

CHAPTER 1

Business Performance in the Fiscal Year Ended March 31, 2012

Soundness and Profitability of Nippon Life 30

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[Key Performance Financial Highlights (Non-Consolidated Basis)]

(Unit: Billions of Yen or as Noted)

| For the years ended March 31 | 2012 | 2011 | 2010 |
|---|------------|--------------------|------------|
| Ordinary income | ¥ 7,074.9 | ¥ 6,646.8 | ¥ 6,594.6 |
| Ordinary profit | 481.5 | 231.0 | 293.5 |
| Core operating profit | 544.3 | 516.3 | 505.0 |
| Net surplus | 221.8 | 231.7 | 252.0 |
| Dividend reserves as a percentage of surplus available for disposition ¹ [%] | 98.27% | 99.96% | 100.76% |
| Total assets | 51,009.4 | 49,826.1 | 48,684.8 |
| Separate account assets | 1,146.6 | 1,311.3 | 1,449.7 |
| Investments in securities | 37,522.7 | 35,674.7 | 34,949.3 |
| Loans | 8,721.6 | 8,743.3 | 8,770.8 |
| Policy reserves | 44,448.0 | 43,106.8 | 42,014.3 |
| Foundation funds (<i>kikin</i>) and reserves | 2,824.1 | 2,767.3 | 2,805.8 |
| Total foundation funds (<i>kikin</i>) ² | 1,200.0 | 1,100.0 | 1,050.0 |
| Solvency margin ratio ³ [%] | 567.0% | (529.1%) 966.2% | 1,006.0% |
| Policies in force ⁴ | 272,666.5 | 279,096.6 | 287,079.4 |
| Individual insurance | 162,385.4 | 170,791.7 | 180,524.2 |
| Individual annuities | 19,047.0 | 18,314.5 | 17,935.2 |
| Group insurance | 91,234.0 | 89,990.3 | 88,619.8 |
| Policies in force for group annuities ⁵ | 10,476.9 | 9,952.8 | 9,621.8 |
| Number of customers [number of insured persons, etc.] ⁶ | 11,618,068 | — | — |
| Number of customers [number of policyholders, etc.] ⁷ | 9,915,994 | 9,954,059 | 10,014,230 |
| Number of company members ⁸ | 9,216,162 | 9,348,926 | 9,505,773 |
| Number of employees ⁹ | 69,620 | 70,002 | 67,438 |
| Negative spread ¹⁰ [approximate] | — | — | 60.0 |

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 the 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. 134).

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.). As a result of this change, the above results for fiscal 2010 to fiscal 2011 have been calculated using a different standard to the results for fiscal 2012. Moreover, the figure given in brackets for the fiscal 2011 year-end was disclosed during fiscal 2011 as the figure that would have resulted if the fiscal 2012 calculation standard had been used at the fiscal 2011 year-end.

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 them.

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

6. The number of customers (number of insured persons, etc.) is the number of insured persons enrolled in individual insurance and individual annuities, plus customers who have deferred maturity benefits and other payments, plus customers who have enrolled in policies offered by Aioi Nissay Dowa Insurance Co., Ltd. From the current fiscal year, Nippon Life will disclose the number of customers based on insured persons, along with the number of customers based on policyholders, which was disclosed previously.

7. The number of customers (number of policyholders, etc.) is the number of policyholders enrolled in individual insurance and individual annuity insurance. 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 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).

8. In the case of a mutual company, "company members" refers to policyholders (excluding non-participating insurance policyholders).

9. 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.

10. In the fiscal year ended March 31, 2012 and 2011, there was no negative spread.

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

Accumulating Foundation Funds (*kikin*) and Reserves

¥2,824.1 billion

as of March 31, 2012

(¥2,767.3 billion as of March 31, 2011)

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.

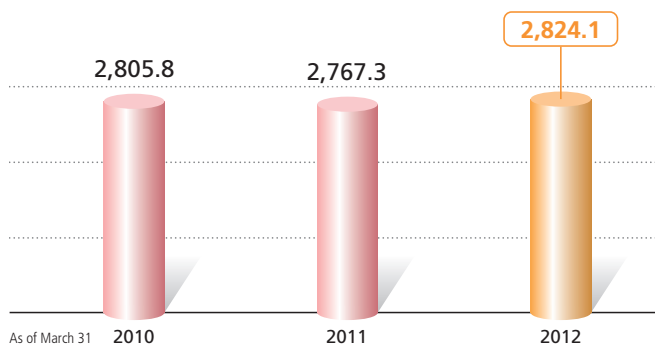
Nippon Life works to build up foundation funds (*kikin*) and reserves as equity. This equity is a financial resource for responding to risks that do not include unrealized gain on securities, which is easily affected by the economic environment. More specifically, even if management risks such as a dramatic decline in stock prices or massive natural disaster 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 ¥2,824.1 billion as of March 31, 2012, ensuring Nippon Life's continued fiscal soundness.

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

(Unit: Billions of Yen)



Sufficient Policy Reserves

Policy Reserves

¥44,448.0 billion

as of March 31, 2012

(¥43,106.8 billion as of March 31, 2011)

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 p. 174 and 175).

