

## ■ What is Life Insurance?

Life insurance is a system of mutual aid. It is a system in which a large number of people pay in money a little at a time to build a large pool of shared financial reserves so that if something happens to an associate, money can be taken from this pool to help each other out financially. In other words, the principle of life insurance is mutual aid as in "One for all and all for one."

In modern life we are surrounded by a wide variety of risks. We never know what will happen, such as when or who will become sick, injured or die. When these risks become a reality in this life, financial

reserves to cover hospitalization and medical expenses or family living and child support expenses may be necessary.

Life insurance is a sum of money set aside to provide against the various risks in life, which could strike at any time.

In addition, life insurance can be utilized as a means for setting money aside for the future need of one's family or oneself.

In this way, life insurance is a system based on the principle of mutual aid and assistance and the life insurance business is a business of a highly public nature that supports people's lives.

## ■ Nippon Life's Business Approach

Based on a belief in the values of conviction, honesty and hard work, Nippon Life views its mission as a life insurance company as fulfilling its coverage responsibilities to customers over the long-term and maximizing the customer's interests. As a mutual company, Nippon Life has always taken a long-term perspective, strengthened equity, stably distributed dividends and enhanced its customer services.

These steady and patient efforts have helped us to respond to the recent financial crisis. Moving forward, Nippon Life will more clearly define its business approach of fulfilling its coverage responsibilities and optimizing the customer's interests and will work so that it continues to be a company that customers continue to trust and choose.

### Strengthening Equity

Nippon Life has continuously strengthened its equity (foundation funds (*kikin*) and reserves, etc.) by adding to the reserves from each period's earnings on a flow basis and raising foundation funds (*kikin*), the primary capital of a mutual company. This equity helped

us to respond to the recent financial crisis and serves as the basis for future insurance claims payments and dividend payouts. From this point forward, we will take steps to further strengthen equity.

### Stable Payout of Dividends

As a mutual company, the majority of our surplus is returned to policyholders (excluding nonparticipating insurance policyholders). The fiscal year ended March 31, 2009 was a tough year for revenues and expenditures, but dividends for individual insurance and individual

annuities, which had risen for four consecutive years, remained at the same level as in the previous fiscal year. Moving forward, we will try to achieve continuous, stable dividend payouts by improving earnings capacity and strengthening equity.

### Customer Service Enhancement

- Nippon Life has a nationwide network of approximately 50,000 sales representatives (Nissay Total Partners) who visit every customer at least once a year as part of Policy Details Confirmation Activities to explain face-to-face to each customer about the content of their policies, insurance claims and benefits and related matters.
- Based on feedback obtained from a large number of customers through Policy Details Confirmation Activities, we developed the *Comprehensive Medical Rider*, which is simple and easy to understand and offers improved coverage. This comprehensive coverage

product that has this rider attached was updated as the *Mirai Support* series. The *Comprehensive Medical Rider* has an enrollment of more than 1.5 million\* and is an extremely popular product.

\*The total of the number of policies with the *Comprehensive Medical Rider* attached and the number of applications to change riders (October 2008 to June 2009)

- We are moving forward with the development of our New Integrated System, which is a drastic rebuilding of our core system, covering all areas of customer service.

## ■ What is a Mutual Company?

A life insurance company is established as either a “joint-stock corporation” or a “mutual company” based on the Insurance Business Law.

A mutual company is a form of company recognized only in the insurance industry. Based on the concept of mutual aid, it is an incorporated body in which policyholders\* are enrolled in insurance policies and at the same time company “members.”

Nippon Life has been formed as a mutual company.

Nippon Life decided to form as a mutual company for the following two practical reasons:

- The framework for distributing surplus as a mutual company (through the return of a major portion of surplus from business operations to policyholders,\* without the need to consider shareholder dividends) corresponds with Nippon Life’s belief that policyholder interests come first.

- To ensure that its promise to pay insurance claims to policyholders is fulfilled, a life insurance company is obligated to maintain a sound financial position and stably secure surplus over the long term. We believe that a mutual company format is the most appropriate for fulfilling these responsibilities and ensuring long-term stable management.

Nippon Life also strives to achieve flexibility in capital procurement and highly transparent corporate management by procuring capital through the public securitization of foundation funds (*kikin*), and by holding regular financial results meetings as part of its concerted efforts to enhance disclosure.

### Primary Differences between a Mutual Company and a Joint-Stock Corporation in the Insurance Business

Mutual Company		Joint-Stock Corporation
Insurance Business Law	Laws governing the insurance industry	Company Law
Non-profit/non-charitable intermediate corporate body	Characteristics	Profit-making incorporated association
Company members (=policyholders*) *Policyholders* are enrolled in insurance policies and at the same time company members	Membership	Shareholders *Become shareholders through the acquisition of stock
General Meeting of Members (Meeting of Representatives)	Decision-making body	General Shareholders’ Meeting
<div style="border: 1px solid black; padding: 5px;"> <div style="text-align: right; background-color: #4CAF50; color: white; padding: 2px 5px;">Surplus</div> <p style="text-align: center;">Implemented based on a resolution to appropriate surplus at General Meeting of Members (Meeting of Representatives)</p> <div style="background-color: #4CAF50; color: white; padding: 2px 5px; text-align: center;">Payout of dividends to members (policyholders*)</div> </div>	<div style="text-align: center;">Dividend distribution</div> <p style="text-align: center;">*This diagram is only meant to explain the dividend distribution system and is not intended to explain amounts of money or advantages and disadvantages.</p>	<div style="border: 1px solid black; padding: 5px;"> <div style="text-align: right; background-color: #FFC107; color: white; padding: 2px 5px;">Surplus</div> <p style="text-align: center;">Recorded in the reserve for policyholder dividends in the Statements of Income based on a resolution at the Board of Directors’ Meeting</p> <div style="background-color: #FFC107; color: white; padding: 2px 5px; text-align: center;">Distribution of dividends to policyholders*</div> <p style="text-align: center;">Implemented based on a resolution to distribute the surplus at the General Shareholders’ Meeting</p> <div style="background-color: #FFC107; color: white; padding: 2px 5px; text-align: center;">Dividends distributed to shareholders</div> </div>

\*Excluding nonparticipating insurance policyholders