

CHAPTER 1

Business Performance in Fiscal Year Ended March 31, 2011

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Key Performance Financial Highlights (Non-Consolidated Basis)

(Unit: Billions of Yen or as Noted)

For the years ended March 31	2011	2010	2009
Total revenues	¥ 6,646.8	¥ 6,594.6	¥ 6,605.0
Operating income	231.0	293.5	119.2
Ordinary income	516.3	505.0	539.8
Surplus	231.7	252.0	181.5
Dividend reserves as a percentage of surplus available for disposition ¹ [%]	100.0%	100.8%	100.1%
Total assets	49,826.1	48,684.8	45,825.8
Assets in separate account	1,311.3	1,449.7	1,371.5
Investments in securities	35,674.7	34,949.3	31,334.8
Loans receivable	8,743.3	8,770.8	9,133.4
Policy reserves	43,106.8	42,014.3	40,880.1
Foundation funds (<i>kikin</i>) and reserves	2,767.3	2,805.8	2,653.8
Total foundation funds (<i>kikin</i>) ²	1,100.0	1,050.0	950.0
Solvency margin ratio ³ [%]	966.2% (529.1%)	1,006.0%	904.4%
Policies in force ⁴	279,096.6	287,079.4	297,274.6
Individual insurance	170,791.7	180,524.2	192,373.8
Individual annuities	18,314.5	17,935.2	17,470.3
Group insurance	89,990.3	88,619.8	87,430.4
Policies in force for group annuities ⁵	9,952.8	9,621.8	9,151.7
Number of customers ⁶ [individuals]	9,954,059	10,014,230	10,015,116
Number of company members ⁷ [policyholders]	9,348,926	9,505,773	9,752,015
Number of employees ⁸ [individuals]	70,002	67,438	66,074
Negative spread ⁹ [approximate]	—	60.0	40.0

Notes: 1. Dividend reserves as a percentage of surplus available for disposition refer to the percentage of the amount calculated according to Article 30-4 of the Ordinance for Enforcement of Insurance Business Act and include the total of provisions for reserve for dividends to policyholders and the equalized reserve for dividends to policyholders. The percentage, according to Article 30-6 of the same Regulation is 20% or more. For the purposes of this calculation, undisposed current-term surplus less the surplus carried forward from the previous term is used as the denominator. (See p. 130.)

2. Total foundation funds (*kikin*) includes the reserve for redemption of foundation funds. (See p. 19.)

3. In accordance with Cabinet Office Ordinance No. 23 of 2010 and Financial Services Agency Public Notice No. 48 of 2010, part of the calculation standard for the solvency margin gross amount and the total amount of risk has been changed (tightening of margin calculations, tightening and refining of risk measurements, etc.) These changes are applied from the fiscal year ending March 31, 2012. The above table shows figures assuming that the changes were applied to the figures as of March 31, 2011.

4. Policies in force are the total of individual insurance, individual annuities and group insurance policies in force. Individual annuities are the total of annuity resources at the start of annuities for policies prior to the start of annuity payments and policy reserves for policies after the start of annuity payments.

5. Policies in force for group annuities indicate the amount of policy reserves.

6. Number of customers includes policyholders not eligible for distribution of surplus. Furthermore, as Nippon Life expands the range of customers to whom services are provided, from the fiscal year ended March 31, 2010, the number of customers newly includes customers who have deferred maturity benefits and other payments, and customers who have enrolled in policies offered by Aioi Nissay Dowa Insurance Co., Ltd. (Prior to September 2010, Nissay Dowa General Insurance Company, Limited.)

7. In the case of a mutual company, "company members" refers to policyholders (excluding those not eligible for the distribution of surplus).

8. The number of employees includes staff increases resulting from the direct employment of temporary employees implemented as of April 1, 2010 in the fiscal year ended March 31, 2011.

9. In the fiscal year ended March 31, 2011, there was no negative spread.

SOUNDNESS AND PROFITABILITY OF NIPPON LIFE

A life insurance policy is an agreement with a customer that spans many years from the time of enrollment in a policy until receipt of insurance claims or benefits. Nippon Life will take steps to strengthen its financial foundation so that it will be able to reliably pay insurance claims and benefits into the future, thus fulfilling its responsibility to policyholders.

Fiscal Soundness and Profitability Benchmarks

- ① Foundation funds (*kikin*) and reserves
- ② Policy reserves
- ③ Unrealized gain on securities
- ④ Solvency margin ratio
- ⑤ Real net assets
- ⑥ Ordinary income

*In order to properly understand what makes a life insurance company fiscally sound and profitable, Nippon Life believes it is necessary to comprehensively review the characteristics of a variety of indicators.

Fiscal Soundness and Profitability Benchmarks (image)

[Major Components of Soundness and Profitability Benchmarks ①–⑤]

(Applicable items are marked with “●”)

Balance Sheet	
(Assets)	(Liabilities)
	Policy reserves and others
	Policy reserves
	(include contingency reserve)
	Reserve for price fluctuations in investments in securities
	(Net assets)
	Foundation funds (<i>kikin</i>)
	Reserve for redemption of foundation funds

	Balance Sheet Accounting Items					Unrealized gain on securities
	Policy reserves	Contingency reserve	Reserve for price fluctuations in investments in securities	Foundation funds (<i>kikin</i>)	Reserve for redemption of foundation funds	
① Foundation funds (<i>kikin</i>) and reserves (p. 33.)		●	●	●	●	
② Policy reserves (p. 33.)	●	●				
③ Unrealized gain on securities (p. 33.)						●
Total solvency margin		●	●	●	●	●
④ Solvency margin ratio (p. 34.) = total solvency margin / (total amount of risk × 1/2) × 100						
⑤ Real net assets (p. 34.)		●	●	●	●	●

*This table shows the main components of each benchmark.

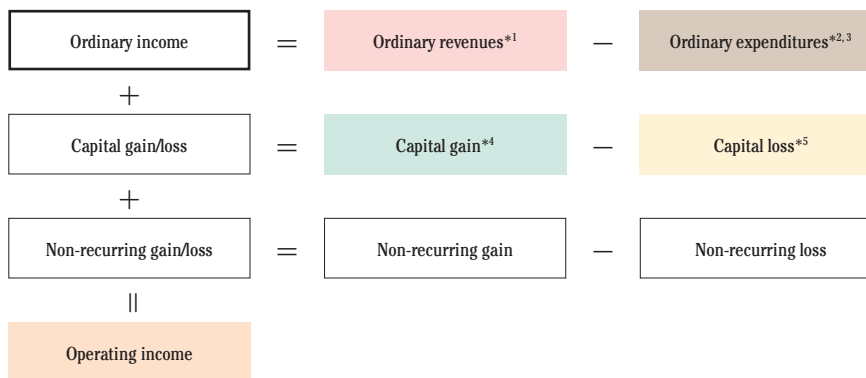
*Foundation funds (*kikin*) and reserves, real net assets and others are not shown directly on the Balance Sheets.

