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# CHAPTER 2

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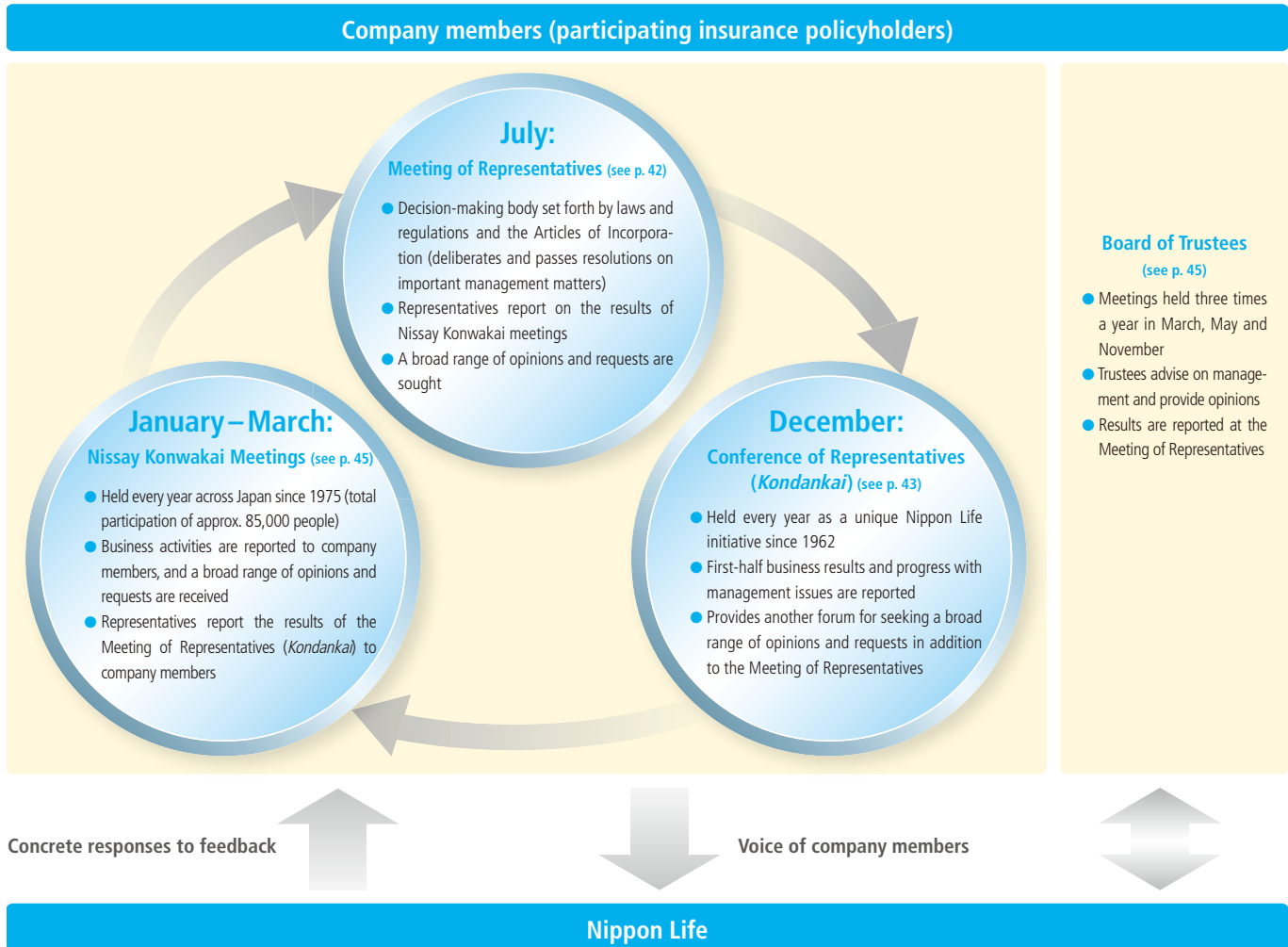
## Management of Nippon Life

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# Mutual Company Framework

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

[Management Based on the Voice of Company Members Through the Mutual Company Framework]



## 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 65th 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.

\*Minutes and a summary of the Meeting of Representatives (Q&A summary) are available on the Nippon Life website.

→ <http://www.nissay.co.jp/kaisha/annai/sogo/sodaikai/> (Japanese only)

## Conference of Representatives (*Kondankai*)

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

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

### Examples of Opinions Expressed at the Meeting of Representatives (*Kondankai*) for the Fiscal Year Ended March 31, 2013 (Held on December 4, 2012)

- There are media reports in Japan regarding concerns about the growth of investment risk resulting from strong sales of life insurance products at banks. How are you dealing with this risk? Also, if you plan to reduce these sales, how will you explain this decision to customers?
  - With the New Integration Strategy, and especially the use of REVO wireless devices, how much improvement has there been in the receipt of premium payments, making processes paperless, improving the working environment for sales representatives or in other areas?
  - Demonstrations in China have had a major impact on Japanese companies. Please provide information about recent sales at Nissay-Greatwall Life Insurance.
  - The sales representative who handles my policy has changed frequently. Each time, I had to give the new person information about my family and my own needs. I want the current program to improve sales and service activities to raise customer satisfaction by becoming even more deeply established, using thorough evaluations, and taking other actions.
  - What is Nippon Life doing to increase employee motivation and the retention rate? One effective measure is creating an environment where employees, especially younger employees, can share their problems. For example, group training sessions would be an excellent opportunity to talk about problems. Do you give employees opportunities for further training?
- Nippon Life is working harder on products and services for seniors as Japan's population ages. Please provide detailed explanations of the services included in the Best Doctors Service® and *Care Guidance Service*. Also, do you plan to develop products that provide benefits in kind, such as services like nursing care rather than monetary payments?
  - Nippon Life is performing more procedures on the Internet, but an ID and password are needed every time. Please think about using a single ID and password to perform many procedures, such as procedures for a company annuity, executive insurance, and individual insurance for employees.
  - For TV commercials and other PR activities concerning the new structure for insurance products, how does Nippon Life determine the target audiences and communicate with customers in a manner that differs from the activities of other companies? Please explain the overall intent from the standpoint of the brand.
  - What is your current assessment of overseas operations and the issues that must be addressed concerning upcoming activities?
  - I want Nippon Life to adopt a strong stance, including making public statements, on the advancement of women and the greater utilization of women for making Nippon Life a more energetic, growth-oriented company.

\*The results of the Meeting of Representatives (*Kondankai*) are available on Nippon Life's corporate website.

## 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 9.14 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. 45), 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.

#### ● Representative Nomination Committee

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

#### ● Policyholder Voting

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

### Selection Standards for Representative Candidates

#### 1. Required Qualifications

- (1) Is a participating insurance policyholder of Nippon Life
- (2) Is not a representative of another life insurance company

#### 2. Eligibility Standards

- (1) Has a strong interest in the life insurance business and the management of Nippon Life and has adequate insight as a representative
- (2) Can be expected to actively participate as a representative in the Meeting of Representatives and other events
- (3) Is able to check and advise on operations and management as necessary in addition to making fair decisions at the Meeting of Representatives to promote the interests of all policyholders

#### 3. Selection

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

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

### Qualifications for Selecting Representative Nomination Committee Members

- (1) Has a strong interest in and a deep understanding of the life insurance business and mutual company management and adequate insight as a representative
- (2) Is able to fairly and impartially select representative candidates
- (3) Is able to participate in the Representative Nomination Committee

### Time of Policyholder Voting

Voting for representative candidates is held once every two years from August to September. An election by policyholders will be held in the fiscal year ending March 31, 2015. (Voting materials shall be sent to all Nippon Life policyholders.)

## Nissay Konwakai Meetings

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

From among the opinions and requests (see p. 46) that we receive from participants, we identify and respond to those that are most frequently expressed. These items are then reported to the Meeting of Representatives and Board of Trustees. The participants include several representatives and directors, and we continue to work to improve ties between the Nissay Konwakai meetings and the Meeting of Representatives.



A Nissay Konwakai meeting

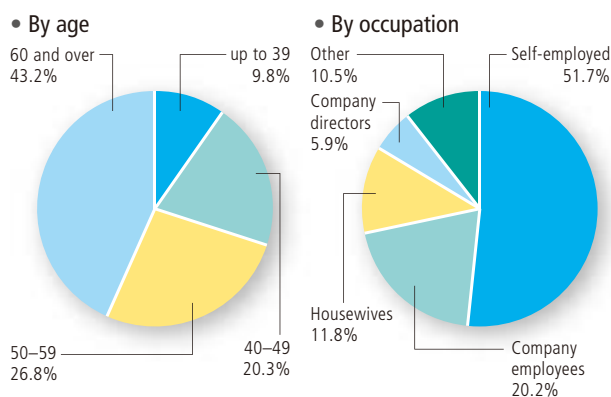
### Status of the Nissay Konwakai Meetings in the Fiscal Year Ended March 31, 2013

From January through March 2013, we held Nissay Konwakai meetings in 112 locations around Japan, bringing together a total of 151 representatives and 2,494 policyholders and receiving a total of 5,631 opinions and requests. At the Nissay Konwakai meetings held this year, we strove to provide easy-to-understand explanations, using video and other materials, of performance in the first half of the fiscal year ended March 31, 2013, the development of the products and services reflecting opinions expressed at

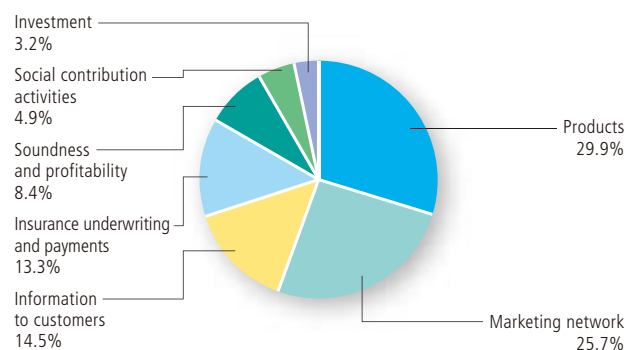
the Nissay Konwakai meetings, and other topics. Opinions and requests received at the Nissay Konwakai meetings are thoroughly examined by the relevant departments and every effort is made to reflect them in management. The following are some of the main opinions and requests that we received during the fiscal year ended March 31, 2013.

