

TOP MESSAGE

Dedicated to Earning the Absolute Trust of Our Customers

—Aiming to be a company of excellence in “scale,” “quality” and
“credibility”

A discussion with Yoshinobu Tsutsui,
President of Nippon Life Insurance Company

Mr. Tsutsui was appointed president on April 1, 2011.



July 2011
President

Y. Tsutsu



What are your goals for Nippon Life as the company's new president?

I want Nippon Life to be a company of excellence in "scale," "quality" and "credibility."

The goal of Nippon Life is to become a life insurance company that is recognized for excellence in "scale," "quality" and "credibility."

Nippon Life has faced many enormous challenges in recent years. We dealt with problems involving our insurance benefit payments, turmoil created by the global financial crisis, and most recently the devastating earthquake and tsunami in Japan. Reforms in the life insurance sales system allowed us to improve the quality of our policies and pay more dividends to customers. We have also increased our equity capital to reinforce our financial soundness. I believe that Nippon Life is close to achieving the goal of excellence in "quality" by taking these actions.

Despite this progress, we have not yet established a solid position of leadership in our industry because sales of new policies have lacked vigor. This is why Nippon Life must advance to the stage where we aim for excellence in "scale" in addition to "quality" by increasing sales of new policies.

I have established this goal based on my conviction that Nippon Life cannot become a company that earns the absolute trust of customers without first attaining excellence in "scale" and "quality."

Our goal is centered on three themes: service, financial soundness and human resources.

For the first theme, attaining excellence in "services" means that we are aiming to increase sales of new policies by achieving quantitative and qualitative improvements through our New Integration Strategy. This includes the following initiatives.

- Offer greater convenience for customers by maintaining the most advanced product lineup and infrastructure.
- Enact reforms for how sales representatives do their jobs to enable them to increase sales activities and improve consulting skills.
- Target opportunities in many growing markets, including living benefits and products for seniors, while retaining the death coverage market as the core business.
- Strengthen the multi-channel service framework that is centered on sales representatives and also includes agencies, financial institutions, Nissay Life Plazas and other channels.

For the second theme, attaining excellence in "financial soundness" means that we are aiming to build an even more powerful base of operations in order to fulfill our long-term obligations to policyholders. This goal includes the following initiatives.

- Increase equity capital, chiefly foundation funds (*kikin*), and use this sound equity base to pursue strategic investments in Japan and overseas that can increase earnings.
- Pay a stable dividend to customers.
- Reinforce the balance between income and expenditures by increasing sales of new policies, earning consistent returns on assets and using costs more efficiently.

The Earthquake and Tsunami of March 2011

I would like to begin by expressing my deepest sympathies to the victims of the Great East Japan Earthquake. I hope to see a recovery in the damaged areas as soon as possible.

Recovering from this catastrophe will require initiatives on a national scale. The disaster underscores the importance of upholding customer's trust by fulfilling our mission as a life insurer of "meeting our insurance coverage responsibilities."

Nippon Life is doing everything possible to assist with recovery and reconstruction programs so that these activities can progress as quickly as possible. One illustration is the special handling of various procedures from the standpoint of customers who have been affected by the disaster. We made it easier and faster for customers in affected areas to receive payments for insurance claims and benefits. In addition, we have been working hard on restoring our customer service network in damaged areas.

The core social mission of the life insurance industry is to "be a source of safety and security for the public." Nippon Life is firmly committed to upgrading customer services and strengthening our operating foundation in order to earn the absolute trust of our customers.

For the third theme, attaining excellence in “human resources” is vital to achieving all of our other goals. This includes the following initiatives.

- We must maximize our front-line capabilities and improve the solidarity of our organization by making everyone perform their jobs with the mindset of a member of the sales team. Accomplishing this will require a larger workforce that is more powerful, and deeply committed to reaching goals.
- Foster a corporate culture of vitality and openness that takes advantage of creative ideas from front-line operations.

What is your view of Nippon Life’s current operating environment?

Japan’s life insurance market is shrinking, but at the same time we are seeing an increasing number of new business opportunities.

The common perception is that the falling population and declining number of children as the population ages are making Japan’s life insurance market smaller. But this is not at all how I view our market. I believe that the right strategies can increase the number of business opportunities for Nippon Life. Of course, we will undoubtedly encounter intense competition.

