

# CHAPTER 2

## Management of Nippon Life

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MUTUAL COMPANY FRAMEWORK .....	28
CORPORATE GOVERNANCE SYSTEM .....	32
ENHANCING THE INTERNAL CONTROL SYSTEM.....	32
PROMOTING COMPLIANCE .....	33
STRENGTHENING RISK MANAGEMENT .....	35
REFLECTING CUSTOMER FEEDBACK IN BUSINESS .....	40
EFFORTS IN SYSTEM DEVELOPMENT .....	43
INVESTING INSURANCE PREMIUMS ENTRUSTED TO US .....	44
OVERSEAS BUSINESS DEVELOPMENT .....	45
CONTRIBUTIONS TO THE ENVIRONMENT, LOCAL COMMUNITIES AND SOCIETY.....	46
IMPROVING DISCLOSURE .....	50

Nippon Life has been formed as a mutual company. A mutual company, based on the concept of “mutual aid,” and having insurance policyholders as company members, reflects the views of policyholders in management.

It is a form of company in which a major portion of surplus from business operations is returned to policyholders, and we believe it is the most appropriate format for the life insurance business to fulfill long-term coverage obligations. (See p. 7.)

### ■ 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 stock corporation and deliberates and passes resolutions, such as those for amending the Articles of Incorporation, approving proposals for the disposal of surplus and nominating directors and auditors.



The 61st Meeting of Representatives

### Attendance System for the Meeting of Representatives

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

### Questions and Comments at the 61st Meeting of Representatives (July 1, 2008)

- Nippon Life is ranked third in policyholder insurance proceeds, having fallen from first place for the first time since after World War II. What strategies and policies will Nippon Life take to redress this?
- Other insurance companies are in the same situation as Nippon Life regarding their dealings with non-payment issues. Why then is Nippon Life number three?
- In light of the risk of a greater proportion of the elderly due to low birth rates and long life spans, what we need is not insurance companies vying with each other over amounts of mortality insurance, but rather a focus on pure endowment and medical benefits and investment in resources for maintaining and servicing existing policies.
- While Nippon Life should be commended for creating a sounder company, strengthening earnings and properly managing assets, why doesn’t it perform a factor analysis and take countermeasures in light of the downturn in the individual insurance market?
- When attending the Nissay Konwakai as a representative, I sensed that policyholders were demanding that the terms and conditions, pamphlets, and other materials be made more tailored, easy-to-understand and easy-to-read, as well as the development of products that address new lifestyle issues, like products for families with small children or ones for senior citizens. What does Nippon Life think about it?
- What are your thoughts on demutualization (conversion to a joint-stock corporation)? In particular, what do you think about accelerating business expansion in Japan and abroad by procuring funds through conversion to a joint-stock corporation? There are reports that competitors will convert to joint-stock corporations, I think this is one of the top concerns of policyholders.
- I understand that the fiscal year ended March 31, 2009 results show that Nippon Life maintained its customer-oriented business approach. Maintaining this business approach over the long term will contribute to the growth of Company business. Therefore, I would like to see Nippon Life continue to maintain this customer-oriented business approach.
- I understand keeping sales representatives for individual corporate customers might be difficult because of the increasing difficulties in accessing company worksites. As the availability of sales representatives within the Company really makes a big difference at critical moments, I would press strongly for keeping them.
- The low birthrate in Japan has reached an alarming state and we need to stop it somehow. According to one survey, the greatest reasons that married couples in their 20s and 30s gave for not having children were “child rearing costs” and “education costs.” Essentially, this is an issue that the Japanese government must respond to, but couldn’t Nippon Life provide educational scholarships targeted at high school and university students?
- Previously, my children attended a financial education event held by a bank for senior students at elementary through junior high school students; it was really interesting and the kids gained an understanding of the banking business. As a parent, I would like to see Nippon Life consider holding such an event to introduce children to the insurance business.
- As a part of the asset management division’s CSR activities, there is a plan to curb CO<sub>2</sub> emissions through the renovation of currently owned buildings. Could you give us some specific information about this?
- With respect to sales channels, there appears to be a greater shift to agency and bank counter sales. What are your thoughts on the viability of balancing the agency and bank counter sales channel and the sales representative channel? Also, tell us about Nippon Life’s view on the separation of functions between these sales channels.
- If you intend to stress the consulting business based on comprehensive customer visits, don’t you think that the sales representative channel needs to be strengthened?
- Although you have said that Nippon Life has not been affected by the sub-prime loan problem, I hope you will continue to manage assets by carefully choosing your investments.
- While you continue to emphasize “revised insurance claims” that take into consideration profitability, I hope your sales activities will be based fully on customer needs.
- Internet-based insurance companies have entered the market, what is your approach toward Internet-based sales?
- I believe that Nippon Life products are distinguished by their rich benefits.
- Why don’t you try to better highlight the appeal of the high quality of Nippon Life’s sales representative channels that are capable of providing comprehensive service?

Minutes and a summary of the Meeting of Representatives (Q&A summary) are available soon after the event from the Osaka head offices, the Tokyo Headquarters and all branches as well as on the Nippon Life website.

➡ <http://www.nissay.co.jp/okofficial/kaisya/sougo/soudai/index.html> (Japanese only)

## ■ 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 a diversity of 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 9.75 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 (see p. 30), 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 continue to promote this method of selecting representative candidates from among policyholders who participate in the Nissay Konwakai and aims to diversify selection methods.

#### Selection Standards for Representative Candidates

1. Required Qualifications
  - (1) Is a 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 ability to represent policyholders and to inspect management.

- (1) We select representative candidates to ensure well-balanced policyholder representation in terms of geographic region, occupation, age and gender.
- (2) We select representative candidates who are able to check and advise on operations and advise management from diverse viewpoints.
  - Candidates who are able to advise and check from a management perspective
  - Candidates who are able to advise and check from a consumer perspective
  - Candidates who are able to advise and check from a specialist's viewpoint

### ● Representative Nomination Committee

The Representative Nomination Committee is composed of members chosen from among 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, Nippon Life works to ensure the independence of the selection process by appointing an external person to the position of head of the secretariat of the Representative Nomination Committee, which also ensures the fairness and transparency of the representative nomination process.

#### 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
- (3) Is able to participate in the Representative Nomination Committee

### ● 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.

#### Time of Policyholder Voting

Voting for representative candidates is held once every two years from August to September. The next election by policyholders is scheduled for 2010. (Voting materials shall be sent to all Nippon Life policyholders.)

## ■ 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.

## Nissay Konwakai

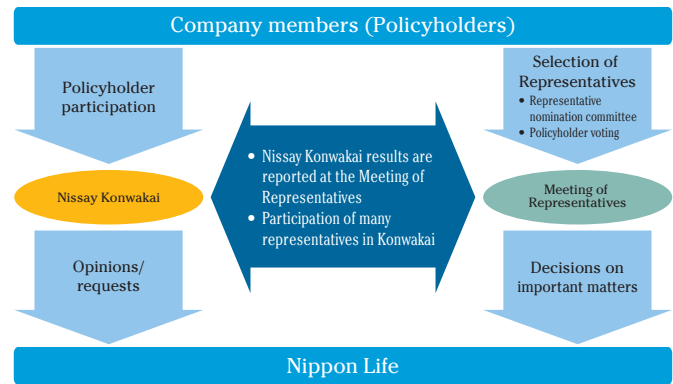
The Nissay Konwakai is held every year throughout Japan. These conferences provide opportunities for Nippon Life to explain its business activities and for policyholders to voice their opinions and requests on overall management as well as products and services. Konwakai have been held since 1975.

From among the opinions and requests 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 and the Meeting of Representatives.



Nissay Konwakai

## Position of Nissay Konwakai



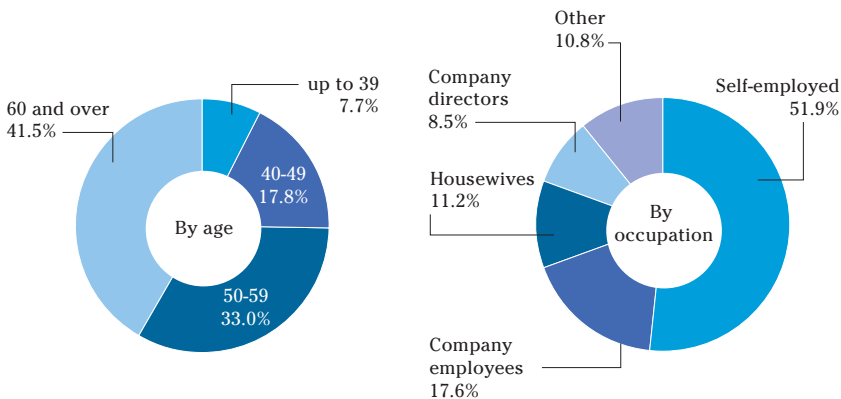
Information about when and where the Nissay Konwakai are held is available at our branches and sales offices, and is disclosed on our website. We promote broad participation in the Nissay Konwakai.

## Status of the Nissay Konwakai Meeting in Fiscal Year Ended March 31, 2009

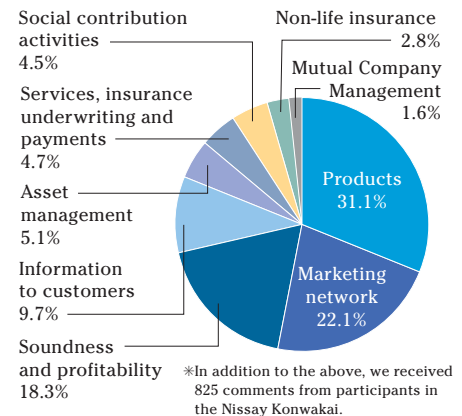
From January through March 2009, we held Nissay Konwakai in 114 locations around Japan, bringing together a total of 114 representatives and 2,498 policyholders and receiving a total of 5,181 opinions and requests. At the Nissay Konwakai, we explained in a way that was easy to understand, using video and other materials, about first-half fiscal year ended March 31, 2009 performance, the development of the new product *Mirai*

*Support* and other topics. Opinions and questions received at the Nissay Konwakai are thoroughly examined by the relevant departments and every effort is made to reflect them in management. The following are some of the main opinions and requests that we received during the fiscal year ended March 31, 2009.

