



Message from CEO



The Founding Spirit and Vision of Japan Post Insurance

On October 1, 1916, the predecessor of Japan Post Insurance, the Postal Life Insurance Service was created in Japan, and began to offer its products at approximately 7,000 post offices nationwide. At that time, although life insurance offered by the private sector was steadily developing, only a handful of people had reaped its benefit, and it was not yet widely available to the common public. As Japan was already an industrially developed country, there was a need for life insurance, as a social policy for people who were the labor force. Accordingly, creation of a simple life insurance system with small coverage amounts became an urgent task for society. Under these social circumstances, the Postal Life Insurance Service began as a system that could be joined through a simple procedure, without a medical examination and at a relatively affordable monthly rate, in order to provide the peace of mind that comes with insurance, as a protection for the means of the fundamental livelihood of the people of Japan.

More than a century has passed since the introduction of the Postal Life Insurance Service. Considering the current state of society, it is clear that Japan has secured its status as a developed nation through a period of rapid economic growth. However, it is also a fact that Japan still faces a number of social problems, including a rapid aging of society with a declining birth rate. Therefore, I believe that the social significance and mission to provide the means of fundamental livelihood that is expected of Japan Post Insurance have not changed in the slightest, since the era of its founding.

This mission has been passed down without fail since our founding, and continues to remain rooted in our current management philosophy, “Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.” This management philosophy represents Japan Post Insurance’s resolve to “Fulfill our abiding mission as a member of Japan Post Group” and “Continuously support and protect our customers’ dreams and enthusiasm.”

かんぽ生命

Contributing to local communities with the nationwide post office network, and working towards the sustainable growth of our corporate value.

Director and President, CEO,
Representative Executive Officer

M. Uehira

Currently, we deliver peace of mind in the form of insurance to the people of Japan, via approximately 20,000 post offices located nationwide. We will never cease fulfilling our mission of protecting people's well-being through insurance, while also contributing to our customers as a member of the Japan Post Group. Leveraging our "trustworthy" and "reliable" brand image accumulated over the years as assets, we will do our best to stay by our customers' sides, and continue to earn their trust and affection.

Review of the Medium-term Management Plan 2020 and Our Performance in FY2019/3

Under the Medium-term Management Plan 2020 (FY2019/3 – FY2021/3), we have established "pursue customer-first business operations," "achieve sustainable growth," and "maintain sound business operations" as our fundamental management approach, with the aim of increasing profit in both sales and asset management in an extremely low interest rate

environment, as well as reversing the declining trend and achieving growth in annualized premiums from policies in force. Specifically, we have set earnings per share (EPS), dividend per share (DPS), and annualized premiums from policies in force (individual insurance) as our key quantitative targets for the fiscal year ending March 31, 2021, and are working on strategies for each area of business, including sales and products, administrative services, and asset management. As details of these primary strategies will be presented in the "Key Strategies" section (P. 26), I would like to focus on our performance during the fiscal year ended March 31, 2019.

In the fiscal year ended March 31, 2019, which was the first year of our Medium-term Management Plan 2020, consolidated net income reached ¥120.4 billion (15.3% increase year on year), our highest profits since privatization, and EPS was ¥200.86. In our consolidated performance forecast for the fiscal year ending March 31, 2020, we expect EPS of ¥165.12, which exceeds the goal of ¥155 for the fiscal year ending March 31, 2021 that was set



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in our Medium-term Management Plan, and indicates steady progress. In the fiscal year ended March 31, 2019, we set DPS at a total of ¥72, by adding a special dividend of ¥4 per share to ordinary dividend of ¥68 per share based on favorable performance. We expect to pay ¥76 in DPS for the fiscal year ending March 31, 2020, and aim to achieve a steady and continuous growth in dividends.

With regard to new policies, we have strengthened sales activities focusing on protection needs, and made efforts to cultivate new customer bases, including the uninsured as well as the young and middle-aged. As a result, annualized premiums from new policies for individual insurance amounted to ¥351.3 billion (6.6% decrease year on year). However, we have steadily increased the number of new policies for ordinary whole life insurance (increased amount type) and special endowment insurance with high protection features, which together accounted for nearly 50% of all new policies. Annualized premiums from new policies for third-sector insurance amounted to ¥61.6 billion (4.1% increase year on year), marking a record high.

Looking at policies in force as of March 31, 2019, although annualized premiums from policies in force for individual insurance were on a declining trend amounting to ¥4,677.1 billion (3.8% decrease year on year), annualized premiums from policies in force for third-sector insurance amounted to ¥753.1 billion (0.3% increase year on year), and were on an increasing trend. Moving forward, we aim to reverse the current pattern, and achieve a growth in annualized premiums from policies in force during this Medium-term Management Plan period, by strengthening sales focused on protection, cultivating new customer bases, and improving solicitation quality and working to increase our policy maintenance rate by pursuing customer-first business operations.

