

Strengthening Equity

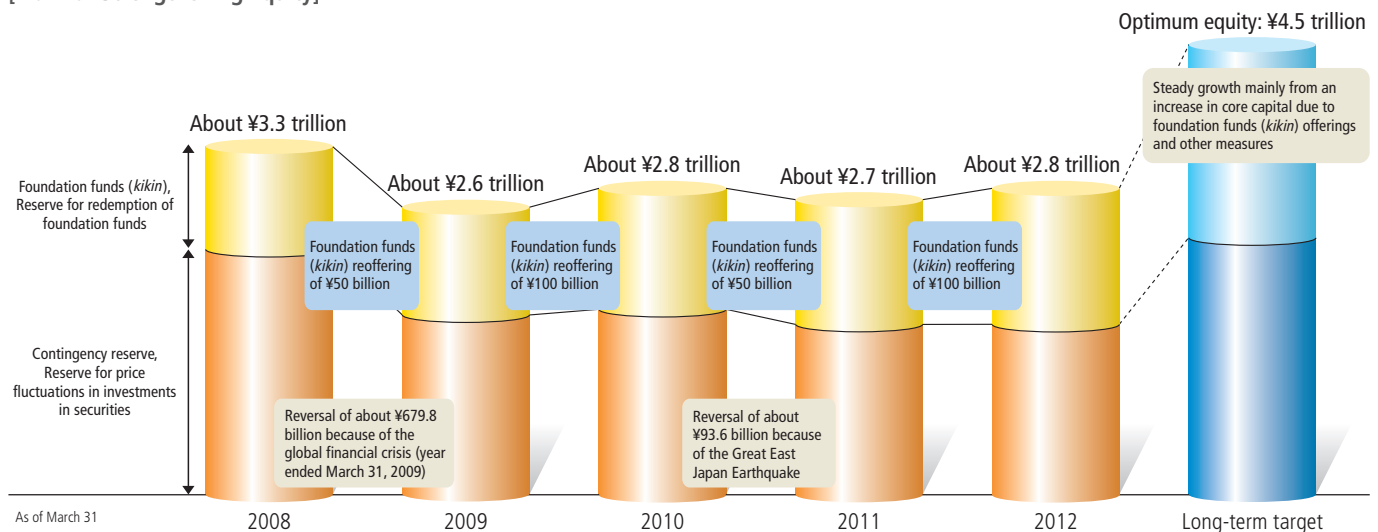
Our Commitment to Increasing Equity

Nippon Life believes that fulfilling the responsibility to provide long-term protection for customers is its primary mission as a life insurance company. Due to the long-term nature of life insurance policies, we must take into account the possibility of a crisis that is worse than we can predict. A major natural disaster or historic drop in stock prices are two examples of such risks. Equity provides the financial foundation for

making insurance claims and benefit payments as stipulated in policies even after a crisis of unexpected magnitude. In addition, investment income from equity is one source of funds for dividend payments. This is why we believe that strengthening equity is essential to establishing Nippon Life as a company of excellence in “financial soundness.”

Measures to Increase Equity

[Plan for Strengthening Equity]



Equity is the sum of foundation funds and the reserve for redemption of foundation funds, which are included in net assets on the balance sheets, and the contingency reserve and reserve for price fluctuations in investments in securities, which are included in liabilities on the balance sheets. Equity is also called foundation funds (*kikin*) and reserves (see p. 31). We have strengthened equity by taking steps such as using annual earnings to increase reserves and conducting issuance of foundation funds, which is the core capital of a mutual company. We believe that

these continuous steps have enabled us to strongly rise above emergencies such as the global financial crisis in fiscal 2008 and the Great East Japan Earthquake in fiscal 2010.

We will continue to take actions to increase foundation funds (*kikin*) and reserves. Our long-term target is ¥4,500 billion, which was our optimum equity (see p. 25) as of March 31, 2012. This represents our required level of equity based on a stringent evaluation of risk.

Foundation Funds (*Kikin*)

The Insurance Business Act allows mutual companies to procure funds by selling foundation funds (*kikin*). These funds are similar to loans because an interest payment, maturity date and other items must be established when an offering is conducted. If there is a bankruptcy or similar event, repayment of the principal and interest for foundation funds (*kikin*) is subordinate to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. In addition,

upon the redemption of foundation funds (*kikin*), mutual companies are required to make an addition to the reserve for redemption of foundation funds, which serves as retained earnings, that is equal to the amount redeemed. As a result, the full amount of foundation funds (*kikin*) remains in equity even after redemption. Foundation funds (*kikin*) are therefore positioned as a mutual company’s core capital, which is equivalent to the capital of a joint-stock company.