※The results of the Nissay Konwakai meetings are available at the Nippon Life corporate website.

#### [Description of Participants in Fiscal Year Ended March 31, 2013]



#### [Categories of Opinions and Requests in Fiscal Year Ended March 31, 2013]



※In addition to the above, we received 962 comments from participants in the Nissay Konwakai.

## Board of Trustees

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

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

## Major Opinions and Questions at Nissay Konwakai Meetings and Our Responses

Q	<p>I think the Best Doctors Service® and <i>Care Guidance Service</i> are excellent. Have you considered promoting these services by explaining their content more?</p>	
A	<ul style="list-style-type: none"> <li>● Nippon Life gives customers enrolled in certain products access to consultations with professionals in the fields of health care and nursing care.</li> <li>● The Best Doctors Service® provides information at no charge about specialists selected by this service for giving second opinions and information about treatments. This service is for individuals afflicted with a serious disease, chiefly one of the three dread diseases. We started offering this service in April 2010. Customers have told us that they appreciate the service because they received clear explanations about diseases and treatment methods.</li> <li>● Nippon Life started the <i>Care Guidance Service</i> in April 2012. Customers can use this service for free consultations at home about nursing care with certified individuals from Nichii Gakkan Company, which operates Japan's largest network for senior care services. We have heard from customers that they are happy to have the opportunity to talk with a specialist before they require nursing care. Furthermore, sales representatives tell us that the service is used by a diverse array of customers</li> </ul>	<p>covering all ages. This is because the service is open to policyholders and beneficiaries as well as spouses and parents.</p> <ul style="list-style-type: none"> <li>● Consultation services were expanded with the addition of the <i>Childraising Advice Hotline</i>, which started with the launch of <i>Nissay Educational Endowment Insurance</i>. The hotline provides around-the-clock access to pediatricians and other professionals for questions about health care and raising children.</li> <li>● Providing information about these services is part of the activities of sales representatives. For instance, representatives distribute pamphlets and use videos to explain the services. In addition, we have used the media to raise awareness of these services, such as by referring to them in TV commercials.</li> <li>● We will continue to upgrade services with the aim of meeting even more of our customers' needs. These activities will be accompanied by measures to make our customers aware of these services.</li> </ul>

Q	<p>I want Nippon Life to manage assets carefully because of the long-term nature of life insurance.</p>	
A	<ul style="list-style-type: none"> <li>● As you have pointed out, life insurance is a long-term contract. Nippon Life's mission is to fulfill its long-term commitment to policyholders under life insurance agreements, and to maximize returns to policyholders in a stable manner over the long term. Asset management is carried out to achieve this mission.</li> <li>● In the market environment today, stock prices are currently recovering and the yen's value has declined. However, interest rates are still at a historic low and there has been extreme volatility in stock and foreign exchange markets in recent years. As a result, we recognize the need to build a stronger base for financial soundness and profitability while monitoring financial markets.</li> <li>● Specifically, to ensure that we provide policyholders with promised returns in a stable manner, we strive to increase equity while implementing stringent risk management. In making investments, while considering risk and return, we also: <ul style="list-style-type: none"> <li>–Diversify investments (across asset classes, countries, currencies, and maturities);</li> <li>–Assemble a highly profitable portfolio from a long-term standpoint by making investments when prices are low; and</li> <li>–Manage credit extended to very small companies and set limits on investments in particular types of assets.</li> </ul>                     We will continue to take actions like these and reinforce these measures.                 </li> </ul>	<ul style="list-style-type: none"> <li>● For each asset category we strive to achieve a balance of investment approaches: <ul style="list-style-type: none"> <li>–For bonds, we maintain the proper balance between Japanese and foreign bonds and adjust the foreign exchange hedging ratio for foreign bonds while monitoring movements in interest rates and foreign exchange rates.</li> <li>–For Japanese and foreign equities and other assets with risk, we replace holdings based on the timing of the market, and take other actions to assemble a portfolio that can produce higher income over the medium- and long-term.</li> <li>–For loans, we will further increase our loans to creditworthy borrowers. We position loans as highly profitable assets that generate yen-denominated interest income by enabling us to spread credit risk. Furthermore, from the standpoint of risk management, we will confirm that these investment policies are suitable with respect to maintaining the proper relationship between risk and return.</li> </ul> </li> <li>● We will further deepen the links between investment departments and credit assessment and risk management departments. Investments will be carefully selected as we appropriately manage volatility risk for interest rates, stock prices, foreign exchange rates and other factors. Our goal is to maintain the long-term stability of income as well as to increase income.</li> </ul>

### Other Opinions and Requests

#### [Management Overall]

- I want Nippon Life to increase policyholder dividends now that the economy and financial markets are recovering.
- What is Nippon Life's strategy for Japan in response to the declining and aging of the population?
- Nippon Life appears to be increasing emphasis on overseas operations. Please explain specific strategies for activities in other countries.
- Other insurance companies are reviewing their premiums. Why is Nippon Life leaving the premiums of major policies unchanged?

#### [Products and Services]

- Due to the current discussions in Japan about revising the social security system, I want Nippon Life to increase its lineup of medical care and nursing care products and savings-type products that help people to prepare for the future.
- I think that *Mirai no Katachi* is a product that meets the needs of the next generation because different types of protection can be freely combined.
- Many young people do not have life insurance. I want Nippon Life to work harder on developing products for young people and educating them about life insurance.

- I want Nippon Life to develop products with lower premiums.
- Putting policy terms and conditions on CD-ROMs is a good step, but this information is difficult to read because it is so long.
- Nippon Life is making procedures paperless and easier to perform. But are these measures negatively affecting security for personal and other information?
- I want Nippon Life to continue its face-to-face activities even as progress continues with the use of IT.
- I want Nippon Life to upgrade the consultation skills of sales representatives.
- I am contacted by several sales representatives and the person handling my account changes frequently. I want Nippon Life to improve its after-sales services.
- The workplace seminar for employees was very good. I want Nippon Life to continue providing this type of information.
- I see a variety of Nippon Life TV commercials, but I wonder if Nippon Life can create commercials that have the same impact as the commercials of foreign-owned insurers in Japan?

#### [Social Contribution Activities]

- Conducting various activities for children is important for their education. I want Nippon Life to further expand and promote these activities.

## What is a Mutual Company?

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

A mutual company is a form of company recognized only in the insurance industry. Based on the concept of mutual aid, it is an incorporated body in which participating insurance policyholders are enrolled in insurance policies and at the same time become “company members.”

Nippon Life has been formed as a mutual company.

Nippon Life decided to form as a mutual company for the following two practical reasons:

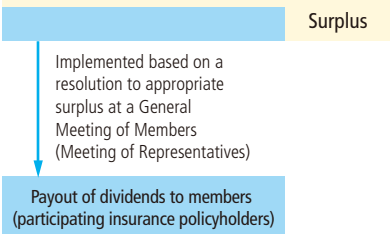
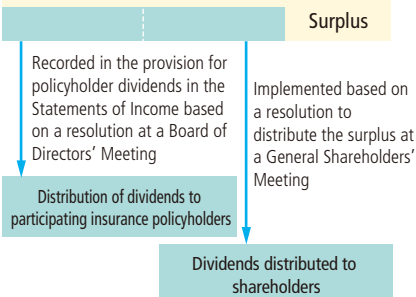
- The framework for distributing surplus as a mutual company (through the return of a major portion of surplus from business operations to participating insurance policyholders, without the need to consider shareholder dividends) corresponds with Nippon Life’s belief that policyholder interests come first and should be maximized.
- Life insurance companies have a responsibility to preserve long-term financial soundness and generate a consistent surplus in order to meet obligations for paying claims and benefits to policyholders. We believe that the mutual company structure is best suited to maintaining the long-term stability of business operations.

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

For flexibility of fund procurement, by making continuous use of the public securitization of foundation funds (*kikin*) and other fund procurement schemes, Nippon Life has total foundation funds (*kikin*) (sum of foundation funds and reserve for redemption of foundation funds) of ¥1,250 billion.

For transparency, we are improving corporate governance to make our management more transparent (see p. 48) and taking actions to reflect input from customers in our management (see p. 60). We are also enhancing public access to information about our operations through financial information meetings and on our website.

