all employees to strictly observe these rules and procedures.

## System for Handling of Antisocial Forces

We have established an appropriate system to eliminate relationships with antisocial forces, with the President, CEO, Representative Executive Officer at the top. Below the President, CEO, Representative Executive Officer, we appoint the Executive Officer responsible for the General Affairs Department of the Head Office as the Antisocial Forces Response Officer and assign the role of Antisocial Forces Response Manager to the Senior General Manager of the General Affairs Department of the Head Office, the Senior General Managers of the Regional Headquarters and the General Managers of the branches. “The Compliance Committee” and the “Antisocial Forces Handling Council” engage in across-the-board discussion on relevant matters.

As specific measures to eliminate any relationships with antisocial forces, we incorporated a clause against organized crime into our policy agreements in April 2012. Other efforts include checking all policies in force for any link with antisocial forces and incorporating a clause against organized crime into various other contracts. We also encourage persons in charge of countering unjustified demands to participate in the corresponding training seminar, work to reinforce our ties with the police, lawyers and other external organizations, and provide guidance through meetings, training programs and informational publications.

### Japan Post Insurance Basic Policy on Handling of Antisocial Forces

#### 1. Organizational response

In firm recognition of its social responsibility and to strengthen management based on compliance, Japan Post Insurance, as an organization in its entirety, will ensure that any relationships with antisocial forces are eliminated.

#### 2. Complete elimination of relationships, including transactions

Japan Post Insurance will have no relationships whatsoever with antisocial forces, including transactions.

#### 3. Legal measures and prohibition of secret negotiations

Japan Post Insurance will strongly refuse any unjustified demands and will take legal measures, either via a civil court or a criminal court, or both. Japan Post Insurance will never negotiate in secrecy with antisocial forces, even if their unjustified demands are to conceal matters related to any misconduct of the Company's own activities or that of its staff.

#### 4. Cooperation with outside experts

Japan Post Insurance will establish close relationships with outside experts in preparation for any unjustified demands in order to ensure the safety of its staff against such demands.

#### 5. Prohibiting financing for antisocial forces

Japan Post Insurance will never engage in financing for antisocial forces.



Economic, demographic and other conditions surrounding the life insurance industry business environment are dramatically changing. Amid such circumstances, Japan Post Insurance needs 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 recognize effective risk management according to the various risk profiles of the life insurance business as one of management's highest priorities. Our Basic Risk Management Policy stipulates fundamental matters that include our basic principle for risk management and risk management systems and techniques, and we implement risk management in accordance with this policy. As our basic principle, we undertake risk management from the perspective of avoiding unforeseen losses and striving for a balance between risk and earnings and making efficient use of capital while taking into consideration management strategies, business plans and the state of capital. Our risk management systems perform comprehensive risk management and risk management by risk category.

## Outline of Risk Management Systems

In accordance with “the Fundamental Policy for Establishment of Internal Control Systems” defined by the Company's Board of Directors, we have established our Basic Risk Management Policy and have set up and regularly convene the Risk Management Committee headed by the Chief Risk Officer (CRO).

The Risk Management Committee deliberates on risk management policies and matters concerning the establishment and operation of risk management systems as well as on matters concerning 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 submits and reports on important matters to the Executive Committee for discussion.

Also, the CRO controls the Company's risk management and builds, verifies and upgrades risk management systems in accordance with changes in risk management circumstances and the operating environment. The Risk Management Department is in charge of overall control of risk management and under the direction of the CRO executes affairs concerning building, verifying and upgrading risk management systems. At the same time, it regularly verifies the status of risk management by monitoring, analyzing and managing the state of risk management in

sections responsible for performing risk management in each risk category (“risk management sections”).

Each of the Executive Officers in charge of risk management sections operate and upgrade the systems for managing their respective assigned risks by ascertaining the presence, types and profile of risk as well as the risk management techniques and systems as prescribed by the Basic Risk Management Policy. While operating mutual checks and balances system with departments of the Head Office and branches in charge of business execution, risk management sections appropriately fulfill their monitoring role and manage their assigned risks in accordance with risk management standards. Because investment risk and operational risk have multiple sub-categories, we have designated the Risk Management Department for handling comprehensive risk management in conjunction with the risk management sections for respective subcategories.