To ensure the greater financial soundness of individual annuities, we built up policy reserves over a five-year period that began in the fiscal year ended March 31, 2007.

Unrealized Gain on Securities

Unrealized Gain on Securities

¥2,704.2 billion

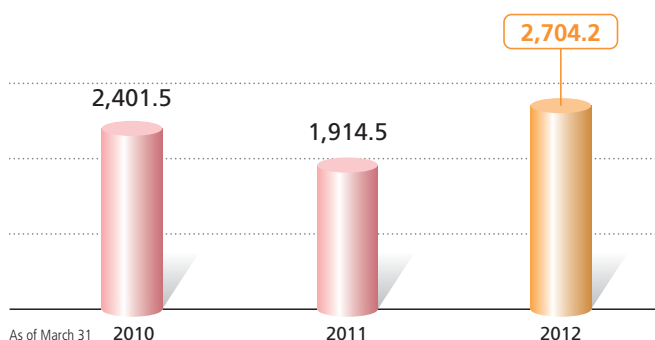
as of March 31, 2012

(¥1,914.5 billion as of March 31, 2011)

Unrealized gain on securities indicates the positive difference that exists when the market value of securities exceeds the book value. Unrealized gain on securities, although affected by economic conditions, is one of the indicators for preparing against risk (see p. 157 and 158).

[Trends in Unrealized Gain on Securities]

(Unit: Billions of Yen)



High-Level Solvency Margin Ratio to Respond to Unforeseeable Risks

Solvency Margin Ratio

567.0%

as of March 31, 2012

(529.1% as of March 31, 2011)

The solvency margin ratio is the total value of the solvency margin (the sum of foundation funds (*kikin*) and reserves, 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, 2012 stood at 567.0%, ensuring a high level of preparedness to pay benefits with enough surplus capacity available to fully cover risk (see p. 154 and 155).

[Solvency Margin Ratio]

(Unit: Billions of Yen, %)

| As of March 31, 2012 | | |
|---|---|----------|
| Total solvency margin | (A) | ¥5,892.0 |
| Foundation funds (<i>kikin</i>) and reserves | | 2,824.1 |
| Unrealized gain/loss on available-for-sale securities × 90% | | 1,365.8 |
| Total amount of risk | (B) | 2,078.2 |
| Solvency margin ratio | $\frac{(A)}{(1/2) \times (B)} \times 100$ | 567.0% |

*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.). Moreover, the figures for March 31, 2011 are the figures disclosed for the year ended March 31, 2012, which were calculated as though the change to the calculation standard in fiscal 2012 had been applied in fiscal 2011.

High Level of Real Net Assets

Real Net Assets

¥7,153.3 billion

as of March 31, 2012

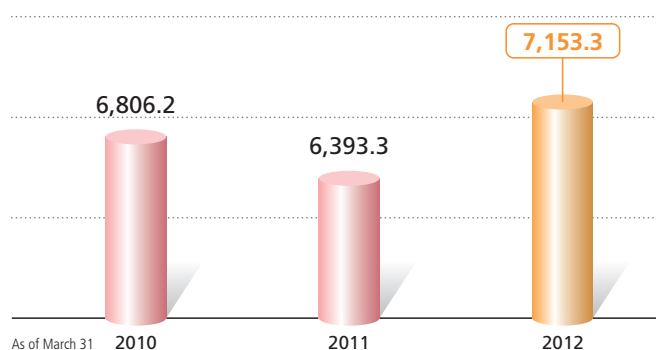
(¥6,393.3 billion as of March 31, 2011)

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, 2012 stood at ¥7,153.3 billion and the ratio of real net assets (the ratio to general account assets) was 14.3%, ensuring that a high level is continuously maintained.

[Trends in Real Net Assets]

(Unit: Billions of Yen)



High Level of Core Operating Profit

Core Operating Profit

¥544.3 billion

for the fiscal year ended March 31, 2012

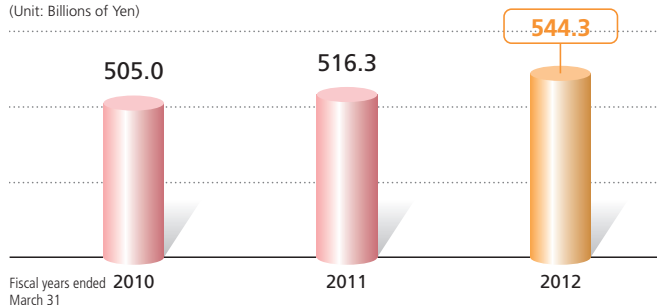
(¥516.3 billion for the fiscal year ended March 31, 2011)

Core operating profit 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. For the fiscal year ended

March 31, 2012, core operating profit stood at ¥544.3 billion, remaining at a high level (see p. 160).

[Trends in Core Operating Profit]

(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, 2012, Nippon Life recorded no negative spread again, as it did at the closing of accounts for the fiscal year ended March 31, 2011.

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 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:

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

- The investment return on core operating profit 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 core operating profit.
- 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

Ratings (as of July 1, 2012)

AA

R&I

(Insurance Claims Paying Ability)

A+

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 "A" Rating

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

Strong capacity to fulfill insurance policy obligations; but compared with the top "AAA" rating, the "AA" rating is somewhat susceptible to adverse economic conditions and changes in circumstances.

