

## Top Message

We are dedicated to fulfilling our social mission as a life insurance company by creating a secure future along with our customers.

### Accomplishments and highlights of the past fiscal year

**The events of the year reinforced our awareness of the magnitude of our social mission as a life insurance company.**

When I was named president in April 2011, I said that I want Nippon Life to be a company capable of constantly earning the trust of customers. To accomplish this goal, I stated that Nippon Life must become a life insurer that excels in terms of “scale” and “quality.” It has been one year since I first proclaimed that the goal of everyone in our organization is to make Nippon Life a company of excellence in “scale,” “quality” and “credibility.”

Our activities following the Great East Japan Earthquake underscored our commitment to this goal. Our sales representatives stepped up face-to-face services, we checked the safety of policyholders, we made insurance payments with reliability and speed, and we extended support to areas that were damaged. Activities of sales representatives in areas damaged by the earthquake clearly demonstrated that our operations are firmly underpinned by the two facets of our corporate culture in which we all take particular pride: “discipline” and “solidarity.”

I was appointed chairman of The Life Insurance Association of Japan in July 2011. In this role, I was involved with measures, affecting the entire life insurance industry, to check the safety of policyholders, make reliable and speedy payments of benefits, and perform other activities. All these activities made me acutely aware of the immense scale of the social mission of life insurance companies following a disaster. Life insurers must

always be a source of security for customers and fulfill their obligation to provide protection.

Competition among life insurers in Japan is becoming more heated as the population ages and the number of children declines. Some people are inclined to believe that there is no longer any prospect for growth in Japan’s life insurance market, but I do not subscribe to this belief at all.

For example, there are a number of growing needs among seniors. To be prepared for a long post-retirement life, these individuals require services associated with medical and nursing care as well as with annuities and other categories of asset management. Women are another example of a market sector with growth potential. Lifestyles of women in Japan are shifting as more women pursue careers and marry at a later age. In recent years, the percentage of young people who take out insurance has decreased significantly. Here again, I think there is growth potential because insurers are not adequately explaining the need for policies to this age group.

In Japan, there is much talk about how to resolve budget problems, particularly concerning social security programs and taxes. Japan has reached a point where everyone will need to take action on their own to be prepared for various risks. In other words, people must take responsibility for protecting their own lives. In this respect, the role of life insurers will become increasingly greater as a source of security for customers by supplementing the national social security system. Consequently, the responsibilities of Nippon Life are becoming greater as well.

## The Future Creation Project, our new three-year management plan

**Goals of this plan are increasing new policy sales and building a stronger base for financial soundness and profitability. At the same time, we will upgrade the development of our human resources, which is vital to achieving our goals.**

For over 16 years, from 1996 to 2012, Nippon Life worked on increasing equity, which represents the basis for the financial soundness and profitability of a life insurance company. Furthermore, we invested ¥150 billion during the six-year period starting in 2006 to implement the New Integration Plan. I believe that these two initiatives are precisely how we should fulfill our social mission as a life insurance company.

The full-scale implementation of the New Integration Plan started in April 2012. By taking this step, we completed a re-examination of all operations involving insurance from the standpoint of our customers. We also fundamentally overhauled our IT system infrastructure. We have a strong commitment to creating a secure future along with our customers by providing new comprehensive insurance services supported by the new integrated system and backed by outstanding financial soundness. We started The Future Creation Project, which is our new three-year management plan, for the purpose of accomplishing this goal. The project is centered on the following three components.

- (1) Increase new policy sales with emphasis on new comprehensive insurance services
- (2) Build a stronger base for financial soundness and profitability to fulfill our long-term protection responsibilities as a life insurance company while constantly making progress regarding customer services
- (3) Develop human resources able to fully utilize the innovative IT infrastructure created by the New Integration Plan and take the lead in expanding overseas operations

All of our executives and employees are determined to do what is needed to end the decline in our policies in force by fiscal 2014 and return to growth.

### Measures to increase new policy sales

**We will use advances regarding protection, IT and support to provide customers with new comprehensive insurance services.**

Regarding the New Integration Plan, we will incorporate three advances resulting from this plan into our sales activities, chiefly face-to-face sales. These advances involve offering protection that can meet diversifying needs, using IT to supply highly convenient services, and providing support that precisely matches each customer's requirements.

### (1) More advanced protection

The first measure is more advanced protection.

We started selling a product called *Mirai no Katachi* on April 2, 2012 in response to social changes and the diversification of our customers' needs. The basic concept is to provide simple forms of protection that customers can easily understand. We used this concept to completely revamp the structure of many of our insurance products. In the past, we sold primary policies and added riders as necessary. Now, we are selling each insurance policy as an individual product. Switching to this method gives customers much more flexibility to assemble policies that have exactly the protection they require.

As one step to improve services, we are responding to the need among many of our customers' to talk to a consultant about nursing care. Customers can now receive information by using our *Care Guidance Service*, which we started in April 2012. We established an alliance with Nichii Gakkan Company, which operates Japan's largest network for senior care services, to provide this service. Customers can talk to a consultant who



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visits them at home free of charge about nursing care. The consulting service is available not only for policyholders and beneficiaries but also for spouses and parents with an interest in nursing care. We believe this service provides an opportunity for every member of a family to learn about nursing care that may be needed in the future.

### (2) More advanced IT

The second measure is more advanced IT.