## Description of Participants in Fiscal Year Ended March 31, 2009



## Categories of Opinions and Requests (4,356 total) in Fiscal Year Ended March 31, 2009



## Main Opinions and Questions Received, and Our Responses to Them

Q

You said that Nippon Life would respond to the overall financial crisis by drawing on equity, but is this acceptable in an uncertain business environment? I would like to see you create a sounder company and unflinchingly pay insurance claims when something happens.

A

- The financial crisis did affect us in the fiscal year ended March 31, 2009, and, because we took approximately ¥680.0 billion out of the contingency reserve and the reserve for price fluctuation in security investments, equity\* declined from ¥3.3 trillion at the end of the fiscal year ended March 31, 2008 to nearly ¥2.7 trillion in the fiscal year ended March 31, 2009. This amount of equity is sufficient to cover a wide range of risks, including risks that can be expected in the normal course of events as well as risks related to further market downturns, epidemics of new strains of influenza and major earthquakes.
- In addition, the solvency margin ratio, an indicator that regulatory agencies use to determine the soundness of insurance companies, remained high at 904.4% at the end of the fiscal year ended March 31, 2009, well above the 200% that prompts regulatory agencies to issue orders to improve business performance.
- Accordingly, there is absolutely no problem with the soundness of Nippon Life or its ability to unflinchingly pay customers.

- Even in this kind of harsh business environment, what enables Nippon Life to maintain a high level of soundness is its steady accumulation of equity based on customer consent and its continuous efforts to maintain and improve the Company soundness. On the other hand, we recognize that one of management's most important tasks is to immediately recover the used equity.
- Therefore, first and foremost, we aim to quickly recover our foundation funds (*kikin*) and reserves to ¥3.3 trillion, the level prior to the reversal of the aforementioned reserves. In addition to adding to the reserves from each fiscal year's earnings, we will accumulate equity by aggressively leveraging solicited foundation funds, the core capital of a mutual company.

\*Nippon Life accumulates foundation funds (*kikin*) and reserves as equity. These include the foundation funds (*kikin*), which represent the capital of a joint-stock corporation, as well as a contingency reserve and a reserve for price fluctuations established to deal with risk.



There appears to be a movement among competitors to demutualize. What is Nippon Life's growth strategy as a mutual company?



• In order to maximize policyholder interests through earnings growth as a mutual company, Nippon Life must steadily address the domestic and overseas markets.

• Even so, a major prerequisite is that Nippon Life achieves steady growth in the domestic market.

Within the major trend of a declining birthrate, aging society and decreasing population, death protection remains a core market even though it continues to contract. Meanwhile, in the areas of medical coverage and asset formation, it appears that it is possible to create a market by shifting from social security to private coverage and expanding the retiree market. In fact, the reason for the continued advances made by foreign-affiliated life insurance companies is that Japan is one of the most attractive markets in the world.

• Given these circumstances and the recent surge in the global financial crisis, the future of the domestic life insurance industry has grown increasingly uncertain and customer criteria and opinions with regard to selecting a life insurance company seem to have changed substantially.

• Nippon Life has expanded sales of *Mirai Support*, a new mainstay product launched in October 2008, successfully maintained and fortified its Policy Details Confirmation Activities, improved and developed its leading life insurance sales performance in all areas, and received its highest-ever rating in the customer satisfaction survey. Also, in the area of bank counter sales, income from premiums became more than doubled compared to the previous year and market share grew substantially.

• These results are proof that our persistent efforts to create a sounder company and to intensify and strengthen face-to-face customer services in an adverse business environment are once again being recognized by the market. Taking the current changes in the environment as an opportunity, and with a focus on face-to-face

based services and consulting activities, we want to make steady progress in the mortality, medical and asset formation fields by launching new products that match customer needs.

• To broadly respond to customer needs, Nippon Life is developing its business through its Group companies. For example, Nissay Information Technology Co., Ltd. is now developing the New Integrated System with Nippon Life to improve policyholder convenience and, by leveraging its own know-how, it is making efforts to increase profitability by expanding consigned business from outside customers, including other insurance companies. Moreover, Nissay Asset Management Corporation is managing corporate annuities and focusing on providing investment trusts to respond to our customer's increasing savings needs, and *Three Point*, a mainstay product, has recently gained popularity.

• At the same time, to further enhance the dividends paid to policyholders over the medium- to long-term, Nippon Life believes that bringing in earnings from overseas markets is an important management issue. In asset management, Nippon Life makes investments and loans in overseas markets from the standpoints of risk diversification and earnings growth. Currently, nearly 30% of its income gain is derived from overseas markets.

• Also, in its mutual company form, Nippon Life will further expand earnings by forming partnerships overseas. However when it does, the strict management and addressing of risks will be a prerequisite because it needs to contribute to the maximization of policyholder interests.

Accordingly, even in our strategic partnerships and acquisitions overseas, subject to adequate screening, we want to aggressively leverage the equity of Nippon Life if a good opportunity presents itself.

## Other Ideas and Requests

### ■ Financial Soundness and Business Results

- Although the business results at the end of the fiscal year ended March 31, 2009 were unfavorable, I hope Nippon Life will continue to pay out dividends.
- Could you tell us what impact the rapid economic downturn has had on insurance sales and what countermeasures you will take?
- While the investment environment is rapidly fluctuating due to the financial crisis, is Nippon Life's asset management doing all right? What is your investment management approach for the future?

### ■ Mutual Company Management

- With respect to an insurance company's corporate structure, there is a choice between being a mutual company and a joint-stock company. Why does Nippon Life choose to form itself as a mutual company?

### ■ Overseas Development, Partnerships, etc.

- What is Nippon Life's overseas strategy?
- With the movement toward industry restructuring, will Nippon Life form partnerships with or acquire domestic or overseas financial institutions?

### ■ Products and Sales Network

- I would like to see Nippon Life provide more products and services that are easy to understand and based on customer feedback, just like *Mirai Support*.
- With the young adult segment moving away from insurance, what sort of countermeasures are you taking?

- With the impending elimination of the tax-qualified pension plan system, in light of what other companies are doing, I would like to see you offer consulting services appropriate to my own company.

- Although there are Internet services, I rely on my sales representative. I would like him/her to continue to visit regularly.

- The sales representative in charge of my account is frequently replaced, could you cultivate sales representatives with whom we can have long relationships? Also, knowledge and manners vary depending on the sales representative.

- What is your approach to online and mail-order insurance sales?

### ■ Issues of Payment of Insurance Claims and Benefits and Administrative Procedures and Services

- What is your approach to preventing the recurrence of the nonpayment of claims issue?

- Procedures for enrolling in a policy and the payment of claims and benefits are complicated. Could you make them speedier and simpler?

- What would be your response to and future handling of a pandemic due to a new strain of influenza?

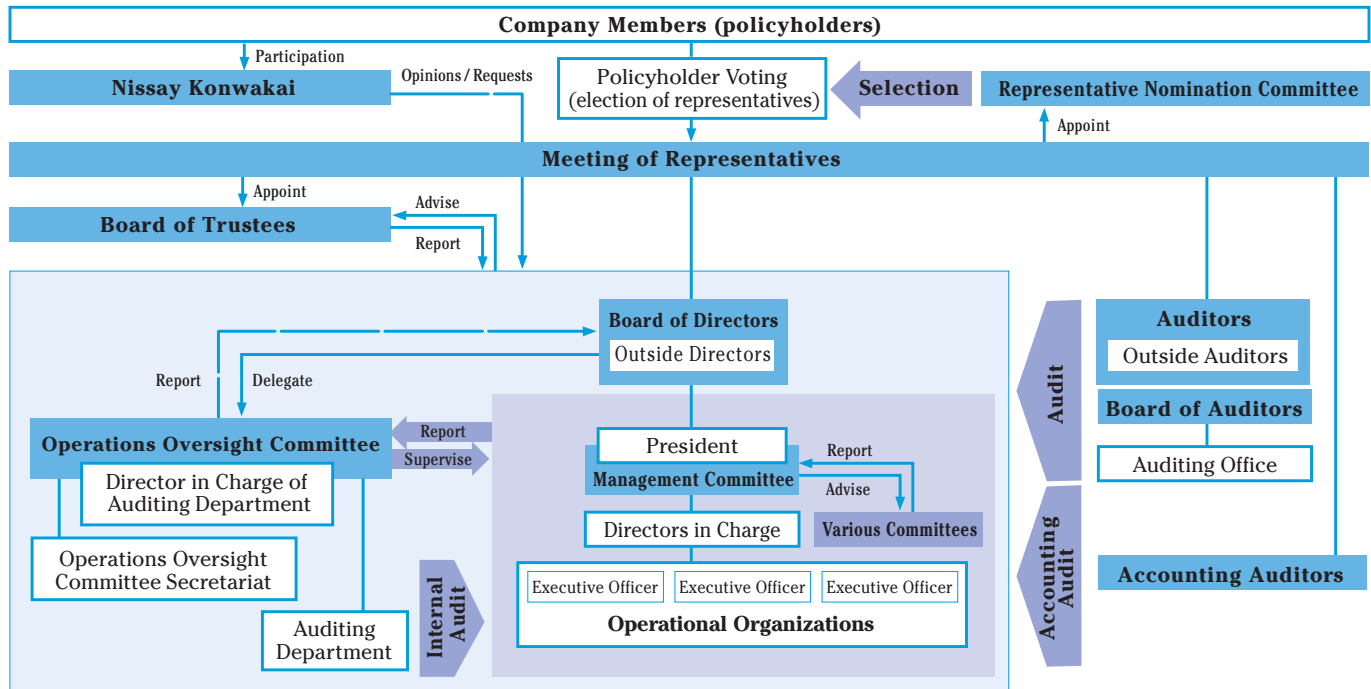
### ■ Social Contribution Activities

- I empathize with Nippon Life's regionally-based social contribution activities. I hope you will continue them and publicize them more widely.

