

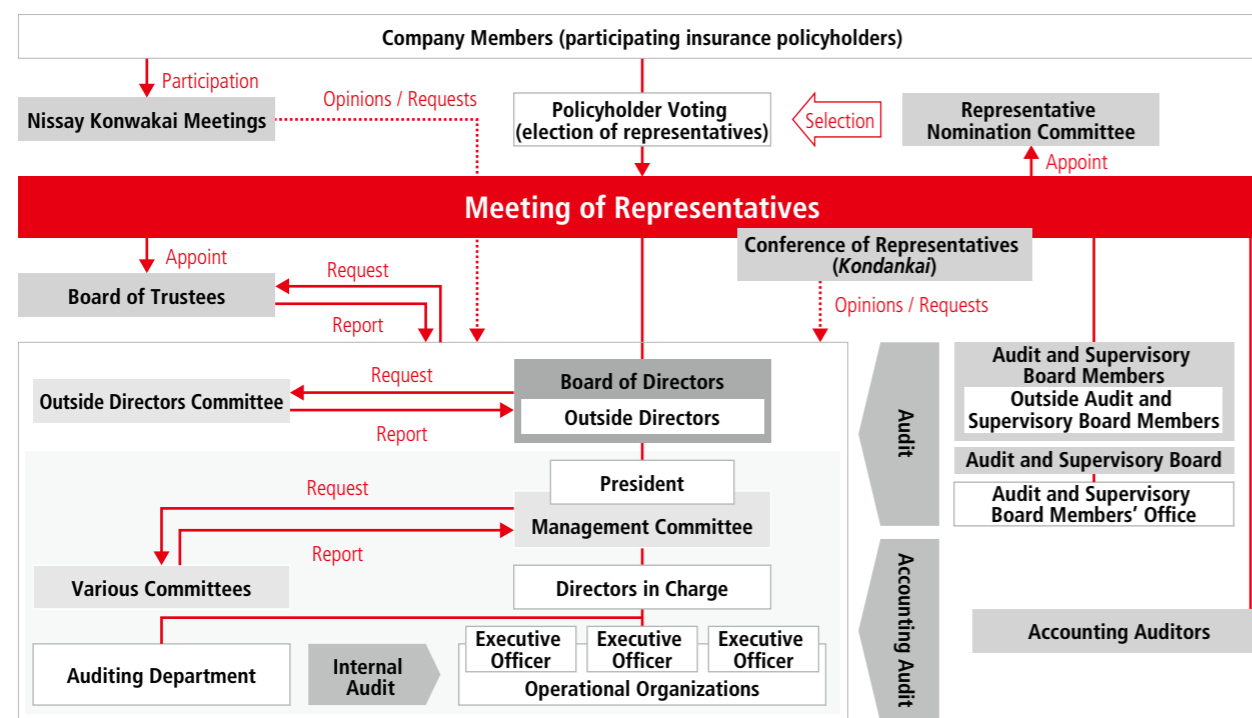
Corporate Governance and Internal Control

Mutual Company Management and Corporate Governance System

A mutual company is a corporate structure based on the concept of mutual aid where policyholders help each other. Policyholders become company members of a mutual company when they purchase participating insurance policies, for which dividends are paid out.

Nippon Life is constantly working to further develop the corporate governance system it has established ensuring appropriate management and fostering greater transparency to continue to uphold its coverage responsibilities to customers over the long term as a life insurance company, while operating through a mutual company framework that reflects the views of all company members.

Mutual Company Management and Corporate Governance System

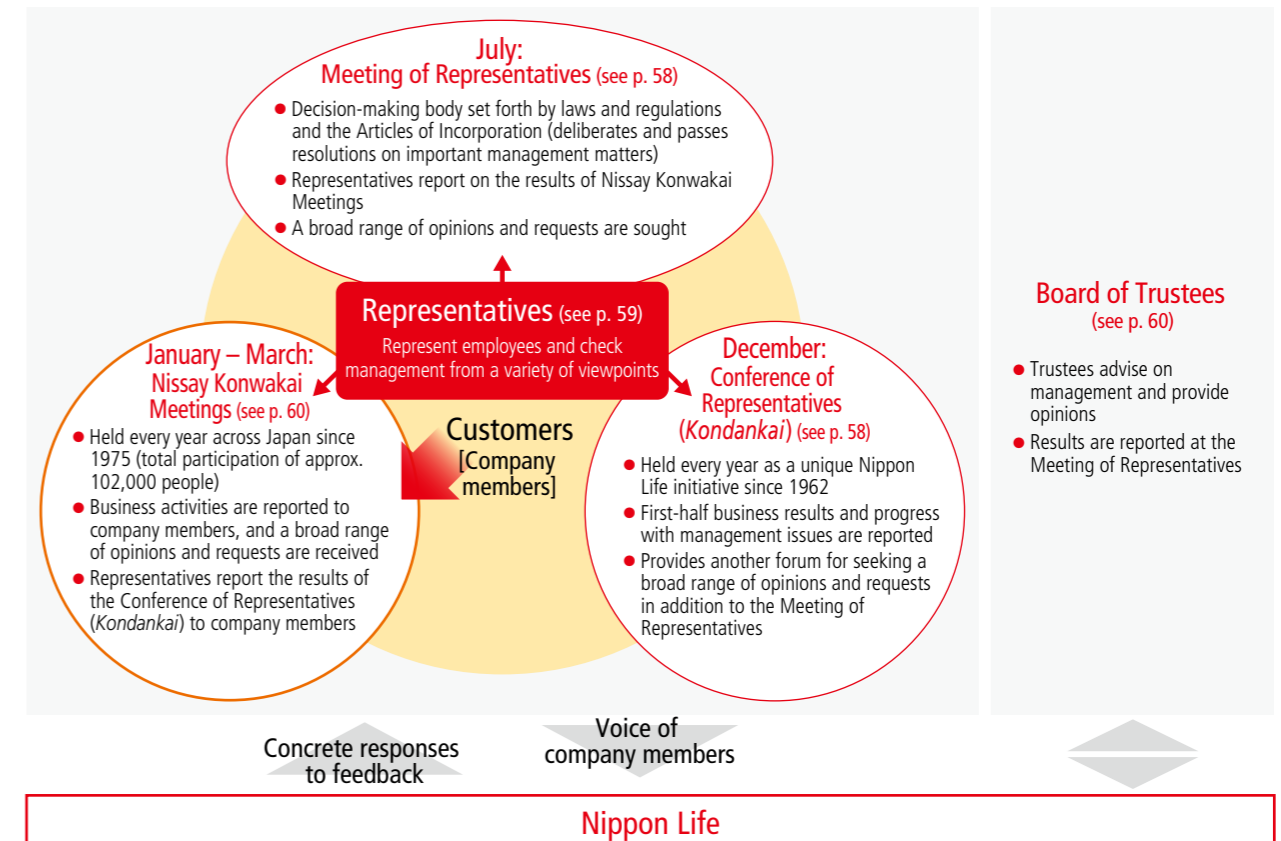


Mutual Company Framework

As a step to prioritize and maximize profits for company members (participating insurance policyholders) as a mutual company, Nippon Life incorporates the opinions of all company members in

management of the organization through the Meeting of Representatives, the Conference of Representatives (*Kondankai*), the Nissay Konwakai Meetings, and other initiatives.