In order to 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 (Enterprise Risk Management (ERM))

In accordance with our risk taking strategies, we ascertain risk on an overall basis, which encompasses latent significant risks, for any risk we face and compare and contrast various risks with our capital and other areas in managing risk for our overall business.

Given that there are various techniques available to evaluate the corporate value of life insurance companies, we specifically selected the following two methods.

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

In addition, we are promoting the sophistication of our ERM system. By doing so, we aim to maintain financial soundness and improve capital efficiency (profitability), while at the same time attain stable profit and sustainable increases in our corporate value.

## Implementation of Stress Tests

We implement periodic stress testing to ascertain the impact of an event that has a low but certain probability of occurring and could have a significant effect on the Company.

In establishing stress scenarios we undertake the following:

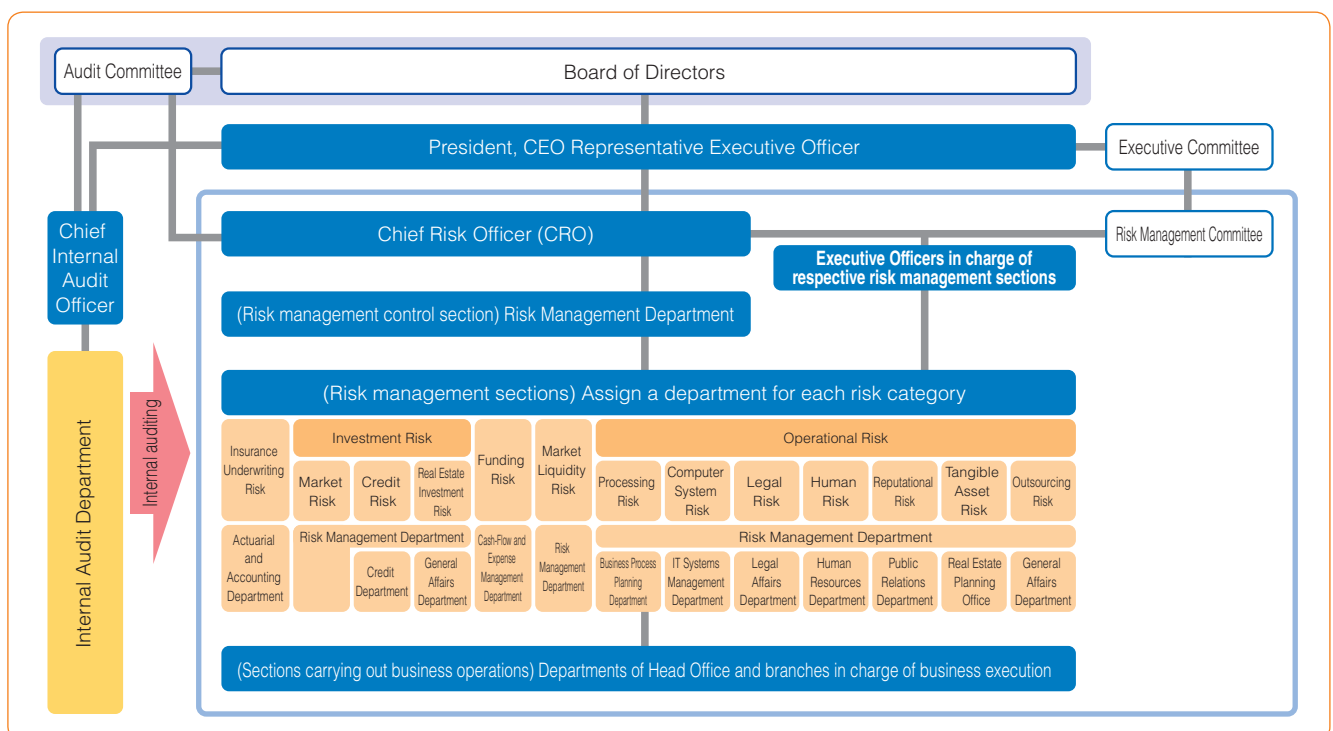
- We cover all risk categories that could have a significant impact on the Company taking into consideration the Company's risk profile status.
- Besides historical scenarios that have occurred in the past, we simulate forward-looking hypothetical scenarios that could occur in the future.