## CORPORATE GOVERNANCE SYSTEM

Nippon Life has constructed a corporate governance system that ensures the appropriateness of management and increases transparency. Specifically, the Company has built a system that more widely reflects policyholder feedback in management through a mutual company framework. (See p. 28.) In addition, to ensure that external points of view are actively incorporated and that a system of checks and balances is placed on management, we have appointed outside directors and established an Operations Oversight Committee. We have also established an Auditing Department to ensure that operations are sound and carried out properly.

Diagram of Corporate Governance System



### ■ Board of Directors and Board of Auditors

The Board of Directors decides on important business affairs of the Company based on decisions made at the Meeting of Representatives and also supervises the execution of directors' duties. Four outside directors (three of whom are legal outside directors) have been appointed to the Board of Directors.

Auditors audit the execution of the directors' duties through their attendance at important meetings, including the Board of Directors' meeting. In addition, the Board of Auditors deliberates and decides important accounting-related matters. Four of the six auditors are outside auditors (one of which is full time).

### ■ Operations Oversight Committee

This committee is composed of outside directors, three policyholders and a director exclusively responsible for the Auditing Department. The committee was commissioned by the Board of Directors to fulfill a supervisory function and, as a body directly connected to the Board of Directors, supervises and oversees all of the business affairs of Nippon Life.

The director in charge of the Auditing Department manages and directs the Auditing Department in line with the discussions and decisions made by the Operations Oversight Committee, thus ensuring the effectiveness of internal audits.

## ENHANCING THE INTERNAL CONTROL SYSTEM

To ensure that operations are appropriate and to raise corporate value, we established at the Board of Directors meeting a basic policy for the internal control system (a system that ensures appropriateness of Company operations).

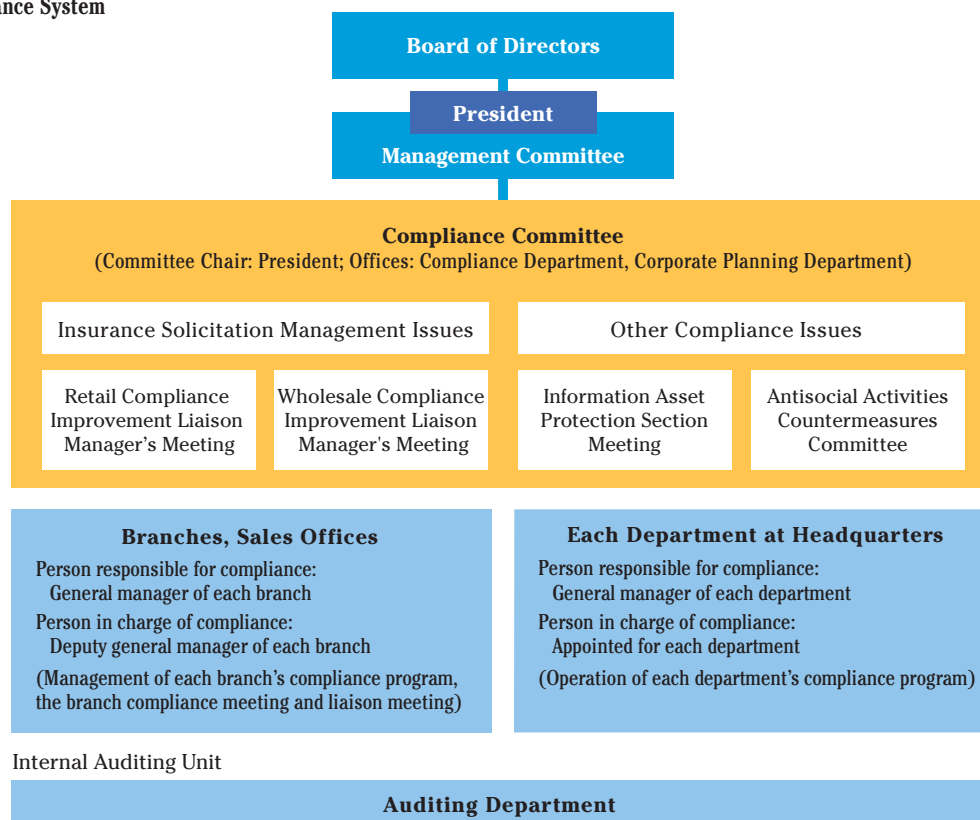
Based on this policy, we have developed an internal control system that includes the following systems.

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

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 compliance and, considering compliance to be a fundamental operating premise, strive to promote compliance throughout the Company.

## ■ Compliance System

Diagram of 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 to conferring on measures for blocking antisocial activities, such as those of gangs, and promoting internal education.

The Compliance Department was established to exert Companywide control over compliance. The Compliance Department is attempting 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, such behavior at branches and headquarters departments is reported to the Compliance Department. At the same time, at each branch and headquarters department we have appointed individuals to be in charge of compliance (compliance officers) who are charged with following up on compliance-related efforts.

At each branch and headquarters department, general managers are responsible for compliance. Deputy general managers and managers appointed to each branch and department are in charge of compliance. Together, they form a system that rigorously implements compliance programs as part of operational management.

## ■ Formulating and Implementing the Compliance Program

The Board of Directors formulates the compliance programs every year as concrete measures for the promotion of compliance. Each branch and headquarters department also formulates its own branch or divisional compliance programs in response to specific issues arising from its diverse operations and works to implement these programs in daily operations.

## ■ 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 a small booklet entitled *An Employee Booklet* that all directors and employees are required to carry so they can refer to it at any time in case they are unable to decide based on the performance of their duties whether they are operating from a customer perspective; if what they have done is legally or socially acceptable; or whether they have infringed on someone's 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.

Legal and other compliance-related educational programs are provided regularly through internal satellite broadcasts (NICE-NET) for sales representatives who serve customers. Quizzes about compliance matters are given regarding the content of the broadcast compliance programs 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.

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.

Since the fiscal year ended March 31, 2009, in accordance with a continuous education curriculum that is shared industrywide, we carry out continuous educational training, particularly in the area of after-sales service. This training includes compliance, accountability and the payment of insurance claims, with the aim of further improving compliance education.



An Employee Booklet

## Dealing with Antisocial Activities

### Basic Rules Pertaining to Antisocial Activities

In the Code of Conduct, Nippon Life has established rules and standards that all directors and employees must observe when executing their duties. Among them are rules that state that employees must not get involved in antisocial activities that pose a threat to social

order and safety, such as those of gangs. If one has knowingly had contact with antisocial activities, he/she must immediately report this contact to their superior, take a resolute stand and deal with the matter in a methodical manner.

### Initiatives against Antisocial Activities

In its Corporate Principles and basic policy for the internal control system (a system that ensures appropriateness of Company operations), Nippon Life has made a commitment to resolutely confront antisocial activities that pose a threat to social order and safety. Nippon Life has also established an Antisocial Activities Countermeasure Committee to upgrade its 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 such antisocial influences as gangs and internal education.

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



## Risk Management System

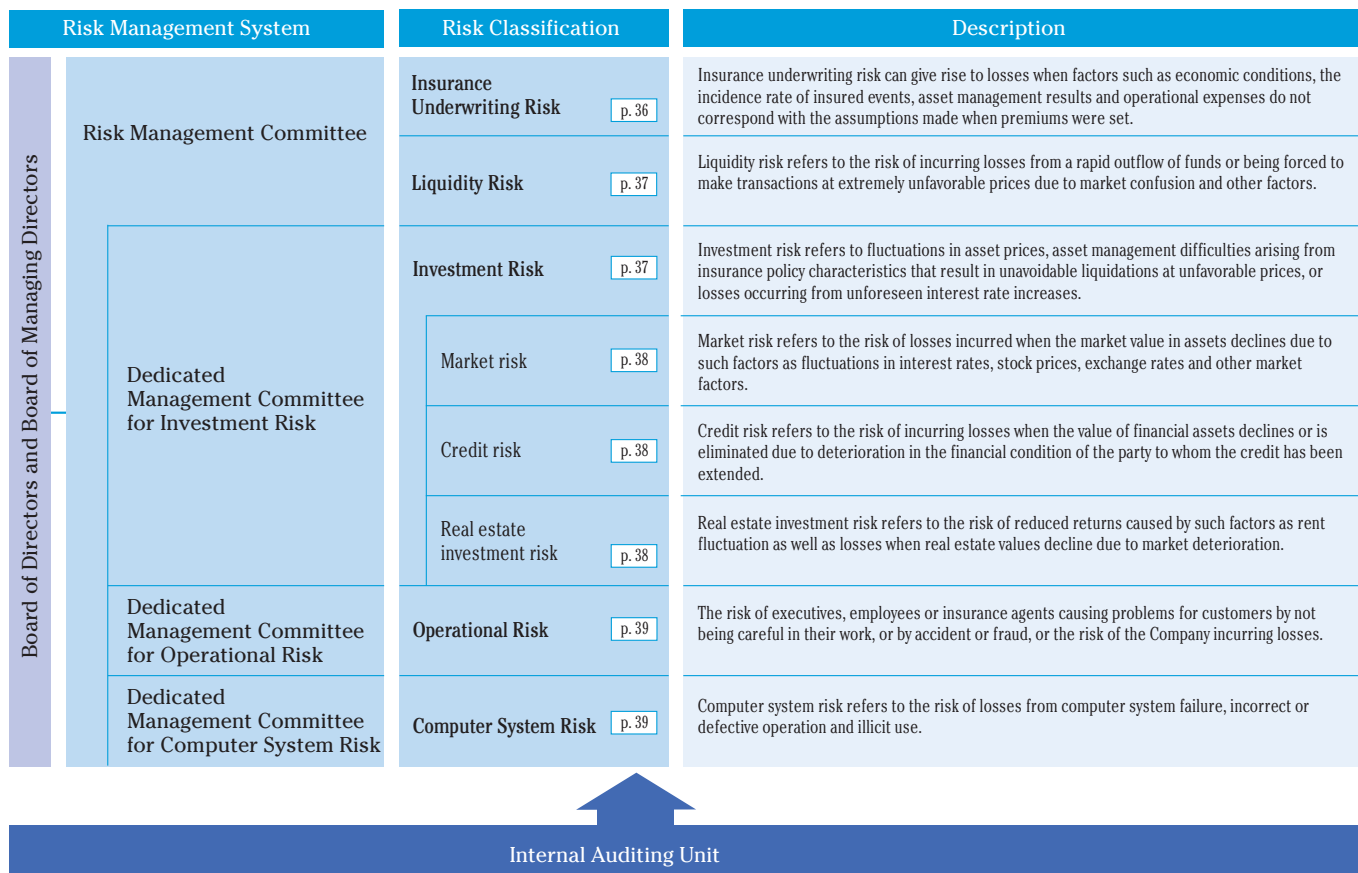
Underwriting the long-term risk of customers is the essence of the insurance business, and the correct identification and appropriate management of respective aspect of risk are of utmost importance in Nippon Life's management. Moreover, as life insurance companies operate in an environment of abrupt fluctuations in share prices and interest rates, along with rapid progress in medical technology, the importance of risk management is growing increasingly pronounced for them.