Strengthening Human Capital as a Management Resource

Human resources are a crucial form of capital in any corporate organization. Due to labor shortages and a market favoring job applicants in recent years, corporations are faced with a harsh recruiting environment. However, we are responding to changes in the social environment as we strive to recruit talented human resources. Since training human resources is just as important as recruiting, we are fostering an environment in which each and every employee can think and act for themselves at all times, in order to fully realize their potential, by promoting company-wide initiatives for workstyle reform. Furthermore, we are striving to conduct the

training of human resources who focus on “customer-first,” and are inclined towards four orientations: “ownership,” “challenge oriented,” “speed oriented,” and “frontline oriented.”

The Company provides products and services to individual customers via post offices. Accordingly, for the purpose of supporting post offices, we have placed Agency Relations Divisions at 82 of our branches across Japan, where they offer support and guidance for sales and business at post offices. The approximately 20,000 posts offices nationwide that are responsible for life insurance solicitations are a very important sales channel, which accounts for approximately 90% of new policies sold by Japan Post Insurance. For this reason, training and supporting post office employees are essential.

Specific initiatives we have undertaken include training by job level, in which our instructors teach post office employees, as well as problem-solving training, in which the Agency Relations Divisions at each branch take the lead. In this manner, we strive to conduct detailed training that suits the sales figures, skills, and issues faced by each individual, as part of a “strategy to conduct training that fits each individual.” Furthermore, we are working on a “management project that tends to individual post offices,” that strengthens management skills at post offices. In this project, employees of the Company and Japan Post Co., Ltd. with leadership skills visit or are stationed at post offices nationwide that have offsite sales functions, analyzing issues in the sales structure of each individual post office, and offering proposals for improvement measures as well as execution support.

“Customer-first” Sales Activities and Service Improvement

An important mission of all life insurance companies is to provide long-term protection and peace of mind, by providing attentive explanations, while grasping the intentions of our customers, and ensuring that they purchase insurance with adequate understanding and consent. In order to achieve this mission, we are collaborating with Japan Post Co., Ltd. to conduct “customer-first sales activities.”

Starting in April 2019, in order to further pursue “customer-first sales activities,” we have taken measures to reflect the maintenance of policies in employee evaluations and their allowances, and revise our recording method of sales performance. We will continue to aim for the highest level of solicitation quality in the industry, and strive to truly satisfy all of our customers.

Our business model of providing simple, small-coverage-amount products and services via our nationwide network of approximately 20,000 post offices is our greatest strength. In recent years, in addition to face-to-face service provided through post offices, the need has arisen for non-face-to-face services via the Internet or mail. In light of our customers' diversifying needs, we are working to "expand the points of contact with customers" and "promote the digitalization of various operations" through the use of digital technology in order to improve customer service. Specifically, we are enhancing the content of our website to make it easier for customers to understand, and are developing new services such as by introducing My Page web service for policyholders, which enables some processes and services to be conducted online, as new digital points of contact with customers.

Since March 2017, we have introduced decision support for insurance claim payment examination work using artificial intelligence (AI). By inputting past payment cases in the AI, we are able to obtain judgment materials based on the results obtained by machine learning. Using AI enables us to make quick assessments at a level on par with employees with sophisticated knowledge and experience regarding our products, policy conditions, and medicine, and to gain benefits such as faster payment processing. Thus far, we have expanded the use of AI to call center operations and in the future, we plan to examine the effects of AI on customer

service improvement and workstyle reform, while also examining use in other fields, such as enhancing support for post offices (operations help desks) and contact points with customers.

Realizing a Sustainable Society

Among the international rules and guidelines for realizing a sustainable society recently formulated, the "Sustainable Development Goals" (SDGs) adopted by the United Nations in 2015 in particular, demand actions from corporations aimed at achieving these goals. In order to achieve sustainable development as a company in the future, it is crucial to strategically incorporate SDGs into management, establish goals and implement them. We have positioned continuance of sustainable growth in harmony with society while giving consideration toward the global environment as the basis of its management, and have formulated a Corporate Social Responsibility (CSR) action plan for the fiscal year ending March 31, 2020, to serve as a guidepost toward achieving SDGs and improved the Company's CSR promotion system. Through this plan, we intend to practice management in a manner that balances the creation of economic and social value of the Company, by further strengthening these efforts as part of our business strategy, and attempting to achieve the SDGs including these for social responsibility and the environment.