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 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 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 ratings show relative standing within the major rating categories.

Fiscal Year Ended March 31, 2012 Business Overview and Performance

● General Overview

In the fiscal year ended March 31, 2012, the Japanese economy was heavily impacted by the Great East Japan Earthquake in March 2011, but saw a gradual recovery in production and capital investment as supply chains were reestablished. The outlook for the Japanese economy continues to hold an element of downside risk, however, with a persistently strong yen, the effects of the sovereign debt issue in Europe, rising crude oil prices and other negative influences on the business climate overseas.

Nippon Life has set a target for all employees of becoming a company of excellence in “scale,” “quality” and “credibility.” Guided by this objective, all employees have been working together on the critical task of increasing new policies even further.

During the fiscal year under review, we increased sales of new policies in the individual market, but policies in force continued to decline. In investment, we continued to secure a positive spread despite a difficult environment. Core operating profit increased year on year, but earnings declined in real terms. The main reason, having discounted the estimated amount of payments relating to the Great East Japan Earthquake, was the decline in policies in force. With respect to equity*, the Company was obliged to reverse its reserves in line with a reduction in the corporate tax rate.

● Responses to the Great East Japan Earthquake

As a life insurance business, our mission to society is to be a source of security for customers. Nippon Life recognized this by responding fully to customers affected by the Great East Japan Earthquake. We made full payments of all accidental death benefits and other relevant claims, and quickly implemented various special measures, such as simplifying the process for claiming insurance payments and benefits. Sales representatives made a tremendous effort to check the safety of customers through face-to-face activities, and worked with customers to help them to complete application procedures for payment of insurance claims or benefits according to their situation. Their top priority was to ensure reliable and swift payments. As a result of these efforts, as of March 31, 2012, we had checked on the safety of 99.9% of our customers—380,000 people—and had paid out ¥31.5 billion in insurance payments.

Taking this situation into account, Nippon Life formulated a three-year management plan beginning in the fiscal year ending March 31, 2013 called the Future Creation Project. All Nippon Life’s executives and employees have resolved to take responsibility and execute the plan, with the goal of ending the downturn in the number of policies in force and the number of customers, further strengthening earnings power and equity and returning Nippon Life to growth.

We are also continuing our initiatives to prevent failures to pay insurance claims, specifically by putting in place a framework for this purpose. Following this effort, in December 2011, Nippon Life was relieved of an obligation to make regular reports under a business improvement order from Japan’s regulatory agency. Going forward, we will continue to entrench and disseminate the initiatives we have made in this area and make constant operational improvements from the customer’s perspective.

*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, the contingency reserve and reserve for price fluctuations in investments in securities, which are established for the corresponding risks.

At the same time, we extended grace periods for the payment of premiums for 35,000 policies, and conducted individual consultations for each policyholder at the end of the grace period to encourage them to keep up their valuable insurance coverage.

In other initiatives to support disaster-hit areas, we called on customers nationwide to cooperate in a program of making donations using their “Thanks Mile”** points in our *Zutto Motto Service* program. We also made a variety of other efforts, including making some buildings owned by the Company available for use as emergency shelters free of charge.

We will continue our care and support for the psychological well-being of our customers affected by the disaster.

**The “Thanks Mile” menu at the heart of the *Zutto Motto Service* allows policyholders to earn “Thanks Mile” points by updating information on the policyholder and their family members. Points can then be exchanged for a variety of products.

● Individual Market Sales Field

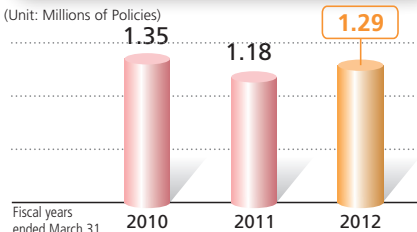
● New Policies

Number of Policies Sold

For the fiscal year ended March 31, 2012

1.29 million

(Unit: Millions of Policies)

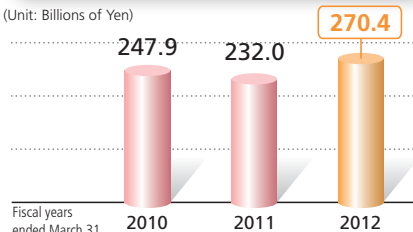


Annualized Premiums on New Policies

For the fiscal year ended March 31, 2012

¥270.4 billion

(Unit: Billions of Yen)



Amount of New Policies

For the fiscal year ended March 31, 2012

¥8,399.3 billion

(Unit: Billions of Yen)



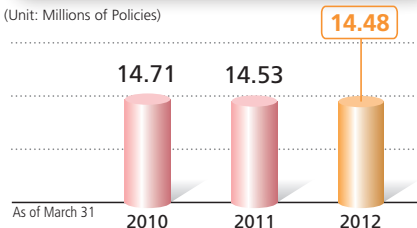
● Policies in Force

Number of Policies in Force

As of March 31, 2012

14.48 million

(Unit: Millions of Policies)



Annualized Premiums for Policies in Force

As of March 31, 2012

¥3,165.7 billion

(Unit: Billions of Yen)

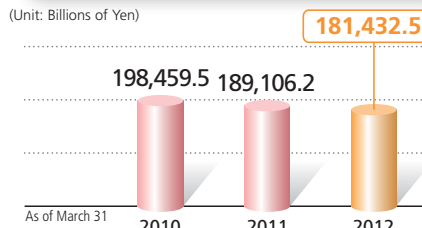


Amount of Policies in Force

As of March 31, 2012

¥181,432.5 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).