For this reason, Nippon Life develops and upgrades its risk management to ensure that it meets its obligations to customers over the long term.

Based on the areas and types of risk to which life insurance companies are exposed, our approach to risk management involves a variety of initiatives to create and enhance risk management systems as well as rules and regulations. We manage risks in an integrated fashion that takes into account their overall impact on operations.

In addition, we have built a system of mutual checks and balances involving the establishment of risk management units that are independent of profit centers while establishing secondary checks and balances, including examinations of the effectiveness of risk management conducted by the Auditing Department.

### Risk Management System



### Stress Tests

Nippon Life implements "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, where appropriate, are useful aids when studying such items as financial soundness.

## ■ Integrated Risk Management

Nippon Life takes an integrated management approach to the various risks facing the entire Company. In addition to providing buffer against

## ■ Insurance Underwriting Risk Management

Insurance underwriting risk can give rise to losses when such factors as economic conditions, the incidence of insured events, asset management 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

### Dealing with Risks in Setting Premiums

Nippon Life sets insurance premiums after expert staff who hold qualifications as doctors or actuaries 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 a more intensive 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. Medically qualified staff or staff with medical expertise are used in the assessment of payments. Nippon Life

all category of risk, we closely monitor the magnitude of risk and report such conditions regularly to the Risk Management Committee.

the time of insurance underwriting. In addition, we employ an asset liability management (ALM) system, conduct appropriate benefit settlement assessments and adhere to rigorous cost management principles with the aim of responding flexibly to changes in the business environment and other conditions.

**Asset Liability Management (ALM):** ALM is a method of managing assets and liabilities in an integrated manner. To ensure that it can pay future insurance claims, Nippon Life works to lessen the impact of interest rate changes by adjusting investment periods and applying other management tactics, maintaining a firm grasp on the status of liabilities deemed “policy reserves” that are accumulated every fiscal period and the status of assets under management.

**Actuary:** A professional occupation that involves the application of mathematical methods, including probability theory and statistics, to establish insurance premiums and to assess the financial soundness of insurance companies.

undertakes rigorous risk management, using outside organizations for verification and through other measures.

**Policy Selection:** Life insurance is a system of mutual dependence involving customers paying premiums that are calculated on the basis of the rate of incidence of insured events. The insured party pays premiums based on his or her state of health, and, when the insurance is underwritten, a medical examination and an assessment are made to ensure that all insured parties are treated fairly.

**Moral Risk:** As a system in which payments from many policyholders are used to provide insurance against the unexpected, life insurance is inherently subject to the danger that some parties might make small premium payments and then attempt to illegitimately gain a large payout, an act that denies the very essence of the system. This is what is generally referred to as moral risk.

### Reinsurance Policies

Nippon Life reinsures as one strategy for diversifying risk. In such cases, Nippon Life determines the cede/assume transaction 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.

**Reinsurance:** Reinsurance is the diversifying and leveling of risk through the transference of a portion of an insurance policy obligation assumed by an insurance company to another domestic or foreign insurance company. The transference of a portion of an insurance obligation is referred to as “cede” and the assumption of an obligation is referred to as “assume.”

## ■ 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 a rapid outflow of funds due to an unexpected event, such as a major natural catastrophe, which would force the disposal of assets at extremely low prices.

### Dealing with Cash Flow Risk

Nippon Life deals with cash flow risk via asset management plans and daily cash flow management that together ensure that highly liquid assets exceed a given threshold. In the event that cash flows were

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.

### Dealing with Market Liquidity Risk

Nippon Life deals with market liquidity risks by establishing appropriate transaction limits, then reviewing them as necessary in the context of

actually to deteriorate, we would take countermeasures, such as establishing maximum holding ceilings for less liquid assets.

changes in market environment.

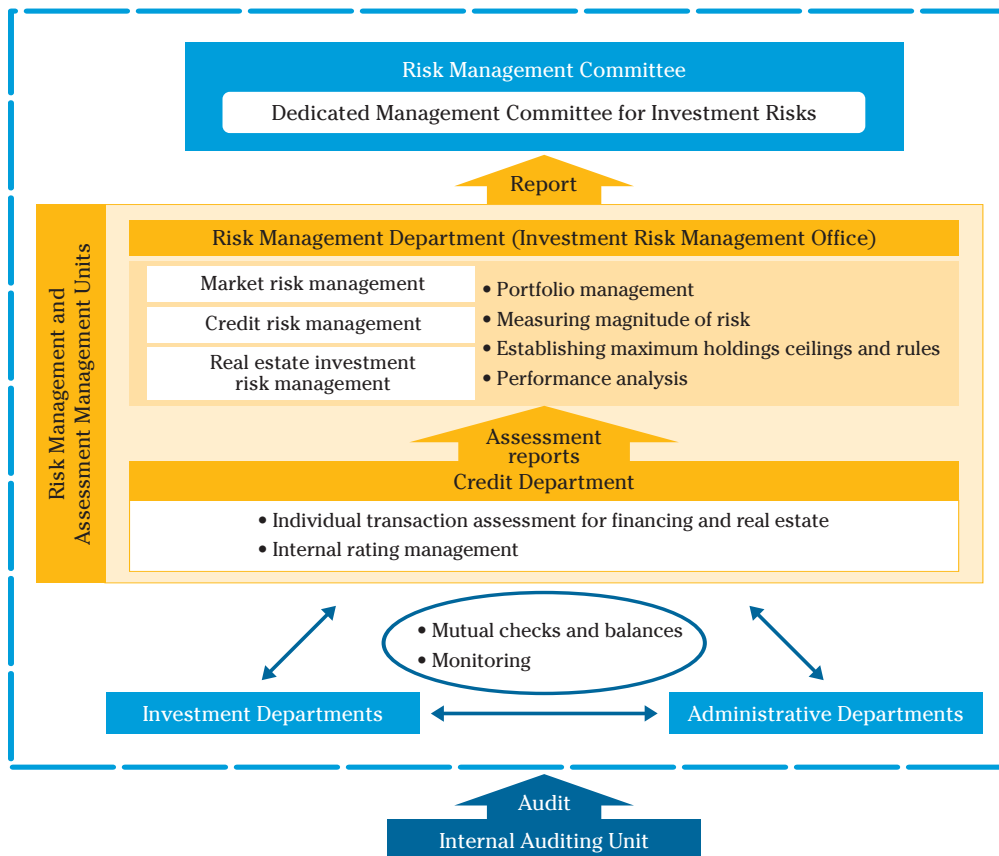
## ■ Investment Risk Management

Investment risk, which can be categorized into market risk, credit risk and real estate investment risk, refers to a variety of risks associated with investment and finance activities.

The long-term nature of life insurance policies requires a long-term approach based on liability characteristics to managing risks associated

with investment. Nippon Life has therefore established an Investment Risk Management Office within the Risk Management Department, and, by maintaining and upgrading its rigorous system for managing risks, the Company seeks to limit losses to acceptable levels while pursuing stable returns.

### System of Managing Investment Risk



## Market Risk Management

Market risk refers to the risk of losses incurred when the market value of invested assets declines due to such factors as fluctuations in interest rates, stock prices or exchange rates. In addition to preventing the occurrence of large-scale losses on individual investment and finance

### ● Establishing Maximum Holdings Ceilings and Loss-Cut Rules

To prevent the occurrence of large-scale losses on individual investment and finance transactions, Nippon Life establishes maximum holdings ceilings and loss-cut rules based on the nature of the assets. The Company also regularly reports the state of compliance to the Dedicated Management Committee for Investment Risk and is developing systems to contain risk within acceptable limits when certain transactions violate these ceilings and rules.

**Loss-Cut Rules:** A measure for limiting losses to a predetermined level by disposal of an asset when losses on that asset exceed a specified level.

## 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. We believe that in managing credit risk it is

### ● Credit Risk Management in Individual Transactions

We have built systems for rigorous examination that involve a Credit Department independent of the departments handling investment and finance activities. We are working to construct a sound portfolio, including loan interest rate guidelines to ensure that the returns we obtain are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company or group.

**Loan Interest Rate Guidelines:** Loan interest levels are set on the basis of such factors as the potential loss that Nippon Life could incur in the event of a borrower bankruptcy.

**Internal Rating System:** This system classifies the creditworthiness of a borrower based upon an objective statistical analysis of its financial data and other attributes. This system is used in conjunction with our self-assessment system.

## 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 when real estate values decline due to market deterioration. Our approach to managing real estate investment risk involves the rigorous examination of each investment by the Credit Department, which is independent of the

transactions, it is important to keep risks to the overall portfolio within pre-established boundaries.

**Portfolio:** Holdings of various investment assets under management, including stocks, bonds and loans.

### ● Measuring and Managing Market Value-at-Risk

To control the market risk of our overall portfolio, we use statistical analysis to reasonably calculate market value-at-risk for our entire portfolio and conduct appropriate asset allocation within the level of allowed risk.

**Market Value-at-Risk:** The assumed maximum amount of potential risk due to changes in the external environment, calculated from historical data.

important to examine each transaction rigorously, set terms appropriate to the level of credit risk involved and conduct thorough analyses to accurately evaluate every facet of overall portfolio risk.