- We consider the impacts on the Company under a combined (comprehensive) stress scenario.

Specifically, we add sub-scenarios (financial market turmoil, etc.) into four main scenarios (a rise in interest rates, a decline in interest rates, occurrence of a major earthquake and widespread outbreak of a new strain of influenza).

The results of stress tests are periodically reported to the Risk Management Committee and the Executive Committee and are used in management judgments.

## Risk Management Structure







## Principal Risk Categories and Definitions

We classify and define types and details of managed risks into the following categories and have established a management system and rules in accordance with each characteristic and are appropriately carrying out 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 of losses arising from fluctuation in the value of assets and liabilities (including off-balance-sheet assets or liabilities).
Market Risk	The risk of losses arising from fluctuations in the value of assets and liabilities (including off-balance-sheet assets or liabilities) as well as the risk of losses arising from fluctuations in profits generated by assets and liabilities due to fluctuations in various market risk factors such as interest rates, foreign exchange and stock.
Credit Risk	The risk of losses arising when the value of assets (including off-balance-sheet assets) decreases or becomes worthless due to a deterioration in the financial condition of a borrower or counterparty.
Real Estate Investment Risk	The risk of losses due to a decline in profitability of real estate caused by factors such as the change of rents, or due to a decrease in the value of real estate itself caused by factors such as changes in market conditions.
Funding Risk	The risk of losses due to being forced to carry out transactions at an extremely lower price than normal as a result of a deterioration in cash management caused by factors such as a decrease of premium income following the decline of new policies caused by factors such as worsening financial conditions, an increase in payments of termination refunds 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 more unfavorable prices than normal or being unable to conduct market transactions due to factors including 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 following types of risk are included: a) the risk of losses due to system failures or malfunctions, system defects or any other causes. b) the risk of losses due to unauthorized use of computers. c) the risk of losses due to delayed computer system development.
Legal Risk	The risk of losses arising from any legal conflicts associated with our business activities or due to our improper response to the establishment of or revisions to any relevant laws and regulations.
Human Risk	The risk of losses due to unequal, unfair or discriminatory actions, in terms of personnel management.
Reputational Risk	The risk of losses due to the spread of vague information such as rumors, speculations, reputation, with regard to the Company, and the spread of misunderstandings, misperceptions, exaggerated interpretations, associated with an accident or unlawful acts among policyholders or the mass media.
Tangible Asset Risk	The risk of losses due to damage to tangible assets caused by disasters or other events.
Outsourcing Risk	The risk of losses due to default of an outsourcing agreement and/or unlawful acts, etc., committed or conducted by an outsourcee (including any re-outsourced party) with regard to an operation outsourced externally.



We manage risk by designating sections to perform risk management in respective risk categories. The Risk Management Department, which is in charge of overall control of risk management, verifies the status of risk management respective sections based on their reports, while periodically reporting on relevant matters to the Risk Management Committee.

Risk management in each risk category is described in the sections below.

## Insurance Underwriting Risk

Life insurance policies are contracts that provide long-term coverage to policyholders against the risk of death, illness or injury. Upon underwriting, we need to make accurate assessment and analysis of potential risks and appropriately reflect identified risks in corresponding premiums.

Accordingly, we undertake such activities as verifying our setting of premium rates and assessing and analyzing the occurrence of insured events.

The Actuarial and Accounting Department responsible for managing insurance underwriting risk conducts risk management appropriately by

measuring the amount of insurance underwriting risk, evaluating the profitability of each product sold and verifying the appropriateness of our underwriting standards from a medical perspective.

As required in managing insurance underwriting risk, we conduct ceded reinsurance upon fully studying the financial status of reinsurers. On the other hand, when underwriting reinsurance, we secure the required information, study the profitability and risk characteristics and verify whether the underwriting risk is restricted to cause no serious impact on management.