In the individual market, the number of new policy sales in the fiscal year ended March 31, 2012 rose 9.9% year on year to 1,290,000 and the amount of new policies increased 7.3% to ¥8,399.3 billion. Annualized net premiums on new policies increased 16.6% to ¥270.4 billion. These increases reflect efforts during the fiscal year to reform our activities in the lead up to the full-scale start of the New Integration Strategy by expanding the scale of customer data collection and the volume of proposals. Another factor in the increases was the success of our customer segment-based strategies, focusing on specific segments such as seniors and retirement-age people, women, and so on.

The policy retention rate after one year*1 was 93.6%, an increase of 0.1 of a percentage point from the previous fiscal year, reflecting a steady increase in the quality of new policies.

Turning to policies in force, however, the situation remains harsh, as the number of new policies continued to fall below the decline in the number of policies overall. As a result, although annualized premiums on March 31, 2012 had risen 0.8% year on year to ¥3,165.7 billion, marking the first increase since the disclosure of 2004, the number of policies in force had declined by 0.3% year on year to 14.48 million, and the amount of policies in force had decreased by 4.1% year on year to ¥181,432.5 billion.

The number of registered sales representatives*2 on March 31, 2012 had increased by only 126 from the previous fiscal year-end to 47,250.

Moreover, core personnel with notably strong sales and service capabilities had declined by 387 from the previous fiscal year to 8,845. We will tackle this issue head on, putting extra effort into recruitment activities and developing long-term, reliable sales representatives through our Employee Development Promotion Department with the goal of rebuilding our sales force to a team 50,000 strong as quickly as possible.

In the agency channel, the number of agencies*3 on March 31, 2012 had increased by 778 from the previous fiscal year-end to 10,712, with a corresponding increase in the number of new policies. We will reinforce the support for our agencies in order to achieve further gains in the productivity of each agent.

In the bank assurance channel, premium income for the fiscal year increased 30.5% year on year to ¥590.1 billion thanks to sales growth for single-payment whole life insurance policy *Yume no Katachi*, which is designed to meet customers' needs involving inheritance and other matters. We will increase our sales support for financial institutions going forward to widen our customer base even further.

*1 The retention rate refers to the ratio of policies that are continued after a certain period without being cancelled. This metric is used to indicate the quality of new policies. The retention rate mentioned in this report is calculated from the policy amount.

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

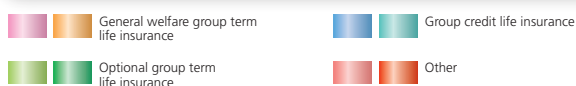
*3 Sales agencies do not include banks or financial institutions that perform agency sales.

● Corporate Market Sales Field

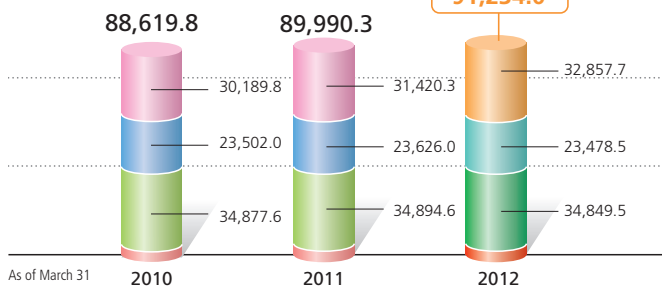
Amount of Group Insurance Policies in Force

As of March 31, 2012

¥91,234.0 billion



(Unit: Billions of Yen)



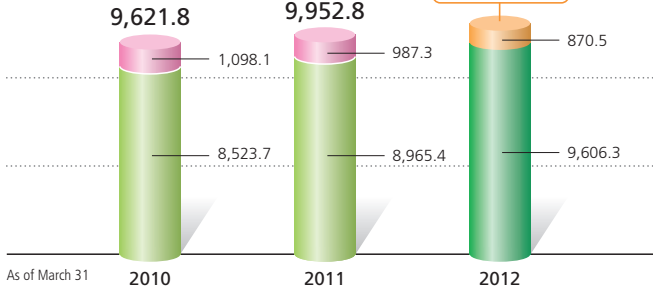
Amount of Group Annuities in Force (Policy Reserves Amount*)

As of March 31, 2012

¥10,476.9 billion



(Unit: Billions of Yen)



As of March 31

*Policy reserves amount are reserves for future insurance claims, annuity and benefit payments, accumulated through insurance premiums and investment returns.

