



Serving small and medium-sized enterprises

The backbone of the Japanese economy

Japan has the world's third largest economy and life insurance market. However, the land of the rising sun faces some economic challenges. Economic growth has stalled at around 1% for a number of years, its population is ageing, and the country's workforce is shrinking in size. In the Japanese economy, the 2.7 million small and medium-sized enterprises (SMEs) play a considerable role. They represent 70% of all employment and over 99% of all enterprises.¹

So SMEs truly are the backbone of the Japanese economy. NN Life Japan's solutions tackle the financial needs of SMEs, such as employee benefits and pensions, but also the increasing challenges of business succession caused by an ageing population.

According to the Ministry of Economy, Trade and Industry, more than 300,000 SME owners in Japan will reach the age of 70 within the next five years. With this and low birth rate, hundreds of thousands of heirless SMEs could shut down.² If such closings go unchecked, 6.5 million jobs and around JPY 22 trillion (\$205 billion) in GDP will be at risk by 2025, per estimates from the Japanese Ministry.³

That is why in February, the Japanese government approved a plan for the coming decade that aims to advise 50,000 businesses annually on how to pass on the baton to the next generation, as well as to support 2,000 companies to save them from closing. So-called succession support centres around the country play a central role in this scheme. These centres, supported by experts including lawyers and accountants, help business owners find local buyers for their companies.⁴

1 The Japan Times (December 2017): 'Making small business thrive'

2 www.preqin.com (21 August 2018): 'SME crisis in Japan'

3 asia.nikkei.com (February 27 2018): 'Japan pushing heirless companies to sell, no close'

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Demographic facts

In September, Japan's Internal Affairs and Communications Ministry revealed new data:

- People aged 65 years or older ('seniors') represent 28% of the total population (127 million): this is the world's highest ratio for seniors. In 2040, this ratio is expected to be 35%
- Elderly women outnumber elderly men substantially: 20 million versus 15 million
- More than 8 million seniors still have jobs (about 12% of the employed)⁵

Multichannel

NN Life Japan's distribution base includes:

- Partnerships with more than 5,000 registered independent agents and over 70 financial institutions, for example, security houses and several major national and regional banks.
- A partnership agreement with Sumitomo Life Insurance, one of Japan's leading insurers. Sumitomo offers our COLI products through its nationwide network of about 30,000 agents.
- A transactional web portal for customers (and agents) with enhanced ease-of-use and security, as well as sales offices in 28 cities. The sales support teams have tablets and mobile tools to provide information to agents on the go, allowing for fast response to customer needs.
- NN's asset manager in Japan, NN Investment Partners Japan, offers a wide range of public and private unit trusts, and manages discretionary and advisory investment mandates for retail and institutional clients in Japan.

Succession, an acute issue

The ageing of SME owners has made business succession an acute issue. When the succession actually occurs, the company has to be financially prepared – for example, debt must be cleared – to ensure a smooth transition to the new SME owner. NN Life Japan can advise and support, as its mission is to help SMEs secure their financial futures. It focuses on offering a range of corporate-owned life insurance products (COLI). With its specific expertise and multichannel distribution base, NN Life Japan is the COLI expert in the Japanese life insurance market.

COLI

To insure owners and employees, a company can buy coverage for example for contingency death and critical illness. In case of COLI, the company not only purchases the policy and pays the premiums. It is also the beneficiary. This differentiates COLI products from most life insurance products.

As the needs of SME owners widely vary according to the management stages of the company - initiation, growth, transition, maturity and succession - each COLI product of NN Life Japan has several options. They allow SME owners to select the specific solutions that meet their needs and business environment.

Innovating COLI

In 1991, NN Life Japan launched Increasing Term, a product that has helped establish NN Life Japan's position and reputation as an 'SME supporter'. Since then, the company has continuously innovated its portfolio to meet the needs of customers. For example by launching new value propositions such as Smart Term, Critical Illness and Emergency Plus.

NN was the first European insurance company to enter the Japanese market. This year NN Life Japan celebrated its 32nd anniversary.

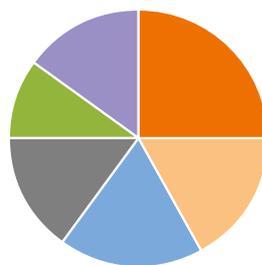
Smart Term provides protection for the death or severe disability of an SME owner up to the age of 90. It enables a financially successful business transition as well as the continuity of the business under its new owner. Critical Illness was launched to respond to specific customer needs for protection in the case of specific critical diseases. Emergency Plus is an industry-first product that supports SME owners in 'what if' scenarios by offering sudden-death protection. The insurance covers accidents, strokes and heart attacks.

Future CEO and Family Business Innovation Lab

NN Life Japan not only supports SMEs with advice, products and services. It also helps future generations. In 2015, as part of NN Future Matters, NN Group's overarching corporate citizenship programme, NN Life Japan introduced a community programme - Future CEO. The objective is to provide development opportunities for young Japanese people that are focused on education and entrepreneurship.

Another initiative, the Family Business Innovation Lab, was launched to help young people, whose families run a small business, see the value and opportunity of participating in their family's SME. Since November 2017, NN Life Japan has held workshops around Japan to share success stories, connecting potential family business successors to other young people who have already succeeded in innovating their family's business.

Japanese SME industry profile*



- Wholesale & Retail 25%
- Service 17%
- Construction 18%
- Manufacturing 15%
- Real estate 10%
- Other 15%

* Swiss Re Sigma report 2017 & CIA World Factbook