Management Based on the Voice of Company Members through the Mutual Company Framework



What Is a Mutual Company?

A life insurance company is established as either a joint-stock company 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 participating insurance policyholders are enrolled in insurance policies and at the same time become "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 payment of a major portion of surplus from business operations as dividends to participating insurance 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. For flexibility of fund procurement, by making continuous use of the public securitization of foundation funds (*kikin*) and other fund procurement schemes, as of March 31, 2020, Nippon Life has total foundation funds (*kikin*) (sum of foundation funds (*kikin*) and reserve for redemption of foundation funds (*kikin*)) of ¥1,400 billion.

For transparency, we are improving corporate governance to make our management more transparent and enhancing public access to information about our operations through financial information meetings and on our website.

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

Mutual Company		Joint-Stock Company
Insurance Business Act	Laws governing the insurance industry	Companies Act
Non-profit/non-charitable intermediate corporate body	Characteristics	Profit-making incorporated association
Company members <small>* Participating insurance policyholders are enrolled in insurance policies and at the same time become company members</small>	Membership	Shareholders <small>* Become shareholders through the acquisition of stock</small>
General Meeting of Members (Meeting of Representatives)	Decision-making body	General Shareholders' Meeting
<div style="border: 1px solid black; padding: 5px;"> <p>Surplus</p> <p>Implemented based on a resolution to appropriate surplus at a General Meeting of Members (Meeting of Representatives)</p> <p>Payout of dividends to members</p> <p>⇒To company members</p> </div>	Dividend distribution <small>* This diagram is only meant to explain the dividend distribution system and is not intended to explain amounts of money or advantages and disadvantages.</small>	<div style="border: 1px solid black; padding: 5px;"> <p>Surplus</p> <p>Recorded in the provision for policyholder dividends in the statements of income based on a resolution at a Board of Directors meeting</p> <p>Distribution of dividends to participating insurance policyholders</p> <p>⇒To participating insurance policyholders</p> <p>Dividends distributed to shareholders</p> <p>⇒To shareholders</p> </div>

Corporate Governance and Internal Control

Meeting of Representatives

Established to replace the General Meeting of Members, the Meeting of Representatives comprises policyholders selected to act as representatives. The Meeting of Representatives is equivalent to the general shareholders' meeting of a joint-stock

corporation and deliberates and passes resolutions, such as those for amending the Articles of Incorporation, approving proposals for the distribution of surplus, and nominating directors and Audit and Supervisory Board members.



The 73rd Meeting of Representatives



Please refer to pp. 96–101 for an overview of the 73rd Meeting of Representatives (July 2, 2020).

Note: Images and minutes of the proceedings of the Meeting of Representatives can be found on the Nissay website.

<https://www.nissay.co.jp/kaisha/annai/sogo/sodaikai/>

Attendance System for the Meeting of Representatives

Company members may attend the Meeting of Representatives. Information on how to apply for admission is available on posters displayed at our offices and on our website in May and June.

Conference of Representatives (*Kondankai*)

The Conference of Representatives (*Kondankai*) was launched in 1962 as a unique initiative at Nippon Life to further enhance checks over management by the representatives. Held every year,

the conference provides a forum for management to report on first-half business results and progress with management issues to representatives and receive a broad range of opinions.

Note: For opinions received at the Conference of Representatives (*Kondankai*) for the fiscal year ended March 31, 2020 (held December 3, 2019), please see p. 102.

Representatives and Their Election

Representatives

According to the Articles of Incorporation, each representative's term of office is generally four years and can extend to eight years if they are selected for a second term. The number of representatives currently stands at 200.

Nippon Life selects policyholders as representatives, and, because they check management from diverse perspectives, they are chosen from among people in many occupations and ages and from many parts of the country. They participate in the Meeting of Representatives and deliberate with the Company through direct question and answer sessions.

From this perspective, Nippon Life believes that the number of representatives is set at an appropriate level.

Election of Representatives

To represent the interests of all policyholders, representatives are chosen who have no ties to the interests of specific policyholders among the approximately 9.70 million policyholders, based on the perspective of fairly reflecting the opinions of policyholders at the Meeting of Representatives. In this context, the Representative Nomination Committee recommends candidates and policyholder voting has been adopted as the means to directly reflect policyholders' opinions of the candidates.

In addition, representatives are also selected from among policyholders who have participated in Nissay Konwakai Meetings (see p. 60), a forum where management receives opinions and requests from policyholders. Although we have not adopted a system in which policyholders desirous of becoming representatives can be directly selected as representative candidates, Nippon Life will proactively promote this method of selecting representative candidates from among policyholders who participate in the Nissay Konwakai Meetings and aims to diversify selection methods.

◎ Representative Nomination Committee

The Representative Nomination Committee is composed of members chosen from among participating insurance policyholders by the Meeting of Representatives. The Representative Nomination Committee decides on selection standards for representative candidates and selects representative candidates from a broad base of policyholders. In addition, the Representative Nomination Committee strives to ensure its independence from the Company, while working to enhance the fairness and transparency of the representative nomination process.

◎ Policyholder Voting

All policyholders vote for individual representative candidates selected by the Representative Nomination Committee. If the total number of no-confidence votes for individual candidates is less than 10% of the total number of policyholders, candidates are selected as representatives.

Selection Standards for Representative Candidates

1. Required Qualifications
 - (1) Is a participating insurance policyholder of Nippon Life
 - (2) Is not a representative of another life insurance company
2. Eligibility Standards
 - (1) Has a strong interest in the life insurance business and the management of Nippon Life and has adequate insight as a representative
 - (2) Can be expected to actively participate as a representative in the Meeting of Representatives and other events
 - (3) Is able to check and advise on operations and management as necessary in addition to making fair decisions at the Meeting of Representatives to promote the interests of all policyholders
3. Selection

Representative candidates are selected from a broad base of policyholders with an emphasis placed on their ability to represent policyholders and evaluate management.