In the corporate market, group insurance policies in force as of March 31, 2012 had increased 1.4% year on year to ¥91,234.0 billion. This firm growth was driven by consulting services that matched the needs of companies. Meanwhile, group annuity assets had increased 5.3% year on year to ¥10,476.9 billion. Including Nissay Asset Management and other Nippon Life Group companies, group annuity assets for the entire Nippon Life Group had increased 3.0% year on year to ¥11,898.5 billion. To increase sales in this segment even further, we will promote consulting

activities relating to employee benefit and welfare programs in general.

Japan terminated the approved retirement annuity system on March 31, 2012. To meet its obligations as a company that is responsible for many of these plans, Nippon Life has been diligently consulting with clients on an individual basis about making the transition to different pension plans. We have helped all of the roughly 15,000 customers whose approved annuity plans we had been responsible for to complete their transition by March 31, 2012.

The Fiscal Year Ended March 31, 2012 Total Payments of Insurance Claims, Annuities and Benefits

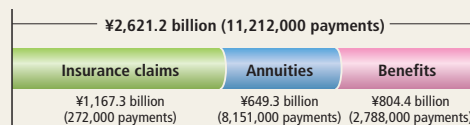
Total payments of insurance claims, annuities and benefits (total for individuals and companies) were ¥2,621.2 billion in the fiscal year ended March 31, 2012. (The total number of payments stood at 11,212,000.) Nippon Life is committed to continuing to make payments with speed and reliability.

[Total amount]

¥2,621.2 billion

[Number of payments]

11,212,000



● Investment Field

The environment for investment was extremely challenging in the fiscal year ended March 31, 2012. Interest rates remained low, while stock prices and exchange rates finished the year at roughly the same levels as the start of it. During the year, however, stock prices and exchange rates became highly volatile due to the sovereign debt issue in Europe, concerns of a downturn in the global economy and other factors.

Nippon Life replaced and increased investment in domestic and foreign bonds, and achieved interest, dividends and other income for the fiscal year of ¥1,198.1 billion, substantially the same level year on year at a decrease of 0.5%. We also maintained a positive spread again for a second year running. We recorded an overall capital loss for the fiscal year due to an increase in expenses for responding to highly volatile foreign exchange markets and other factors, even as we carefully timed sales of mainly Japanese stocks to market trends in order to lock in capital gains.

[Main Investment-Related Revenues and Expenditures]

(Unit: Billions of Yen, %)

| Fiscal years ended March 31 | 2012 | Rate of increase | 2011 | 2010 |
|--|----------|------------------|----------|----------|
| Investment income | ¥1,459.9 | (5.1)% | ¥1,538.3 | ¥1,555.1 |
| Interest, dividends, and other income | 1,198.1 | (0.5) | 1,204.6 | 1,119.5 |
| Gain on sales of securities | 233.9 | (29.3) | 330.8 | 185.4 |
| Gain from separate accounts, net | 18.6 | — | — | 200.1 |
| Investment expenses | 414.4 | (22.7) | 535.9 | 296.0 |
| Loss on sales of securities | 154.0 | (39.1) | 253.0 | 123.6 |
| Loss on valuation of securities | 29.3 | (79.1) | 140.2 | 81.8 |
| Loss from separate accounts, net | — | — | 34.8 | — |
| Net proceeds from investments | 1,045.4 | 4.3 | 1,002.4 | 1,259.0 |
| Proceeds from investments in the general account | 1,026.8 | (1.0) | 1,037.2 | 1,058.9 |

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

● Administrative Operations, IT Systems and Customer Services

Nippon Life introduced several initiatives to prepare new administrative systems ahead of the full-scale launch of the New Integration Strategy. We recognized the importance of having administrative and sales functions work together to deliver enhanced customer services. To this end, we promoted cashless payment of premiums, gathered customer information and stepped up our proposals to help increase the quantity and quality of consulting activities. We also set out Company-wide targets for various services and activities, and continued and enhanced various initiatives.

We also sought to transform the way that personnel engaged in insurance administrative operations work (please see page 40 for further

details). To promote this change we conducted continuous training to give these employees the skills needed to provide customers with the high-added-value services they require.

We have thoroughly prepared the systems supporting our New Integration Strategy. From April 2012, we have migrated to a new core IT system, a large system spanning an extensive range of operations. In preparation for this move, a team of around 3,000 people worked on system development at Group company Nissay Information Technology Co., Ltd. At the same time, we also controlled the progress of systems development at the management level. As a result, we achieved a smooth changeover to the new system, which is operating steadily as planned.

● Overseas Operations and Alliances

In July 2011, Nippon Life invested in convertible subordinated notes issued by a wholly owned subsidiary of Allianz SE, one of the leading integrated financial services providers in the world. We were also active in Asia, with its prospects for strong growth in the years ahead. In October 2011, we invested in Reliance Life Insurance Company Limited, which is part of the Reliance Group, one of the largest business houses in India. In January 2012, we concluded an agreement to invest in Reliance Capital

Asset Management Limited. In March 2012, we invested in AIA Group Limited, one of Asia's leading insurance groups, and signed a memorandum of understanding with them regarding a business alliance.

We will continue to build relationships of trust with leading companies in each country, and expand our network of alliances in the insurance and asset management businesses through cooperation, personnel exchange and other measures.