### ● Managing Credit Risk in the Portfolio as a Whole

The Company calculates the magnitude of credit risk as credit value at risk using Monte Carlo simulations. We incorporate the results into our management strategy for the credit portfolio to maintain the magnitude of risk within acceptable limits.

**Monte Carlo Simulation:** This is a comprehensive calculation method used to estimate the magnitude of possible portfolio losses by running simulations based on random numbers, yielding a calculation of value at risk.

**Credit Value at Risk:** Calculated from historical data, this is the maximum loss amount that the portfolio could incur due to the deterioration of the financial position of a borrower and other factors.

department actually handling the investment. We also adhere to a system involving warning levels for investment returns and prices. This enables us to appropriately focus management efforts on properties with low profitability.

## ■ Operational Risk Management

Operational risk refers to the risk of causing problems for our customers or incurring Company losses as a result of administrative error, other untoward action or malfeasance on the part of directors, employees and insurance solicitors.

To control operational risk, we are taking steps to clearly understand such risk across the Company by gathering and analyzing information on instances of administrative error based on customer complaints as well as instances of erroneous handling. Based on this, we are formulating measures to avoid the recurrence of such instances and confirming the effectiveness of steps taken.

## ■ Computer System Risk Management

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

To deal with the risk of computer system failure, we have developed Companywide contingency plans to enable quick emergency response. In addition, we have prepared for area-wide disasters by establishing our main computer center in Kansai (western Japan) and a backup center in Kanto (eastern Japan).

We also provide administrative training and guidelines to support the accurate and swift processing of administrative tasks. At the same time, headquarters' auditing departments and branches carry out multi-tiered inspections to ensure the accuracy of administrative processes and to guide the implementation of improvement measures. Through these measures, we are working to inhibit operational risks.

We have also implemented a wide variety of security measures to deal with potential defects, faulty computer system operation, illicit use and data leaks.

We are committed to reducing risks Companywide through appropriate use and compliance with our own safety standards for the planning, development and appropriate operation of computer systems.

### Nippon Life Natural Disaster Countermeasures

Nippon Life has been carrying out routine inspections of disaster response training and its stockpiles of goods in case of natural disaster. In addition, Nippon Life has established a Business Continuity

Plan (BCP) in the event of an outbreak of a new strain of influenza or the occurrence of a major earthquake and is striving to build systems that provide customers with services that give them peace of mind.

### Special Handling after Natural Disasters

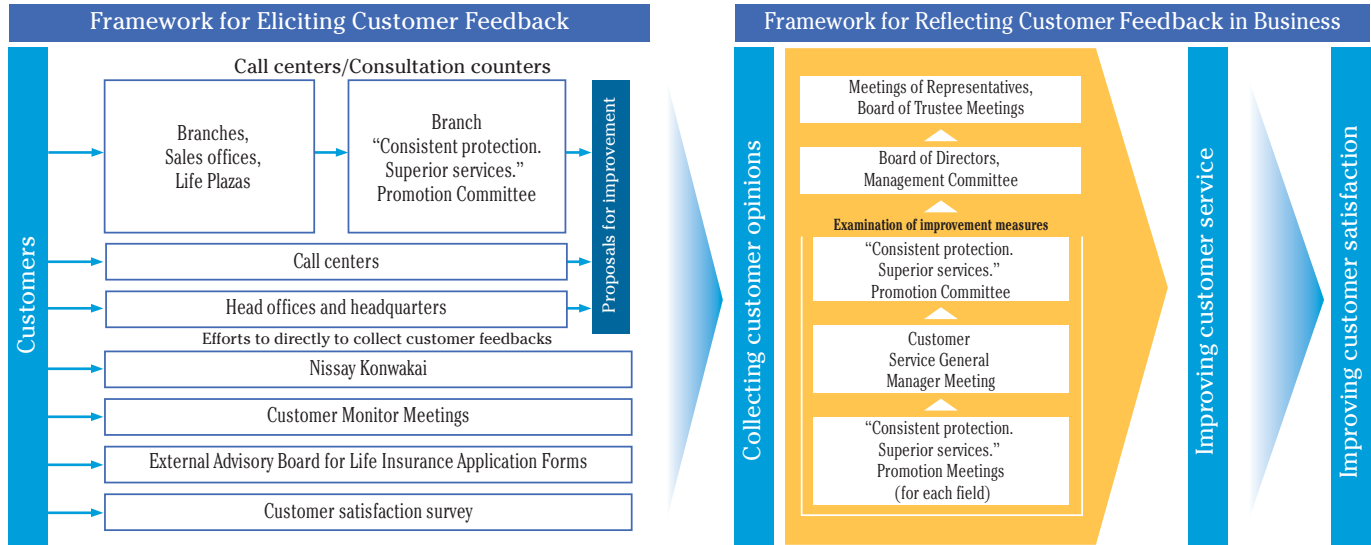
When natural disasters occur and the Natural Disaster Act is applied, in principle, Nippon Life extends the deadline by which insurance premiums must be paid and implements other special handling conditions applying to policyholders in affected areas. Nippon Life will provide notice of such adjustments through its branch offices in affected areas.

To ensure that administrative procedures run smoothly, customers are kindly requested to always keep separate records of their certificate numbers and call center numbers in a safe place.

## REFLECTING CUSTOMER FEEDBACK IN BUSINESS

Nippon Life treats such customer feedback as opinions, requests and complaints received from customers through Nissay Total Partners (sales representatives), Life Plazas, call centers and other channels as a precious resource for improving services. Nippon Life is taking steps to improve management and service from a customer point of view based on each and every bit of feedback received from customers.

Every year, we hold Nissay Konwakai at branches throughout Japan. Attended by members of the Meeting of Representatives and directors, these are meetings that serve as forums for directly hearing a broad sampling of customer feedback and requests. In addition, we actively seek out customer feedback through Customer Monitor Meetings and meetings of the External Advisory Board for Life Insurance Application Forms where we directly solicit the advice of both consumers and outside professionals about a variety of customer services.



### Improvement Measures Based upon Customer Feedback

Customer feedback received every month through branches, Life Plazas, call centers and other means that could contribute to administrative, system and customer form improvements are reported on by non-sales personnel to headquarters and, based on the report, the “Consistent protection. Superior services.” Promotion Committee makes administrative and service improvements.

#### Nissay Konwakai (See p. 30.)

Nissay Konwakai are roundtable conferences held from January to March at branches throughout Japan. Business activities are explained

#### Customer Monitor Meetings

At meetings held four times a year (twice in both Tokyo and Osaka), Nippon Life receives opinions regarding its overall customer service activities from commissioned monitors (10 from Tokyo and Osaka)

### Proposals Made Internally Based on Customer Feedback (Fiscal year ended March 31, 2009)

(Unit: Number of cases)

Branches, Sales Offices	9,040
Life Plazas	3,302
Call Centers	1,071
Head Offices, Headquarters	299
Total	13,712

to Nippon Life policyholders, and opinions regarding overall management, products, services and other matters are received.

who have corporate or academic experience in the field of consumer relations.

## The External Advisory Board for Life Insurance Application Forms

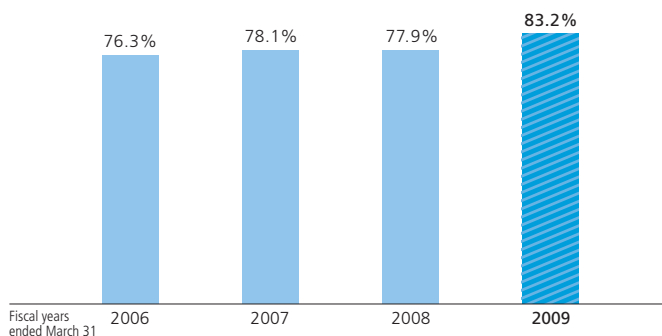
At meetings held four times a year (once in Tokyo and three times in Osaka), external advisory specialists for consumer affairs (eight from

Tokyo and Osaka) provide opinions from a customer's viewpoint regarding customer forms and notices for customers.

## Customer Satisfaction Survey

Through outside institutes, annual surveys are mailed out to policyholders, who provide appraisals and opinions regarding Nippon Life products, operations and services.

### Overall Satisfaction as Measured by the Customer Satisfaction Survey



### Survey Overview

- Implemented once per year (from November 7 to November 27 in the fiscal year ended March 31, 2009)
  - Survey target: Nearly 50,000 existing policyholders (selected randomly)
  - Usable answers received from approximately 10,000 policyholders
  - Questions cover 35 categories such as
    - Responsiveness of sales representatives
    - Currently held policies
    - Application procedures for new policies
    - Procedures after enrolling in policies
    - Content of notification and pamphlets
    - Reliability of Nippon Life, etc.
  - The ratings for indicating level of customer satisfaction were “satisfied,” “somewhat satisfied,” “somewhat dissatisfied” and “dissatisfied” with regard to the level of customer satisfaction.
- \* Overall satisfaction shows the ratio of customers who replied “satisfied” or “somewhat satisfied.”

## Number of Customer Complaints

Nippon Life has defined a complaint as “an expression of dissatisfaction by a customer (regardless of factuality).” The purpose of setting this definition is to help us better understand customer feedback and dissatisfaction, with the ultimate aim of utilizing this information in business improvement measures. We work to swiftly resolve customer complaints; for each case, precipitating causes are analyzed, countermeasures are

reviewed and steps are taken to prevent a recurrence.

To enhance management transparency, in the fiscal year ended March 31, 2006, Nippon Life began disclosing the number of complaints received from customers. From the fiscal year ended March 31, 2007, we began disclosing the number on a quarterly basis.