Statement of Income	
Total revenues	
Income from insurance and reinsurance premiums	
Investment income	
Interest, dividends and other income	
Gain on sales of securities	
Gain from separate accounts, net	
Other revenues	
Total expenditures	
Insurance claims and other payments	
Provision for policy reserves and others	
Investment expenses	
Loss on sales of securities	
Loss on valuation of securities	
Loss from separate accounts, net	
Operating expenses	
Other expenditures	
Operating income	
Extraordinary gains (losses)	
Surplus	

⑥ Ordinary income

*Please refer to p. 35 for more details regarding ordinary income.

*Ordinary income is not shown directly on the Statements of Income.



*1 Ordinary revenues = income from insurance and reinsurance premiums + investment income (excluding gain on sales of securities, etc.) + other revenues

*2 Ordinary expenditures = insurance claims and other payments + provision for policy reserves + investment expenses (excluding loss on sales of securities, etc.) + operating expenses + other expenditures

*3 Provision for policy reserves within ordinary expenditures excludes provisions (reversal) for contingency reserves.

*4 Capital gain is gain on sales of securities within investment income.

*5 Capital loss is loss on sales of securities and loss on valuation of securities within investment expenses.

The above illustrates the components of Nippon Life’s fiscal soundness and profitability benchmarks and is not intended as a definitive explanation.

Accumulating Foundation Funds (*kikin*) and Reserves, Nippon Life's Strong Financial Platform

■ Accumulating Foundation Funds (*kikin*) and Reserves

¥2,767.3 billion

as of March 31, 2011

(¥2,805.8 billion as of March 31, 2010)

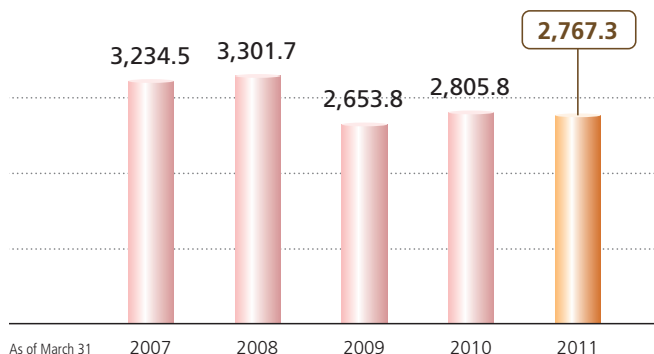
Foundation funds (*kikin*) and reserves include foundation funds and the reserve for redemption of foundation funds under net assets in the balance sheets as well as contingency reserves and reserves for price fluctuations in investments in securities under liabilities in the balance sheets.

Nippon Life works to build up foundation funds (*kikin*) and reserves as equity. This equity is a financial resource for responding to risks that do not include unrealized gain on securities, which is easily affected by the economic environment. More specifically, even if management risks such as a dramatic decline in stock prices, or massive natural disasters occur, this financial platform enables Nippon Life to pay out insurance claims and benefits as stipulated in insurance policies. This equity is also a source of future dividend payments.

Consequently, the total foundation funds (*kikin*) and reserves remain high at ¥2,767.3 billion as of March 31, 2011, ensuring Nippon Life's continued fiscal soundness.

[Trends in Foundation Funds (*kikin*) and Reserves]

(Unit: Billions of Yen)



Sufficient Policy Reserves

■ Policy Reserves

¥43,106.8 billion

as of March 31, 2011

(¥42,014.3 billion as of March 31, 2010)

Policy reserves are reserves that must be accumulated under the Insurance Business Act in order to prepare for payments of future insurance claims, annuities and other benefits. Policy reserves are composed of premium reserves and unearned premiums for covering costs in the event

of the occurrence of normally foreseeable risk as well as contingency reserves to cover costs in the event of the occurrence of risk that exceeds such predictions. (See p. 174.)

In addition, with respect to the reserve funding method for premium reserves, Nippon Life utilizes the most conservative legal method (the net level premium method) for computing policy reserves. (See pp. 174 and 175.)

To ensure the greater financial soundness of individual annuities, we are further building up policy reserves over a five-year period that began in the fiscal year ended March 31, 2007. As of March 31, 2011, Nippon Life has completed the additional accumulation of policy reserves totaling approximately ¥1,200.0 billion.

Unrealized Gain on Securities

■ Unrealized Gain on Securities

¥1,914.5 billion

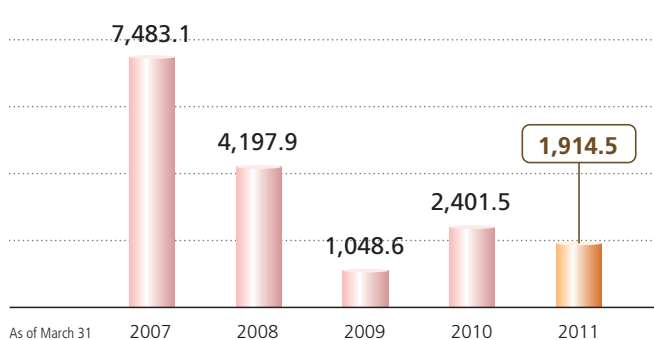
as of March 31, 2011

(¥2,401.5 billion as of March 31, 2010)

Unrealized gain on securities indicates the positive difference that exists when the market value of securities exceeds book value. Unrealized gain on securities, although affected by economic conditions, is one of the indicators for preparing against risk. (See pp. 149 and 150.)

[Trends in Unrealized Gain on Securities]

(Unit: Billions of Yen)



High-Level Solvency Margin Ratio to Respond to Unforeseeable Risks

■ Solvency Margin Ratio

966.2%

as of March 31, 2011

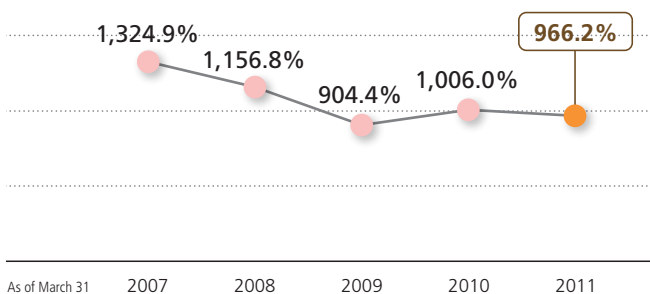
(1,006.0% as of March 31, 2010)

The solvency margin ratio is the total value of the solvency margin (the sum of foundation funds (*kikin*) and reserves, and unrealized gain/loss on securities, etc.) divided by the quantified amount of all risks exceeding those that can normally be forecast, including major natural disasters and a large drop in stock prices. The solvency margin is used by regulatory agencies as an indicator of the amount of surplus capacity available to make payments. When this ratio falls below 200%, an insurance company is subject to an order by the regulatory agencies to improve business.