● Revenues and Expenditures and Financial Condition

Core operating profit for the year ended March 31, 2012 rose 5.4% year on year to ¥544.3 billion. However, in real terms income declined. In the end-of-year financial accounts for the previous fiscal year, a reserve of ¥42.6 billion was set aside as an estimated amount for payments due to the Great East Japan Earthquake. In the event, however, the amount of insurance payments for the fiscal year under review was less than expected, so that part of the reserve amount was reversed, boosting the core operating profit result.

In regard to equity, Nippon Life solicited an additional ¥100 billion of foundation funds (*kikin*) in August 2011. On the other hand, we recorded a combined ¥59.3 billion reversal of the contingency reserve and the reserve for price fluctuations in investments in securities due to the lowering of the corporate tax rate and other factors. As a result, equity was ¥2,824.1 billion as of March 31, 2012, an increase of ¥56.7 billion year on year. Recent events such as the financial crisis and the Great East Japan Earthquake have obliged us to repeatedly reverse our reserves. Meanwhile, deterioration in market conditions since the financial crisis along with global moves to tighten capital restrictions are increasing the need to further strengthen equity to prepare for a variety of risks.

With respect to dividends paid on insurance policies for the fiscal year ended March 31, 2012, Nippon Life decided to reduce some

provisions for the dividend on individual policies for the fiscal year in light of continuing historically low interest rates and uncertainty in the outlook for the investment environment. We maintained dividends on group policies at the same level as the previous fiscal year, and paid dividends on group annuities as dictated by the relevant rules.

[Equity Replacement Ratio]

(Unit: Billions of Yen, %)

| As of March 31 | 2012 | Amount of increase | 2011 | 2010 |
|---|----------|--------------------|----------|----------|
| Foundation funds (<i>kikin</i>) and reserves | ¥2,824.1 | ¥ 56.7 | ¥2,767.3 | ¥2,805.8 |
| Net assets | 1,371.6 | 103.6 | 1,268.0 | 1,217.2 |
| Liabilities | 1,452.4 | (46.8) | 1,499.2 | 1,588.5 |
| Contingency reserve | 775.6 | (46.1) | 821.7 | 864.4 |
| Reserve for price fluctuations in investments in securities | ¥ 333.7 | ¥ (13.2) | ¥ 347.0 | ¥ 398.0 |
| Equity replacement ratio | 63% | — | 61% | 64% |

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 2012 and 2011, and ¥4.4 trillion at the end of March 2010), 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 | 2012 | Amount of increase | 2011 | 2010 |
|--|--------|--------------------|--------|--------|
| Provision for reserve for policyholder dividends ① | ¥167.3 | ¥(8.2) | ¥175.5 | ¥199.1 |
| Increased amount of foundation funds (<i>kikin</i>) and reserves | 6.7 | — | — | 101.9 |
| Total ② | ¥174.0 | ¥(1.4) | ¥175.5 | ¥301.1 |
| Dividend payout ratio ①/② | 96% | — | 100% | 66% |

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).

[Ordinary Profit]

(Unit: Billions of Yen, %)

| Fiscal years ended March 31 | 2012 | Rate of increase | 2011 | 2010 |
|-----------------------------|---------|------------------|---------|---------|
| Core operating profit | ¥ 544.3 | 5.4% | ¥ 516.3 | ¥ 505.0 |
| Capital gain/loss | (113.7) | — | (97.8) | 14.7 |
| Non-recurring gain/loss | 51.0 | — | (187.3) | (226.2) |
| Ordinary profit | ¥ 481.5 | 108.4% | ¥ 231.0 | ¥ 293.5 |

Notes: 1. Core operating profit + capital gain/loss + non-recurring gain/loss = ordinary profit
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.

● Main Balance Sheet Items (Non-Consolidated Basis)

(Unit: Billions of Yen)

| As of March 31 | 2012 |
|--|------------------|
| Total assets | ¥51,009.4 |
| Cash and deposits | 422.2 |
| Call loans | 212.3 |
| Receivables under securities borrowing transactions | 211.9 |
| Monetary receivables purchased | 883.0 |
| Investments in securities: | 37,522.7 |
| Domestic bonds | 19,470.4 |
| Domestic stocks | 6,071.8 |
| Foreign securities | 11,608.2 |
| Loans: | 8,721.6 |
| Policy loans | 896.3 |
| Industrial and consumer loans | 7,825.2 |
| Tangible fixed assets | 1,750.4 |
| Intangible fixed assets | 200.1 |
| Reinsurance receivables | 0.2 |
| Other assets | 604.9 |
| Deferred tax assets | 466.9 |
| Customers' liability for acceptances and guarantees | 26.7 |
| Allowance for doubtful accounts | (13.8) |
| Total liabilities | 48,519.2 |
| Policy reserves and other reserves: | 45,775.0 |
| Reserve for outstanding claims | 206.6 |
| Policy reserves | 44,448.0 |
| Reserve for dividends to policyholders | 1,120.3 |
| Reinsurance payables | 0.3 |
| Other liabilities | 1,790.4 |
| Accrued bonuses for directors and corporate auditors | 0.0 |
| Accrued retirement benefits | 437.4 |
| Accrued retirement benefits for directors and corporate auditors | 4.5 |
| Reserve for program points | 7.2 |
| Accrued losses from supporting closely related companies | 0.3 |
| Reserve for loss on disaster | 0.7 |
| Reserve for price fluctuations in investments in securities | 333.7 |
| Deferred tax liabilities for land revaluation | 142.4 |
| Acceptances and guarantees | 26.7 |
| Total net assets | 2,490.1 |
| Foundation funds ① | 300.0 |
| Reserve for redemption of foundation funds ② | 900.0 |
| Reserve for revaluation ③ | 0.6 |
| Total surplus ④: | 342.2 |
| Legal reserve for deficiencies | 11.8 |
| Other surplus reserve | 330.3 |
| Unappropriated surplus | 226.3 |
| Total foundation funds and others (=①+②+③+④) | 1,542.9 |
| Net unrealized gains on available-for-sale securities, net of tax ⑤ | 1,021.7 |
| Deferred losses on derivatives under hedge accounting ⑥ | (6.9) |
| Land revaluation differences ⑦ | (67.5) |
| Total valuations, conversions and others (=⑤+⑥+⑦) | 947.2 |
| Total liabilities and net assets | 51,009.4 |