### Number of Complaints Received from Customers in Fiscal Year Ended March 31, 2009

(Unit: Number of cases)

Content	Number	% of total	Primary Examples
New policy related (Policy enrollment)	15,474	12.1%	<ul style="list-style-type: none"> <li>• “I didn’t receive sufficient explanation about policy content.”</li> <li>• “The application process involves too many documents and they are difficult to understand.”</li> </ul>
Receipt related (Payment of premiums)	17,714	13.9%	<ul style="list-style-type: none"> <li>• “Instructions on the collection of insurance premiums arrived, but the person responsible for collection has not come yet.”</li> <li>• “I arranged to change the method used for paying premiums to automatic debit from my bank account but it was too late.”</li> </ul>
Maintenance (Procedures after enrollment)	37,228	29.2%	<ul style="list-style-type: none"> <li>• “Why is the amount of policy dividends less than what I expected when I enrolled?”</li> <li>• “I requested that my policy be cancelled, but I haven’t received the required forms yet.”</li> </ul>
Claims and benefits related (Payment of insurance claims and benefits)	22,107	17.3%	<ul style="list-style-type: none"> <li>• “Notices of whether benefits will be paid or not should be made more rapidly.”</li> <li>• “I inquired about how to file a claim for hospitalization benefits but have not been contacted.”</li> </ul>
Others	34,946	27.4%	<ul style="list-style-type: none"> <li>• “I saw the TV commercial that said a sales representative would come to explain my policy, but no one has come.”</li> <li>• “The sales representative should be more polite.”</li> </ul>
Total	127,469	100.0%	

Notes: 1. Nippon Life defines a complaint as “an expression of dissatisfaction by a customer (regardless of factuality).”  
2. The above shows the classification and number of complaints at the time they were received.

## Examples of Improvements Based on Customer Feedback

In response to customer feedback gathered at headquarters, Nippon Life formulates countermeasures and works to reflect these measures in its business operations.

In the fiscal year ended March 31, 2009, we implemented 139 improvement measures related to administrative procedures and services.

### Expansion of Easy-to-Understand Administrative Procedures and Services

#### Customer feedback:

“A sales representative came to collect my premium payment, but because I had insufficient cash on hand, I couldn’t make the payment. I wish you would support not only cash payments, but also debit and credit card payments.”



#### Improvement made:

Since January 2008, Nippon Life has made it possible for customers to pay their initial insurance premiums by debit or credit card using P-station mobile payment terminals. We expanded the scope of businesses where P-station is used so that customers can pay all subsequent premiums, and repay premium advances (Automatic Premium Advance) and policy loans using their debit or credit cards (from March 2009).

#### Customer feedback:

“Because I have twins, I applied for two policies, but I was told that two policyholder disclosure forms are required for each policy. Because the policy content is the same for both, why can’t I apply using just one form?”



#### Improvement made:

We changed our rules so that when a customer (the insured party or policyholder in the case of children’s insurance) wants to apply for two or more policies at the same time, they can do so using one disclosure form (from December 2008).

#### Customer feedback:

“When I file for surgery benefits, must I get a medical certificate from a doctor? As an alternative, may I submit a receipt that details my medical examination and compensation points?”



#### Improvement made:

For the *Comprehensive Medical Rider*, which was launched in October 2008, we have made surgery covered by public medical insurance subject to the payment of surgery benefits, therefore, in addition to claims for traditional hospital benefits, if the claim you file has an attached receipt detailing your medical examination and compensation points, we allow you to omit the step of obtaining a medical certificate for some surgical procedures (from March 2009).

#### Customer feedback:

Although I am able to confirm the content of individual insurance policies, and apply for a policy loan or reimbursement at your website, I wish I could also confirm policy content and submit applications online for corporate policies.



#### Improvement made:

For corporate policyholders, we started the Nissay Corporate Internet Service, which enables policyholders of registered companies to confirm policy content and accounting-related information and to conduct such financial transactions as policy loan applications and the withdrawal of dividends (from April 2009).



Policy Content



Accounting-related Information



### ■ System Development to Improve Customer Service

With the aim of truly gaining the trust of its customers, as a part of the Customer Service Innovation Project, Nippon Life is working to strengthen and improve system support through the development of a New Integrated System that involves the drastic rebuilding of its core system covering all areas and processes pertaining to customer service,

from proposing an insurance policy and underwriting to the payment stage. Our goal is to have the system operational by the fiscal year ending March 31, 2012. In the fiscal year ended March 31, 2009, we completed the system development of the following three components, which are expected to contribute to the improvement of customer service.

#### Development of *Mirai Support* and a Policy Coverage Review System (October 2008)

Nippon Life has developed *Mirai Support*, a product that offers comprehensive coverage with an attached *Comprehensive Medical Rider* that combines the functions of six medical riders into one. With respect to the drastic rebuilding of core system processes, we have positioned the product simplification achieved through this combination as one of our most important challenges and requirements, and we will continue to

restructure our core system to improve customer service. In addition, we have created a new system infrastructure for our policy coverage review system that enables only the medical rider on an existing policy to be changed over to the *Comprehensive Medical Rider*. As a result, customers enrolled in existing medical riders can now change riders.

#### Centralized Data Management Infrastructure for Customer Feedback Introduced (October 2008)

To provide meticulous service from the customer's point of view, we have consolidated the management of customer complaints, opinions and requests, compiling them into a database and building a system

infrastructure that allows us to analyze historical data related to customer visits.

#### Nissay Corporate Internet Service (April 2009)

Nippon Life has built a system infrastructure for corporate customers that enables them to confirm a wide range of information useful to their work. Specifically, customers can confirm policy content, accounting-

related information regarding premiums paid each fiscal year and surrender benefit estimate trends. Customers can also conduct financial transactions online, such as applying for policy loans.

With respect to its existing administrative and customer management infrastructure—its main system—Nippon Life will continue to rebuild the entire system infrastructure, which is focused on customer service improvement.

### Milestones in Nippon Life System Development

- |   |  |
|---|--|
| <p><b>1988:</b> • Introduced integrated in-house computer network system to 2,000 sales offices throughout Japan</p> <p><b>1995:</b> • Introduced satellite communication network to 2,000 sales offices throughout Japan</p> <p><b>1997:</b> • Created Nissay website (<a href="http://www.nissay.co.jp">http://www.nissay.co.jp</a> (Japanese only)) and introduced online services</p> <p><b>1999:</b> • Introduced the Nx-2000 System, which uses a client server system infrastructure, to 2,000 sales offices throughout Japan</p> <ul style="list-style-type: none"> <li>• Provided approximately 60,000 sales representatives with mobile terminals for consulting (FPer)</li> <li>• Started the Nissay Insurance Accounts service</li> <li>• Established a strategic IT subsidiary, Nissay Information Technology Co., Ltd.</li> </ul> <p><b>2000:</b> • Constructed new TS system (life and non-life insurance total service)</p> | <p><b>2001:</b> • Constructed an intranet system</p> <ul style="list-style-type: none"> <li>• Constructed a call center system</li> </ul> <p><b>2002:</b> • Constructed a new real estate system</p> <ul style="list-style-type: none"> <li>• Constructed a new securities management system (NIT X-NET)</li> </ul> <p><b>2004:</b> • Created a Web version of the agency system (A-Net)</p> <p><b>2005:</b> • Updated a client server system of 1,800 sales offices throughout Japan to a Web-based network (e-System)</p> <ul style="list-style-type: none"> <li>• Provided approximately 50,000 sales representatives with <i>Duo</i> mobile terminals for consulting</li> </ul> <p><b>2006:</b> • Constructed the First Underwriting System</p> <p><b>2007:</b> • Constructed a new call center system</p> <p><b>2008:</b> • Introduced the P-station mobile payment terminal</p> <p><b>2009:</b> • Launched Nissay Corporate Internet Service</p> |
|---|--|

## ■ Features of Asset Management

To be certain that we can pay future insurance claims, Nippon Life invests the accumulated insurance premiums entrusted to it with sufficient consideration for safety, profitability, liquidity and that have a

public nature. By spreading risk and allocating assets from a medium- to long-term perspective, Nippon Life aims to secure stable investment returns.

## ■ General Account Asset Management Policies

Nippon Life invests general account assets based upon the following asset management policies.

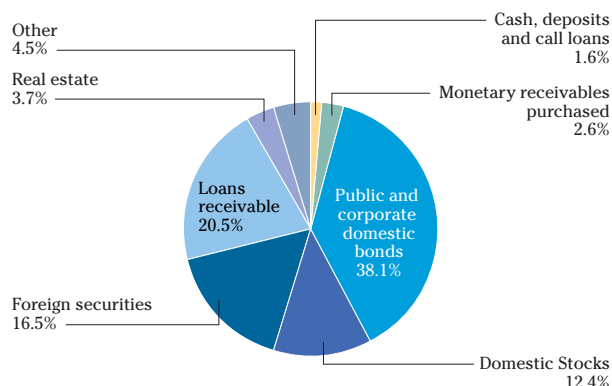
1. Fulfilling coverage obligation for policyholders is our first priority
2. Achieving long-term stable growth of investment returns through a coherent asset management strategy
3. Conducting asset management in a way that is acceptable to policyholders, maintaining an awareness of the mission and public nature of the life insurance business

Recognizing the characteristics of life insurance policies, we have established asset management policies based upon an ALM approach (See p. 36.). In order to consistently provide policyholders with promised returns over the long term, we are concentrating investments in domestic public and corporate bonds and loans expected to provide stable yen-based interest income. To improve medium- to long-term profitability, and aiming to provide returns to policyholders in the form of dividends, we invest in domestic stocks, foreign securities and other investment products within an allowable level of risk.

**General Account and Separate Account:** The separate account consists of individual variable insurance, individual variable annuities and a portion of group annuities. The separate account increases or decreases depending on the investment management results of such assets as insurance payment funds and other reserves, and it is classified and managed separately from other accounts. The general account is the account in which assets, except those of the separate account, are managed.

### Breakdown of General Account Portfolio

(¥44,454.3 billion as of March 31, 2009)



## ■ Asset Soundness and Rating

As a result of efforts based on the above management policies, Nippon Life has secured asset integrity and high ratings.

### Non-Performing Loan Ratio

Although we manage our loan portfolio with a focus on profitability, we pay due consideration to maintaining and improving asset soundness. As a result, our non-performing loan ratio is low, and, with regard to non-

performing assets according to borrower classification, our ratio of loans to companies categorized as requiring special attention was 0.41% as of March 31, 2009.

### High Rating

The soundness of the entire Company, including its assets, has been highly rated by third-party rating companies. (See p. 17.)