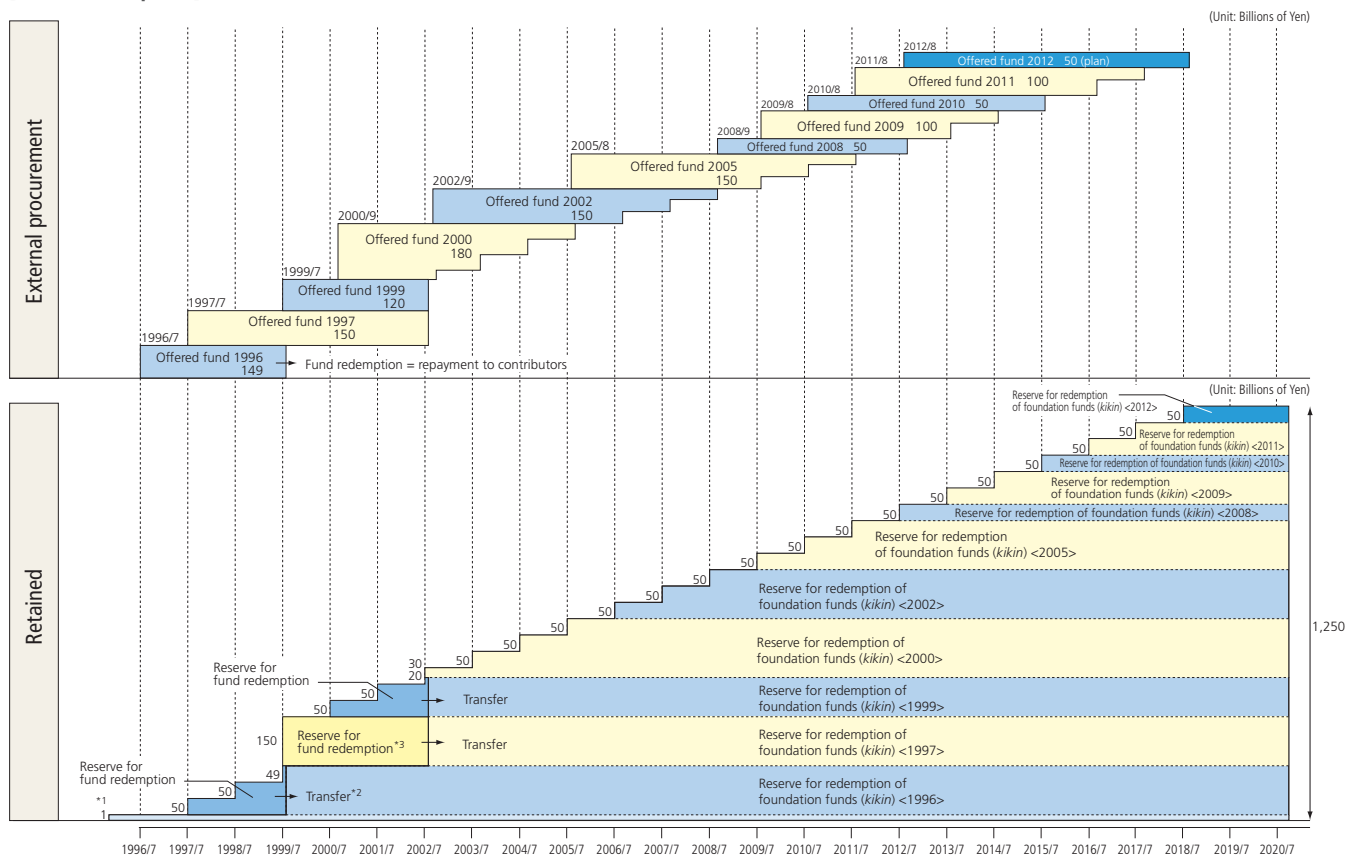
● Foundation Funds (*Kikin*) Status

We solicit foundation funds (*kikin*) in order to enhance our ability to respond to risk. As a result of reoffering funds ten times since revisions were made to the Insurance Business Act in 1996, our total foundation funds (*kikin*), including funds and the reserve for redemption of foundation funds, reached ¥1,200 billion as of the end of the fiscal year ended March 31, 2012.

Since the fiscal year ended March 31, 2001, Nippon Life has aimed to expand the number of fund contributors by using securitization methods

through a special purpose company. In the fiscal year ended March 31, 2003, Nippon Life made a public offering to general individual investors, and in the fiscal year ended March 31, 2006, Nippon Life made an offering to overseas investors, increasing flexibility in funds procurement. In the fiscal year ending March 31, 2013, Nippon Life plans to solicit an additional ¥50 billion in foundation funds, for a total of ¥1,250 billion in foundation funds.

[Fund Redemption]



*1 As stipulated by the Insurance Business Act, the minimum fund amount is ¥1 billion.

*2 Article 56 of the Insurance Business Act: when redeeming the fund, an amount equivalent to the redemption amount must be accumulated as a reserve for redemption of foundation funds. Reserve for fund redemption is a voluntary reserve and it is transferred to reserve for redemption of foundation funds (*kikin*) when the foundation funds (*kikin*) are redeemed.

*3 The redemption of ¥150 billion of reserve for fund redemption expected to occur between the fiscal year ended March 31, 2000 and the fiscal year ended March 31, 2002 was completed earlier than expected.

● Fund Contributors (as of March 31, 2012)

Amount of Fund Contributions	¥300 billion	Number of Fund Contributors	4	
Names of Fund Contributor	Fund Contributions to Nippon Life		Investments of the Company in Fund Contributors	
	Amount (Billions of Yen)	Fund contribution (Percentage)	Shares held (Thousands of shares)	Voting rights (Percentage)
Nippon Life 2009 Fund Special Purpose Company	¥100	33.33%	—	—%
Nippon Life 2011 Fund Special Purpose Company	100	33.33	—	—
Nippon Life 2008 Fund Special Purpose Company	50	16.67	—	—
Nippon Life 2010 Fund Special Purpose Company	50	16.67	—	—

Notes: 1. Nippon Life 2008 Fund Special Purpose Company, Nippon Life 2009 Fund Special Purpose Company, Nippon Life 2010 Fund Special Purpose Company and Nippon Life 2011 Fund Special Purpose Company issue special corporate bonds backed by claims on the funds. Issuance proceeds are used to purchase claims on the funds. Nippon Life has no specified investments in the Nippon Life 2008 Fund Special Purpose Company, Nippon Life 2009 Fund Special Purpose Company, Nippon Life 2010 Fund Special Purpose Company or Nippon Life 2011 Fund Special Purpose Company.

2. Fund contributors are the four above-mentioned entities.