Total Assets

Total assets as of March 31, 2012 were ¥51,009.4 billion, with total general and separate account assets of ¥49,862.7 billion and ¥1,146.6 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 stable yen-denominated return. Also, within the range of allowable risks, Nippon Life invests in domestic stocks, foreign securities and other securities. As of March 31, 2012, total investments in securities amounted to ¥37,522.7 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, 2012, net unrealized gains on available-for-sale securities, net of tax, was ¥2,704.2 billion.

Loans

Loans 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 stood at ¥8,721.6 billion as of March 31, 2012.

Tangible Fixed Assets

Tangible fixed assets include land, buildings, lease assets, construction in progress and movables. As of March 31, 2012, the balance amounted to ¥1,750.4 billion.

Deferred Tax Assets

Deferred tax assets arise due to deferred processing of prepaid taxes that belong to a future accounting period. Deferred tax assets have decreased due to a reduction in the corporate tax rate.

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, 2012, policy reserves stood at ¥44,448.0 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, 2012, the reserve for price fluctuations in investments in securities stood at ¥333.7 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 Act 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, 2012, Nippon Life redeemed ¥50.0 billion in foundation funds (*kikin*) that it had solicited and newly solicited ¥100.0 billion. As a result, foundation funds (*kikin*) and reserve for redemption of foundation funds amounted to ¥300.0 billion and ¥900.0 billion, respectively.

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

(Unit: Billions of Yen)

| Fiscal year ended March 31 | 2012 |
|---|-----------------|
| ① Ordinary income: | ¥7,074.9 |
| Revenues from insurance and reinsurance: | 5,368.2 |
| Insurance premiums | 5,367.3 |
| Investment income: | 1,459.9 |
| Interest, dividends and other income | 1,198.1 |
| Gain on sales of securities | 233.9 |
| Other ordinary income | 246.7 |
| ② Ordinary expenses: | 6,593.4 |
| Benefits and other payments: | 3,886.7 |
| Death and other claims | 1,167.3 |
| Annuity payments | 649.3 |
| Health and other benefits | 804.4 |
| Surrender benefits | 1,011.2 |
| Other refunds | 252.9 |
| Provision for policy reserves: | 1,368.2 |
| Provision for policy reserves | 1,341.1 |
| Provision for interest on reserve for dividends to policyholders | 27.0 |
| Investment expenses: | 414.4 |
| Interest expenses | 2.6 |
| Loss on sales of securities | 154.0 |
| Loss on valuation of securities | 29.3 |
| Loss on derivative financial instruments, net | 157.9 |
| Operating expenses | 572.0 |
| Other ordinary expenses | 351.9 |
| ③ Ordinary profit (=①-②) | 481.5 |
| ④ Extraordinary gains: | 13.7 |
| Gain on disposals of fixed assets | 0.0 |
| Reversal of reserve for price fluctuations in investments in securities | 13.2 |
| Reversal for reserve for loss on disaster | 0.3 |
| ⑤ Extraordinary losses: | 22.4 |
| Loss on disposals of fixed assets | 7.0 |
| Impairment losses | 13.9 |
| Contributions for assisting social public welfare | 1.4 |
| ⑥ Extraordinary gains (losses) (=④-⑤) | (8.7) |
| ⑦ Surplus before income taxes (=③+⑥): | 472.8 |
| Income taxes, current | 28.8 |
| Income taxes, deferred | 222.1 |
| ⑧ Income tax—total | 250.9 |
| ⑨ Net surplus (=⑦-⑧) | 221.8 |

Revenues from Insurance and Reinsurance

Comprising insurance and reinsurance premiums paid by policyholders, revenues from insurance and reinsurance for the fiscal year ended March 31, 2012 was ¥5,368.2 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, 2012, investment income totaled ¥1,459.9 billion.

Benefits 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, 2012, benefits and other payments were ¥3,886.7 billion.

Provision for Policy Reserves

Provision for policy reserves, which are reserves shown on the balance sheets, is recorded on the statements of income. For the fiscal year ended March 31, 2012, provision for policy reserves totaled ¥1,341.1 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, 2012, investment expenses amounted to ¥414.4 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 statements of income. For the fiscal year ended March 31, 2012, reversal of reserve for price fluctuations in investments in securities totaled ¥13.2 billion.