From the standpoint of gaining a variety of earnings opportunities and strengthening its core business, Nippon Life has expanded into a total of six countries in Europe, North America and Asia, where it has established 14 subsidiary companies and five representative offices. These subsidiaries and offices are engaged in the fields of insurance, asset management and research.

## Insurance Business

The global life insurance market, of which a major share has been held by Europe, the United States and Japan, is now seen to be spreading worldwide along with economic growth and increasing populations in Asian and other newly emerging markets. To make the most

of future medium- to long-term earnings opportunities, Nippon Life is expanding its insurance business in the United States, China and Thailand.

### Nippon Life Insurance Company of America

Established in December 1991, Nippon Life Insurance Company of America is selling insurance products, including group health insurance, to corporations through branches in New York, Los Angeles, Chicago, Atlanta and other cities.



Nippon Life Insurance Company of America

### Nissay-SVA Life Insurance Co., Ltd.

Established in September 2003 as a joint venture together with SVA (Group) Co., Ltd., which is under the direct control of the Shanghai municipal government, this company provides individual and group insurance in Shanghai, Zhejiang Province and group insurance in Jiangsu Province.



Nissay-SVA Life Insurance Co., Ltd.

### Bangkok Life Assurance Public Company Limited

Since first acquiring a stake in Bangkok Life Assurance Limited, one of Thailand's leading life insurance companies, in April 1997, we have strengthened our ties. We acquired additional shares in the company in January 2004 and October 2006.



Bangkok Life Assurance Public Company Limited

## Asset Management

Investing in securities, real estate and alternative investments, our asset management teams in New York, London and Singapore conduct balanced and diversified investment in order to secure a wide variety of profit earning opportunities. Also, we are strengthening our asset management capabilities by acquiring the latest financial techniques from overseas.



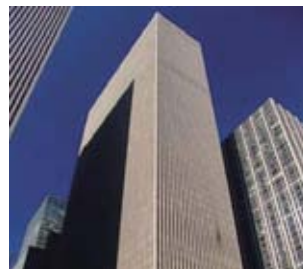
NLI International Inc.



NLI Investments Europe Limited

## Research

Nippon Life gathers a wide range of information from representative offices in New York, London, Frankfurt, Singapore and Beijing regarding the financial and insurance businesses in these areas. This information is put to use in our business activities.



New York Representative Office



London Representative Office

### Opening of Nissay-SVA Life Insurance Co., Ltd. Branch Office in Jiangsu Province

A new branch office of Nissay-SVA Life Insurance was opened in March 2009 in Jiangsu Province. Jiangsu Province is experiencing tremendous growth with a GDP growth rate that exceeds all other areas of China, including Shanghai. The Company will solidify its

business base, particularly in the Yangtze delta region (Shanghai, Zhejiang Province and Jiangsu Province), with the aim of further expanding in the booming Chinese life insurance market.

### Business Partnership with Northwestern Mutual

In July 2008, Nippon Life formed a business partnership with the U.S. life insurance giant Northwestern Mutual. As part of this partnership, Nippon Life will invest in Northwestern Mutual's asset investment

subsidiary Russell Investments. Nippon Life will also strengthen its asset management operations by sending employees for on-site training.

Together with five foundations (see p. 49) established by Nippon Life, we are conducting continuous and stable social contribution activities addressing the “environment,” “child and teenager development,” “aging and medicine” and other issues.

## Topics for Fiscal Year Ended March 31, 2009

- ◆ Number of children who have seen the Nissay Masterpiece Theater surpasses 7.0 million (See p. 48.)
- ◆ Concluded agreement for use of green electricity to preserve environment (See p. 47.)
- ◆ Expanded system of preferential treatment for “eco-friendly” loan interest rates (See p. 46.)

## Contributions to the Environment, Local Communities and Society through Asset Management

Because Nippon Life’s assets are based on insurance premiums that customers throughout Japan have entrusted to it, the Company has for many years maintained a focus on investing in ways that benefit the public and society. Moreover, Nippon Life manages its assets from the standpoint of the collective stable growth of the Japanese economy and corporations in harmonious coexistence with local communities and society.

Based on this investment stance, in order to contribute to the development of local industry, Nippon Life conducts financial transactions not only with large corporations, but with individuals and with small- to medium-sized company customers all over Japan and also invests in the shares of unlisted companies nationwide that have promising long-term growth potential.

Furthermore, in the area of real estate investment, Nippon Life contributes to the development of local communities by investing in a wide range of office buildings throughout Japan.

In addition, while taking into account landscape beautification and harmony with our surroundings, we are mindful of the environment and work to curb CO<sub>2</sub> emissions from our office buildings and implement other measures.

Nippon Life will continue to proactively address corporate social responsibility through asset management, one of our core businesses.



Nissay Marunouchi Building

### Specific Initiatives in the Asset Management Field

Initiatives		Description												
Finance	CSR loans	<ul style="list-style-type: none"> <li>• System of preferential loan interest rates for buyers of homes identified as “long-term excellent houses” (from June 2009)</li> <li>• System of preferential loan interest rates for companies that support child raising (from October 2008)</li> <li>• System of preferential long-term interest rates for homebuyers purchasing units with solar energy generation systems (from September 2008)</li> <li>• System of preferential loan interest rates for “eco-friendly” companies (from October 2007)</li> <li>• System of preferential loan interest rates for homebuyers purchasing units with superior energy conservation and earthquake protection (from October 2007)</li> </ul>												
Real Estate	CO <sub>2</sub> emissions reduction	<p>Seeking a 15% reduction in CO<sub>2</sub> emissions by the fiscal year ending March 31, 2013 for tenant buildings we currently own, we selected 152 buildings for eco-friendly renovations</p> <p><b>[Environment-related Awards Recently Won by Nippon Life Buildings]</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Building</th> <th>Award</th> </tr> </thead> <tbody> <tr> <td>2003</td> <td>Nissay Shin-Osaka Building</td> <td>“Sustainable Architecture Award” from the Institute for Building Environment and Energy Conservation</td> </tr> <tr> <td>2006</td> <td>Nissay Yokkaichi Building</td> <td>“Special Award” from Society of Heating, Air-Conditioning and Sanitary Engineers of Japan</td> </tr> <tr> <td>2007</td> <td>Nissay Marunouchi Building</td> <td>“Environment and Energy Conservative Architecture Award” from the Institute for Building Environment and Energy Conservation</td> </tr> </tbody> </table>	Year	Building	Award	2003	Nissay Shin-Osaka Building	“Sustainable Architecture Award” from the Institute for Building Environment and Energy Conservation	2006	Nissay Yokkaichi Building	“Special Award” from Society of Heating, Air-Conditioning and Sanitary Engineers of Japan	2007	Nissay Marunouchi Building	“Environment and Energy Conservative Architecture Award” from the Institute for Building Environment and Energy Conservation
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Securities	SRI funds	<ul style="list-style-type: none"> <li>• Investments in Socially Responsible Investment (SRI) funds, including the Nissay Health Care Support Fund and Nissay Environmental Support Fund established by Nissay Asset Management</li> </ul>												

## ■ Protection of the Natural Environment

### Planting Forests for Future Generations

In order to replenish the earth's forests, which serve as the source of paper that Nippon Life uses, the Friends of Nissay Forests Association started working with the Nissay Green Foundation on forestry projects in 1992. Over the next 17 years, Nissay forests were planted at 177 locations in 43 cities and prefectures and covered approximately 403 hectares. More than 1,210,000 trees have been planted. Nippon Life employees also voluntarily participate in the annual tree planting activities as well as in the clearing of vines and cutting back of undergrowth so that trees planted in previous years can grow.

In addition, we have been cooperating with municipal authorities in active tree planting efforts in parks and reclaimed land areas and have put substantial effort into the upkeep of abandoned agricultural sites.



Nissay Iwami-no-mori (Akita Prefecture): tree planting activities (fiscal year ended March 31, 2009)



Nissay Naeba-no-mori (Niigata Prefecture): tree planting activities (fiscal year ended March 31, 2009)

### Details about the Planting Forests for Future Generations Program

- Funds received by the Friends of Nissay Forests Association are used to pay for trees and cover volunteers' expenses. Volunteers from among Nissay's employees participate in the tree planting.
- The contributions made by the Nissay Forests Association to the environment are assessed each year by the Forestry Agency.



The Friends of Nissay Forests Association

This is a voluntary organization composed mainly of Nippon Life directors and employees. It raises funds within the Company for planting and nurturing Nissay forests and provides information on environmental protection, among other activities.

### Reducing the Environmental Burden

Since 1991, Nippon Life has promoted a reduction in the volume of paper it uses and the recycling of used paper. In 2001, Nissay established its Environmental Charter, implemented additional measures to conserve energy and resources, including the reduction of electricity and water usage, and took proactive steps to thoroughly separate waste, promote green procurement and provide environmental education to employees. Furthermore, we set up a recycling system whereby used paper is taken from our Osaka head offices and Tokyo headquarters and transported to

paper mills. Thanks to these efforts, our Osaka head offices and Tokyo headquarters received ISO 14001 certification.



Recycle station (Tokyo headquarters)

**Green Procurement:** The selection of goods and services by consumers with a focus on not only quality and price, but also environmental friendliness. Also factoring into purchasing decisions are the necessity of the purchase and ease of recycling after use.

As a measure to reduce the fiscal year ended March 31, 2009 CO<sub>2</sub> emissions, Nippon Life concluded an agreement for the use of 1.63 million kilowatt hours of "green electricity" annually. This amount is equivalent to 6% of the annual electricity consumption of our Tokyo headquarters and Osaka head offices, and an annual CO<sub>2</sub> emission reduction of 635 tons is forecast.

In addition, Nippon Life purchased a deed for 352,000 kilowatt hours of green electricity, an amount sufficient to illuminate Nippon Life-sponsored Central and Pacific League night games during June which is "Environment Month", donating this electricity to baseball clubs.

### Support for Environment-Related Research

Since 1979, the Nissay Life Foundation has supported Research on the Harmonization of Human Activity and Environmental Protection. The Foundation is also cooperating with college researchers and such organizations as NPOs with the goal of contributing to the understanding of environmental problems and their solutions.