## Investment Risk

To provide for anticipated payment of insurance claims and other benefits, we need to carefully manage funds entrusted to us from customers under life insurance policies.

Based on this perspective, in order to maintain sound management and offer a sense of assurance to customers, we have a basic investment policy to secure stable asset management by investing in yen-denominated interest-bearing assets, mainly Japanese government bonds, matched to the long-term and fixed interest rate characteristics of our liabilities. With a view to improve profitability, we also promote diversification of our asset portfolio to the extent allowed in managing investment risk.

The Risk Management Department, which is the risk management section for investment risk, Credit Department and General Affairs Department are assigned the task of managing investment risk. These sections monitor investment risk and enforce appropriate management under a checks and balances system with departments of the Head Office in charge of business execution. The Risk Management Department provides comprehensive management of investment risk, working in collaboration with the Credit Department and General Affairs Department.

## Funding Risk

Operation of the life insurance business involves making and receiving payments to and from customers and business partners as we pay insurance claims and other benefits and conduct fund management. Any trouble in settlement of these funds will not just cause inconvenience to the parties concerned but also lead to situations that preclude the continued operation of the business itself.

To avoid such situations and ensure smooth cash flows, we enforce rigid fund management by monitoring incoming and outgoing cash flows,

including receipt of premiums and payment of insurance claims, on a daily basis.

The Cash-Flow and Expense Management Department, which is the risk management section for funding risk has defined categories corresponding to cash flow tightness and established risk management standards in each category. The section implements appropriate management of funding risk by performing management and verification in accordance with these standards.



## Market Liquidity Risk

We may sell assets in which we have made investment using funds entrusted to us from customers, and may incur losses when we are forced to conduct such transactions at extremely unfavorable prices than normal or are unable to execute such transactions at all because of market turmoil.

Accordingly, we make investments primarily in assets with high liquidity.

The Risk Management Department, which is the risk management section for market liquidity risk, has established management standards to limit the holding of securities with low liquidity, etc. The section implements appropriate management of market liquidity risk by performing management and verification in accordance with these standards.

## Operational Risk

We have designated risk management sections to engage in risk management in each detailed sub-category of operational risk and are enforcing appropriate management through risk monitoring.

The Risk Management Department works in collaboration with these risk management sections and provides comprehensive management of operational risk.

### 1) Processing Risk

Errors in business processing will cause considerable inconvenience to customers and result in the loss of our credibility. Departments of the Head Office and branches autonomously grasp and manage processing accidents that occurred in the past and those that could foreseeably occur. This information is used to formulate and develop rules and standards to facilitate prompt and accurate administrative

processing, as well as to conduct supervision and education for employees.

The Business Process Planning Department, which is the risk management section for processing risk, evaluates and verifies whether risk management is appropriately conducted in each organization and makes efforts to suppress and minimize processing risk.

### 2) Computer System Risk

Currently, an extensive scope of our business processing relies on information systems, and major system failures or delays in system development could cause considerable inconvenience to customers and result in the loss of our credibility. Therefore, as the risk management section for computer system risk, the IT Systems Planning Department strives to reduce computer system risk by verifying and supervising that the risk is appropriately managed by system administration personnel in the departments that maintain information systems. The occurrence of a system failure prompts the section to survey the effects on customers, identify the causes and

implement adequate countermeasures for the prevention of a recurrence.

We have formulated a manual to respond to a major system failure and set up a structure to take immediate action. For the overall information systems for Japan Post Insurance, our main systems, we operate two main computer centers, one in eastern Japan and the other in western Japan, thereby establishing a structure for mutual data backups and to respond to the risk resulting from a system failure. In case of a system failure, we investigate the impact on customers, analyze the causes and implement appropriate countermeasures in order to prevent a recurrence.

### 3) Other Operational Risk Sub-Categories

Other detailed sub-categories of operational risk are legal risk, human risk, reputational risk, tangible asset risk and outsourcing risk. For each sub-category, we designate a risk

management section, undertake relevant activities and implement initiatives for enhancing our risk management systems.

