

# CHAPTER 1

## Business Performance in the Fiscal Year Ended March 31, 2015

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### [Key Performance Financial Highlights (Nonconsolidated Basis)]

(Unit: Billions of Yen or as Noted)

As of and for the fiscal years ended March 31	2015	2014	2013
Ordinary income	¥ 7,293.6	¥ 6,714.0	¥ 7,094.2
Ordinary profit	607.2	512.6	388.7
Core operating profit	679.0	592.4	546.5
Net surplus	303.7	284.4	210.6
Dividend reserves as a percentage of surplus available for disposition <sup>1</sup> [%]	98.35%	98.16%	95.38%
Total assets	62,283.0	56,790.7	54,882.8
Separate account assets	1,113.5	1,227.3	1,238.8
Investments in securities	49,839.2	44,369.0	42,274.1
Loans	8,357.6	8,528.9	8,581.8
Policy reserves	49,201.3	47,515.4	46,161.2
Equity <sup>2</sup>	4,206.1	3,579.9	3,122.9
Foundation funds ( <i>kikin</i> ) and reserves	3,806.5	3,422.8	2,965.9
Total foundation funds ( <i>kikin</i> ) <sup>3</sup>	1,250.0	1,250.0	1,250.0
Solvency margin ratio [%]	930.8%	779.0%	696.4%
Policies in force <sup>4</sup>	260,701.0	263,955.0	267,956.7
Individual insurance	146,649.3	150,854.5	156,313.2
Individual annuities	21,456.1	21,041.3	19,682.5
Group insurance	92,595.4	92,059.1	91,960.9
Policies in force for group annuities <sup>5</sup>	11,680.6	11,327.0	10,911.5
Number of customers [number of insured persons, etc.] <sup>6</sup>	11,571,090	11,557,999	11,514,169
Number of company members <sup>7</sup>	9,309,028	9,249,460	9,147,438
Number of employees <sup>8</sup>	70,783	70,806	70,004
Negative spread <sup>9</sup>	—	—	—

- 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. 144).
2. Starting with the fiscal year ended March 31, 2013, Nippon Life defines equity as the sum of foundation funds (*kikin*), reserves and subordinated debt.
3. Total foundation funds (*kikin*) includes the reserve for redemption of foundation funds (see p. 31).
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 fiscal 2012, 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. In the case of a mutual company, "company members" refers to policyholders (participating insurance policyholders).
8. 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.
9. In the fiscal years ended March 31, 2015, 2014 and 2013, there was no negative spread.

# Soundness and Profitability of Nippon Life

A life insurance policy is an agreement with a customer that spans many years from the time of enrollment in a policy until receipt of insurance claims or benefits. Nippon Life will take steps to strengthen its financial foundation so that it will be able to reliably pay insurance claims and benefits into the future, thus fulfilling its responsibility to policyholders.

## Fiscal Soundness and Profitability Benchmarks

- ① Equity
- ② Policy reserves
- ③ Unrealized gain on securities
- ④ Solvency margin ratio
- ⑤ Real net assets
- ⑥ Core operating profit

\*In order to properly understand what makes a life insurance company fiscally sound and profitable, Nippon Life believes it is necessary to comprehensively review the characteristics of a variety of indicators.

## Fiscal Soundness and Profitability Benchmarks (Image)

[Major Components of Soundness and Profitability Benchmarks ① – ⑤]

Balance Sheets	
(Assets)	(Liabilities)
	Policy reserves and other reserves
	Policy reserves
	(include contingency reserve)
	Corporate bonds
	Reserve for price fluctuations in investments in securities
	(Net assets)
	Foundation funds ( <i>kikin</i> )
	Reserve for redemption of foundation funds