The market for death coverage will probably continue to shrink

somewhat along with Japan’s falling population. Another issue for us is the decreasing percentage of the population that buys life insurance, particularly among young people. Nevertheless, I think that death coverage will remain the primary role of life insurance companies in Japan. These companies faithfully met their obligations to pay death benefits, even after the massive earthquake and tsunami of last March. Consequently, I think that life insurers must fulfill their duty of explaining the need for insurance coverage to people in age segments that require this coverage. These activities will contribute to the creation of a society with peace of mind for everyone.

As for Japan’s aging population, I believe this will lead to the creation of our biggest business opportunity because it is steadily expanding the market for services for healthy and economically sound seniors. We must formulate strategies for products, services and distribution channels from a broad perspective that includes of course health care and annuities as well as asset management and nursing care. Even though we might not be able to handle some of these on our own, we have various options including alliances with other companies to further these strategies.

Please explain Nippon Life’s New Integration Strategy.

Convenience and flexibility for customers will improve as we undertake a broad-based reexamination of the relationship between customers and life insurers.

Reforms for how sales representatives do their jobs will yield dramatic improvements in the services they provide to customers.

The New Integration Strategy is a project that is structured to improve services and convenience for customers. By making infrastructure investments of about ¥150 billion, we plan to become more profitable from a medium- and long-term perspective as we increase revenue and cut costs.

Development work is under way for a new IT system infrastructure that is scheduled to become operational in April 2012. The most significant aspect of this project is the goal of improving convenience and flexibility for customers based on our extensive review of the relationship between customers and life insurers. One way that we are accomplishing this goal is by offering policies individually to simplify the product lineup while giving customers more freedom in combining these products. We will also upgrade skills in offering customized products to meet the different needs of particular generations, men and women, and other customer segments. Furthermore, we will eliminate the need for paper and personal seals by introducing a new type of wireless device for sales representatives. The new device will allow them to complete various procedures during a customer visit.

We are using infrastructure reforms to transform how sales representatives do their jobs. We want to make an enormous improvement in the services these representatives provide by making the best use of the amount of activity and consulting skills. I believe this will allow us to increase the number of customers.





What type of structure is Nippon Life using to develop the domestic market in Japan?

Our priority is to strengthen our multi-channel structure with face-to-face consulting services provided by sales representatives at the core.

Nippon Life is enlarging its multi-channel structure to adapt to the diversifying needs and changing life styles of its customers. The approximately 50,000 sales representatives in Japan are the key element of this process. Face-to-face contact is the fundamental element of our insurance sales activities.

Enhancing our service and consulting skills is also important with respect to the New Integration Strategy. We want to develop stronger sales representatives in greater numbers. Diversification is another objective for our sales representatives. To support a comprehensive sales approach for companies and their employees in urban areas, we will form specialized units and take other actions.

There are a number of sales and service channels that supplement the activities of our sales representatives.

One is the sale of insurance products at the service counters of more than 10,000 agencies and 300 financial institutions that have alliances with us. Owners of small companies and high-net-worth seniors are the main customers in this channel.

A second is consultation services for customers at 97 Nissay Life Plazas, our customer service centers, throughout Japan. Plazas serve mainly people who do not want a sales representative visit and people who want to consult in more depth about insurance.

A third channel is the Internet. Here, we take proactive steps to effectively improve convenience by allowing more customers to submit applications directly. We also make extensive use of the Internet for supplying information to young people and other customer segments to stimulate demand.

What is Nippon Life's strategy for overseas operations?

To maximize our customer's profits, we will continue to operate abroad based on long-term partnerships with prominent overseas financial institutions and insurance companies.

Above all, our first priority is to heighten our stature in Japan by establishing an even stronger position in the markets where we operate. However, we will also seek opportunities to earn profits outside Japan. To maximize profits for customers from a medium- and long-term perspective, we will forge long-term partnerships with trustworthy companies in other countries.

Nippon Life has invested in many types of overseas companies over the years. In the case of the U.S. Prudential Financial Group, we not only invested in but have also started to sell foreign currency denominated insurance products of the group's Gibraltar Life Insurance through some of our marketing channels since October 2010.