The solvency margin ratio as of March 31, 2011 stood at 966.2%, ensuring a high level of preparedness to pay benefits with enough surplus capacity available to fully cover risk. (See pp. 146 and 147.)

[Trends in the Solvency Margin Ratio]

(Unit: %)



[Solvency Margin Ratio]

(Unit: Billions of Yen, %)

As of March 31, 2011		
Total solvency margin	(A)	¥5,722.0
Foundation funds (<i>kikin</i>) and reserves		2,767.3
Unrealized gain/loss on available-for-sale securities × 90%		1,066.4
Total amount of risk	(B)	1,184.3
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	966.2 (529.1%)*

*In accordance with Cabinet Office Ordinance No. 23 of 2010 and Financial Services Agency Public Notice No. 48 of 2010, part of the calculation standard for the solvency margin gross amount and the total amount of risk has been changed (tightening of margin calculations, tightening and refining of risk measurements, etc.) These changes are applied from the fiscal year ending March 31, 2012. The above table shows figures assuming that the changes were applied to the figures as of March 31, 2011.

High Level of Real Net Assets

■ Real Net Assets

¥6,393.3 billion

as of March 31, 2011

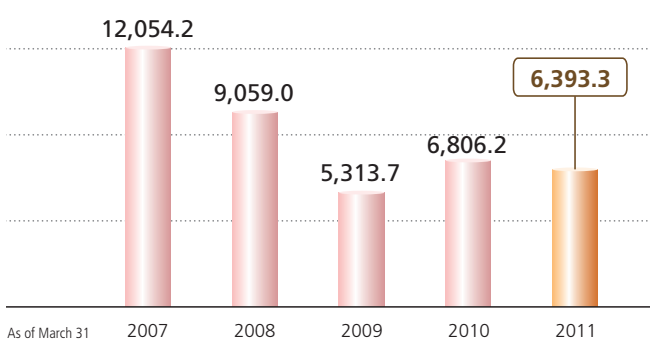
(¥6,806.2 billion as of March 31, 2010)

Real net assets are calculated by subtracting total liabilities, other than contingency reserves and other liability items highly similar to equity, from total assets at market value. Real net assets are an approximation of an insurance company's liquidation value. If real net assets are negative, the regulatory agencies may judge that liabilities exceed assets in real terms, and an insurance company may be subject to an order by the regulatory agency to suspend business.

Real net assets as of March 31, 2011 stood at ¥6,393.3 billion and the ratio of real net assets (the ratio to general account assets) was 13.2%, ensuring that a high level is continuously maintained.

[Trends in Real Net Assets]

(Unit: Billions of Yen)



High Level of Ordinary Income

■ Ordinary Income

¥516.3 billion

for the fiscal year ended March 31, 2011

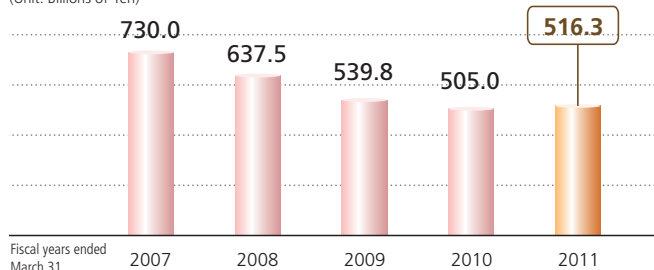
(¥505.0 billion for the fiscal year ended March 31, 2010)

Ordinary income mainly consists of income related to insurance (the net of income from premiums less payments for insurance claims and business costs) and investment operations, including interest and dividend income. It is the fundamental index that reflects an insurance company's earnings position on a flow basis. In the fiscal year ended

March 31, 2011, ordinary income stood at ¥516.3 billion, remaining at a high level. (See p. 160.)

[Trends in Ordinary Income]

(Unit: Billions of Yen)



Negative Spread

Amid continuing ultra-low interest rate conditions, a deficit is created by the negative difference between the assumed return on insurance premium investments and the actual investment return for some policyholders. This difference is called negative spread.

Nippon Life's Response to Negative Spread

At the closing of accounts for the fiscal year ended March 31, 2011, Nippon Life recorded no negative spread due to an increase in income from interest and dividends, among other factors.

To provide reserves for future large volatility in negative spreads due to various factors, including changes in the operating environment, Nippon Life has taken the following steps:

- To cover individual annuities that are a principal cause of a negative spread, Nippon Life has accumulated and added to the policy reserves in order to amortize the negative spread in advance.
- Even assuming that severe conditions such as current low interest rates will continue, Nippon Life has accumulated foundation funds (*kikin*) and reserves to cover numerous risks, including negative spread.

● Calculation of Negative Spread

In the life insurance industry, negative spreads are calculated according to the following formula:

$$\text{Negative spread} = [\text{investment return on ordinary income} - \text{average assumed interest rate}] \times \text{general account policy reserves}$$

- The investment return on ordinary income is the return on general account policy reserves after deducting the provision for accumulated interest on policyholder dividends from general account investment revenues included in ordinary income.
- The average assumed interest rate is the return of assumed interest on general account policy reserves.
- The general account policy reserves are calculated as follows for policy reserves in the general account, excluding the contingency reserves:
(Policy reserves at beginning of period + Policy reserves at end of period - Assumed interest) × 1/2

Excellent Ratings from Ratings Companies (as of July 1, 2011)

■ Ratings

AA

R&I

(Insurance Claims Paying Ability)

AA-

S&P

(Insurer Financial Strength Rating)

Ranking Standard

AAA
AA
A
BBB
BB
B

⋮ The higher rank has the higher capacity to meet payment obligations.

R&I's Definition of "AA" Rating

<http://www.r-i.co.jp> (Japanese only)

A very high degree of capacity for the payment of insurance claims and excellence in several key factors of evaluation.

S&P's Definition of "AA" Rating

<http://www.standardandpoors.co.jp> (Japanese only)

An extremely strong capacity to fulfill insurance policy obligations; only slightly different from its top ("AAA") rating.

Issued by third-party ratings agencies, ratings are an evaluation of an insurance company's ability to pay insurance claims. (Ratings are not a guarantee that claims and other payments will be fulfilled.)

* The above-mentioned ratings are based on information and data up to the time of each rating and are subject to change in the future.

