

Strengthening Financial Soundness

Stable Payout and Enhancement of Dividends to Policyholders

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.

We increased dividends on policies for individual insurance and annuities despite continued low interest rates due to an improvement in the balance of income and expenditures in line with rising share prices and further depreciation of the yen, the successful results of the Future Creation Project,

and the establishment in fiscal 2013 of the equalized reserve for dividends to policyholders*, which is intended to help stabilize policy dividends.

* 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

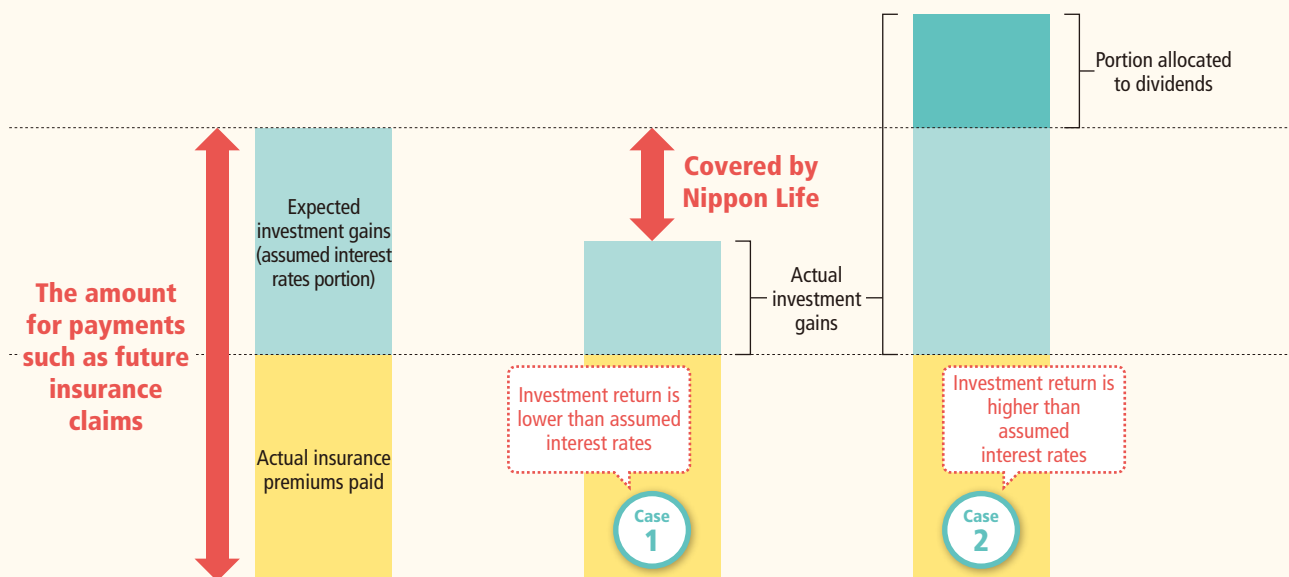
insurance, the increase is deemed to be distributable to policyholders based on policy terms as policyholder dividends. In fact, policyholder dividends could be classified, by nature, as the post-settlement of insurance premiums that were originally calculated based upon assumed rates.

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 86 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. Aiming to maximize profits for policyholders over the long term, we strive to pay policy claims and benefits along with stable annual policyholder dividends each year.

We have been disclosing the dividend payout ratio to indicate the status of dividends. To enhance the clarity of our financial statements, in fiscal 2015 we have renamed the dividend payout ratio as the customer dividend payout ratio.

Ratio of Reserve for Policyholder Dividends to Available Financial Resources

<Fiscal year ended March 31, 2015>

$$\frac{\text{Reserve for policyholder dividends [¥257.2 billion]}}{\text{Adjusted net surplus [¥670.9 billion]}} = 38\%$$

Three-year average: 42%
 Five-year average: 55%

$$\text{Adjusted net surplus [¥670.9 billion]} = \text{Net surplus [¥303.7 billion]} + \text{Excess of reserves such as contingency reserve, etc. [¥367.1 billion]}$$

The customer dividend payout ratio equals the reserve for policyholder dividends (including the equalized reserve for dividends to policyholders) divided by the adjusted net surplus.

A measure of what financial resources are effectively available in consideration of laws and regulation, the adjusted net surplus equals the net surplus plus any excess of reserves such as contingency reserves. We aim to

maintain a high value for the customer dividend payout ratio over the medium and long term, irrespective of any short-term fluctuations.

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.

[Amount of Reserve for Policyholder Dividends]

The reserve for policyholder dividends is accumulated to fund dividend payments to policyholders.

We try to balance these reserves against our equity so that we can maintain steady annual dividend payments in the event of a major disaster, for example.