We have started using a new wireless device called REVO that uses state-of-the-art technology. This unit, which will further improve customer services, has two major features.

The first is more advanced consulting for insurance protection.

REVO allows sales representatives to supply customers with information that matches their particular requirements based on family composition, age and other parameters. The ability to create a proposal that is best suited to each customer is another advantage.

The second is more convenient administrative operations and services.

Until now, customers completed procedures to take out insurance by filling out paper documents. With REVO, applications can be completed with no paper and no personal seal.

### (3) More advanced support

The third measure is more advanced support.

Face-to-face services provided by sales representatives will remain our primary means of providing support. But we will also continue to build a multi-channel service framework by strengthening and integrating Nissay Life Plaza customer service centers, corporate sales, agencies, financial institutions and other channels.

The Internet is another means we are using to reinforce our support for customers. For example, to expand lines of contact with customers, we have a Facebook page and we have set up a *Mirai Factory* section on our website. We plan to promote greater integration of our channels by having our face-to-face sales representative channel play a supporting role in sales to individuals who used the Internet to ask for information about our products or register for our campaigns.

## Measures to strengthen financial soundness and profitability

**By adopting a medium- to long-term perspective, we will establish an even more powerful foundation for fulfilling our responsibility to provide customers with long-term protection.**

The series of financial crises triggered by the collapse of Lehman Brothers has created an uncertain outlook for financial markets. To continue fulfilling our obligation to be a source of

security and protection for our customers in this difficult environment, we are taking the following four actions to build an even stronger base for financial soundness and profitability.

### (1) Increase equity

We have been increasing our equity consistently over the past 16 years. We believe that this growth in our equity played a major role in enabling us to meet our obligations even after the financial crises in the past few years and the Great East Japan Earthquake.

We aim to continue increasing equity (foundation funds (*kikin*), reserves and other items) so that we can continue to fulfill our responsibility to provide customers with long-term protection. Our goal is to return equity to the ¥3 trillion level by the end of fiscal 2014.

Regarding dividends, our goal as a mutual company is to maximize benefits for customers by paying a stable dividend over the medium and long term. At the same time, we will preserve the proper balance between dividend payments and the need to increase equity and other requirements.

### (2) Strategic overseas investments

Nippon Life is using its powerful equity base to make strategic investments in prominent financial institutions and insurance companies in Europe, North America and Asia. Building these long-term partnerships increases opportunities to earn profits that we can use to support the long-term distribution of earnings to our customers.

In fiscal 2011, we established alliances with three companies outside Japan that included investments in these partners: Allianz Group, one of the leading integrated financial services providers in the world; Reliance Group, one of the largest business houses in India; and the AIA Group, the largest life insurer in the Asia-Oceania region, serving 15 countries and regions.

We will continue to exchange information and personnel with leading financial institutions and insurance companies in other countries. We want to build mutually beneficial relationships for sharing business know-how, giving employees global business skills and achieving other goals.

### (3) Long-term, stable investment

Nippon Life has always managed assets in a manner that enables us to provide customers with long-term, stable benefits while carefully managing the associated risks. We are establishing a global system for investment with offices in New York, London and Singapore and further support from overseas alliance partners and our subsidiary, Nissay Asset Management.

In today's uncertain investment climate, Nippon Life will make investment decisions based on rigorous selection and diversification of our investment portfolio and risk management to earn stable and growing returns from a long-term perspective.

#### (4) Increase earnings

Securing consistent earnings is vital to accomplishing all of these goals: increasing equity, making strategic investments, paying a stable dividend to policyholders and making continuous enhancements to customer services. Nippon Life will strive to further increase earnings power in several ways, including increasing new policy sales, earning stable and growing returns on invested assets, and implementing the New Integration Plan to use costs more efficiently.

#### Measures to Develop Human Resources

**We are concentrating on giving our people the skills needed to take full advantage of the highly innovative infrastructure we developed by implementing the New Integration Plan.**

The New Integration Plan is the central strategy of our Future Creation Project. Successfully completing this plan will require the development of human resources with the skills to fully utilize the innovative infrastructure that we have created.

The first step is development of sales representatives. To oversee this training, we established the Employee Development Promotion Department in fiscal 2011. By combining our “activity innovation” measures of the past with “infrastructure innovation” measures, we are better able to nurture the development of the next generation of core personnel.

Second is development of non-sales personnel. We want to transform these people into “customer service personnel” who can draw on their knowledge of administrative procedures and experience. We will enlarge the scope of their activities to include tasks that support services for customers and the activities of sales representatives. Acquiring these skills will enable these employees to back up our new administrative and service systems.

Furthermore, giving our people these skills can only be achieved with a firm commitment to maintaining an open corporate culture that encourages all employees to use creativity and innovation.

Our Future Creation Project is a prime example. To promote this project, we formed a project team made up of younger employees and gave the team the authority to make all decisions. The team came up with the core concept of “the power to create the future,” which became the basis for the launch of this project.

I strongly believe that promoting such initiatives will enable Nippon Life to continue and build upon its long tradition of fostering an open corporate culture.

Human resources development is the foundation for achieving the goal of everyone at Nippon Life: to become a company of excellence in “scale,” “quality” and “credibility.” Our people are our most valuable asset and we will continue to do everything we can to give them opportunities for education and advancement.



July 2012  
President

A handwritten signature in black ink, appearing to read "Y. Tsutsu".