 - (1) We select representative candidates to ensure well-balanced policyholder representation in terms of geographic region, age and gender.
 - (2) We select representative candidates to ensure checks over management, specifically candidates who are able to check and advise on operations and advise management from diverse viewpoints, including from management, consumer, and specialist perspectives, while giving consideration to occupation, specialties and other factors.

Qualifications for Selecting Representative Nomination Committee Members

1. Has a strong interest in and a deep understanding of the life insurance business and mutual company management and adequate insight as a representative
2. Is able to fairly and impartially select representative candidates and to manage company members' votes

Time of Policyholder Voting

Voting for representative candidates is held once every two years from August to September. Policyholder voting will be held in the fiscal year ending March 31, 2021 (voting slips will be sent out to all policyholders).

Corporate Governance and Internal Control

Nissay Konwakai Meetings

The Nissay Konwakai Meetings are held every year throughout Japan. These meetings provide opportunities for Nippon Life to explain its business activities and for policyholders to voice their opinions and requests on overall management as well as products and services. Nissay Konwakai Meetings have been held since 1975.

From among the opinions and requests (see p. 102) that we receive from participants, we identify and respond to those that are most frequently expressed. These items are then reported to the Meeting of Representatives and Board of Trustees. The participants include several representatives and directors, and we continue to work to improve ties between the Nissay Konwakai Meetings and the Meeting of Representatives.

Note: We seek participants in the Nissay Konwakai Meetings from a broad array of areas, including through the website, posters in branches and providing information through pamphlets that sales representatives provide to customers.



Nissay Konwakai Meetings (Fukushima Branch)

Status of the Nissay Konwakai Meetings in the Fiscal Year Ended March 31, 2020

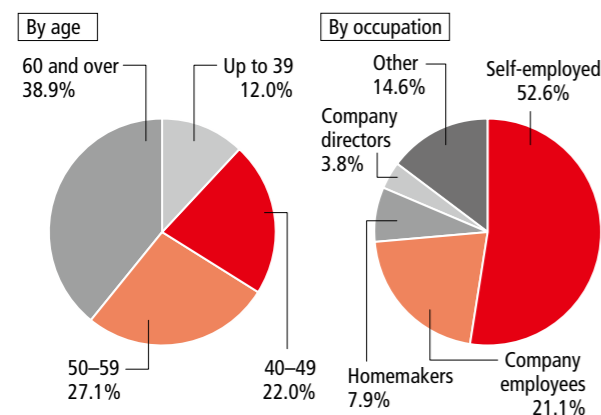
From January through March 2020, we held Nissay Konwakai Meetings in 104 locations around Japan, receiving a total of 5,053 opinions and requests from a total 2,397 policyholders, including 155 representatives.

We strove to provide easy-to-understand explanations, using video and other materials, of performance in the first half of the fiscal

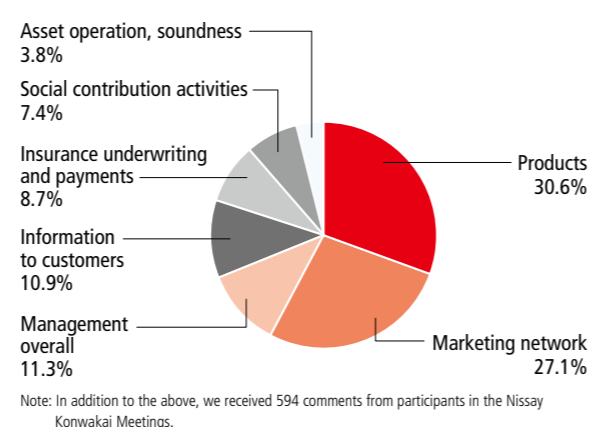
year ended March 31, 2020, and improvement initiatives based on customer feedback. Opinions and requests received at the Nissay Konwakai Meetings are thoroughly examined by the relevant departments and every effort is made to reflect them in management.

Due to the COVID-19 pandemic, 12 Nissay Konwakai Meetings held in March were conducted in writing.

[Description of Participants in the Fiscal Year Ended March 31, 2020]



[Categories of Opinions and Requests in the Fiscal Year Ended March 31, 2020]



Please see pp. 102–103 for the main opinions and requests received at the Nissay Konwakai Meetings in the fiscal year ended March 31, 2020, and the Company's responses to them.

Note: The results of the Nissay Konwakai Meetings are available on the Nissay website.

<https://www.nissay.co.jp/kaisha/annai/sogo/konwakai/>

Board of Trustees

Nippon Life has a Board of Trustees that serves as a management advisory body to ensure the appropriateness of management. Trustees are elected at the Meeting of Representatives from among policyholders and academic experts. Trustees give

opinions on advisory matters and important management issues and deliberate on policyholder opinions regarding corporate management. The results of these opinions and deliberations are reported at the Meeting of Representatives.

Corporate Governance System

In line with the fundamental management principles that it has stipulated, Nippon Life has established a corporate governance system that ensures the appropriateness and improves the transparency of management to fulfill its long-term indemnity obligations to customers as a life insurance company. Nippon Life endeavors to

continuously develop its corporate governance system.

The Basic Policy for Corporate Governance* that we have instituted on the purpose of defining our basic approach to corporate governance and related systems stipulates the rationale behind the composition of our governance structures.

* Please see the Nissay website for its Basic Policy for Corporate Governance.

<https://www.nissay.co.jp/kaisha/csr/governance/pdf/kihonhoushin.pdf>

Governance Structures

Nippon Life has chosen the governance model based on an Audit and Supervisory Board. In this system, every part of the Company's business is assigned to a designated director, and directors with such executive responsibilities usually also serve as executive officers. The Board of Directors is the decision-making body with direct oversight over business execution, and the members of the Audit and Supervisory Board are charged with ensuring independent and effective oversight of the Board of Directors.

Multiple outside directors and outside members of the Audit and Supervisory Board are also appointed to give counsel from an objective perspective. In addition, an Outside Directors Committee has also been established to give management access to a broader wealth of expertise and to help improve transparency. This committee works to enhance oversight and business execution functions within the Board of Directors.

■ Directors and the Board of Directors Duties of the Directors and the Board of Directors

The Board of Directors is responsible for determining important business matters in accordance with legal and regulatory requirements as well as the Articles of Incorporation and other internal rules. The board also supervises the performance of directors.

Directors participate in the execution of the duties of the Board of Directors making use of their experience and knowledge. Each executive director is delegated the authority to make decisions as required relating to the execution of one particular area of business and supervise business execution in that area.