* Nippon Life received the above-mentioned ratings from R&I and S&P after officially requesting them and providing detailed information for more accurate evaluation.

* Plus (+) or minus (-) signs following the above ratings show relative standing within the major rating categories.

General Overview

There were positive signs for the Japanese economy in the fiscal year ended March 31, 2011, including higher corporate earnings as exports and production volume climbed. At the same time, however, the outlook for Japan's economy became even more uncertain due to the Great East Japan Earthquake of March 2011, economic instability overseas, the yen's appreciation, and the sharp upturn in the cost of crude oil.

In the life insurance industry, competition has become even more heated as companies pursue a variety of strategies. For instance, some insurers have aggressive overseas growth strategies while others are enlarging sales channels by targeting the bank assurance sales channel and other market sectors. Following the March earthquake, all life insurers in Japan have been doing everything possible to fulfill their responsibilities as members of the life insurance industry.

In this difficult environment, the highest priority of Nippon Life has been to reverse the decline in the number of customers and to increase earnings through our efforts in this regard.

Life insurance sales were strong in the corporate market during the past fiscal year. In the individual market, the number of policies sold declined after

increasing for a number of years. As a result, we were unable to stop the downturn in the amount of policies in force. Ordinary income, which reflects an insurance company's earnings power, was higher despite the decrease in policies in force and the impact of the Great East Japan Earthquake. Earnings benefited primarily from a significant improvement in net proceeds from investments, including the first positive spread in three years.

In response to the tragic earthquake and tsunami of last March, Nippon Life offered special treatment to victims and their families from the standpoint of our affected customers. We made full payment of all accidental death benefits and other relevant claims, provided simplified and fast payment of claims and benefits, and took other actions. Financial market volatility that followed the Great East Japan Earthquake forced us to post valuation losses on securities. Despite these losses, our large equity* buffer allowed us to preserve our financial soundness during this turmoil.

*Nippon Life accumulates foundation funds (*kikin*) and reserves as equity. This figure includes foundation funds (*kikin*), which are equivalent to the capital of a joint-stock company, and the contingency reserve and reserve for price fluctuations in investments in securities, which are established for the corresponding risks.

Individual Market Sales

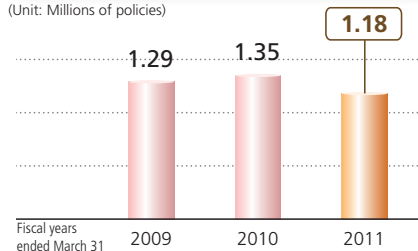
● New Policies

■ Number of Policies Sold

For the fiscal year ended March 31, 2011

1.18 million

(Unit: Millions of policies)

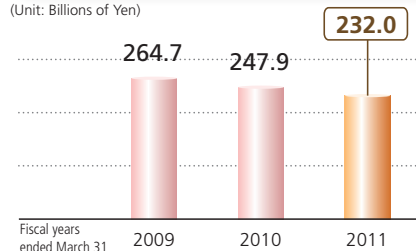


■ Annualized Premiums on New Policies

For the fiscal year ended March 31, 2011

¥232.0 billion

(Unit: Billions of Yen)

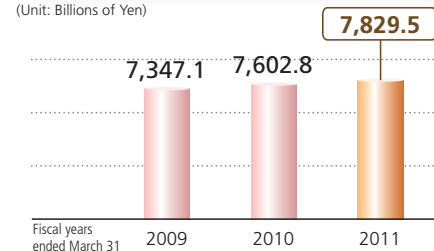


■ Amount of New Policies

For the fiscal year ended March 31, 2011

¥7,829.5 billion

(Unit: Billions of Yen)



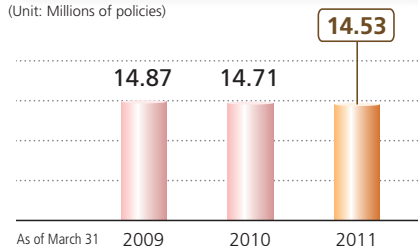
● Policies in Force

■ Number of Policies in Force

As of March 31, 2011

14.53 million

(Unit: Millions of policies)

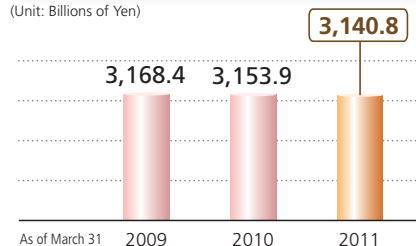


■ Annualized Premiums for Policies in Force

As of March 31, 2011

¥3,140.8 billion

(Unit: Billions of Yen)

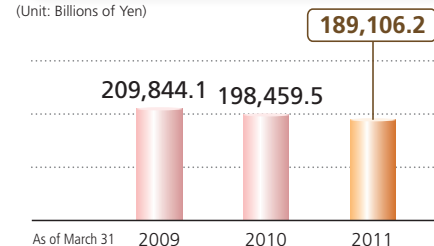


■ Amount of Policies in Force

As of March 31, 2011

¥189,106.2 billion

(Unit: Billions of Yen)



Notes: 1. Number of policies sold represents the total of new policies and policies after conversions.

2. Annualized premiums, the amount for an entire year, are calculated by applying coefficients based on the premium payment method to a single premium payment amount. (The premium divided by the coverage period is used for single payments.)

3. Amount of new policies and annualized premiums on new policies includes net increase due to conversions.

4. Amount of new policies and policies in force represents the total sum of: individual insurance coverage amount, individual annuity resources amount (in the case of policies prior to the start of annuity payments, amount of future annuity payments is translated to value at the start of annuity payments) and policy reserves total amount (in the case of policies after the start of annuity payments, amount of reserves accumulated for future payments of annuities and others).

For sales of new policies, there was an increase of 3.0% year on year to ¥7,829.5 billion in the amount of new policies based solely on death coverage. This was attributable in part to the importance we place on ensuring the customers have the coverage they require.

The number of sales representatives*, our primary distribution channel, decreased by 2,114 from the previous fiscal year to 47,124 as of March 31, 2011. There was also a decline in the average number of policies sold by each representative. The result was a 12.7% decrease in the number of policies sold to 1.18 million and a 6.4% decrease in annualized net premiums on new policies to ¥232.0 billion.

Since the number of new policies remained below the decline in policies the number of policies in force, the amount of policies in force decreased 4.7% year on year to ¥189,106.2 billion, the number of policies in force decreased 1.2% to 14.53 million and annualized net premiums for policies in force decreased 0.4% to ¥3,140.8 billion.

Reversing the decline in the number of policies in force by selling policies to new customers remains a major goal at Nippon Life. Actions aimed at achieving this reversal are centered on the following three initiatives.