### [Primary Differences between a Mutual Company and a Joint-stock Company in the Insurance Business]

Mutual Company		Joint-Stock Company
Insurance Business Act	Laws governing the insurance industry	Companies Act
Non-profit/non-charitable intermediate corporate body	Characteristics	Profit-making incorporated association
Company members (participating insurance policyholders) <small>*Participating insurance policyholders are enrolled in insurance policies and at the same time become company members</small>	Membership	Shareholders <small>*Become shareholders through the acquisition of stock</small>
General Meeting of Members (Meeting of Representatives)	Decision-making body	General Shareholders' Meeting
Dividend distribution		
<div style="text-align: center;">  </div>	<p><small>*This diagram is only meant to explain the dividend distribution system and is not intended to explain amounts of money or advantages and disadvantages.</small></p>	<div style="text-align: center;">  </div>

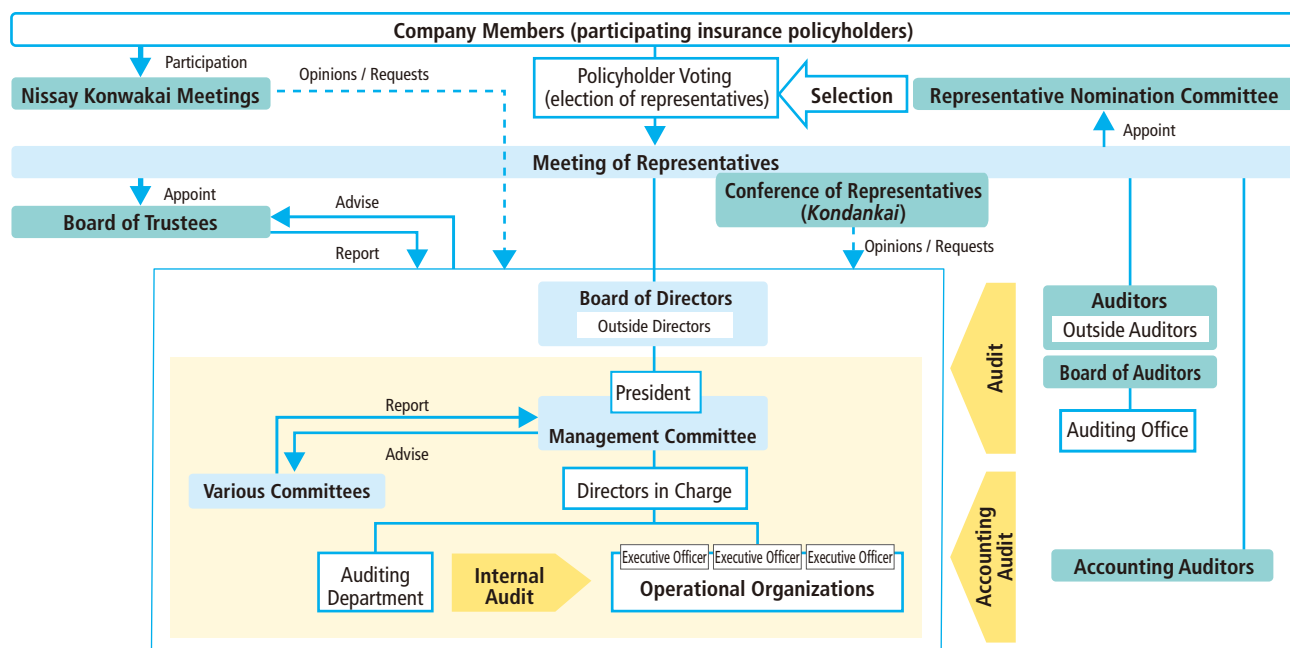


# Corporate Governance System

Nippon Life has established 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. 42). 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 several outside directors and outside corporate auditors. 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

The Board of Directors reaches decisions about important affairs concerning business operations based on decisions made at the Meeting of Representatives. The Board of Directors also supervises the performance of the directors. There are 17 directors, of whom four are outside directors (including three who meet the legal requirements for outside directors). Directors who are responsible

for business areas are also, in principle, executive officers who are directly responsible for business operations. This structure unifies two functions in the Board of Directors: decision making and supervision for the execution of business operations. With this structure, the Board of Directors is able to directly view the status of activities in each business operation.

## Auditors and the Board of Auditors

Auditors are responsible for auditing the performance of directors by attending meetings of the Board of Directors and other important meetings. In addition, the Board of Auditors discusses significant matters concerning audits and reaches decisions. Nippon Life has five auditors, including three outside auditors. Auditors implement measures to strengthen and expand auditing

functions. For example, meetings are held on a regular basis and at other times as necessary to allow the accounting auditors, Auditing Department and auditors to work closely together. Meetings provide an opportunity to exchange opinions and information about audit plans, the status of audits, and the results of audits.

# Enhancing the Internal Control System

To ensure that operations are appropriate and to raise corporate value, at a Board of Directors' meeting we established 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 an 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

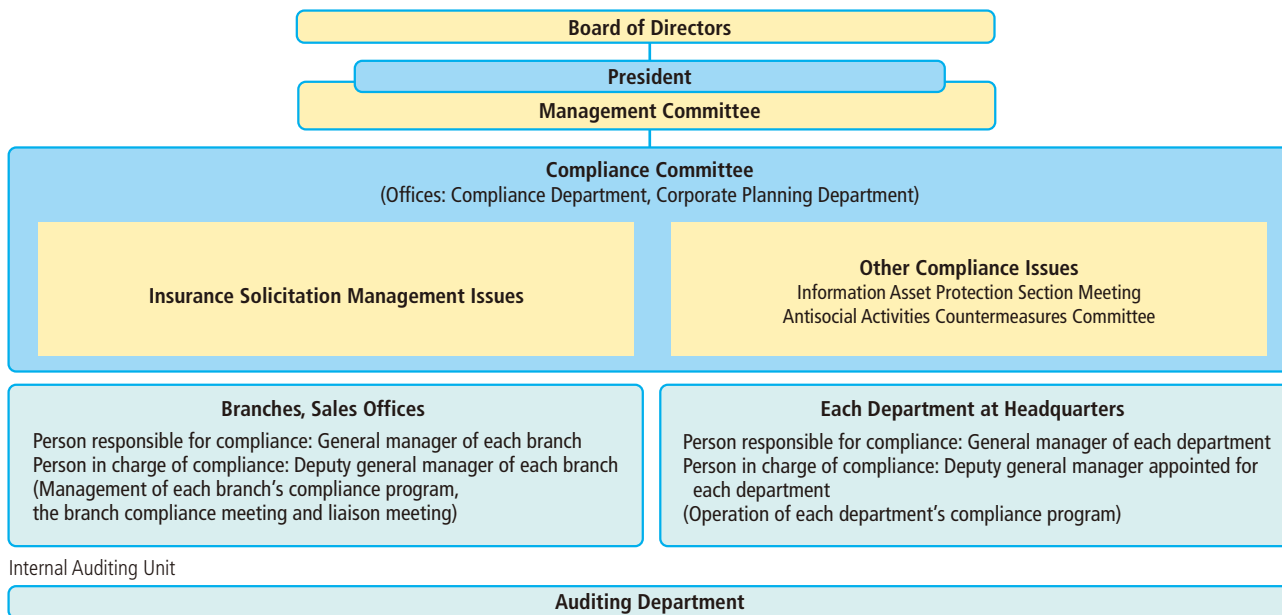


# Promoting Compliance

Compliance at Nippon Life goes beyond merely observing relevant laws and regulations, and extends to complying with all social norms, earning the trust of customers and society, and performing our work with sincerity. All directors and employees bear the responsibility of compliance and, considering compliance to be a fundamental operating premise, strive to promote compliance throughout the Company.

## Compliance System

[Diagram of the Compliance System]



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

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

The Compliance Department was established to exert Company-wide

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.

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.

## 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's 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.

Nippon Life provides all directors and employees with training on soliciting insurance policies and after-sales services, using compliance textbook and various other training materials that reflect an industry-wide curriculum standard.

Legal and other compliance-related educational programs are provided regularly through internal satellite broadcasts (NICE-NET) for sales

representatives who serve customers. 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.



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

organized crime. If a person has knowingly had contact with antisocial activities, he/she must immediately report this contact to his/her 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 organized crime 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.

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

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

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

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

Excerpt from the Life Insurance Association of Japan's "Reference Provision on Insurance Policy Terms and Conditions to Counter Antisocial Forces"

(1) Nippon Life can cancel an insurance policy at any time in the future in any of the following events (serious matters).

(Section omitted)

4. If any of the following items applies to a policyholder, insured party or beneficiary of an insurance policy
  - a. Recognition as an organized crime group, member of the group (including individuals who ceased to be a member within the past five years), a secondary constituent member of or a company associated with the group, or any other antisocial entity (collectively "antisocial entities" hereafter)
  - b. Recognition of involvement in provision of funds for antisocial entities or any other form of assistance for antisocial entities
  - c. Recognition of improper use of antisocial entities
  - d. When the policyholder or beneficiary is a company, recognition that the company is controlled by an antisocial entity or an antisocial entity is effectively involved in the company's management
  - e. Recognition of any other relationship with an antisocial entity that should be subject to social criticism

(Section omitted)

In addition, the Life Insurance Association of Japan distributes "Say No to Organized Crime" posters to further clarify its opposition to member companies having any relationships with antisocial entities.

Nippon Life places these posters at the counters of Life Plazas and other offices throughout Japan to demonstrate its refusal to have any relationships with antisocial entities.