Composition of the Board of Directors

Composed of no more than 25 directors, the Board of Directors aims to maintain a breadth of knowledge and experience covering the business areas of Nippon Life while also incorporating independent viewpoints that can provide an objective perspective and related counsel. At least two directors are outside directors who satisfy the relevant statutory requirements for outside directors with a degree of independence*¹.

As of July 2, 2020, the Board of Directors had 21 members, including 5 outside directors qualifying as independent members of the board*².

*¹ Details of these requirements are available on the Nissay website.

*² For details of the composition of the Board of Directors as of July 2, 2020, please refer to pp. 90–91.

https://www.nissay.co.jp/kaisha/csr/governance/pdf/dokuritsusei_handan.pdf

Appointment of Directors

Based on the selection criteria for candidates for appointment as directors as outlined below, the candidates for board appointments are confirmed by the Board of Directors based on the

deliberations of the Outside Directors Committee, and any appointments must be ratified by the Meeting of Representatives.

- All candidates must satisfy the eligibility criteria for directors as stipulated in Article 8-2 of the Insurance Business Act.
- Candidates for outside director should possess broad knowledge and experience as a corporate manager, academic, member of the legal profession, or other expertise.
- To contribute to the management of Nippon Life, candidates for non-outside director should have relevant extensive business knowledge and experience.

Corporate Governance and Internal Control

■ Outside Directors Committee

Duties of the Outside Directors Committee

The Outside Directors Committee is a consultative body that deliberates and reports to the Board of Directors on matters relating to the appointment of directors, executive officers and members of the Audit and Supervisory Board; the remuneration of directors and executive officers; and other important business matters. This structure is designed to improve the transparency of

the process for deciding executive appointments and remuneration, while also enabling Nippon Life to gain from the extensive knowledge of the outside directors in the deliberation of business plans, major investment deals, corporate governance, and other important business matters.

Composition of the Outside Directors Committee

The Outside Directors Committee is composed of all of the outside directors and any other directors appointed to it by resolution of the Board of Directors. The chair of the Outside Directors Committee

and a majority of its members must be non-executive directors.

As of July 2, 2020, the Outside Directors Committee was comprised of the five outside directors, the chairman, and the president.

■ Audit and Supervisory Board Members and the Audit and Supervisory Board

Duties of the Audit and Supervisory Board Members and the Audit and Supervisory Board

Making use of their experience and knowledge, the Audit and Supervisory Board members attend meetings of the Board of Directors and other important business meetings, acting as an independent organ. They audit the business execution duties of directors based on the active and functional delegation of authority.

By formulating the standards, policies and plans that relate to auditing activities by its members, the Audit and Supervisory Board contributes to organizationally efficient auditing of Nippon Life's management.

Composition of Audit and Supervisory Board

The Audit and Supervisory Board has a maximum of six members, all of whom are required to possess the necessary independence, expertise and knowledge of Nippon Life's operations to gather information and conduct related auditing activities. Outside members are to form a majority of the Audit and Supervisory Board, and at least two outside members must

satisfy the relevant statutory requirements for independence.

As of July 2, 2020, the Audit and Supervisory Board had six members*, including four outside members who qualified as independent.

* For details of the composition of the Audit and Supervisory Board as of July 2, 2020, please see p. 92.

Appointment of Audit and Supervisory Board Members

Based on the selection criteria for candidates for appointment to the Audit and Supervisory Board as outlined below, the candidates for Audit and Supervisory Board appointments are confirmed by the Board of Directors following discussion by the

Outside Directors Committee and approval by the Audit and Supervisory Board. Any appointments must then be ratified by the Meeting of Representatives.

- All candidates must satisfy the eligibility criteria for Audit and Supervisory Board members as stipulated in Article 8-2 of the Insurance Business Act.
- Candidates for outside member of the Audit and Supervisory Board should possess broad knowledge and experience as a corporate manager, academic, member of the legal profession, or other expertise.
- To contribute to the management of Nippon Life, candidates for non-outside members of the Audit and Supervisory Board should have relevant extensive business knowledge and experience.

Status of Audit by the Audit and Supervisory Board Members

Audit and Supervisory Board Members Audit, Organization and Procedures

The roles of the outside Audit and Supervisory Board members and the full-time Audit and Supervisory Board members are divided as follows for conducting Audit and Supervisory Board member audits.

Audit and Supervisory Board Member	Details of the Allocation of Audit Duties
Outside Audit and Supervisory Board Members (Part-Time)	Conduct audits and investigations regarding matters including the Company's social role, management, legal affairs, laws and compliance, and accounting and financial reporting. In addition, having obtained the necessary information, express an opinion from an objective and independent standpoint and offer advice.
Audit and Supervisory Board Members	Each auditor independently conduct audits and investigations from a Company-wide role, expresses opinions and offers advice. Visit locations where staff are assigned and attend important meetings and committees to conduct efficient organizational audits.

The Company has established the Audit and Supervisory Board Members' Office as an organization to assist the audit duties of the Audit and Supervisory Board members. The Audit and Supervisory Board Members' Office is composed of 13 Audit and Supervisory Board members' assistants (As of March 31, 2020, 12 of whom are exclusively appointed). The assistants have practical experience in sectors such as retail, international, investment management, information systems, legal and compliance, and business process services. They use their individual expertise to assist the Audit and Supervisory Board members' audits.

Status of Activity of the Audit and Supervisory Board Members and the Audit and Supervisory Board

During the fiscal year ended March 31, 2020, the Company's Audit and Supervisory Board held a total of 12 meetings*.

* The attendance status of individual outside Audit and Supervisory Board members is presented on p. 93.

At the Audit and Supervisory Board meetings, the members mutually confirmed the execution status of audits based on the audit policy and audit plan formulated at the start of the fiscal year, shared audit results, and exchanged opinions. They identified important management themes, received reports and explanations directly from directors and so forth, and exchanged opinions.

The Audit and Supervisory Board engaged mainly with the following items during the fiscal year ended March 31, 2020, having identified these as key audit items for focusing on during audits.

- Stance on responding to changes in the management environment and business domains
- Stance on executing business strategies for the Group
- Creation of social value and construction and reinforcement of a sustainable business model

The Audit and Supervisory Board members' activities included attending important meetings, exchanging opinions with the directors and executive officers, interviewing the executive divisions, examining important documents, visiting frontline organizations such as branch offices, coordinating with the Internal Auditing Unit, coordinating with the Accounting Auditors, coordinating with the department responsible for internal control functions, inspecting Group companies in Japan, coordinating with Group company Audit and Supervisory Board members, and visiting overseas Group companies.

In addition, MLC reported impairment losses for the fiscal year ended March 31, 2020. In addition to the audit activities described above, the assigned director and executive officer and other employees were required to give an explanation, and the Audit and Supervisory Board members attended the meeting as part of an intensive audit.