The first initiative is using our New Integration Strategy so that our sales representatives can conduct even more activities while improving their productivity. Nippon Life used the recent problems involving payments as an opportunity to launch this strategy for the purpose of radically overhauling all of our services from the perspective of our customers. Starting in the next fiscal year, sales representatives will be using more versatile handheld devices. There will be no need for paper documents and personal seals. Representatives can use these terminals to complete a variety of procedures during the customer visit. Advances like these will greatly enhance convenience for our customers. Reforms include our product lineup, too. We are giving our complex structure of policies a new look so that all our products are simple and easy to understand. Creating this new structure has the added advantage of enabling customers to select coverage with more flexibility.

By reducing time spent on administrative tasks, this infrastructure gives sales representatives more time to visit customers and perform other sales activities. Representatives are also better able to offer suggestions for insurance coverage that more accurately matches the needs of each individual. The result is significant improvements in both the quantity and quality of customer services. In the fiscal year ending March 31, 2012, we are laying the groundwork for the full-scale implementation of the New Integration Strategy. One way is by gathering the customer data that is required for utilizing the new infrastructure. We are also increasing the volume of proposals submitted to customers and taking other actions to set the stage for reforming how sales representatives do their jobs and boosting their productivity.

The second initiative is enlarging sales representative channels. We want to return quickly to a sales force of 50,000 and maintain that level. To do this, we will work even harder on recruiting activities while upgrading training programs for newly hired sales representatives.

For training programs, we have already improved activities for teaching proper manners as well as knowledge and skills about insurance and other subjects. Due in part to this training, we have increased the number of key sales representatives, who have superior sales and service capabilities, for three consecutive years. The number of key sales representatives increased by 26 from the end of the previous fiscal year to 9,232.

To continue fostering the skills of individuals who can fill important posts at Nippon Life in the future, we have a training program that places emphasis on employees who were hired within the past five years. The newly established Employee Development Promotion Department oversees these activities. In addition, training programs are structured to allow all employees to improve their consulting skills.

The third initiative includes the promotion of our customer segment strategy and a multi-channel sales framework. In Japan, demand for medical care and nursing care coverage as well as needs involving savings and pensions have been growing as medical care technology advances and the country's aging population and declining birth rate accelerate. Nippon Life is evolving with these changes. We remain committed to serving individuals who require insurance coverage. This is our core customer segment and the primary element of our sales strategy. In addition to this segment, however, we will also concentrate on selling products and services to women, young people and seniors, including retirees. These are customer segments we have not adequately targeted in the past.

Insurance needs among women are rising along with the growing awareness of risks involving female diseases. Our sales activities inform women of the importance of receiving a lump-sum payment as a living benefit if they are diagnosed with one or more of these diseases.

Insurance purchases by young people in Japan are declining. We will continue to position highly populated urban areas and workplaces as key markets for reaching young people. We are working even harder on easing restrictions on workplace sales activities and on holding seminars for employees that explain the need for insurance coverage. Resources of our entire company will be focused on increasing sales to young people.

Seniors, including retirees, and new customers are two more elements of this third initiative. To sell insurance to these segments, we will promote a multi-channel approach. This approach will include the extensive use of agencies and bank assurance channels that have proprietary customer bases of small and medium-sized companies and high-net-worth individuals.

In the agency channel, the amount of new policies decreased slightly but the number of agencies increased by 718 from the end of the previous fiscal year to 10,467. This is the same level as at life insurers that use agencies as their primary distribution channel. We will reinforce the support we extend to our agencies in order to achieve further gains in the productivity of each agent.

In the bank assurance channel, premium income increased 18.5% year on year to an all-time high of ¥451.7 billion. Growth in the number of financial institutions selling our products was one reason. In addition, increasing sales activities for the new *Yume No Katachi* policy, which was introduced in December 2010, produced a big increase in the number of single-payment whole life insurance policies, the primary product in this distribution channel. We plan to continue increasing sales in this channel by offering products that precisely target customers' needs involving inheritance and other matters.

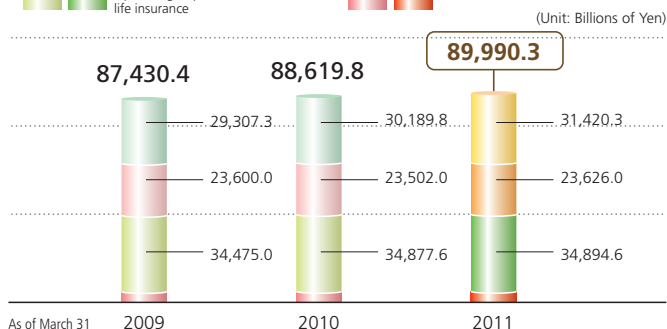
By using these three initiatives, we are determined to become Japan's leading life insurer in terms of new policy sales, which is a clear indicator of the trust people have in Nippon Life.

*The number of registered sales representatives does not include sales management or part-time sales staff.

■ Amount of Group Insurance Policies in Force

As of March 31, 2011

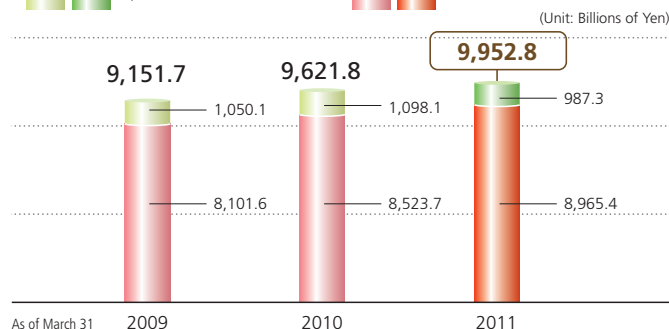
¥89,990.3 billion



■ Amount of Group Annuities in Force (Policy Reserves Amount*)

As of March 31, 2011

¥9,952.8 billion



In the corporate market, group insurance policies in force continued to grow in the fiscal year ended March 31, 2011, increasing 1.5% to ¥89,990.3 billion as we continued to provide consulting services that matched the needs of companies. Furthermore, group annuity assets increased 3.4% to ¥9,952.8 billion, including a 2.3% increase to ¥11,548.2 billion in these assets at Nissay Asset Management and other Nippon Life Group companies.

Japan will terminate the approved retirement annuity system on March 31, 2012. As a company that is responsible for many of these plans, Nippon Life has been fulfilling its obligation by providing consulting for the transition to different pension plans. We were originally responsible for about 15,000 of

these approved annuity plans. By the end of March 2011, approximately 90% of these customers had completed the transition to a different pension plan.

In addition, as part of our emphasis on the workplace market, corporate sales personnel and sales representatives have formed a cohesive team to conduct workplace sales activities by holding seminars for employees and other activities.

