Stable Payout and Enhancement of Dividends to Policy Holders

Making Continuous Efforts to Enhance Stable Dividends to Policyholders

Nippon Life, as a mutual company, aims to pay a stable dividend, while continuing to enhance the level of dividends over the medium- to long-term.

In the fiscal year ended March 31, 2014, we maintained dividends for individual insurance and individual annuities at the same level given the continuing low interest rates. However, in response to improvements in income and expenses, we have begun to accumulate an equalized reserve for dividends to policyholders*, and we will strive to ensure the stability and enhancement of dividends in the future.

* Refers to the voluntary reserve for stabilizing the amount of dividends paid from surplus to policyholders provided in Article 30, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

Policyholder Dividends in Mutual Companies

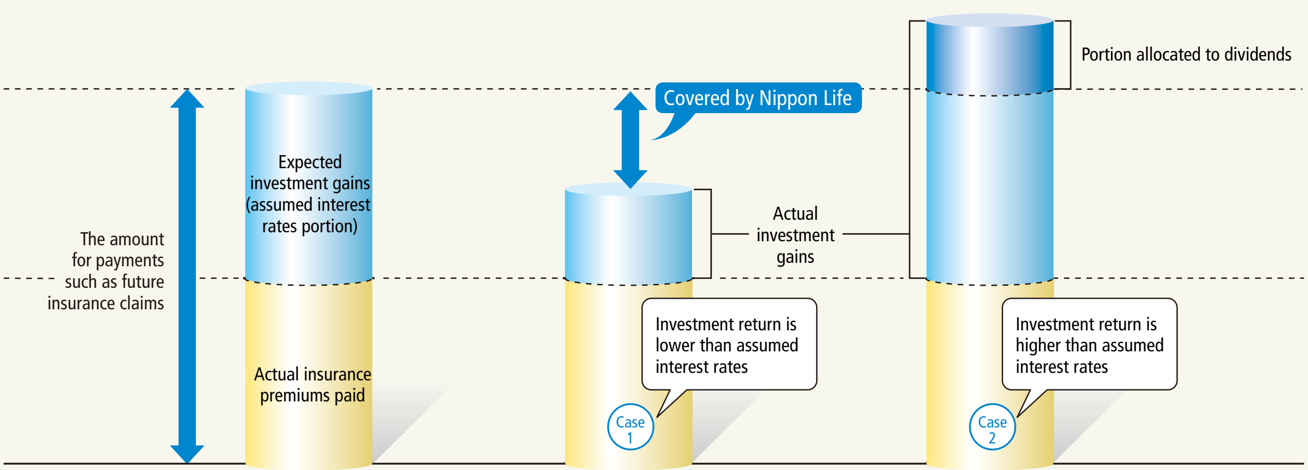
Life insurance premiums are generally calculated based upon expected rates, including rates of interest and mortality. However, because life insurance contracts are long-term agreements, actual conditions may differ from expectations due to changes in the economic environment, increasing management efficiency, or other factors.

Life insurance contracts can be broadly classified into two categories, namely "participating insurance," where dividend payments are distributed, and "non-participating insurance," where no dividend payments are distributed. In the event that a surplus is generated by the difference between expectations and actual conditions in participating insurance, the increase is deemed to be distributable to policyholders based on policy terms as policyholder dividends. In fact, policyholder dividends could be classified, by nature, as the post-settlement of insurance premiums that were originally calculated based upon assumed rates.

Nippon Life employs a mutual company format in which all policyholders (excluding non-participating insurance policyholders) are counted as members of the Company. In addition to the accumulation of equity, the majority of the surplus is returned to policyholders as participating policyholder dividends.

Dividend Framework

The chart below shows the framework for dividends based on assumed rates. Insurance premiums are calculated while discounting investment gains based on assumed rates. Even if actual investment profits are lower than expected, as in Case 1 below, Nippon Life guarantees this discount on insurance premiums to stay the same.



Please see page 80, of the Policy Details Reminder, which is sent out each year to every customer.

Aiming to Maximize Policyholder Interests

Life insurance policies are long-term contracts extending from the initial enrollment to the receipt of claims and benefits or other events. Nippon Life is dedicated to fulfilling its responsibility to provide coverage to policyholders in the future by paying claims and benefits, and we will therefore focus on building up equity.

At the same time, we also endeavor to pay dividends to policyholders each year.

While striving to maintain a balance between increasing our equity and ensuring stability and enhancement of dividends, we also seek to maximize policyholder interests from a long-term perspective.

Ratio of Equity to Optimum Equity

As of March 31, 2014

$$\frac{\text{Equity [¥3,579.9 billion]}}{\text{Optimum Equity [¥4,400.0 billion]}} = 81\%$$

The equity replacement ratio is the ratio of equity to optimum equity. Equity gives Nippon Life the sound base of operations needed to pay claims and benefits as stipulated in policies even under unusually difficult operating conditions. Examples of risks include a sharp drop in stock prices, very low interest rates for many years, or a major natural disaster. Nippon Life is increasing its equity, which totaled ¥3,579.9 billion on March 31, 2014.

For optimum equity, our goal as of March 31, 2014 is approximately ¥4,400.0 billion based on a rigorous evaluation of business risks. The ratio of equity to optimum equity was 81% as of March 31, 2014. We plan to continue to increase the equity while maintaining the proper balance with dividends to policyholders.

Optimum Equity: The total amount of risk calculated based on Nippon Life's policies in force and asset portfolio. This calculation takes into account the risk of losses on stocks, assuming stock prices will see further sharp declines from the moment they begin to drop and until unrealized gains on stocks become zero, as well as the present assessed value of the future negative spread based on the assumption that large scale natural disasters will cause the amount of such payments as claims to increase and that tough conditions with low interest rates will prevail.

Ratio of Reserve for Policyholder Dividends to Available Financial Resources

Fiscal year ended March 31, 2014

$$\frac{\text{Reserve for Policyholder Dividends (including equalized reserve for dividends to policyholders) [¥251.7 billion]}}{\text{Available Financial Resources [¥708.6 billion]}} = 36\%$$

For fiscal 2013, the ratio of the reserve for policyholder dividends, etc., which is the sum of the reserve for policy holder dividends and the amount of equalized reserve for policyholder dividends, to available financial resources, which is the sum of the reserve for policyholder dividends and the addition to foundation funds (*kikin*) and reserves, was 36%.

Our medium- and long-term goal is to maintain a high ratio of the reserve for policyholder dividends, etc., to available funds, although there are short-term fluctuations in the ratio.

Nippon Life will strive to pay dividends to policyholders in each year while increasing equity, which is the foundation for future dividends. By using this approach, we are determined to maximize total policyholder interests today and in the future.