Moreover, the Audit and Supervisory Board will also confirm the Company's response following the COVID-19 pandemic.

■ Response to Japan's Corporate Governance Code

Applicable to listed Japanese companies from June 2015, the Corporate Governance Code defines the key principles for effective corporate governance based on the aims of supporting sustainable corporate growth and increases in enterprise value over the medium and long terms. We believe that the code and its aims are consistent with the basic corporate governance policy instituted by Nippon Life, and that efforts to institute and develop our corporate governance system on an ongoing basis constitute

effective compliance with the code (taking into due consideration the special characteristics of a mutual insurance company). We have provided further disclosures of our compliance with all of the principles of the Corporate Governance Code (excluding any not deemed to be applicable to mutual companies), including the status of relevant activities, in a separate corporate governance report*.

* Please refer to the Nissay website for this report on corporate governance.



<https://www.nissay.co.jp/kaisha/csr/governance/pdf/houkokusho.pdf>

Corporate Governance and Internal Control

Enhancing the Internal Control System

To ensure that operations are appropriate and to raise corporate value, at a Board of Directors meeting we established the Company's Internal Control System Basic Policy. Based on this

policy, we have developed an internal control system that includes the following systems:

- Management control system
- Internal control over financial reporting
- Antisocial activities damage prevention system
- (Internal) audit system
- Information management system
- Conflicting interests management system
- Rapid decision-making and business execution structure based on an executive officer system
- Risk management system
- Group company management system
- Compliance system

Internal Audit System

■ System and Policy

The Auditing Department has been created as an independent unit as an internal audit organization that works separately from operating divisions. It conducts internal audits of all business processes at Nippon Life and at Group companies. (As of April 2020, the number of employees in the Auditing Department was 115).

The Board of Directors has approved a basic policy on internal auditing, which stipulates the basic approach, structure, and contribution to effective internal management system construction through internal audits.

Based on this policy, the Auditing Department conducts audits to verify the suitability and effectiveness of internal controls, risk

management systems, and corporate management systems, among other items. The internal audit results are reported to the Management Committee, the Board of Directors, the Audit and Supervisory Board, and related committees.

In addition, the Auditing Department, the Audit and Supervisory Board members, and the Accounting Auditors periodically exchange opinions regarding the audit plans, status of execution, results, and so forth, and the Auditing Department and the Accounting Auditors maintain close coordination, such as through attendance at Audit and Supervisory Board meetings.

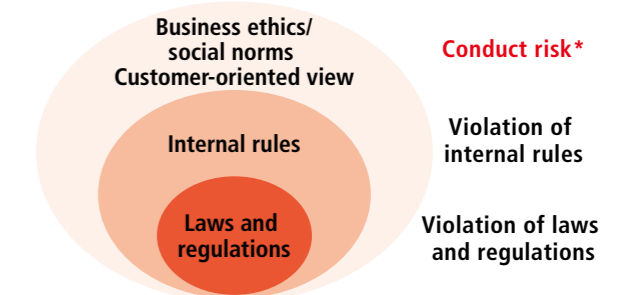
■ Initiatives toward Advanced Internal Auditing

The Board of Directors has approved a medium-term auditing policy (2017–2020) for audits to contribute to realization of Medium-Term Management Plan *Zen Shin* –next stage–. Under

the policy, the board will focus on audits with a greater emphasis on risk and take steps to reinforce the audit system for Group companies.

Promoting Compliance

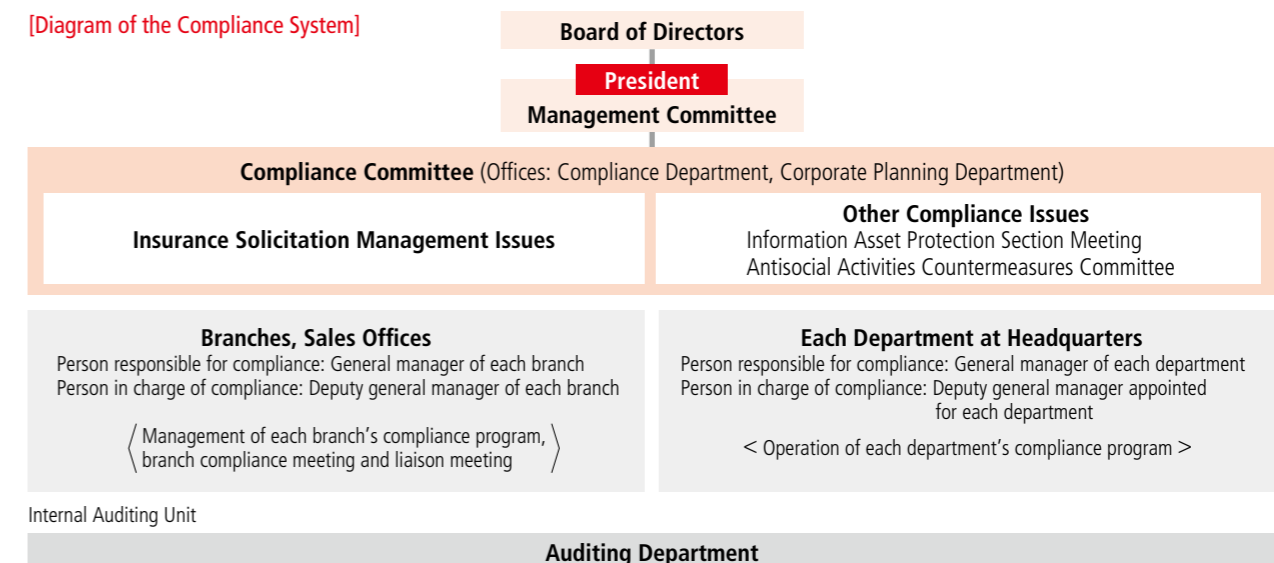
Compliance at Nippon Life goes beyond merely observing relevant laws and regulations, and extends to complying with all social norms, earning the trust of customers and society, and performing our work with sincerity. All directors and employees bear the responsibility of and strive to promote compliance throughout the Company based on the fundamental principle that compliance is a necessary condition for operation.



* Conduct risk refers to risk of significant damage to corporate value arising from acts that violate social norms, business customs and market practices and do not consider the standpoint of users, even if no legal statutes have been established regarding such conduct.

■ Compliance System

[Diagram of the Compliance System]



Nippon Life established the Compliance Committee as an advisory body to the Management Committee. The Compliance Committee comprehensively controls and manages the compliance system, including insurance solicitation management, by deliberating on measures related to compliance issues and by monitoring organizational efforts.