Unlike the Postal Life Insurance Policies before the privatization, the life insurance policies of Japan Post Insurance after the privatization do not involve government guarantees for the payment of insurance claims. The policyholders' protection scheme applies to the life insurance policies in the same way as other life insurance companies.

## Life Insurance Policyholders Protection Corporation of Japan

Life Insurance Policyholders Protection Corporation of Japan ("Protection Corporation") is a corporation established pursuant to the Insurance Business Act. It serves as a mutual assistance mechanism for the purpose of life insurance policyholder protection in the event of the default of a member life insurance company. The Protection Corporation engages in processes and measures including financial support for facilitating the transfer of the insurance portfolio from the insurer in default, along with the succeeding insurer's general business administration, underwriting of the transferred portfolio and financial support for the payment of insurance claims covered under the policyholder protection scheme, as well as the purchase of rights of claim for insurance concerned, in an effort to ensure policyholder protection, thereby sustaining the credibility of the life insurance industry.

Because of the nature of life insurance policies, taking out a new insurance policy under the same conditions as the insurer in default could involve some difficulty due to the policyholder's age and health status. Therefore, in the event of the default of an insurance company, the Protection Corporation provides financial support for the transfer of the insurance portfolio, thereby ensuring continuous insurance coverage for the policyholder.

The portfolio subject to transfer covered under the policyholder protection scheme must, according to the provisions of the Insurance Business Act, etc., comprise life insurance policies originally written in Japan (excluding those associated with the specified special account <sup>(\*)1</sup> for the performance-linked insurance contract), in which the limits of indemnity are set

to be equivalent to 90% of the relevant policy reserve, etc. <sup>(\*)2</sup>, except for the high assumed interest rate policies <sup>(\*)3</sup> (which does not mean that the policyholder protection scheme provides 90% of the level of protection provided by the original insurance claims or annuities <sup>(\*)4</sup>).

The transfer of the insurance portfolio might involve, apart from the reduction in policy reserve, etc., changes in experience assumptions (including assumed interest rate, assumed rate of mortality and assumed rate of expenses) that serve as the basis of calculating policy terms and conditions, in order to ensure adequate maintenance of the insurance portfolio with reasonable security on a continuous basis, which could entail a reduction in the level of protection provided by the original insurance policies or annuities. Furthermore, special early surrender loading (involving a special surrender charge apart from the normal surrender charge for a certain period of time, for the purpose of sustaining a group of insured parties and the insurance policies associated therewith) might be established.

<sup>\*1</sup> This refers to a special account for the insurance policies that do not involve minimum guarantees (such as guaranteed minimum death benefit and guaranteed minimum maturity benefit), of the insurance policies involving the establishment of a special account. Corporate reorganization procedures for the insurer in default might be based on the preparation of a reorganization plan without involving a reduction in the policy reserve, etc., for the insurance policies concerned (whether implementing such reduction or not shall be determined in the course of an individual reorganization procedure).

<sup>\*2</sup> Policy reserve, etc., refers to the reserve funded based on insurance premiums and investment proceeds for the future payment of insurance claims, annuities and benefits.

<sup>\*3</sup> This refers to the policies with an assumed interest rate constantly beyond a basic interest rate (Note 1) in the five years prior to the default (Note 2). For such policies, the limit of indemnity for the policy reserve, etc., shall be as follows, provided, however, that such limit shall not go below the limit of reimbursement in the case where no financial support is provided to the insurer in default.

<sup>\*4</sup> Likewise, it does not mean that the Protection Corporation provides 90% of the level of the guaranteed minimum maturity benefit originally provided under the individual variable annuity.

$$\text{Indemnity ratio in the high assumed interest rate policies} = 90\% - \frac{\text{[aggregate of (assumed interest rate less basic interest rate in each year in the past 5 years)]}}{2}$$