The foundation is passing on a better society through the workshops that it sponsors each year and the publication of research results and other benefits (co-sponsored by the Nissay Green Foundation).



23rd Environmental Issue Research Grant Workshop

## ■ Contributions to Local Communities and Society through Volunteer Activities

### Volunteer Activities

Nippon Life employees encourage each other to participate in volunteer activities that include assisting orphans and cleaning up local communities. Nippon Life supports many of these activities through financial assistance.



Community Cleanup Activities  
(Saitama Higashi Branch Office)



Baseball Training  
(Yokkaichi Branch Office)

### Examples of Volunteer Activities in Fiscal Year Ended March 31, 2009

Department	Type of Activity
Osaka Head Offices, Tokyo Headquarters, 76 other branches, affiliates	Ashinaga P-Walk 10 A total of 6,198 employees from around Japan took part in the Ashinaga P-Walk (a walk-a-thon to assist orphans)
Osaka Head Offices, Tokyo Headquarters, 35 other branches, affiliates	Community cleanup activities Cleanup activities in areas conducted near business sites as well as in towns, streets and locations where sales activities take place in cooperation with local governments and the Life Insurance Association of Japan
Aomori, Oyama, Machida, Shonan, Nagaoka, Yokkaichi, Kyoto Nishi, Okayama, Kurashiki, Yamaguchi, Matsuyama and Naha branches	Interaction through sports Nippon Life's baseball and ping-pong clubs collaborate with local branches to hold sports clinics.

## ■ For the Healthy Development of Children and Young People

### Nissay Masterpiece Theater

Created in 1964, the Nissay Masterpiece Theater offers free musical performances for elementary school sixth-graders with the hope of fostering an abundant aesthetic sense and new sensitivity in children, the torchbearers of the next generation. The Nissay Culture Foundation, with our support, sponsors the performances. The shows are created and performed by the Shiki Theatre Company and, over the past 45 years, they have nurtured the dreams of and given inspiration to over 7.0 million children.

### Nissay Masterpiece Theater Shows in Fiscal Year Ended March 31, 2009

Show Name	45th Season: The Cat that Wanted to Be Human
Number of Children	159,887 (7.01 million cumulative)
Locations	Tokyo, Osaka, Yokohama, Kobe, Nagoya

Nippon Life is cooperating with the Nissay Culture Foundation as the main sponsor of "Kokoro no Gekijo," a program started by the Shiki Theatre Company in the fiscal year ended March 31, 2009 (musical performances by invitation for elementary and junior high school students in cities nationwide). The free performances for children and students that Nippon Life cooperated in during the fiscal year ended March 31, 2009 entertained nearly 350,000 youngsters from every prefecture in Japan.



45th Nissay Masterpiece Theater  
(Nagoya Performance)

### Supporting the Healthy Development of Children and Teenagers

As activities designed to promote the healthy development of children and teenagers, the Nippon Life Foundation has since 1979 helped support governor-recommended private organizations that conduct local childrearing activities and child-focused activities in cooperation with local residents possessing the know-how and materials to conduct such activities. As of the fiscal year ended March 31, 2009, the Foundation had contributed to 10,479 organizations over 30 years.



Supporting Children  
(Momi no ki Bunko)



Subsidizing recreational park activities  
(Okayama City Children's Center)

### Examples of Organizations Supported in Fiscal Year Ended March 31, 2009

Organization	Activities	Type of Support
Fukuoka Kaihin Sports Promotion Association (Fukuoka City, Fukuoka Prefecture)	Helping city children who have decreasing contact with nature so they can discover the importance of playing in and enjoying nature and through sports deepen friendships and the parent-child bond and grow into gentle, hearty kids.	Sea kayaking gears
Museum Art Club (Shichinohe Town, Kamikitagun, Aomori Prefecture)	To disseminate local culture, including woodblock prints and handicrafts, multiage and intergenerational group exchanges are promoted. Helping children to learn the value of traditional art and to cultivate appreciation and a rich spirit through the experience of art.	Provision of art supplies

## ■ Abundant Cultural Development

### Nissay Theater

The Nissay Theater was created in 1963 to aid in the development of a fulfilling and enriching society through the promotion and expansion of performing arts.

The Nissay Culture Foundation, which operates the Nissay Theater, presents the Nissay Masterpiece Theatre, the Nissay International Family Festival, which provides families with the opportunity to experience the performing arts, and the NISSAY OPERA. The “Opera Clinic for Young People” presents opera performances to junior and high school students. Also, a “Stage Forum” is held using the stage set of the opera clinic.

In 1995, the Nissay Culture Foundation created the Nissay Backstage Awards, given in recognition of outstanding achievements by backstage technicians in support of the performing arts.



Nissay Theater (Hibiya)



Nissay Backstage Awards ceremony

## ■ Contributions to the Fields of Aging and Medicine

### Nissay Eden-no-Sono

Operated by Nissay Seirei Health & Welfare Foundation, Nissay Eden-no-Sono are comprehensive health and welfare facilities (in Nara and Matsudo) for senior citizens that include such provisions as retirement homes (fee-based), illness prevention centers, general welfare centers and home nursing service centers. Both facilities have been recognized as exemplifying the Ministry of Health, Labour and Welfare’s policy of

“Promoting health and longevity in 21st century hometowns.” Through activities firmly rooted in communities, both facilities aim to promote the health and vitality of senior citizens.



Nara Nissay Eden-no-Sono (opened in 1992)

### Nissay Hospital

The Nissay Hospital in Osaka was founded by the Nippon Life Saiseikai Foundation. This general hospital of 17 departments and 350 beds provides high-quality medical care (recognized by the Japan Council for Quality Health Care), and trains medical staff as a clinical research hospital designated by the Ministry of Health, Labour and Welfare.

In addition, the Nissay Preventive Medicine Center supports the development of good health with a high level of diagnostic accuracy (approved by the Japan Society of Ningen Dock).



Nissay Hospital (opened in 1931)

### Supporting an Aging Society

The Nippon Life Foundation has been supporting an aging society since 1983 by helping local welfare cooperative organizations that perform cutting-edge work and researchers that conduct practical research. Furthermore, the Foundation holds symposiums and workshops on

supporting an aging society in order to spread information of achievements in these areas.



Symposium and workshop on supporting an aging society

### The Following Five Foundations Established by Nippon Life Work Exclusively in Each Field

(As of March 31, 2009)

Name of Foundation	Established	Location	Main Activities	Website
Nippon Life Saiseikai Foundation	July 1924	Osaka	Social welfare work, management of the Nissay Hospital	<a href="http://www.nissay-hp.or.jp">http://www.nissay-hp.or.jp</a>
Nissay Culture Foundation	Nov. 1973	Tokyo	Hosting theatrical performances for children and general audiences, management and operation of the Nissay Theater	<a href="http://www.nissaytheatre.or.jp">http://www.nissaytheatre.or.jp</a>
Nissay Life Foundation (Nippon Life Foundation)	July 1979	Osaka	Support for businesses and research that contribute to the building of a truly prosperous society filled with humanity and culture	<a href="http://www.nihonseimei-zaidan.or.jp">http://www.nihonseimei-zaidan.or.jp</a>
Nissay Seirei Health & Welfare Foundation	July 1989	Osaka	Surveys, research and services related to the aging of the population, and support for the education of qualified nursing care workers	<a href="http://www.nissay-seirei.org">http://www.nissay-seirei.org</a>
Nissay Green Foundation	July 1993	Tokyo	Protection of forests through tree-planting and nurturing activities	<a href="http://www.mmjp.or.jp/nissay-green">http://www.mmjp.or.jp/nissay-green</a>

## IMPROVING DISCLOSURE

Nippon Life is working to enhance its various disclosure initiatives in order to better help customers gain a clear and timely understanding of its business information.

### ■ Preparation of Disclosure Materials

So that a broad range of customers may view them, Nippon Life disclosure reports are available at the service counters of branches, sales

offices and agencies nationwide. In addition, Nippon Life prepares various disclosure materials in response to customer needs.

### Disclosure Materials Produced in Fiscal Year Ended March 31, 2009



#### **Nissay Disclosure**

Disclosure report produced in accordance with Article 111 of the Insurance Business Law (in Japanese)  
[Available at all service counters throughout Japan]



#### **NISSAY NOW**

Nissay disclosure, digest version (in Japanese)



#### **Nissay Disclosure**

Disclosure report for semi-annual version (in Japanese)



#### **Annual Report** (in English)



#### **NISSAY 2008**

Pamphlet that provides business information (in Japanese)



#### **Variable Amount Insurance (Separate Account) Results Notification**

Results report for individual variable amount insurance policyholders<sup>\*1</sup> (in Japanese)



#### **Variable Amount Annuities (Separate Account) Results Notification**

Results report for variable amount annuities policyholders<sup>\*2</sup> (in Japanese)



#### **Results Report for Group Annuities**

Results report material for policyholders of group annuities (employees' pension fund insurance, new insured pension plans, etc)<sup>\*3</sup> (in Japanese)



#### **Nippon Life, a Financial Organization**

Material related to the asset management business and results for corporate customers (in Japanese)

\*1 Information on individual variable amount insurance investments can be obtained at the head office, branch and Life Plaza service counters.

\*2 For the latest performance summary of the variable annuities (separate account), please see the Nippon Life investment annuity page of the Nippon Life website.

\*3 A quarterly disclosure magazine is issued to all policyholders of group annuities (separate account).

### ■ Information Provided on the Website

Nippon Life issues timely information on its website. In addition to press releases, minutes and outlines of resolutions presented at the Meeting of Representatives, customers can view and download some of our disclosure materials over the Internet.

➔ <http://www.nissay.co.jp/okofficial/kaisya/index.html> (Japanese only)

### ■ Financial Results Meetings

We hold financial results meetings for analysts and institutional investors twice a year. Also during these meetings, we report on management policies as well as the strategies of each division in order to promote the greater understanding of our operations. Materials from meetings are posted and available on the Nippon Life website after the meetings are held.

➔ <http://www.nissay.co.jp/okofficial/kaisya/gyouseki/setumei.html> (Japanese only)



Nippon Life website