In addition, the Information Asset Protection Section Meeting and the Antisocial Activities Countermeasures Committee were established as advisory bodies to investigate and implement specific countermeasures for every issue. Their duties include instituting and promoting an information asset protection system primarily for customers and conferring on measures for blocking antisocial forces, such as gangs, and promoting internal education.

The Compliance Department was established to exert Company-wide control over compliance. It strives to instill an understanding of compliance-related information throughout the Company by adopting an integrated system for reporting

inappropriate or suspicious behavior. Under this system, we have appointed individuals (compliance officers) at each branch and headquarters department to take charge of and follow up on compliance-related efforts, and any suspicious behavior is reported to the Compliance Department.

The Company formulated the Group Company Compliance Policy and carries out management and guidance to prevent illicit action and ensure compliance at Group companies by requiring them to establish autonomous compliance systems and monitoring the implementation status of these systems, among other measures. In addition, we exchange opinions with the responsible departments at Group companies and take steps to increase the level of compliance throughout the Nippon Life Group.

Corporate Governance and Internal Control

■ Formulating and Implementing the Compliance Program

In accordance with Nippon Life's Basic Policy on Compliance and internal compliance regulations, the Board of Directors formulates compliance programs every year.

Each branch and headquarters department identifies its unique business issues, including conduct risks, and formulates its own branch or divisional compliance programs in response to

■ Teaching and Entrenching Compliance Principles

Nippon Life has established a Code of Conduct that sets forth the principles and standards that all directors and employees must abide by in the course of daily business. The Code of Conduct is set out in the *Employee Handbook* so they can refer to it at any time in case they are uncertain whether the performance of their duties is in the best interest of customers, legally or socially acceptable, or infringes on human rights. We have also created a Compliance Manual that explains the Code of Conduct and the operations of each division from a compliance perspective and have thoroughly instilled their teachings in all directors and employees.

Nippon Life provides all directors and employees with training

■ Internal Reporting System

Nippon Life has put in place an internal reporting system and established a Compliance Consultation Office as a specialist organization. Specialists are assigned to an internal reporting hotline to receive confidential information from whistle-blowers or provide wide-ranging consultation on compliance issues. Facts are confirmed and action is taken as required to remedy situations under the direction of the Compliance Officer.

To enhance the effectiveness of the internal reporting system, the Company has documented internal rules to ensure that any whistle-blowers are not disadvantaged by their actions, and has contracted an independent law office to maintain an external reporting hotline in addition to the internal reporting hotline,

■ Harassment Countermeasures (Power Harassment, Sexual Harassment, and Maternity Harassment)

At Nippon Life, we see harassment as a human rights issue that constitutes an affront to personal dignity. We also treat it as a workplace environment issue that can impede workplace order and business processes. We have formulated a Code of Conduct and rules to prevent harassment and forbid all forms of

specific issues arising from its diverse operations and works to implement these programs in daily operations based on the Company-wide plan. The formulation and implementation status of these programs is routinely tracked and followed up by the Compliance Department and at the same time new issues are reflected in the programs.

on soliciting insurance policies and after-sales services, using compliance and business etiquette textbooks and various other training materials that reflect an industry-wide curriculum standard.

Legal and other compliance-related educational programs are provided regularly through internal satellite broadcasts (NICE-NET) for sales representatives who serve customers. Compliance quizzes regarding these programs are given to ensure that employees have understood the material.

Non-sales personnel undergo group training according to job category and receive training based upon the compliance programs of their departments in order to enhance their knowledge of compliance as it relates to their work.

thereby establishing an environment where people can report issues with confidence. Details of the internal reporting hotline are included in the *Employee Handbook* that all executives and employees are obliged to carry. Nippon Life uses an internal satellite broadcasting system to provide education and training to all staff about the internal reporting system.

In addition, Group companies are also putting in place internal reporting systems to match those of Nippon Life. The Group has established a common hotline for internal reporting to enable Nippon Life to gather even more information about management risks at Group companies.

harassment. On this point, we work to help all executives and employees understand problems and countermeasures through training and publication in various forms of media, such as the *Employee Handbook* that they are obliged to carry.

■ Dealing with Antisocial Forces

Basic Rules Pertaining to Antisocial Forces

In the Code of Conduct, Nippon Life has established rules stating employees must not get involved with antisocial forces that pose a threat to social order and safety, such as organized crime. If a

Initiatives against Antisocial Forces

In the Company's Internal Control System Basic Policy, Nippon Life has made a commitment to resolutely confront antisocial forces that pose a threat to social order and safety. We have also established an Antisocial Activities Countermeasures Committee to upgrade our internal system for addressing this issue. The Company promotes partnerships with external organizations, including the Life Insurance Association of Japan and the police, as well as discussions of countermeasures against

Inclusion of Provision to Reject Organized Crime in Policy Terms and Conditions

The Life Insurance Association of Japan has written the following reference provision that allows member companies to cancel an insurance policy for the purposes of preventing any relationships whatsoever with antisocial forces and preventing the flow of funds associated with antisocial forces and any related entities. A policy can be canceled if a policyholder, insured party or

person has knowingly had contact with antisocial forces, they must immediately report this contact to their superior, take a resolute stand and deal with the matter in a methodical manner.

such antisocial influences and organized crime, and provides internal education.

The General Affairs Department has been positioned as the organization to deal with antisocial forces. A system of centralized control has been built to prevent damage from antisocial forces that enables employees to immediately report incidents, such as those involving undue claims, when they arise, to the General Affairs Department.

beneficiary of an insurance policy is recognized as an antisocial force, as well as in certain other cases, while the policy is in force.

Nippon Life is reinforcing measures to prevent relationships with antisocial forces such as by including the association's reference provision in its policy terms and conditions starting in April 2012.

Basic Policy Terms: Cancellation due to Serious Matters

○ Nippon Life can cancel for the future an insurance policy or any attached riders if any of the following occur.

(Section omitted)

○ If any of the following items applies to a policyholder, insured party or beneficiary of an insurance policy

- Recognition as an organized crime group, member of the group (including individuals who ceased to be a member within the past five years), a secondary constituent member of or a company associated with the group, or any other antisocial force (collectively "antisocial forces" hereafter)
- Recognition of involvement in provision of funds or any other form of assistance for antisocial forces
- Recognition of improper use of antisocial forces
- When the policyholder or beneficiary is a company, recognition that the company is controlled by antisocial forces or an antisocial force is effectively involved in the company's management
- Recognition of any other relationship with an antisocial force that should be subject to social criticism

(Section omitted)

■ Solicitation Policy

In order to further advance our customer first policy, we established Nippon Life's Solicitation Policy as the Company's approach to the sale of insurance and other financial products, and publish this on our website, among other places.