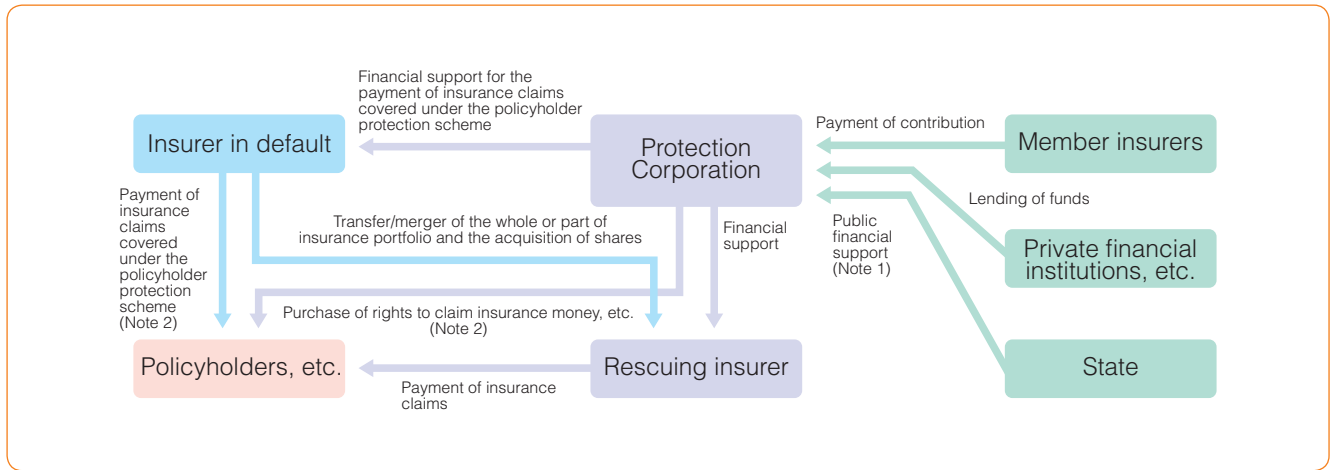
Note 1: The basic interest rate shall be determined by the Commissioner of the Financial Services Agency and the Minister of Finance, based on the average rate of investment returns in the past five years at life insurance companies. Information about the current basic interest rate is provided on our website.

Note 2: In the case where different assumed interest rates apply to the basic coverage and riders under one policy, each such basic coverage and rider applied by a different assumed interest rate shall be regarded as an independent insurance policy, and subject to the evaluation to determine whether it constitutes a high assumed interest rate policy. Meanwhile, in the case of a collective insurance policy such as a group insurance policy where a premium is paid by each insured individual to whom a different assumed interest rate applies, each such insured individual is considered to have taken out an independent insurance policy individually, and is subject to the evaluation regarding whether or not such independent individual policy constitutes a high assumed interest rate policy. However, in the case of defined contribution plan products, each insured individual is subject to the evaluation regarding whether or not he/she is a holder of a high assumed interest rate policy, regardless of whether he/she pays the premium.