*The amount of new group insurance policies (the increase in claims and the net increase in claims from midterm enrollment and withdrawals) for the fiscal year ended March 31, 2011 increased 1.7% to ¥4,631.9 billion. The decrease in the amount of policies in force improved 3.0% to ¥3,261.4 billion.

Total Payments of Insurance Claims, Annuities and Benefits

For the fiscal year ended March 31, 2011

[Total amount]

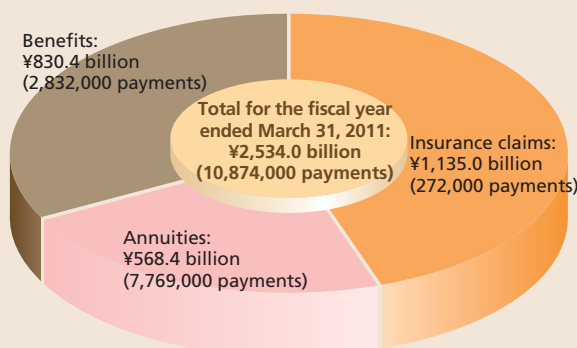
¥2,534.0 billion

[Number of payments]

10,874,000

Total payments of insurance claims, annuities and benefits (total for individuals and companies) were ¥2,534.0 billion in the fiscal year ended March 31, 2011. (The total number of payments stood at 10,874,000.)

Nippon Life is committed to continuing to make payments with speed and reliability.



For policyholders affected by the Great East Japan Earthquake, Nippon Life is making full payment of accidental death benefits and other relevant claims, along with simplified and fast payment of claims and benefits. For details, please see p. 28.

Nippon Life also strives to provide high-quality after-sales services to all policyholders to ensure that they are able to receive all claims, benefits and other payments in full. Examples include our "Policy Details Confirmation Activities." For details, please visit the Nissay corporate website.

➔ <http://www.nissay.co.jp/keiyaku/kakunin/> (Japanese only)

Asset Management Field

The environment for investments was extremely challenging in the fiscal year ended March 31, 2011. Interest rates and stock prices remained low and the yen strengthened. Moreover, stock prices and exchange rates became highly volatile following the earthquake and tsunami of March 2011. Nippon Life was able to respond accurately to market movements with well-timed investments in domestic and foreign bonds, growth in foreign bond investments accompanied by foreign exchange hedges, and other measures. The result was a 7.6% year-on-year increase in interest, dividends and other income to ¥1,204.6 billion and the first positive spread in three years.

There was a capital loss compared with a gain in the previous fiscal year. Capital gains on sales of Japanese stocks and other investments were outweighed partly by the more conservative application of accounting standards for recognizing losses on valuation of securities amid the financial market volatility sparked by the Great East Japan Earthquake.

Although the outlook is becoming increasingly uncertain, we will continue to build a highly sound portfolio by rigorously managing risk as we carefully select investments and maintain the diversification of our holdings. Our goals are to preserve a positive spread while maintaining the stability of investment income and aiming for medium- to long-term growth.

Administrative Operations, IT Systems and Customer Services

The long-term nature of life insurance policies requires a framework that unifies sales and administrative operations to cover steps extending from the purchase of a policy to the payment of claims and benefits. Establishing this framework is vital to improving customer services. This is why Nippon Life has started to prepare for the full-scale implementation of its New Integration Strategy. Examples include having policyholders switch to the *Comprehensive Medical Rider* and the use of cashless premium payments introduced from the fiscal year ended March 31, 2009. Numerical goals have been established for many services and we continue to take steps required to reach those goals.

Overseas Operations and Alliances

Nippon Life has a global network of relationships with prominent companies in Europe, North America and Asia. Improving investment returns and capitalizing on growth opportunities in the insurance market are two objectives. Overseas activities also provide access to advanced expertise in the fields of asset management and insurance.

We have relationships with The Northwestern Mutual Life Insurance Company and Prudential Financial Group in the United States, Schroders plc in the United Kingdom, and other companies outside Japan. In October 2010, we expanded our cooperation with Prudential Financial Group by starting sales of foreign currency policies of Gibraltar Life Insurance, one of its group companies in Japan.

Main Asset Management-Related Revenues and Expenditures

(Unit: Billions of Yen, %)

Fiscal years ended March 31	2011	Rate of increase	2010	2009
Investment income	¥1,538.3	(1.1)	¥1,555.1	¥1,247.0
Interest, dividends and other income	1,204.6	7.6	1,119.5	1,148.4
Gain on sales of securities	330.8	78.4	185.4	88.6
Gain from separate accounts, net	—	—	200.1	—
Investment expenses	535.9	81.0	296.0	1,245.9
Loss on sales of securities	253.0	104.7	123.6	119.5
Loss on valuation of securities	140.2	71.4	81.8	527.9
Loss from separate accounts, net	34.8	—	—	353.3
Net proceeds from investments	1,002.4	(20.4)	1,259.0	1.1
Proceeds from investments in the general account	1,037.2	(2.0)	1,058.9	354.4

Note: Aggregate investment income and investment expenses in the separate account are included in either gain or loss from separate accounts, net.

In the fiscal year ending March 2012, we plan to establish the necessary operating framework by pursuing these goals while finishing the remaining work for IT system development. Afterward, we plan to shift the duties of personnel engaged in insurance administrative operations to tasks that can contribute to improving customer services. As part of our ongoing training programs, we will focus on giving employees the skills needed to respond even more precisely to the requirements of each customer.

Overall, Nippon Life is dedicated to making more gains with respect to customer satisfaction, productivity and operating efficiency.

In the growing insurance markets of Asia, we have insurance operations in China and Thailand. In March 2011, we established a presence in India by reaching an agreement for an investment in a life insurance company that belongs to the large and powerful Reliance ADA Group of India.

We will continue to use our approximately four decades of experience in overseas operations to seek more opportunities to earn profits. Activities will fully take into account risks associated with the different business systems, customs and other characteristics of individual countries. We will benefit from these opportunities outside Japan through exchanges of people and expertise, investments, and other forms of cooperation with trustworthy partners.