■ Efforts Related to the Protection of Personal Information

Nippon Life is entrusted with the important personal information of individual insurance policyholders. We have established and published the Personal Information Protection Policy, are working on employee training and improving our information security system, and will continue to ensure appropriate management.

Note: For information about our Solicitation Policy and Personal Information Protection Policy, please see pp. 20–21 of the Company Information section.

Corporate Governance and Internal Control

Strengthening Risk Management

The environment surrounding life insurance companies is changing greatly as a result of fluctuations in economic conditions, including share prices and interest rates, rapid progression in medical technology, the occurrence of major disasters and pandemics, and the rising sophistication and complexity of cyber-attacks. We recognize that the correct identification and appropriate management of risks caused by these various factors

■ Risk Management System

Risk management at Nippon Life is based on a risk management framework set forth in its Internal Control System Basic Policy. Under the risk management framework, the Risk Management Committee, an advisory body to the Management Committee, manages each type of risk appropriately according to its profile, and conducts integrated management of the overall impact of the various types of risk on operations.

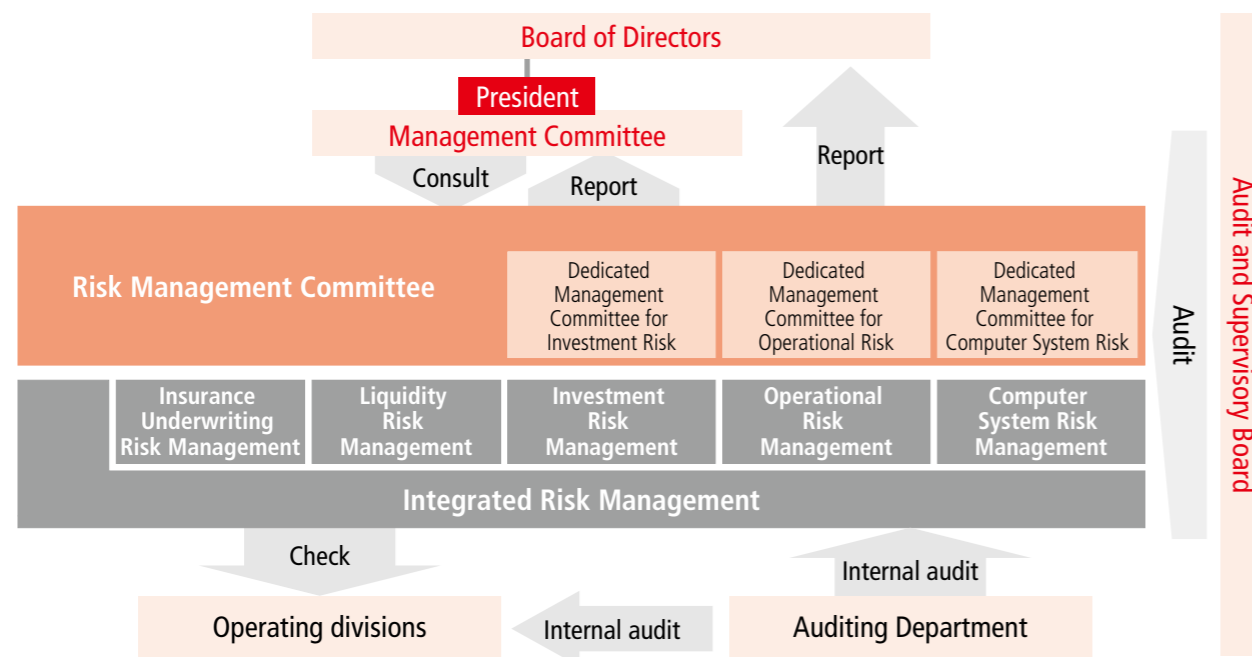
are of utmost importance and are promoting forward-looking risk management.

Based on this recognition, Nippon Life continues to develop its risk management systems, including at Group companies, and operates these systems appropriately while also working to increase their sophistication.

The status of risk management is reported to the Management Committee and the Board of Directors.

In addition, there is a system of mutual checks and balances involving the establishment of risk management units that are independent of profit centers. The system also has secondary checks and balances, such as having the Internal Auditing Unit examine the effectiveness of risk management.

[Risk Management System]



■ Integrated Risk Management

We take an integrated approach to managing the various risks that affect Nippon Life. We manage each type of risk centrally across all Group divisions in a coordinated way, while using

statistical risk measurement methods to manage the overall risk at the Group level appropriately.

Implement Stress Tests

We consider the potential for risks that cannot be prepared for using statistical risk measurement methods. To compensate, we implement "stress tests" that assume such scenarios as a dramatic deterioration in the operating environment or increased payments for claims and benefits due to a major earthquake or other

disasters. We then analyze the effects of these scenarios on the financial soundness of the Company. The results of the stress tests are reported to the Risk Management Committee and are useful when considering such actions as strengthening the financial foundation.

■ Insurance Underwriting Risk Management

Insurance underwriting risk can give rise to losses when such factors as economic conditions, the incidence of insured events, investment results and operational expenses do not match the predictions made when premiums were set.

A life insurance company must fulfill its responsibility to bear the risk it assumes on behalf of customers for long periods

extending over many decades. This requires the setting of reasonable premium rates that enable the stable payment of insurance claims and an appropriate level of risk control for upholding our coverage responsibilities based on examination and assessment of the health condition of the insured at the time of insurance underwriting.

Dealing with Risks in Setting Premiums

Nippon Life sets insurance premiums after expert staff who hold qualifications as doctors or actuaries (experts who use mathematical techniques to set insurance premiums and ensure financial soundness) have analyzed reliable statistical data indicating

the frequency ratios of the incidence of insurance claims and other payments. We also conduct numerous simulations based on the set premiums to verify whether or not we will be able to meet future coverage obligations for customers.

Responding to Risk Related to Policy Selection and Benefit Settlement Assessments

When Nippon Life considers underwriting a new policy, medically qualified staff or staff with medical expertise conduct a medical examination and assessment while other expert staff perform an additional assessment from the perspective of moral risk. Depending on the results of this process, we may choose to impose special conditions, such as increased premiums, that will allow us to offer a wide variety of fairly priced insurance products

to as many customers as possible.

We are also diligent about managing risks related to paying out insurance claims and benefits. We undertake sufficient risk management, including the assessment of payments by medically qualified staff or staff with medical expertise and other measures.

Reinsurance Policies

Nippon Life reinsures as one strategy for diversifying risk. In such cases, we determine the ceded and assumed reinsurance details by means of a review conducted by the Risk Management Committee after considering the types and characteristics of risks.