A "Say No to Organized Crime" poster

# Strengthening Risk Management and Approach to Enterprise Risk Management

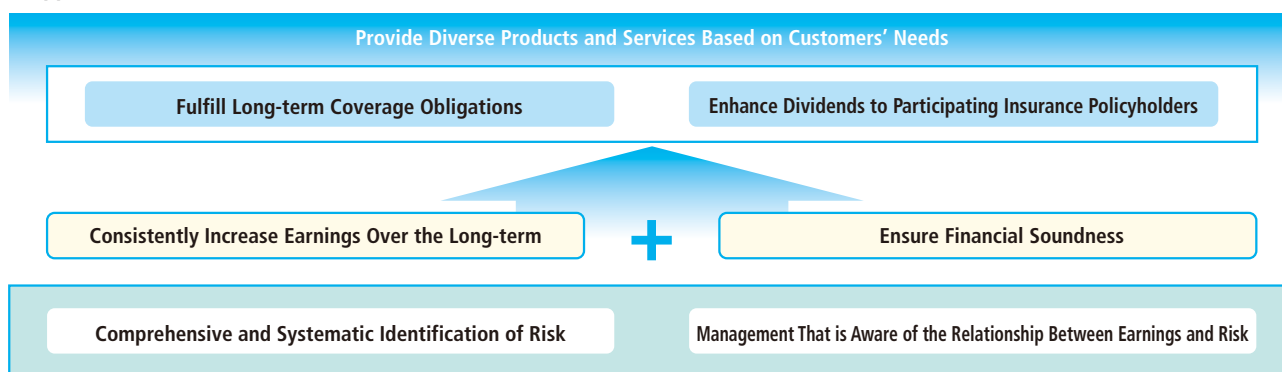
## Importance of Risk Management

Life insurance companies operate in an environment of fluctuations in economic conditions, including share prices and interest rates, along with rapid progress in medical technology and the occurrence of major disasters. Nippon Life seeks to provide diverse products and services based on customers' needs and to deliver stable dividends to customers, while fulfilling its long-term coverage obligations. To do so, we need to consistently increase earnings over the long term, and ensure financial soundness. We therefore recognize that we must identify risks in a more comprehensive and systematic manner and have a stronger awareness of the relationship between earnings and risk in management.

Nippon Life has a rigorous risk management program and is working on upgrading enterprise risk management (ERM).

**Enterprise Risk Management (ERM):** All risks associated with a company's operations are identified in a comprehensive and systematic manner in order to achieve corporate targets. These risks are managed and controlled by using an integrated and strategic approach. The ultimate objectives of ERM are consistently increasing earnings over the long term and ensuring financial soundness.

### [ERM Approach]



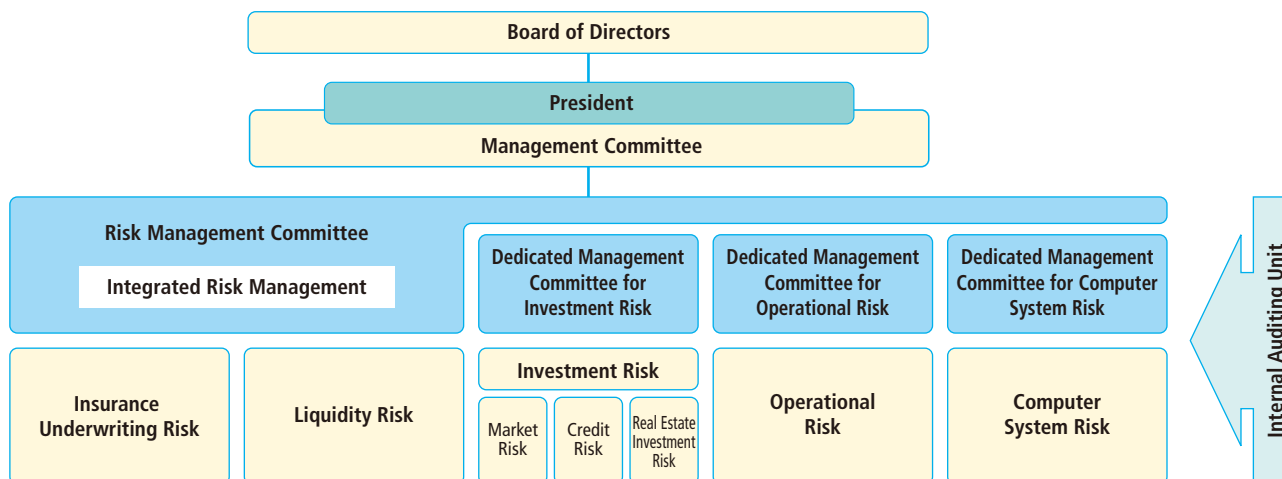
## Risk Management System

Risk management at Nippon Life is based on a risk management framework set forth in the Company's Internal Control System Basic Policy. (The internal control system is for ensuring correct operations within the Company). Under the risk management framework, the Risk Management Committee, an advisory body to the Management Committee, manages each type of risk appropriately according to its profile, and conducts integrated management of the overall impact of the various types of risk on operations.

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

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

### [Risk Management System]



## Integrated Risk Management

Nippon Life takes an integrated management approach to the various risks facing the entire Company. We centrally manage each type of risk across our divisions, while also integrating all of the types of risk to manage them as

the overall risk status for the entire Company. In this way, we carry out integrated risk management.

### 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.

## Insurance Underwriting Risk Management

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

A life insurance company must fulfill its responsibility to bear the risk it assumes on behalf of customers for long periods extending over many decades. This requires the setting of reasonable premium rates that enable the stable payment of insurance claims and an appropriate level of risk

control for upholding our coverage responsibilities based on examination and assessment of the health condition of the insured at the time of insurance underwriting. 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.

### Dealing with Risks in Setting Premiums

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

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

### Responding to Risk Related to Policy Selection and Benefit Settlement Assessments

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

We are also diligent about managing risks related to paying out insurance claims and benefits. Medically qualified staff or staff with medical expertise are used in the assessment of payments. Nippon Life undertakes rigorous risk management, using outside organizations for verification and 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 and assume reinsurance details by means of a review conducted by the Risk Management Committee after considering the types and characteristics of risks. Moreover, in reinsurance

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

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

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

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

## Investment Risk Management

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

established an Investment Risk Management Department 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.

### Market Risk Management

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

actions, 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.

#### ● Establishing Maximum Holding Ceilings

To prevent the occurrence of large-scale losses on individual investment and finance transactions, Nippon Life establishes maximum holding ceilings 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.

#### ● Measurement and Management of 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.

### 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 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.

#### ● 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.

#### ● Measurement and Management of Credit Value-at-Risk

Nippon Life measures the credit risk amount for its entire portfolio to calculate the credit value at risk. We monitor this risk amount to ensure that it remains within an appropriate limit.

**Credit Value-at-Risk:** This is the estimated maximum loss amount that the portfolio could incur due to the deterioration of the financial position of a borrower and other factors, calculated statistically using a simulation based on random variables.

## Real Estate Investment Risk Management

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

each investment by the Credit Department, which is independent of the 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.

Thinking from the perspective of a customer, 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 as well as alleviate operational risks throughout the Company.

## 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 Company-wide contingency plans to enable quick emergency response. In addition, we have established backup centers at locations other than that of our main computer center to prepare for area-wide disasters.

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 and alleviating Company-wide risks through compliance with our own safety standards for the planning, development and operation of computer systems, and supervising appropriate use of the systems.

### Nippon Life Natural Disaster Countermeasures

Nippon Life is preparing against disasters by carrying out routine inspections of disaster response training and its stockpiles of goods in case of a natural disaster. In addition, Nippon Life is striving to build systems for providing customers with services that give them peace of mind by establishing a Business Continuity Plan (BCP) in the event of an outbreak of a new strain of influenza or the occurrence of a major earthquake.

In response to the Great East Japan Earthquake, Nippon Life immediately set up a Disaster Response Headquarters led by the President and

rapidly implemented the following measures:

- Confirmed the safety of employees and other staff and the extent of damage to sales offices;
- Delivered emergency relief supplies to the affected regions; and
- Provided staff with job security to enable them to dedicate themselves to customer service activities

BCP: Business Continuity Plan



# Strengthening the Underwriting, Insurance Claims and Benefits Settlement System and Expanding Explanation

To provide the proper payment of claims and benefits and to gain the trust of customers, Nippon Life makes every effort to ensure the fair and appropriate assessment of policy underwriting, insurance claims and benefits settlements. And, in order to counter medical and moral risks, we will strengthen our training for assessment staff and our administration systems.

## Enhancing the Training of Assessment Specialists

Nippon Life has introduced a structured training system for developing assessment specialists responsible for policy underwriting and insurance claims. It also conducts in-house examinations and provides training in essential medical and legal knowledge. Furthermore, we added underwriting as one of our business goal courses for employees from the fiscal year ended March 31, 2008, as we work to develop personnel that have highly specialized skills.

Nippon Life encourages employees to take the Life Insurance Payment Specialist examination offered by the Life Insurance Association of Japan. As of March 2013, the cumulative total of those who have passed the exam was 5,294.

## Educating Sales Representatives and Reinforcing Principles

Nippon Life conducts training programs that provide sales representatives with the knowledge and skills they need to offer product proposals that are attuned to the needs of customers.