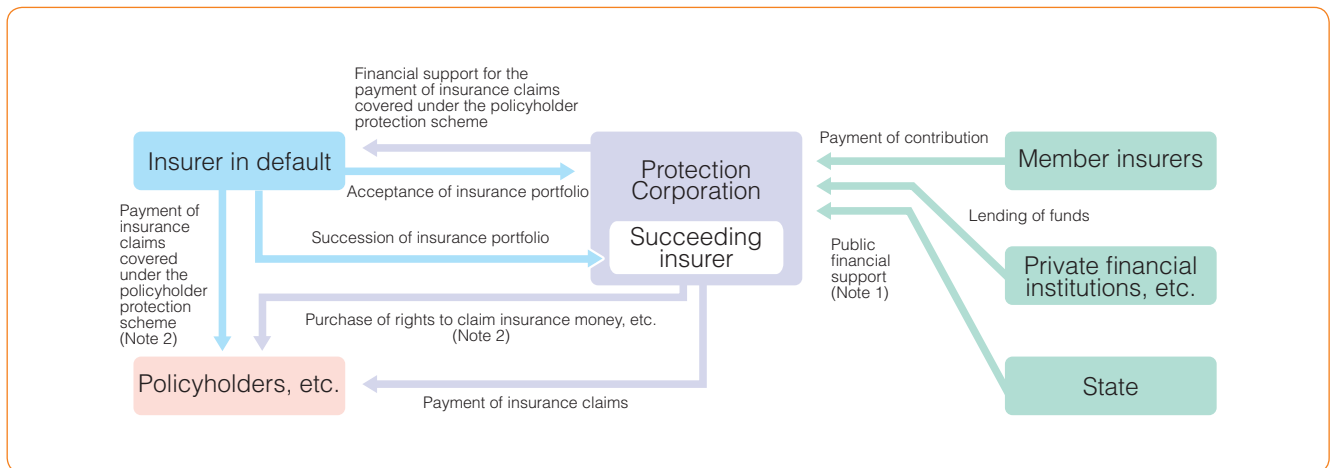


# Illustrated Outline of the Scheme

## In the case where a rescuing insurer appears



## In the case where no rescuing insurer appears



Note 1: The aforementioned "public financial support" is provided in the form of a government measure against the default of a life insurance company in the period up to the end of March 2017, for approved through deliberation in the Diet, in the case where contributions by the member insurers fail to cover the cost for the financial support.

Note 2: This refers to the payment of insurance claims, covered under the policyholder protection scheme based on insurable events during the default proceedings, as well as the Protection Corporation's purchase of rights to claim insurance money, etc., associated with the insurance policies covered under the policyholder protection scheme. In such instances, the payment ratio and purchase ratio are the same as the ratio of the limit of indemnity for policy reserve, etc. (The ratios in the case of high assumed interest rate policies are as described in <sup>(7)</sup>.)

\* All descriptions of the scheme, including the scope and the limit of indemnity of the policies covered under the policyholder protection scheme, are based on current laws and regulations, and could be subject to change in the future in accordance with revisions of relevant laws and regulations.

### [Reference] Government guarantee for the Postal Life Insurance Policies

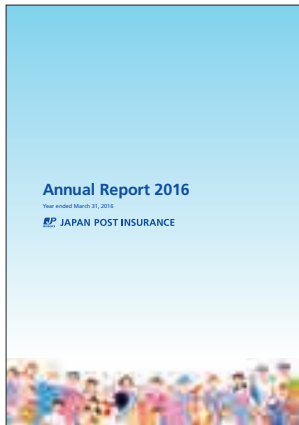
The administration for the Postal Life Insurance Policies taken out before the privatization will be succeeded and managed by the Management Organization until expiry. The government guarantee for the payment of insurance claims associated with them will continue until those policies expire.

Unlike the Postal Life Insurance Policies, the life insurance policies of Japan Post Insurance do not involve a government guarantee for the payment of insurance claims. The policyholders' protection scheme applies to the life insurance policies in the same way as other life insurance companies.



Japan Post Insurance believes that it is extremely important to provide full disclosure in order to help our stakeholders including our customers to have a better understanding of the Company's management, and thus strives to promote active disclosure through its website, including this publication of "JAPAN POST INSURANCE Annual Report 2016."

## Publication of Disclosure Materials



◀ Annual Report  
"JAPAN POST INSURANCE Annual Report 2016"

To promote better understanding of our current status with as many customers as possible, we make this publication available to everyone interested at the branches and agencies, including post offices, throughout Japan.

## Disclosure of Various Information on Our Website



▲ Website of Japan Post Insurance  
<http://www.jp-life.japanpost.jp/en/index.html>

A wide range of information is presented, including our financial data such as financial results and information about our products and services.

The mobile website and website for smartphones are available along with a PC website, making our information accessible by users of various devices.

This annual report is also posted on our website.



◀ The top page of the website for smartphones



◀ Financial information on the website of Japan Post Insurance  
<http://investor.jp-life.japanpost.jp/en/finance/index.html>



◀ Website of Japan Post Insurance  
List of "contract guidelines and policy conditions"  
[http://www.jp-life.japanpost.jp/products/yakkan/prd\\_ykn\\_ssn.html](http://www.jp-life.japanpost.jp/products/yakkan/prd_ykn_ssn.html) (in Japanese)

### ● Disclosure of financial information

We disclose financial information on our website.

### ● Contract guidelines and policy conditions

We post the "contract guidelines and policy conditions" for various insurance products on our website.