Moreover, in reinsurance transactions, we evaluate the creditworthiness of each reinsurer based on rankings provided by major ranking agencies and other factors, and manage accounts so that transactions do not focus excessively on specific reinsurers.

Corporate Governance and Internal Control

■ Liquidity Risk Management

Liquidity risk consists of cash flow risk and market liquidity risk.

Cash flow risk refers to the risk of incurring losses from a worsening cash flow caused by an unexpected outflow of funds due to an event such as a major natural catastrophe, which would force the disposal of assets at extremely low prices. Nippon Life deals with cash flow risk via investment plans and daily cash flow management that together ensure that highly liquid assets

■ Investment Risk Management

Investment risk is the risk of loss arising from changes in the value of the Company's assets and liabilities. It can be categorized into market risk, credit risk and real estate investment risk. The long-term nature of life insurance policies requires a long-term approach based on liability characteristics when managing risks associated with investment.

Market Risk Management

Market risk refers to the risk of losses incurred when the market value of invested assets and liabilities declines due to such factors as fluctuations in interest rates, exchange rates or stock prices. To avoid excessive losses from financing and investment transactions, the Company manages market risk by setting and monitoring investment limits for each type of asset and holding purpose as necessary. In doing so, we strive to build a portfolio

Credit Risk Management

Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines or is entirely eliminated due to the deterioration of the financial condition of the party to whom credit has been extended. In managing credit risk, the Company continues to build a sound portfolio through rigorous examinations of each transaction by the Credit Department, which is independent of the department handling investment and finance activities, and setting and monitoring credit ceilings to

Real Estate Investment Risk Management

Real estate investment risk refers to the risk of reduced returns caused by such factors as rent fluctuation as well as losses incurred when real estate values decline due to market deterioration and other factors. Our approach to managing real estate investment risk involves the rigorous examination of each

exceed a given threshold.

Market liquidity risk refers to the risk of incurring losses from being unable to make transactions due to market confusion or other factors or being forced to make transactions at extremely unfavorable prices. Nippon Life deals with market liquidity risks by establishing appropriate transaction limits for each type of asset in line with market conditions.

Hence, we seek to manage our portfolio efficiently based on risk-return analyses that emphasize the importance of generating investment returns over the medium and long terms. In addition, we strive to stabilize and increase our long-term earnings through attentive monitoring of our portfolio and market trends.

that gives due consideration to the diversification of risk.

To control market risk for our overall portfolio, we use statistical analysis to reasonably calculate the amount of risk and loss due to changes in the market environment. We also implement monitoring for market value-at-risk on a continuous basis to ensure it stays within appropriate bounds.

ensure that credit risk is not excessively concentrated in a particular company, group, or country.

To control credit risk for our overall portfolio, we use statistical analysis to reasonably calculate the amount of risk and loss due to worsening conditions in the financial position of credit risk counterparties. We also implement monitoring for market value-at-risk on a continuous basis to ensure it stays within appropriate bounds.

investment by the Credit Department, which is independent of the department handling the investments. We have also set up a system involving warning levels for investment returns and prices as part of our monitoring activities.

■ Operational Risk Management

Operational risk refers to the risk of customers or other external parties being adversely affected or the Group incurring losses due to any administrative error, negligence or malfeasance on the part of Nippon Life executives or employees or insurance agents contracted by Nippon Life.

To control operational risk, we are taking steps to clearly

■ Computer System Risk Management

Computer system risk refers to the risk of losses from computer system defects, faulty computer system operation and illicit use.

In managing computer system risk, we set our own safety standards for planning, development, operation and use of computer systems; conduct related compliance checks; and provide periodic instruction and guidance on appropriate usage.

To deal with the risk of computer system failure, we have developed Company-wide contingency plans to enable quick emergency response and established backup centers to prepare for area-wide disasters.

understand Company-wide risk by gathering and analyzing information on instances of operational errors. Based on this, we are formulating measures to avoid the recurrence of such instances and confirming their effectiveness. We are working to improve our administrative processes by providing administrative training and guidelines.

We have also implemented a wide variety of multi-layered security measures to deal with potential defects, faulty computer system operation, and illicit use. We have put measures in place to counter cyberattacks and related issues, and are continually working to strengthen these with multi-layered protection and detection measures, thorough education and training on information security for all executives and employees, cooperation with external expert organizations, promotion of security countermeasures at Group companies, and so forth.

Nippon Life Natural Disaster Countermeasures

We have formulated a business continuity plan (BCP) so that we can provide various types of services, etc. to customers even in the event of a major earthquake or pandemic. We also regularly work on natural disaster countermeasures, such as conducting drills on how to escort customers to evacuation areas and inspecting our stockpile of goods for use in disasters or other emergencies in preparation for an earthquake or tsunami during business hours.

In response to COVID-19, Nippon Life set up the

Disaster Response Headquarters led by the President. While we make preventing the spread of infection among all executives and employees our top priority, we are also working on continuing important tasks such as insurance payments in order to fulfill our social responsibilities and mission as a life insurer.

We continue to refine the BCP in consideration of our experiences with various natural disasters such as storm and flood damage, which have grown more severe in recent years.

Prior Initiatives by the Nippon Life Group Related to COVID-19

Customers

<Special handling of policies and exemption of interest payable on policy loans (new loans)>

- Extension of period for insurance payment
- Fast and simplified payment of insurance claims, benefits and policy loans
- Retroactive support of policy renewal procedures
- Exemption of interest payable on new policy loans (stopped handling on June 30, 2020)

<Payment of insurance claims and benefits to customers who contracted COVID-19>

- Payment of hospitalization benefits will apply even in cases where a customer receives treatment at home, a facility deemed equivalent to a hospital, etc.
- Regarding payment of deaths caused by disaster, etc. customers will be eligible for payment, such as through the accident rider with extra premium and injury rider (new), even in the event that they pass away as a direct result of COVID-19

Communities and Society

<Support for medical institutions, etc.>

- Conducted an internal blood drive at the Osaka Head Office and Tokyo Headquarters to contribute to the Japanese Red Cross Society's Blood Center
- Donated ¥100 million to medical-related institutions
- Donated 10,000 face shields to medical front lines, etc.

<Contributions through investment>

- Invested AUD 140 million (approximately JPY 10.4 billion) in a Sustainable Cities Bond issued by the Inter-American Development Bank
- Invested USD 20 million (approximately JPY 2.1 billion) in a fund managed by TPG (start of impact investment)
- Invested AUD 200 million (approximately JPY 13.1 billion) in a Social Bond issued by the International Finance Corporation