Main Balance Sheet Items (Non-Consolidated Basis)

(Unit: Billions of Yen)

As of March 31	2011
Total assets	¥49,826.1
Cash and deposits	644.6
Call loans	119.8
Receivables under securities borrowing transactions	392.5
Monetary receivables purchased	1,021.1
Investments in securities:	35,674.7
Domestic bonds	18,256.9
Domestic stocks	6,497.6
Foreign securities	10,452.7
Loans receivable:	8,743.3
Policy loans	965.7
Industrial and consumer loans	7,777.5
Tangible fixed assets	1,767.2
Intangible fixed assets	196.7
Reinsurance receivables	0.3
Other assets	525.9
Deferred tax assets	742.0
Customers' liability for acceptances and guarantees	21.0
Allowance for doubtful accounts	(23.4)
Total liabilities	47,717.1
Policy reserves and other reserves:	44,499.7
Reserve for outstanding claims	248.5
Policy reserves	43,106.8
Reserve for dividends to policyholders	1,144.3
Reinsurance payables	0.3
Other liabilities	2,224.4
Accrued bonuses for directors and corporate auditors	0.0
Accrued severance indemnities	440.5
Accrued retirement benefits for directors and corporate auditors	5.1
Reserve for point card	4.6
Accrued losses from supporting closely related companies	0.4
Reserve for losses on disaster	1.8
Reserve for price fluctuations in investments in securities	347.0
Deferred tax liabilities for land revaluation reserve	171.9
Acceptances and guarantees	21.0
Total net assets	2,108.9
Foundation funds ①	250.0
Reserve for redemption of foundation funds ②	850.0
Reserve for revaluation ③	0.6
Total surplus ④:	346.4
Legal reserve for deficiencies	11.1
Voluntary surplus reserve	335.2
Unappropriated surplus	231.2
Total equity (=①+②+③+④)	1,447.0
Net unrealized gains on available-for-sale securities, net of tax ⑤	745.0
Deferred gains (losses) on derivatives under hedge accounting ⑥	6.8
Land revaluation differences ⑦	(89.9)
Total valuations, conversions and others (=⑤+⑥+⑦)	661.8
Total liabilities and net assets	49,826.1

Total Assets

Total assets as of March 31, 2011 were ¥49,826.1 billion, with total general and separate account assets of ¥48,514.7 billion and ¥1,311.3 billion, respectively.

Investments in Securities

From the standpoint of paying out dividends to policyholders through the medium- and long-term improvement of revenues and profits, Nippon Life particularly holds domestic bonds, including national government bonds, local government bonds, and corporate bonds, all of which present potential for yen-denominated stable return. Also, within the range of allowable risks, Nippon Life invests in domestic stocks, foreign securities and other securities. As of March 31, 2011, total investments in securities amounted to ¥35,674.7 billion.

Nippon Life records the difference between the market value and book value of available-for-sale securities, when the difference is positive, as net unrealized gains on available-for-sale securities, net of tax. As of March 31, 2011, net unrealized gains on available-for-sale securities, net of tax, was ¥1,914.5 billion.

Loans Receivable

Loans receivable are classified into two major categories. One is policy loans, which comprise policyholder loans and premium loans. The other is industrial and consumer loans, which include international and domestic corporate loans and housing loans. The balance of loans receivable stood at ¥8,743.3 billion as of March 31, 2011.

Tangible Fixed Assets

Tangible fixed assets include land, buildings, lease assets, construction in progress and movables. As of March 31, 2011, the balance amounted to ¥1,767.2 billion.

Policy Reserves

Policy reserves are reserves that must be accumulated under the Insurance Business Act in order to prepare for payments of future insurance claims and other benefits. As of March 31, 2011, policy reserves stood at ¥43,106.8 billion.

Reserve for Price Fluctuations in Investments in Securities

Reserve for price fluctuations in investments in securities are accumulated in accordance with the Insurance Business Act to cover losses caused by a future decrease in prices of assets whose value is likely to fluctuate, such as stocks. As of March 31, 2011, the reserve for price fluctuations in investments in securities stood at ¥347.0 billion.

Foundation Funds (*Kikin*)/Reserve for Redemption of Foundation Funds

In accordance with the Insurance Business Act, foundation funds (*kikin*) serve as the financial base for mutual companies while providing a means of financing granted only for mutual companies and corresponding to the capital of joint stock companies. Meanwhile, the said law stipulates that a mutual company shall provide a reserve for redemption of foundation funds in the same amount as the foundation funds (*kikin*) to be redeemed.

As of March 31, 2011, Nippon Life redeemed ¥50.0 billion in foundation funds (*kikin*) that it had solicited and newly solicited ¥50.0 billion. As a result, foundation funds (*kikin*) and reserve for redemption of foundation funds amounted to ¥250.0 billion and ¥850.0 billion, respectively.

*Please see page 124 for Non-Consolidated Balance Sheets.

Main Items in Statement of Income (Non-Consolidated Basis)

(Unit: Billions of Yen)

Fiscal year ended March 31	2011
① Total revenues:	¥6,646.8
Income from insurance and reinsurance premiums:	4,896.4
Insurance premiums	4,895.5
Investment income:	1,538.3
Interest, dividends and other income	1,204.6
Gain on sales of securities	330.8
Other revenues	212.0
② Total expenditures:	6,415.7
Insurance claims and other payments:	3,813.0
Death and other claims	1,135.0
Annuity payments	568.4
Health and other benefits	830.4
Surrender benefits	1,014.8
Other refunds	262.8
Provision for policy reserves:	1,147.5
Provision for claim reserves	25.8
Provision for policy reserves	1,092.5
Interest on reserve for dividends to policyholders	29.2
Investment expenses:	535.9
Interest expense:	2.8
Loss on sales of securities	253.0
Loss on valuation of securities	140.2
Loss from derivative financial instruments, net	27.1
Loss from separate accounts, net	34.8
Operating expenses	573.8
Other expenditures	345.3
③ Operating income(=①-②)	231.0
④ Extraordinary gains:	54.8
Gain on disposal of fixed assets	1.5
Reversal of reserve for price fluctuations in investments in securities	51.0
Reversal of allowance for doubtful accounts	2.2
⑤ Extraordinary losses:	25.7
Loss on disposal of fixed assets	6.4
Impairment losses	11.7
Contributions for assisting social public welfare	1.4
Provision for reserve for losses on disaster	1.8
⑥ Extraordinary gains (losses)(=④-⑤)	29.0
⑦ Surplus before income taxes(=③+⑥):	260.1
Income taxes, current	118.3
Income taxes, deferred	(90.0)
⑧ Income tax—total	28.3
⑨ Net surplus(=⑦-⑧)	231.7

Income from Insurance and Reinsurance Premiums

Comprising insurance and reinsurance premiums paid by policyholders, income from insurance and reinsurance premiums for the fiscal year ended March 31, 2011 was ¥4,896.4 billion.

Investment Income

This includes interest, dividends and other income as well as gain on sales of securities. For the fiscal year ended March 31, 2011, investment income totaled ¥1,538.3 billion.

Insurance Claims and Other Payments

These consist of payments related to insurance policies, including death and other claims, annuity payments, health and other benefits and surrender benefits. For the fiscal year ended March 31, 2011, insurance claims and other payments were ¥3,813.0 billion.