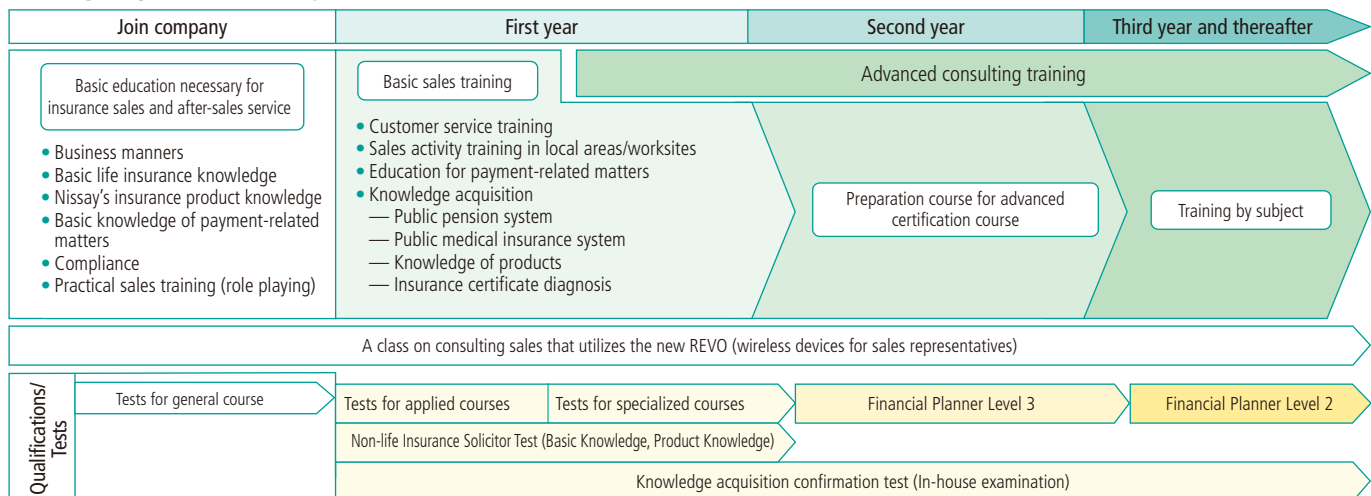
Nippon Life considers it very important that customers enroll in policies only after they have understood the content of the policy. Sales representatives thoroughly confirm the needs of customers by taking time to explain key points using Prospectuses (Policy Guides) and Reminders (see p. 72).

These rules are thoroughly reinforced through compliance education, etiquette training and practical hands-on training in life and non-life insurance sales, with the aim of increasing new product sales and further helping to ensure proper sales activities.

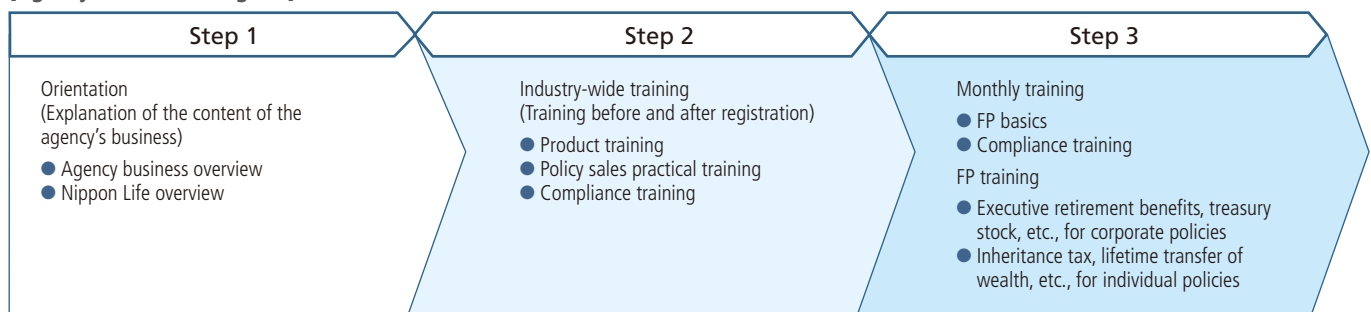
Nippon Life has the following training programs concerning compliance with laws, regulations and other guidelines:

- The concepts of compliance and its importance
- Knowledge about applicable laws and regulations (Insurance Business Act, Sales of Financial Products Law, Financial Instruments and Exchange Act, Personal Information Protection Law, and others)
- Correct new policy sales activities
- After-sales services for payments of insurance claims and benefits
- Proper handling of customer information, etc.

### [Training Program for Sales Representatives]



### [Agency Education Program]



## Better Explanations for Customers (See p. 76)

To ensure that policyholders receive all claim and benefit payments they are entitled to, Nippon Life has prepared booklets called *About the Receipt of Insurance Claims and Benefits*. We have also prepared materials that allow customers themselves to confirm that nothing has been overlooked during the claim and benefit payment application process and again when the payment is received. Through these services, we provide better explanations to

our customers. These activities demonstrate how we are doing what is needed to give customers full explanations.

Nippon Life has a consultation counter for the receipt of payments of insurance claims and benefits by customers. The consultation counter allows customers to check decisions regarding the payment of insurance claims and benefits.

## Upgrading Administrative Systems

In May 2010, Nippon Life's Payment Underwriting System entered operation in order to reinforce payment operations. This follows a series of measures to enable the unification and sharing of systems concerning payments since fiscal 2006.

Furthermore, in fiscal 2012, we commenced operation of the New Integrated System, which reflects a drastic overhaul of our existing main system and covers all areas and processes pertaining to customer service, from proposing and underwriting an insurance policy to receiving insurance claims and benefits. As a result, we have achieved more accurate and faster underwriting and payment operations.

## Strengthening Medical Research and Development

The Medical Research and Development Office analyzes previously compiled medical data and the latest research in the medical and nursing care fields while working to develop new products suited to customer needs and reviewing our underwriting standards.

## Solicitation Policy

Always taking a customer-first perspective, Nippon Life believes that the provision of insurance is important and so it works hard to ensure that customers select the insurance most appropriate for them while taking into account the total needs of the customer. Accordingly, the Nippon Life Solicitation Policy sets forth the Company's approach to the sales of insurance and

other financial products. Included in this approach is ensuring that our solicitation activities are appropriate, which we achieve through the education and training of all employees and executives, the proper handling of customer information and responsiveness to a variety of customer feedback.

### Further Advancing Our Customer-First Perspective—Nippon Life's Solicitation Policy

We sell insurance and other financial products in compliance with all laws, including the Insurance Business Act, Financial Instruments and Exchange Act, Sales of Financial Products Law, the Consumer Contracts Law and other laws and ordinances. The following is the policy under which sales are conducted and it was created with the idea that customers come first.

#### <Sales and Appropriate Solicitation based on Customer Needs>

- Comprehensively taking into account customers' knowledge of insurance and other financial products, their purpose for purchasing the policies, their family situation and their asset status, we constantly carry out consultative sales so that customers choose the most appropriate insurance and other financial products while explaining products from the customers' standpoint.
- Nippon Life uses Policy Guides and Reminders to explain policies in an easy-to-understand manner so that customers fully understand the content of insurance products and how they work, and takes steps to confirm that the products match the needs of customers.
- In particular, for such products as variable annuities, foreign currency-denominated insurance and investment trusts that entail market risk, we recommend those considered most appropriate for each customer's age, knowledge and investment experience while giving appropriate explanations regarding products and their risks.

- When explaining products over the phone or during customer visits, we take the customer's perspective while giving sufficient consideration to time, place and other factors.

- We are striving to eliminate moral risk and ensure that proper notification is received from customers so that we treat all policyholders impartially and operate a morally sound insurance system. In particular, when underwriting life insurance policies that insure juveniles, we strive for proper solicitation by ensuring that the customers' needs are met once proper insurance coverage amounts have been established.

#### <Appropriate Solicitation Activities through Education and Training>

Moreover, we are striving to ensure that our solicitation activities are appropriate by educating, managing and instructing all employees and executives through a systematic training program that includes compliance-related training.

#### <Proper Handling of Customer Information>

Nippon Life takes steps to properly manage, use and protect customer information.

#### <Responding to Customer Feedback>

Nippon Life is constantly gathering a wide range of opinions and suggestions from customers so that it can act on this feedback to increase customer satisfaction.

## Efforts Related to the Protection of Personal Information

Nippon Life is entrusted with the personal information of a large number of individual insurance policyholders as well as sensitive information related to customers' health conditions. Customer information is the foundation of insurance policy transactions, and, therefore, Nippon Life protects these customers' information assets carefully, recognizing that the handling of this information is an extremely important issue. Nippon Life has established a

Personal Information Protection Policy. At the same time, we have implemented measures such as conducting employee training on the protection of personal information, along with improving our information security system infrastructure, starting with the handheld devices of sales representatives. Moving forward, we will continue to provide even more thorough and stronger protection of personal information.

### Personal Information Protection Policy (Handling Customers' Personal Information)

Nippon Life Insurance Company

We have established policies regarding the handling of personal information and are working to properly manage, use and protect customer information in order to be a company that customers can trust. In order

to realize appropriate protection of personal information, we continue to maintain and improve this policy.

#### 1. Information Collection

Customers' personal information is collected to the extent required to conduct business, specifically to underwrite various insurance policies, continue and maintain management, and handle payments, such as for insurance claims and benefits.

#### 2. Types of Information Collected

We collect information necessary to the conduct of business, underwrite various insurance policies, conduct continuation and maintenance management, and handle payments such as for insurance claims and benefits. This information primarily includes a customer's name, address, date of birth, state of health and occupation. Furthermore, for other types of products and services we offer, customers provide additional information necessary to conduct business.

#### 3. Information Collection Method

We collect customer information using legal and impartial methods. The information is mainly collected through policy applications, contracts and surveys. Furthermore, there are times when information is gathered over the Internet and through postcard surveys/mailings when conducting various activities including campaigns.

#### 4. Purposes of Using a Customer's Personal Information

A customer's information is used in the following:

- (1) Underwriting various insurance policies, conducting continuation and maintenance management and handling various types of payments, such as insurance claims and benefits
- (2) Explaining and providing various products and services, including those of related and affiliated companies and conducting policy maintenance management
- (3) Providing information concerning our business, managing our operations and expanding our lineup of products and services
- (4) Other insurance-related business

The purposes of these uses are given in our Personal Information Protection Policy, which is available through our website, *Disclosure Report* and elsewhere. Furthermore, when personal information is collected directly from customers, the purpose of the use to which it will be put is clearly explained to the customer at that time.