Income Taxes, Deferred

Income taxes, deferred were ¥222.1 billion, including an impact of ¥147.9 billion from the decrease in deferred tax assets due to the reduction in the corporate tax rate.

Net Surplus

This item represents ordinary profit after accounting for extraordinary gains and losses, income taxes and other items. The net surplus for the fiscal year ended March 31, 2012 totaled ¥221.8 billion.

● Risk Management and Compliance

The insurance business is about taking responsibility for covering customers against future events. Risk management plays an integral role in this. Nippon Life takes an integrated approach to risk management, monitoring and managing a variety of risks including underwriting risk and risks associated with investment, operations, and computer systems.

● Management Policy Ahead

Nippon Life has formulated a three-year management plan for the three years from the fiscal year ending March 31, 2013, called the Future Creation Project. The goals of the plan are to stop the downturn in policies in force and customer numbers, further strengthen earnings power and equity, and achieve a return to growth. The plan is based on three core strategies: 1) increase sales, 2) build a stronger base for financial soundness and profitability, and 3) develop human resources.

Increasing Sales—Providing Comprehensive Insurance Services Tailored to Individual Customers' Needs

To prepare for the full-scale start of the New Integration Strategy in April 2012, we undertook a complete reexamination of our insurance-related systems from the customer's standpoint and fundamentally overhauled our IT system infrastructure. We channeled these efforts into the development of new products and services that combine innovation and flexibility.

Going forward, we will utilize these new products and services to advance our customer segment-based strategy in the face-to-face channel, with the goal of providing comprehensive insurance services tailored to each life stage of each individual customer.

Moreover, while our sales representatives will remain our core channel, we will also strengthen our other sales and service channels, which are developing on multiple fronts including the Nissay Life Plaza, sales agencies and bank assurance channels, by reforming their activities. We will functionally integrate all the channels from the customer's perspective, approaching this task from multiple aspects.

Specifically, beginning with products, we simplified each type of protection to make it easy to understand. While enhancing the protection content, we separated out each kind of protection, and allowed them to be combined freely as required*¹. Using this new system, we will propose optimal insurance plans for each customer segment, offer flexibility for adding or changing coverage after enrollment, and propose revisions to the plans in line with customers' changing life stages. On the services front, we will offer enhanced services after enrollment, such as the new *Care Guidance Service**² for nursing care services.

In integrating our channels, sales representatives and corporate sales representatives are working together to cultivate the worksite market, while sales representatives have also formed links with the Internet channel to contact new customers, respond to policies reaching maturation in the bank assurance and Life Plaza channels, and take other initiatives from the customer's perspective.

In these ways, we will maintain the quality of our policies and achieve a return to the top position in share of new policies and a turnaround in the numbers of policies in force and customers.

Nippon Life has also been working to further instill compliance in everyday operations throughout the Company. As part of this, every department formulates implementation plans called compliance programs.

Nippon Life will continue its efforts to advance risk management and promote compliance even further.

Strengthen Financial Soundness and Profitability—Making Nippon Life Even More Reliable

The market environment today is harsh and the outlook unclear. Interest rates continue at historic lows, while the financial crisis of 2008 has sent stock prices tumbling while the yen soars. To be prepared for even more events in this chain of calamity, Nippon Life has committed itself to building a foundation for expanding its earnings over the long term.

In terms of investment, we aim to secure stable investment returns. To this end, we will continue to take a long-term view in selecting stocks and employ rigorous risk management in structuring our diverse portfolio.

And, by enhancing our earning power through the aforementioned expansion of sales volume and increases in operational cost efficiency in every field, we will restore equity to the ¥3,000 billion level.

We will also step up our efforts to expand future earnings, such as using equity to make strategic investments in overseas expansion and strengthening the asset management business.

Development of Human Resources—The Cornerstone of Customer Trust

To realize the full benefits of the infrastructure innovations that have been made in preparation for the full-scale start of the New Integration Strategy, it is vital that we reform the way that all employees approach their work.

In the core sales representative channel, we will continue to promote customer segment-based strategies, while pursuing a business activity innovation drive. We will also focus on developing the next generation of core personnel. To this end, we are working particularly with the top echelon of sales representatives who have been recruited within the past five years. We will cultivate them through training programs run by the Employee Development Promotion Department launched in the fiscal year ended March 31, 2012 and sales activities focused mainly on the worksite market. We refer to this segment of high-performing employees as our "Hatsuratsu Winds."

For personnel engaged in insurance administrative operations, we have revamped the workflow to achieve greater efficiency and shifted these personnel to front-line roles to enhance customer service. For example, they can use their knowledge of administrative operations to provide explanations to customers at the point of enrollment.

*¹ These new products were launched as *Mirai no Katachi* on April 2, 2012.

*² This service was launched on April 2, 2012 especially for policyholders and persons insured with nursing care insurance. The service involves a visit to the customer at their home by a specialist for a consultation about nursing care. The consultation is not only for policyholders and the person insured, but also for their spouses or parents.