Provision for Policy Reserves

Provision for policy reserves, which are reserves shown on the balance sheet, is recorded on the statement of income. For the fiscal year ended March 31, 2011, provision for policy reserves totaled ¥1,092.5 billion.

Investment Expenses

These are expenses including loss on sales of securities and loss on valuation of securities and others. For the fiscal year ended March 31, 2011, investment expenses amounted to ¥535.9 billion.

Reversal of Reserve for Price Fluctuations in Investments in Securities

The reversal of reserve for price fluctuations in investments in securities, which is a reserve shown on the balance sheet, is recorded on the statement of income. For the fiscal year ended March 31, 2011, reversal of reserve for price fluctuations in investments in securities totaled ¥51.0 billion.

Net Surplus

This item represents operating income after accounting for extraordinary gains and losses, income taxes and other items. The net surplus in the fiscal year ended March 31, 2011 totaled ¥231.7 billion.

Revenues and Expenditures and Financial Condition

Ordinary income rose 2.2% year on year to ¥516.3 billion mainly due to a large improvement in net proceeds from investment, including the recording of a positive spread. This was despite a decline in income related to insurance after incurring a one-time charge of around ¥40.0 billion in advance for insurance claims, benefits and other payments related to the earthquake and tsunami of March 2011, along with the decline in policies in force.

In regard to equity, Nippon Life solicited an additional ¥50.0 billion of foundation funds (*kikin*) as planned in August 2010. On the other hand, Nippon Life recorded a combined ¥93.6 billion reversal of the contingency reserve and the reserve for price fluctuations in investments in securities, which have been accumulated over time to prepare for a broad range of risks. The purpose of these reversals was to prepare for the payment of insurance claims and benefits related to the March 2011 earthquake and tsunami, and for capital loss. As a result, equity was ¥2,767.3 billion as of March 31, 2011, a decline of ¥38.4 billion from a year earlier, continuing to show a high level of financial soundness. Separately, Nippon Life has been making additions to policy reserves for the past five years since the fiscal year ended March 31, 2007 for the purpose of offsetting future negative spreads on individual annuities. In the fiscal year ended March 31, 2011, Nippon Life recorded additional policy reserves of ¥230.0 billion. As of March 31, 2011, Nippon Life had accumulated additional policy reserves of ¥1,185.8 billion on a cumulative basis.

In the fiscal year ended March 31, 2011, Nippon Life plans to maintain the same level of dividends as in the previous fiscal year for individual and group insurance policies based on the policy of paying a stable dividend. Dividends for group annuities are also expected to remain mostly the same as in the previous fiscal year.

Management Policy Ahead (Reflecting Nippon Life's Response to the Great East Japan Earthquake)

The Great East Japan Earthquake has reminded us that now is the time for Nippon Life to live up to its mission as a life insurance company—to fulfill its coverage responsibilities to policyholders—and to uphold the trust of its customers.

Nippon Life is offering special treatment for policyholders affected by the earthquake from the standpoint of these customers. Measures include the full payment of accidental death benefits and other relevant claims, and the simplified and fast payment of claims and benefits.

Furthermore, the earthquake and tsunami of March 2011 severely damaged certain Nippon Life branches and sales offices. In response, Nippon Life has set up an Earthquake Disaster Recovery Bureau to rapidly restore customer services and other operations in the affected regions. Every effort is also being made to provide relief and assistance to employees who have personally suffered through the disaster and are supporting

[Operating Income]

(Unit: Billions of Yen, %)

Fiscal years ended March 31	2011	Rate of increase	2010	2009
Ordinary income	¥ 516.3	2.2 %	¥ 505.0	¥ 539.8
Capital gain/loss	(97.8)	—	14.7	(744.0)
Non-recurring gain/loss	(187.3)	—	(226.2)	323.3
Operating income	¥ 231.0	(21.3)%	¥ 293.5	¥ 119.2

Notes: 1. Ordinary income + capital gain/loss + non-recurring gain/loss = operating income
 2. Capital gain/loss includes gain/loss on sales of securities and loss on valuation of securities and others.
 3. Non-recurring gain/loss includes provision for additional policy reserves and reversal of contingency reserves and others.

[Equity Replacement Ratio]

(Unit: Billions of Yen, %)

As of March 31	2011	Amount of increase	2010	2009
Foundation funds (<i>kikin</i>) and reserves	¥2,767.3	¥(38.4)	¥2,805.8	¥2,653.8
Net assets	1,268.0	50.7	1,217.2	1,118.0
Liabilities	1,499.2	(89.2)	1,588.5	1,535.8
Contingency reserve	821.7	(42.6)	864.4	864.4
Reserve for price fluctuations in investments in securities	¥ 347.0	¥(51.0)	¥ 398.0	¥ 372.0
Equity replacement ratio	61%	—	64%	61%

Notes: 1. Net assets are shown as the amount after the appropriation of retained earnings after deducting valuations, conversions and others from total net assets on the balance sheets.
 2. The equity replacement ratio is the ratio of foundation funds (*kikin*) and reserves divided by the required level of optimum equity (¥4.5 trillion at the end of March 2011, and ¥4.4 trillion at the end of March 2010 and March 2009), which is the amount of equity required based on a rigorous evaluation of business risk.

[Dividend Payout Ratio]

(Unit: Billions of Yen, %)

Fiscal years ended March 31	2011	Amount of increase	2010	2009	
Provision for reserve for policyholder dividends	1	¥175.5	¥ (23.6)	¥199.1	¥130.6
Increased amount of foundation funds (<i>kikin</i>) and reserves		—	—	101.9	—
Total	2	¥175.5	¥(125.6)	¥301.1	¥130.6
Dividend payout ratio	1/2	100%	—	66%	100%

Notes: 1. The provision for reserve for policyholder dividends shows the amount after the appropriation of surplus.
 2. Increased amount of foundation funds (*kikin*) and reserves is the amount after deducting the amount of increase or decrease due to the solicitation and repayment of foundation funds (*kikin*) from the increase in foundation funds (*kikin*) and reserves (long-dash indicates a negative amount).

the restoration of local operations.

Furthermore, Nippon Life will return to the basics of the life insurance business—its highly public nature in terms of its role in supporting the safety and security of the Japanese people through life insurance. From this standpoint, Nippon Life plans to contribute in many ways to the revival of Japan's economy. In the process, Nippon Life will once again drive home the importance of insurance coverage to customers across Japan.

Looking ahead, Nippon Life will continue to upgrade and expand its face-to-face customer service system, while increasing equity and laying down even stronger business foundations. These efforts will ensure that Nippon Life continues to fulfill its mission as a life insurer over the long term.