#### 5. Information Management

In order to guarantee that a customer's personal information is up to date and correct, we take the appropriate steps necessary to conduct business. Furthermore, we implement measures deemed necessary and appropriate for the safe management of a customer's personal information in order to prevent its inappropriate access, leakage, loss or destruction.

#### 6. Provision of Information

As a general rule, we do not provide a customer's personal information to third parties without receiving consent from the customer. However, in the following situations, we will provide customer information to third parties without customer consent:

- (1) When prior approval from the customer has been obtained
- (2) When the provision of a customer's personal information to a third party without customer consent is permitted by Article 23, Clause 1 of the Law Related to Personal Information Protection (Personal Information Protection Law) or other laws and regulations
- (3) When the provision of a customer's personal information to firms that Nippon Life has outsourced work to is necessary to Nippon Life's continued business
- (4) When sharing a customer's personal information as stipulated by the Personal Information Protection Law
- (5) In other cases where the Personal Information Protection Law permits the provision of a customer's personal information without customer consent

#### 7. Disclosure, Revision or Other Processing of Information

In the event that a customer requests that their own personal information be disclosed, revised or otherwise processed, we will respond to the request promptly after confirming the individual's identity, unless there is special reason not to do so.

#### 8. Compliance with Related Laws and Regulations

Regarding customers' personal information, we conduct business in a manner that adheres to all aspects, such as definition, attitude and handling, of the Personal Information Protection Law, all other related laws, regulations and guidelines, and the Life Insurance Association of Japan's guidelines on handling personal information protection for the life insurance industry.

#### 9. Establishment of and Improvements to the Compliance Program

In order to guarantee that customers' personal information is being handled appropriately, a compliance program was established that all our employees, the firms to which we have outsourced work and other related parties have been made thoroughly aware of, and we conduct necessary and appropriate supervision. Furthermore, we review and revise the policy and the compliance program when necessary.

#### 10. Customer Requests Regarding Personal Information

Customer requests regarding the handling of their personal information are received at the personal information counter and processed in an appropriate and efficient manner.

## Payments of Insurance Claims and Benefits

Life insurance is a system in which a large number of people participate in mutual support through insurance coverage in the event of sickness, injury or other unforeseen circumstances.

During the fiscal year ended March 31, 2013, Nippon Life made 76,051 payments of insurance claims and 1,316,950 payments of other benefits.

In contrast, as a result of appropriate benefit settlement assessment efforts, we determined that the payment of insurance claims should not be made in 4,411 cases and that the payment of other benefits should not be made in 42,167 cases.

### [Number of Payments of Insurance Claims and Benefits, Payments Denied and Reasons—Fiscal Year Ended March 31, 2013]

(Unit: Number of Cases)

	Insurance Claims					Other Benefits						Total
	Mortality	Accident	Serious disability	Others	Total	Mortality	Hospitalization	Surgery	Disability	Others	Total	
Total payments made	58,258	1,083	2,374	14,336	76,051	10,935	595,288	427,682	1,354	281,691	1,316,950	1,393,001
Cancellation or invalidation due to fraud	0	0	0	0	0	0	0	0	0	0	0	0
Invalidation due to illegal acquisition	0	0	0	0	0	0	0	0	0	0	0	0
Cancellation of policies due to nondisclosure	86	0	0	1	87	7	437	240	0	31	715	802
Cancellation due to serious matters	0	0	3	0	3	0	0	0	0	0	0	3
Categorized as an exemption	313	62	6	0	381	108	337	108	0	23	576	957
Not categorized as a reason for payment	28	243	874	2,795	3,940	38	3,062	36,466	391	919	40,876	44,816
Others	0	0	0	0	0	0	0	0	0	0	0	0
Total payments denied	427	305	883	2,796	4,411	153	3,836	36,814	391	973	42,167	46,578

Notes: 1. The above represent the total for individual and group insurance policies upon which claims were filed.

2. Figures do not include policies that require no payment assessment, such as maturity benefits, survival benefits, single payments, annuities and other benefits.

3. The number of payments denied does not include applications for events that are obviously not covered, such as claims for which the number of hospitalization days is less than the minimum prescribed in the policy terms and conditions, and no special payment investigation was performed as a result.

4. Regarding payments for group insurance underwritten by multiple companies, the figures include policies for which Nippon Life is the lead underwriter.

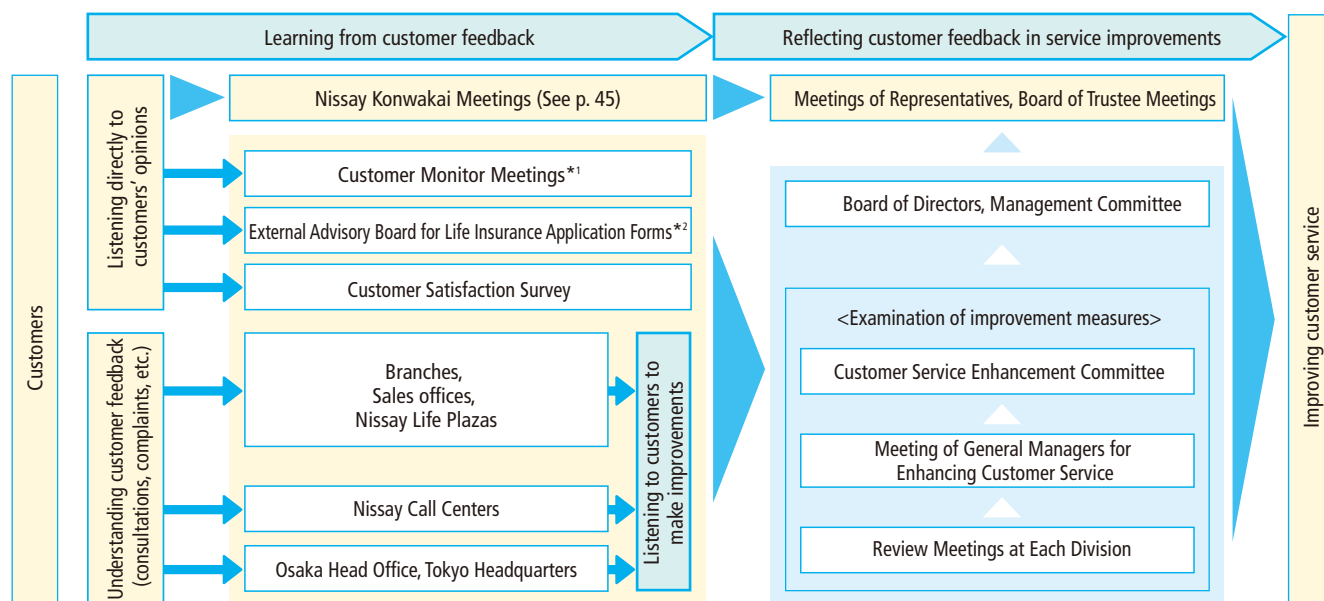
5. Figures in the above table are based on standards of The Life Insurance Association of Japan.

### [Reasons and Details for Denial of Payment]

Reasons and Details for Denial of Payment	Content
Cancellation or invalidation due to fraud	Policies are rendered invalid in the event that fraudulent actions were taken by the policyholder or by the insured at the time when the policy was taken out. In such cases, premiums that have already been paid shall not be returned.
Invalidation due to illegal acquisition	If a customer enrolls in an insurance policy with the intention of illegally gaining insurance claims, said insurance policy could be invalidated. In such case, insurance premiums already paid shall not be returned.
Cancellation of policies due to nondisclosure	Policies may be cancelled in the event that the policyholder or the insured neglected to disclose important information that should have been disclosed, or disclosed false information at the time when the policy was taken out, whether intentionally or by gross negligence. In such cases, surrender benefits shall be returned to the policyholder.
Cancellation due to serious matters	After enrollment, policies shall be cancelled in the event that accidents are caused intentionally for the purpose of fraudulently obtaining insurance claims, or in the event of fraudulent acts, such as falsification of medical certificates to support a request of payment. In such cases, surrender benefits shall be returned to the policyholder.
Categorized as an exemption	Nippon Life may determine that the content of a claim falls in the category of an exemption under the terms and conditions of the policy. Examples: <ul style="list-style-type: none"> <li>• A claim for mortality insurance claims following a suicide by the insured during the prescribed non-payment period.</li> <li>• A claim for mortality insurance claims following an accident caused intentionally by the policyholder or beneficiary or following an accident caused by the insured person's criminal activities.</li> </ul>
Not categorized as a reason for payment	Nippon Life may determine that a claim does not qualify as a reason for payment under the terms and conditions of the policy. Example: <ul style="list-style-type: none"> <li>• A claim for serious disability insurance benefits for a disability that is not categorized as a specific requirement as stipulated in the terms and conditions of the policies.</li> </ul>

# Measures to Reflect Customer Feedback in Business

Nippon Life treats such customer feedback as opinions, requests and complaints received from customers through sales representatives, Nissay 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.



\*1 At these meetings, Nippon Life hears opinions about all of its customer service activities directly from monitors who have corporate or academic experience in the field of consumer relations.

\*2 The members of this board, who are advisory specialists for consumer affairs and other external professionals, provide opinions from a customer's viewpoint regarding customer forms and notices for customers.

## Number of Customer Complaints

For customer feedback, Nippon Life defines a complaint as "any expression of dissatisfaction by a customer (regardless of the facts)." The purpose of using this definition is to incorporate a broad range of customers' opinions and dissatisfaction and then make extensive use of this information for 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.

