

■ 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

Nippon Life considers its mission as a life insurance company to be fulfilling its coverage responsibilities to customers over the long-term and maximizing the customer's interests. Under the management philosophy of "every effort for customers" Nippon Life has always sought to strengthen equity, pay out stable dividends and enhance its customer services as a mutual company from a long-term perspective.

As a result of these steady and patient efforts, Nippon Life achieved a record-high customer satisfaction score of 83.7% (see p. 43.) in the fiscal 2009 Customer Satisfaction Survey. Moving forward, Nippon Life will more clearly define its business approach of fulfilling its coverage responsibilities and maximizing the customer's interests and will work so that it remains a company that customers continue to trust and choose.

Customer Service Enhancement

- ◆ As a company that places great value on long-term customer relationships, Nippon Life is seeking ways to enhance services in order to provide the optimal protection constantly.
- ◆ We are currently working on our New Integration Plan, which is a project to upgrade customer services by making our insurance products and services more easy to understand and convenient. The plan covers every aspect of insurance operations, beginning with insurance proposals and underwriting and extending to payments of claims and benefits. (See p. 6.)
- ◆ As a part of *Policy Details Confirmation Activities*, our nationwide network of approximately 50,000 sales representatives (Nissay Total Partners) visit every customer at least once a year to provide face-to-face explanations of policies, insurance claims and benefits and related matters to each customer. (See p. 9.)
- ◆ Based on customer feedback obtained through *Policy Details Confirmation Activities*, we launched the *Comprehensive Medical Rider*. This rider provides extensive coverage and is simple and easy to understand. A comprehensive coverage product that includes this rider was launched as the *Mirai Support* series. The *Comprehensive Medical Rider* has been well-received since its launch. (See p. 8.)
- ◆ We started the *Zutto Motto Service* in April 2010. This is a unique service offered by Nippon Life to its policyholders, with the aim of improving long-term after-sales services in response to changes in each customer's life stage. (See p. 7.)

Strengthening Equity

- ◆ Equity (foundation funds (*kikin*) and reserves, etc.) is a financial resource for paying insurance claims and benefits as stipulated in policies in the event of the materialization of various business risks, including a major natural disaster or large drop in share prices. At the same time, investment gains on equity are a source of dividend payouts to policyholders.
- ◆ 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. Equity is used to prepare for risks of all kinds.
- ◆ Nippon Life will continue striving to further strengthen equity, while working to further increase earnings through strategic investments.

Stable Payout of Dividends

◆ As a mutual company, the majority of our surplus is returned to policyholders (excluding nonparticipating insurance policyholders). One of our management goals is to enhance the payout of dividends in a stable manner over the medium and long terms. We increased dividends for individual insurance and individual annuities in four

consecutive years from the fiscal year ended March 31, 2005, and maintained them at the same level in the fiscal years ended March 31, 2009, and 2010. Moving forward, we will try to achieve continuous, stable dividend payouts by improving earnings capacity and strengthening equity.

■ What is a Mutual Company?

A life insurance company is established as either a “joint-stock corporation” or a “mutual company” as stipulated by the Insurance Business Act.

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 and should be maximized.
- Life insurance companies have a responsibility to preserve long-term financial soundness and generate a consistent surplus in order to meet obligations for paying claims and benefits to policyholders. We believe

that the mutual company structure is best suited to maintaining the long-term stability of business operations.

Mutual companies are often compared with joint-stock companies with respect to the flexibility of fund procurement and transparency of corporate governance.

For flexibility of fund procurement, by making continuous use of the public securitization of foundation funds (*kikin*) and other fund procurement schemes, Nippon Life has total foundation funds (*kikin*) (sum of foundation funds and reserve for redemption of foundation funds) of ¥1,050 billion.

For transparency, we are improving corporate governance to make our management more transparent (see p. 34.) and taking actions to reflect input from customers in our management (see p. 42.). We are also enhancing public access to information about our operations through financial information meetings and our website.

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

Mutual Company		Joint-Stock Corporation
Insurance Business Act	Laws governing the insurance industry	Company Act
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: #e0f2f1; padding: 2px;">Surplus</div> <p>Implemented based on a resolution to appropriate surplus at General Meeting of Members (Meeting of Representatives)</p> <div style="background-color: #e0f2f1; padding: 2px; text-align: center;">Payout of dividends to members (policyholders*)</div> </div>	<div style="text-align: center;">Dividend distribution</div> <p>*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: #fff9c4; padding: 2px;">Surplus</div> <p>Recorded in the provision for policyholder dividends in the Statements of Income based on a resolution at the Board of Directors' Meeting</p> <div style="background-color: #fff9c4; padding: 2px; text-align: center;">Distribution of dividends to policyholders*</div> <p>Implemented based on a resolution to distribute the surplus at the General Shareholders' Meeting</p> <div style="background-color: #fff9c4; padding: 2px; text-align: center;">Dividends distributed to shareholders</div> </div>

*Excluding nonparticipating insurance policyholders