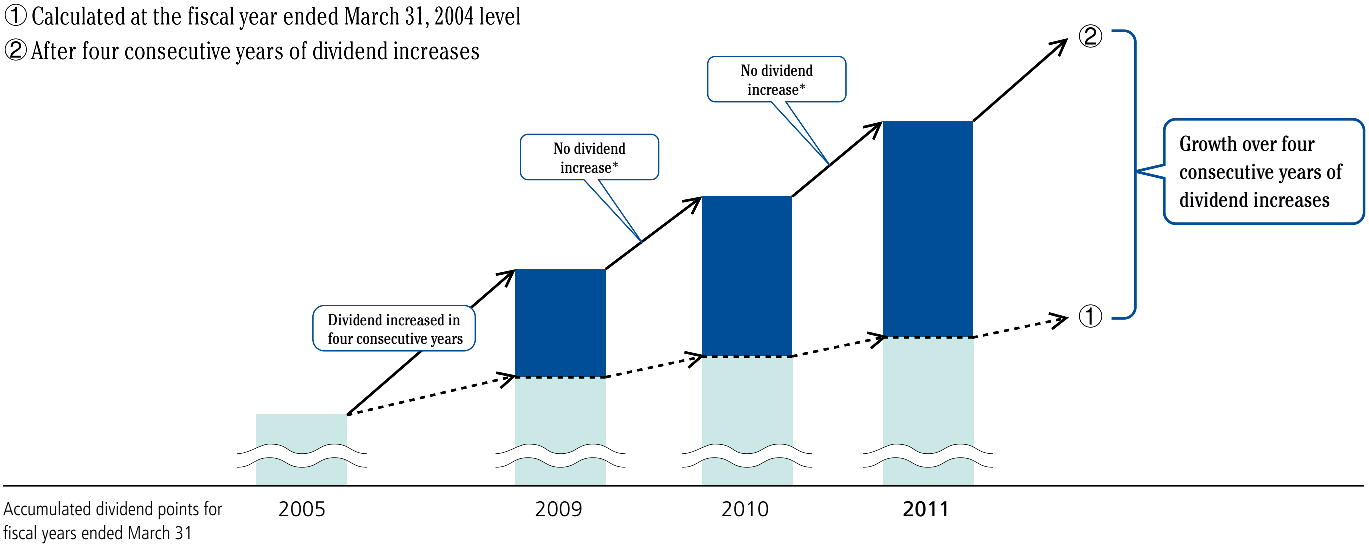
## ■ Making Continuous Efforts to Provide Stable Dividends to Policyholders

Nippon Life, as a mutual company, has set the steady enhancement of stable dividend payouts in the medium to long term as one of its business goals. We raised asset dividends for individual insurance and individual annuities in four consecutive years, from the fiscal year ended March 31, 2005.

Despite the difficult overall revenue and expenditure conditions, in the fiscal year ended March 31, 2010, Nippon Life maintained the same level of dividend payouts for individual insurance and individual annuities as in the previous fiscal year, based on a policy of continuing to pay out dividends on a stable basis. Schematic of "Higher Dividends for Longer Participation" Points System.

**Growth in Points for Higher Dividends for Longer Participation (*Ex* Series policies since April 2, 1999)**




*Dividend points are higher than the level based on the dividend paid for the fiscal year ended March 31, 2004 because of the four consecutive years of dividend hikes.

## 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. In the event that a surplus is generated by the difference between expectations and actual conditions, the increase is deemed to be cash to be distributed to policyholders based on policy terms as policyholder dividends.