### [Number of Complaints Received from Customers in the Fiscal Year Ended March 31, 2013]

Content	Number	% of Total	Primary Examples
New policy related (Policy enrollment)	21,195	16.0%	<ul style="list-style-type: none"> <li>Dissatisfaction concerning explanation when enrolling in an insurance policy</li> <li>Dissatisfaction concerning actions of sales representatives to sell policies</li> </ul>
Receipt related (Payment of premiums)	13,043	9.9%	<ul style="list-style-type: none"> <li>Dissatisfaction concerning remittances and automatic deductions</li> </ul>
Maintenance (Procedures after enrollment)	47,119	35.6%	<ul style="list-style-type: none"> <li>Dissatisfaction concerning automatic transaction services</li> <li>Dissatisfaction concerning policy cancelation procedure</li> </ul>
Claims and benefits-related (Payment of insurance claims and benefits)	17,028	12.9%	<ul style="list-style-type: none"> <li>Dissatisfaction concerning procedure for payment of claims and benefits</li> <li>Dissatisfaction concerning procedure for payment of maturity benefits</li> </ul>
Others	33,892	25.6%	<ul style="list-style-type: none"> <li>Dissatisfaction concerning after-sales services</li> <li>Dissatisfaction concerning the attitude, manners or behavior of sales representatives</li> </ul>
<b>Total</b>	<b>132,277</b>	<b>100.0%</b>	
Number of customer communications (Opinions, requests, consultations, dissatisfaction and other communications)	2,123,753		

Notes: 1. Nippon Life defines a complaint as "an expression of dissatisfaction by a customer (regardless of factuality)."

2. This information is based on the number and type of incidents when the communication is received and is categorized in accordance with standards of the Life Insurance Association of Japan.

## Improvement Measures Based upon Customer Feedback

Nippon Life uses feedback from customers received at branches, Nissay Life Plazas, Nissay call centers and through other channels to improve administrative operations and customer services.

For improvements to administrative operations, IT systems, customer forms and other aspects of operations, we examine actions to take and submit periodic reports to the Osaka Head Office and Tokyo Headquarters. The Customer Service Enhancement Committee uses this information to hold discussions and take necessary actions.

### [Proposals Made Internally Based on Customer Feedback] (Fiscal year ended March 31, 2013)

(Unit: Number of Cases)

Branches, Sales Offices and Nissay Life Plazas	1,590
Osaka Head Office and Tokyo Headquarters	91
Total	1,681

## 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, 2013, we implemented 153 improvement measures related to administrative procedures and services.

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

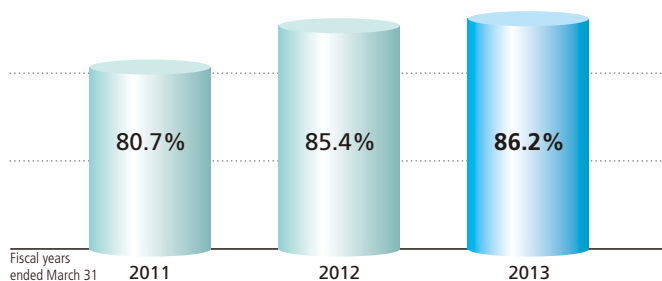
<b>Customer Feedback:</b>	<b>When using the REVO wireless device to apply for a new policy, I found the screen for filling out the application difficult to understand.</b>	
<b>Improvement Made:</b>	In response to this feedback, we have been making constant improvements to the functions of REVO. Examples include making it easier to input information by improving the address	search function, improving visibility by increasing the font size, and making the procedure easier to understand by providing better input guidance. (Fiscal 2012, continuous)

<b>Customer Feedback:</b>	<b>I received a postal message asking me to register a password, but I overlooked it and discarded it by accident with unwanted mail. Isn't there a way to make this easier to understand by including information with the temporary password and registration method?</b>	
<b>Improvement Made:</b>	We have revised the password registration request form (notice of temporary password) to make the text easier to understand. In	addition, we have included a list of services that are accessible by using the customer ID and password. (March 2013)

## 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. In surveys conducted in the fiscal year ended March 31, 2013, Nippon Life received a customer satisfaction score (the ratio of customers who replied "satisfied" or "somewhat satisfied") of 86.2%.

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



#### Survey Overview

- Implemented once per year (from September 1 to 20 in the fiscal year ended March 31, 2013)
- Survey target: Approximately 40,000 existing policyholders
- Number of valid response: Nearly 9,000 existing policyholders
- Specific survey questions
  - Responsiveness of sales representatives
  - Currently held policies
  - Application procedures for new policies
  - Procedures after enrolling in policies
  - 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.



# Contributions to the Environment, Communities and Society

Together with five foundations established by Nippon Life (see p. 65), we are conducting continuous and stable social contribution activities addressing the "environment," "child and teenager development," "culture," "aging and medicine" and other issues.

## Contributions to Environmental Protection

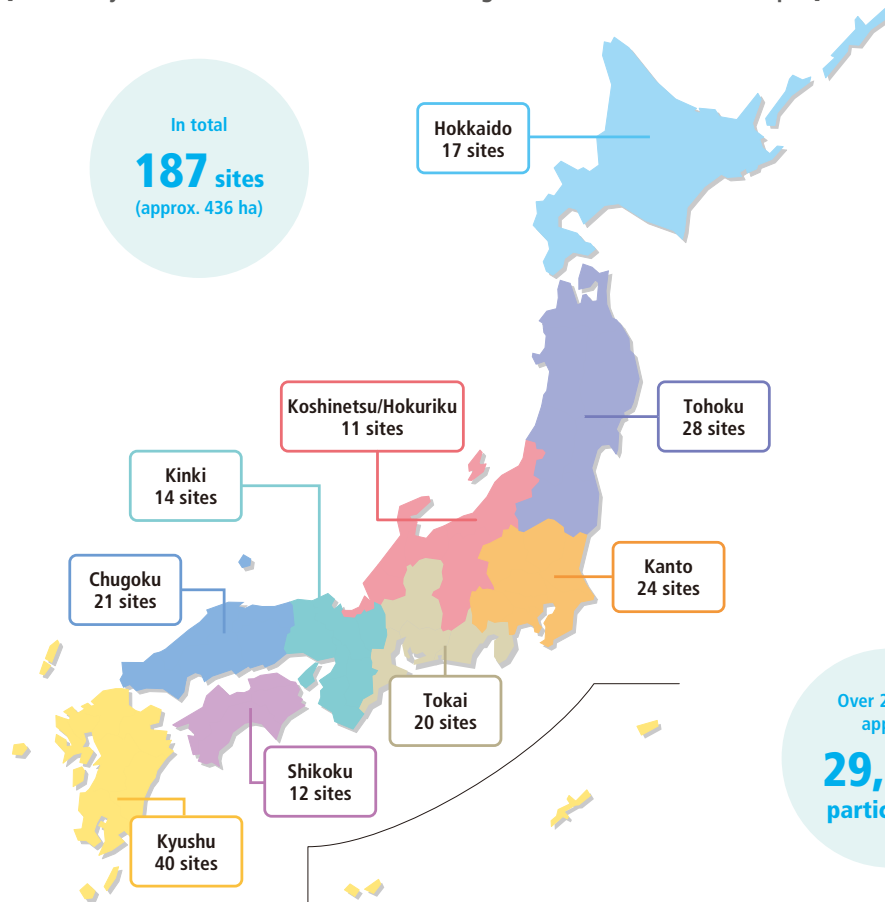
### ● Planting Forests for Future Generations ~Protecting Bonds with Nature, Safeguarding Life for Future Generations~

The Nissay Green Foundation

This foundation has been supporting the planting of forests since 1992 in order to help preserve our irreplaceable environment for future generations. More than 1.31 million trees have been planted over the 21 years since this program started. Working with the Nissay Green Foundation, Nippon Life will continue to help preserve biodiversity by planting a variety of forests that protect the environment and ecosystems.

Nippon Life employees and their families also participate along with local volunteers in the tree planting and nurturing activities, including the clearing of vines and cutting back of undergrowth, so that trees planted in previous years can grow. These activities have also heightened the environmental awareness of employees.

[The Nissay Forests Association Stretches Throughout All 43 Prefectures of Japan]



Tree planting activities at "Nissay Shikotsuko Forest" (Hokkaido) (Fiscal year ended March 31, 2013)



Tree nurturing activities at "Nissay Toyohashi Forest" (Aichi) (Fiscal year ended March 31, 2013)

Over 21 years approx.  
**29,000** participants

### ● Support for Environment-related Research

The Nissay Life Foundation

Since 1979, the Nissay Life Foundation has supported Research on the Harmonization of Human Activity and Environmental Protection. The foundation returns the fruits of its research to society by holding annual workshops, publishing its results, and other activities.

Over 34 years approx.

**¥2.6 billion** donated to 1,043 projects



27th Environmental Issue Research Grant Workshop

### ● Activities at Offices

Based on its Environmental Charter, which was established in 2001, Nippon Life undertakes many activities for conserving resources and energy. We sort trash for proper disposal, use green procurement, conserve electricity, provide environmental education for employees, and have many other programs.

Osaka Head Office and Tokyo Headquarters Acquire

**ISO 14001** Certification



A recycle station (Tokyo Headquarters)



## Contributions to Local Communities and Society

### Contributions to the Healthy Development of Children and Young People

#### ● Nissay Masterpiece Theater

The Nissay Culture Foundation

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, since 1964, they have invited over 7.62 million children.

Nippon Life also cooperates with the Nissay Culture Foundation as the main sponsor of "Kokoro no Gekijo," a program developed by the Shiki Theatre Company that offers musical performances by invitation for elementary and junior high school students throughout Japan.

2013 is the 50th anniversary of the first performance

In fiscal 2012, approx.