In March 2011, we reached an agreement for an investment in Reliance Life Insurance, which belongs to the Reliance ADA Group, one of the largest business houses in India. This is a very significant event for Nippon Life. First, we have an investment in a major life insurer that serves India's growing insurance market. Second, we can benefit from this strong growth while sharing know-how with this partner.

In April 2010, following our investment in Best Doctors, Inc., we started offering the Best Doctors service that provides referrals to specialists. This demonstrates how Nippon Life is building a wide-ranging, network of alliances in various fields that is not limited to financial institutions.

For overseas operations, our basic policy is to form long-term partnerships by using personal interaction as the starting point for relationships built upon mutual trust. We want to form relationships with other powerful companies by selecting prominent overseas financial institutions and insurers as our partners. Our plan is to strengthen our overseas operations by using this approach in Europe, North America, Asia and all other areas of the world. I would like to play a leading role in seeking and deepening relationships by actively traveling abroad to meet my counterparts in overseas firms and exchange opinions with them directly.

What is Nippon Life's stance about payment of dividends and increasing equity?

Nippon Life will continue to increase equity mainly by raising foundation funds (*kikin*), which is our primary equity. We are also firmly committed to maintaining the stability of dividend payments.

Equity is the bedrock for protecting customers. The equity we accumulated for more than 10 years was instrumental to our ability to withstand the Lehman shock and to meet our obligations with no difficulty following

the March earthquake and tsunami. Equity has been climbing steadily, mainly due to growth in foundation funds (*kikin*), the primary capital of a mutual company. In the current fiscal year, I expect foundation funds (*kikin*) to increase to about ¥1,200 billion based on our plan to raise ¥100 billion from the sale of these funds. With more growth in foundation funds (*kikin*) planned, our target is to have equity, which is the sum of these funds and reserves, of ¥3,300 billion by the end of March 2014.

I also want to use equity for strategic investments in Japan and other countries that can increase our earnings power. Investments in overseas companies that I discussed earlier are one example of these strategic investments.

As a means of returning earnings to policyholders, dividends are a vital element of the mutual company spirit of providing mutual aid and assistance. We will continue to do our best to maintain the stability of dividend payments while preserving the proper balance between these payments and the need to increase equity.

What are the main elements of Nippon Life's policy for asset management?

We manage assets with the aim of providing long-term, stable benefits for customers while rigorously managing the associated risks.

Nippon Life is dedicated to managing assets in the best interests of our customers with respect to stability and a long-term view. Investments also reflect the nature of life insurance business with a considerable obligation to serve the public and society. Customers have entrusted us with the management of funds totaling about ¥50 trillion, which makes us one of the largest institutional investors in Japan. In this role, our goal is to invest these funds to create benefits for society as a whole.

In particular, we use the majority of our assets to purchase public and private-sector bonds and extend loans for earning a steady stream of income. The strong equity capital we have accumulated supports these investments. We also manage assets on a global scale, too. For these investments, we construct a global system of management along with our own bases in New York, London and Singapore, overseas alliance partners and subsidiary Nissay Asset Management.

We will maintain an investment portfolio that is highly resistant to various risks by diversifying our investments, and we will continue to use well-timed investments to improve returns. As in the past, under a thorough risk management program, we will manage assets in the best interests of customers based on a long-term view and stability.

What should Nippon Life's priorities be in order to achieve more progress in the future?

The most important points are to foster human resources while preserving our long-standing "open corporate culture."

For many years, Nippon Life's corporate culture has been defined by "openness." In this environment, we listen carefully to the opinions and other views of everyone, including younger employees. Many of these thoughts are subsequently reflected in how we do our work.

I think this philosophy became firmly established at Nippon Life because our predecessors passed on the conviction that "a company is only as good as its people" over the years. We understand that people are a valuable resource. Nothing is more important to a company than fostering human resources.

As the company president, I will take the initiative to listen to the thoughts and suggestions of everyone at Nippon Life, from executives and division and section managers to our younger employees. In the wake of the earthquake that struck Japan last March, I believe that all employees should do their jobs with a renewed sense of responsibility and pride as people who work to ensure "security" for the people of Japan. Everyone at Nippon Life will embrace this sentiment as we take the actions needed to achieve more progress in the years ahead.