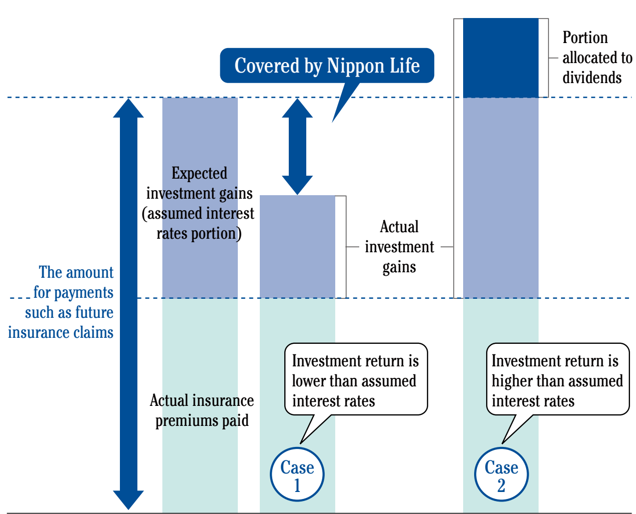
In fact, policyholder dividends could be classified, by nature, as the post-settlement of insurance premiums that were originally calculated based upon assumed rates.

Life insurance contracts can be broadly classified into two categories, namely "participating insurance," where dividend payments are distributed, and "nonparticipating insurance," where no dividend payments are distributed.

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 foundation funds (*kikin*) and reserves, the majority of the surplus is returned to participating insurance policyholders as 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 Policy Details Reminder on page 60, 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. We take steps to increase policyholder dividends, including continuous efforts to strengthen foundation funds (*kikin*) and reserves (collectively, equity), which is the foundation for future dividends.

Increasing dividends and strengthening equity are medium- and long-term goals of Nippon Life. We conduct business operations while maintaining the proper balance between these two items. With respect to these goals, we announce our dividend payout ratio and equity replacement ratio. These two figures show policyholders the progress we have made toward achieving our goals of increasing dividends and strengthening equity. In addition, these figures allow policyholders to confirm that we are not placing too much emphasis on dividends or equity.

Nippon Life pays dividends to policyholders in each year while increasing foundation funds (*kikin*) and reserves, which is the foundation for future dividends. By using this approach, we are determined to maximize total policyholder interests today and in the future.

Fiscal year ended March 31, 2010

**Dividend Payout Ratio** = **66%** (100% for the fiscal year ended March 31, 2009)

$$\frac{\text{Reserve for Policyholder Dividends}}{\text{Available Financial Resources}} = \frac{\text{¥199.1 billion}}{\text{¥301.1 billion}}$$

The dividend payout ratio is the ratio of the 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. In each fiscal year, we maintain the proper balance between the reserve for policyholder dividends and to foundation funds (*kikin*) and reserves.

To achieve this balance, we take steps to make suitable dividend payments to policyholders each year while increasing foundation funds (*kikin*) and reserves, which is the foundation for future dividends. We use this approach to maximize total policyholder interests over the present and future. Our medium- and long-term goal is to maintain a high level of dividend payments, although there are short-term fluctuations in the dividend payout ratio. In the fiscal year ended March 31, 2010, we added ¥199.1 billion to the reserve for policyholder dividends and increased available financial resources by ¥301.1 billion, resulting in a dividend payout ratio of 66%.

In the fiscal year ended March 31, 2009, the dividend payout ratio was 100% as there was no increase in foundation funds (*kikin*) and reserves because of low earnings in this fiscal year.

As of March 31, 2010

**Equity Replacement Ratio** = **64%** (61% as of March 31, 2009)

$$\frac{\text{Foundation Funds (\textit{Kikin}) and Reserves}}{\text{Optimum Equity}} = \frac{\text{¥2,805.8 billion}}{\text{¥4,400.0 billion}}$$

The equity replacement ratio is the ratio of foundation funds (*kikin*) and reserves to optimum equity. Using the broad interpretation of equity, Nippon Life is increasing its foundation funds (*kikin*) and reserves, which totaled ¥2,805.8 billion on March 31, 2010. This 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 and a major natural disaster.

For optimum equity, our medium- and long-term goal as of March 31, 2010 is ¥4,400 billion based on a rigorous evaluation of business risks. Reaching this goal will give Nippon Life one of the highest equity ratios among the world's life insurance companies. The equity replacement ratio, which was 64% on March 31, 2010, shows our progress toward achieving the optimum equity goal. We plan to continue to increase the equity replacement ratio while maintaining the proper balance with measures to increase 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.