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Efforts to Promote Health as a CSR Activity

We are making particular efforts to promote the Radio Exercise Program as a way of responding to social issues in our graying society. Radio Exercise was first introduced in 1928 by the Postal Life Insurance Bureau of the Ministry of Communications, a predecessor of Japan Post Insurance. At the time when Radio Exercise was introduced, Japan still had a very short average life expectancy, in the 40s. Therefore, in the course of operating our life insurance business, the Company was faced with the pressing issue of extending the very lifespan of the people. Promoting the spread of Radio Exercise served as a means to promote the health of the people of Japan.

In response to the privatization of postal services, we inherited the responsibility of promoting Radio Exercise, which had previously been conducted by the Postal Life Insurance business. Unlike the time when Radio Exercise was first introduced, modern day Japan has become a super-aging society, the 100-Year Life, and extending the healthy life expectancy, the part of one's lifespan in which one can continue to live in good health, has become a huge issue. Radio Exercise can once more contribute greatly to resolving this issue, and we have continued to position the promotion of Radio Exercise at the center of our CSR activities, and are actively working on this task.

In addition, as a new initiative to support health promotion of our customers, we launched a "health support app" in January 2019. This health support app provides contents such as a pedometer function, as well as Radio Exercise in audio and video formats, and can search for venues nationwide where Radio Exercise is conducted, in order to support the adoption of exercise habits. Starting in April 2019, we have provided contents in the form of a premium version of the app for policyholders only. This includes content that displays calories and nutrients, and gives advice on nutritional balance when the customer takes a picture of their food, as well as content that recommends recipes based on the health aspects that the customer wishes to improve, such as their blood pressure or BMI, in order to support health through improving eating habits. We have positioned this health support app as the "next-generation Radio Exercise," and are providing services that contribute to improving our customers' quality of life.

Capital Policy

With the aim of continuously improving shareholder value, we have based our capital policy on maintaining a sufficient level of capital required to strengthen our profitability and management base, while taking into consideration capital efficiency. In addition, we have made appropriate reviews, while considering whether the required level of capital is appropriate relative to the risk associated with our business activities, and whether it meets the level demanded by regulatory rules. At the same time, we aim to improve return compared to risk, while maintaining the financial soundness of our operations under an ERM^(Note) framework.

In January 2019, we issued ¥100.0 billion in subordinated unsecured bonds for domestic public offering, thus further strengthening our financial base. In April 2019, following the sale of common stock in Japan Post Insurance by Japan Post Holdings Co., Ltd. we enhanced shareholder returns by acquiring treasury stock in order to mitigate the impact on the supply-demand balance of our shares, and in May, cancelled nearly the same number of treasury stock acquired.

With regard to shareholder returns, we have placed the return of profits to shareholders as one of the key management measures, and are securing soundness of management while returning stable profits to our shareholders. In addition, from the fiscal year ending March 31, 2020, we have decided to pay an interim dividend in addition to the year-end dividend, for the purpose of enhancing opportunities to return profits to our shareholders. Moving forward, we aim to steadily increase dividend per share, while taking into consideration our earnings outlook and financial soundness.

Note: "Enterprise risk management (ERM)" aims to ascertain risks on an overall basis, which encompasses latent significant risks, for any risk a company faces and compare and contrast such risks with its capital and other areas in managing risk for our overall business.

Achieving Sustainable Growth

We expect customer needs for life insurance products and services to transition from death benefits toward survival benefits, such as medical care and nursing care, and as we approach an era in which many people live to 100, an expansion of protection and preventive services to assist people in living richer, healthier daily lives is expected. In anticipation of these changes, we will enhance our survival benefit products, including third-sector insurance. We are also examining methods of combining the information acquired from digital contact points, such as the health support app mentioned earlier, with information acquired from post offices, and using this information to improve services and conduct marketing, as well as developing new products and services that utilize health data. In the future, basing our business on providing face-to-face services through post offices, we will examine services through various channels, with the aim of further improving customer satisfaction and creating additional sales opportunities.

Japan Post Holdings Co., Ltd. conducted a secondary offering of the common stock of the Company in April 2019. This offering was conducted to help further advance the steady implementation of our privatization including the future relaxation of the additional restrictions applicable to the Company through multiple disposals of such shares and to help investor demand by enhancing the market liquidity of the Company's stock. Through the secondary offering of the Company's common stock and the acquisition of treasury stock, the shareholding of the Company's common stock by Japan Post Holdings Co., Ltd. has been reduced from about 90% to the lower 60% range. Based on this environment, we aim to make sustained improvements in corporate value through methods including new business development.

With deregulation on the horizon, we believe that we have great potential for growth in the domestic life insurance market. However, other life insurance companies are promoting overseas expansion, which has contributed to profits to a certain extent. We too will make necessary preparations to further improve our corporate value, such as conducting surveys and research on overseas expansion and training human resources.

Finally, I would like to reaffirm that Japan Post Insurance will continue to contribute to society and achieve sustainable growth with society, based on the recognition that the basis for our growth strategy is the realization of a sustainable society.