**150,000** students invited to shows



Fiscal 2012 Nissay Masterpiece Theater's "The King has Donkey Ears" (Photograph: Masanobu Yamanoue)

#### ● Supporting the Healthy Development of Children and Teenagers

The Nippon Life Foundation

The Nippon Life Foundation has been working since 1979 to promote the healthy development of children and teenagers. The Foundation has supported governor-recommended private organizations that conduct activities to promote the healthy development of children and teenagers in all prefectures by providing necessary materials for their activities.

Over 34 years, approx.

**¥7.7 billion** donated to approx. 10,000 groups



An activity of the Okayama City Youth Association (Okayama)

#### ● Providing Insurance-related Educational Materials and Opportunities

##### Activities for Elementary School Students

Nippon Life runs Summer Vacation Insurance Seminars for children at Nissay Life Plazas, offering a fun way to find out about how insurance works and why it is important. Participants received a comic book called "The Insurance Secrets," which explains insurance in an easy-to-understand manner.

In fiscal 2012,

**233** participants at 27 locations



"Did you know about the secrets of insurance?" (Life Plaza Tottori)

##### Activities for Junior and Senior High School Students

Nippon Life has produced "My Plan for the Future," an educational tool for use in schools that encourages students to think about their future goals. We have made these materials available to junior high schools nationwide.

We also visit schools to provide lessons for junior and senior high school students, and accept students for lessons at our worksites.

In 4 years, approx.

**930,000** books provided to junior high schools



Students at a school in Tokyo using Nippon Life's educational materials

#### ● Providing Environmental Education and Opportunities to Get Close to Nature

##### ● Nissay "Forest Seminars"

At Nissay Life Plazas throughout Japan, we hold summer holiday kids seminars where participants learn how forests work to prevent global warming, preserve water resources, and support living things.

In fiscal 2012,

**1,428** participants at 79 locations



A Nissay "Forest Seminar" (Nissay Life Plaza Kyoto)

##### Nissay "Forest Explorers"

In the Nissay "Forest Explorers" program, children can gain a closer affinity with forests through nature observation and other activities, and have a hands-on experience of the work needed to protect them.

In fiscal 2012,

**100** participants in Shizuoka and Hyogo



A Nissay "Forest Explorers" program (Shizuoka Prefecture)

## Abundant Cultural Development

### ● Nissay Theater

The Nissay Culture Foundation

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.



At the Nissay Theater (Tokyo)



Participants in the Nissay Backstage Awards ceremony

## Contributions to the Fields of Aging and Medicine

### ● Nissay Hospital

The Nippon Life Saiseikai Foundation

The Nissay Hospital was founded by the Nippon Life Saiseikai Foundation and opened in 1931. This general hospital of 19 departments and 350 beds provides high-quality medical care for the local community. In addition, the Nissay Hospital aims to further contribute to medical care and welfare services for the community by providing comprehensive medical care combining "Prevention, treatment, and home nursing care" through the Nissay Preventive Medicine Center, which conducts health check services, and the Nissay Visiting-Nurse Station, which provides in-home nursing care services.



Nissay Hospital (Osaka)

### ● Nissay Eden-no-Sono

Nissay Seirei Health & Welfare Foundation

Operated by Nissay Seirei Health & Welfare Foundation, Nissay Eden-no-Sono are comprehensive health and welfare facilities (opened in 1992 in Nara and 1997 in 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 aim to promote the health and vitality of local senior citizens, and to help create communities where they can live in security.



Nara Nissay Eden-no-Sono

### ● Supporting an Aging Society

The Nippon Life Foundation

The Nippon Life Foundation has been supporting Japan's aging society since 1983 by helping researchers, who conduct practical research, and local groups, that perform cutting-edge work. Furthermore, the Foundation holds symposiums and workshops on supporting an aging society in order to spread information on achievements in these areas.



26th Symposium on Supporting an Aging Society

## Contributions to Local Communities and Society through Volunteer Activities

Nippon Life conducted volunteer activities with employees at all branches nationwide. These activities included cleaning up local communities, assisting orphans, sports clinics and other programs. Nippon Life supports these activities by providing financial assistance for their running costs, supplying information and offering other forms of support.



A beach cleanup activity (Shonan Branch)

### [Examples of Volunteer Activities in the Fiscal Year Ended March 31, 2013]

Examples of Volunteer Activities	Number of Participating Departments	Type of Activity
Community cleanup activities	107	<ul style="list-style-type: none"> <li>Conducted clean-up activities voluntarily in areas near business sites, including local public streets, parks, train stations and beaches.</li> <li>Actively participated in community clean-up activities in cooperation with local governments and the Life Insurance Association of Japan.</li> </ul>
Ashinaga P-Walk 10	72	<ul style="list-style-type: none"> <li>Ashinaga P-Walk 10 (a walk-a-thon to assist orphans) held at locations throughout Japan.</li> </ul>
Sports clinics	27	<ul style="list-style-type: none"> <li>Nippon Life's baseball and table tennis clubs collaborate with local branches nationwide to hold sports clinics.</li> </ul>

## Contributions to the Environment, Local Communities and Society Through Investment, Products and Services

### Initiatives Through Investment

Nippon Life has long conducted investment, aiming to coexist with communities and society, and achieve stable growth hand in hand with Japan's companies and economy at large.

For example, in financing services, Nippon Life strives to contribute to the development of local industries by lending not only to large corporations, but also to individual customers and small- and medium-sized enterprises throughout Japan. We even have a system for offering preferential interest terms to support individual and corporate customers who are conducting environmentally friendly projects.

We are also active in real estate investment. Through a broad range of investments in office buildings nationwide, we are contributing to regional development. In these investments, we work to beautify landscapes and blend in with surrounding areas. At the same time, we work to protect the environment by taking opportunities to renew building facilities so as to reduce CO<sub>2</sub> emissions.

### Initiatives Through *Zutto Motto Service*

From fiscal 2010, policyholders using the *Zutto Motto Service* have had the option to use their "Thanks Mile" points to donate to the following organizations that contribute to society: the Japan Committee for UNICEF, ASHINAGA, the Japanese Red Cross Society, and the World Wide Fund for Nature Japan.

Over three years, approx. **¥200 million** donated

Logos: UNICEF, 日本赤十字社 (Japanese Red Cross Society), WWF

#### Supporting Recovery Efforts from the Great East Japan Earthquake

##### ● Performance of "Go Ahead" at Nissay Theater by a Group from an Earthquake-damaged Community

An amateur group from Shichigahama-machi in Miyagi Prefecture, which was damaged by the Great East Japan Earthquake, performed the musical "Go Ahead," which is about recovering from the earthquake, in August 2012 at the Nissay Theater in Tokyo. The group is made up mainly of children.

The purpose of the performance was to convey the children's desire for recovery and their appreciation to the people from other parts of Japan who provided aid to affected areas. This performance was made possible by the cooperation of many companies and individuals who supported the concept. Nippon Life provided the theater and technical assistance along with support for numerous operational aspects. More than 1,000 people attended this event to show their support for the children.



The Amateur Theater Group from Shichigahama-Machi, Miyagi Prefecture "Nana5931 (Nana Gokyusanichi)"

\*Nippon Life has conducted many activities for children in earthquake-damaged areas. Examples of activities include a puppet theater, classical music concert, sports clinics and tree-planting activities.

#### Nissay's Five Foundations Become Public Interest Incorporated Foundations

All five Nippon Life foundations have been certified by Japan's Prime Minister or a prefectural governor as public interest incorporated foundations. This change from the previous status as foundations recognizes the social contributions of the activities and projects at the five organizations in their respective fields. (June 30, 2013)

(As of June 30, 2013)

Name of Foundation	Established	Location	Certification	Main Activities
Nippon Life Saiseikai Foundation*	July 1924	Osaka	Apr. 2012	Social welfare work, management of the Nissay Hospital
Nissay Culture Foundation	Nov. 1973	Tokyo	Nov. 2009	Hosting theatrical performances for children and general audiences, management and operation of the Nissay Theater
Nissay Life Foundation (Nippon Life Foundation)	July 1979	Osaka	Mar. 2010	Support for businesses and research that contribute to the building of a truly prosperous society filled with humanity and culture
Nissay Seirei Health & Welfare Foundation	July 1989	Osaka	Apr. 2013	Surveys, research and services related to the aging of the population, and support for the education of qualified nursing care workers
Nissay Green Foundation	July 1993	Tokyo	Apr. 2011	Protection of forests through tree-planting and nurturing activities

For further details on these and other initiatives, please see Nippon Life's corporate website. (In Japanese only)



<http://www.nissay.co.jp/kaisha/csr>

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

### Disclosure Materials Produced in the Fiscal Year Ended March 31, 2013



#### **Nissay Disclosure**

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



#### **NISSAY NOW**

Nissay disclosure, digest version (in Japanese)



#### **Nissay Disclosure**

Disclosure report for semiannual version (in Japanese)



#### **Annual Report**

(in English)



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

Results report for individual variable amount insurance policyholders\*1 (in Japanese)



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

Results report for variable amount annuities policyholders\*2 (in Japanese)



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

Results report material for policyholders of group annuities (defined benefit corporate pension plans, welfare pension fund insurance, etc.)\*3



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

Material related to the investment 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, visitors can find material about the history of Nippon Life and its CSR activities. Some disclosure materials including financial results are also available for viewing or download.

→ <http://www.nissay.co.jp/english/>



Nippon Life website

## 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

→ <http://www.nissay.co.jp/kaisha/annai/gyoseki/setsume.html> (Japanese only)

understanding of our operations. Materials from meetings are posted and available on the Nippon Life website after the meetings are held.