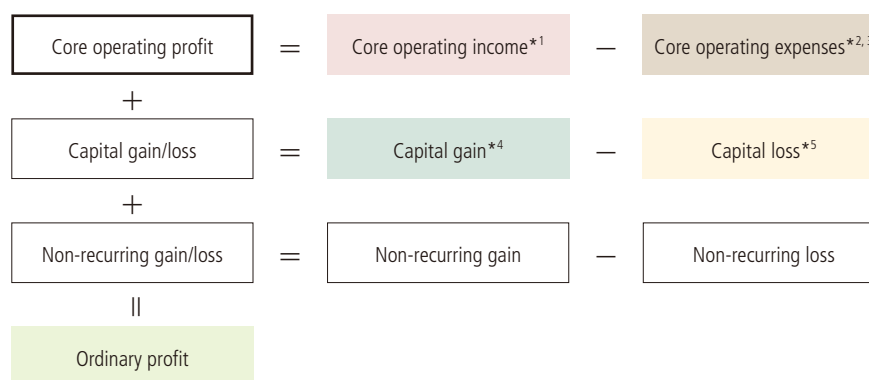
	Balance Sheet Accounting Items						Unrealized gain on securities
	Policy reserves	Contingency reserve	Corporate bonds (subordinated bonds)	Reserve for price fluctuations in investments in securities	Foundation funds ( <i>kikin</i> )	Reserve for redemption of foundation funds	
① Equity (p. 45)		●	●	●	●	●	
② Policy reserves (p. 45)	●	●					
③ Unrealized gain on securities (p. 45)							●
Total solvency margin		●	●	●	●	●	●
④ Solvency margin ratio (p. 46) = Total solvency margin / (total amount of risk × 1/2) × 100							
⑤ Real net assets (p. 46)		●		●	●	●	●

\*This table shows the main components of each benchmark.  
\*Equity and reserves, real net assets and others are not shown directly on the balance sheets.

Statements of Income	
Ordinary income	
Revenue from insurance and reinsurance	
Investment income	
Interest, dividends and other income	
Gain on sales of securities	
Gain from separate accounts, net	
Other ordinary income	
Ordinary expenses	
Benefit and other payments	
Provision for policy reserves	
Investment expenses	
Loss on sales of securities	
Loss on valuation of securities	
Loss from separate accounts, net	
Operating expenses	
Other ordinary expenses	
Ordinary profit	
Extraordinary gains (losses)	
Net surplus	

### ⑥ Core operating profit

\*Please refer to p. 47 for more details regarding core operating profit.  
\*Core operating profit is not shown directly on the statements of income.



- \*1 Core operating income = Revenue from insurance and reinsurance + investment income (excluding gain on sales of securities, etc.) + other ordinary income
- \*2 Core operating expenses = Insurance claims and other payments + provision for policy reserves + investment expenses (excluding loss on sales of securities, etc.) + operating expenses + other ordinary expenses
- \*3 Provision for policy reserves within core operating expenses excludes provisions (reversals) for contingency reserves.
- \*4 Capital gain is gain on sales of securities within investment income.
- \*5 Capital loss is loss on sales of securities and loss on valuation of securities within investment expenses.

The above illustrates the components of Nippon Life's fiscal soundness and profitability benchmarks and is not intended as a definitive explanation.

## Building a Firm Financial Foundation in Equity

### Equity

**¥4,206.1 billion**

as of March 31, 2015

(Including foundation funds (*kikin*) and reserves of ¥3,806.5 billion)  
(¥3,579.9 billion as of March 31, 2014)

Equity is the sum of foundation funds (*kikin*), reserves and other items (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), and subordinated debt.

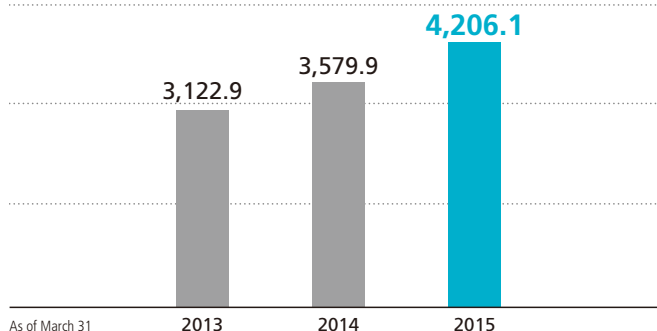
Nippon Life works to build up equity. This equity is a financial resource for responding to risks that do not include unrealized gain on securities, which is easily affected by the economic environment. More specifically, even if management risks such as a massive natural disaster or dramatic decline in stock prices 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.

Equity was ¥4,206.1 billion as of March 31, 2015 as Nippon Life maintained a high level of equity in order to ensure financial soundness.

### [Trends in Equity]

(Unit: Billions of Yen)



## Sufficient Policy Reserves

### Policy Reserves

**¥49,201.3 billion**

as of March 31, 2015

(¥47,515.4 billion as of March 31, 2014)

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. 187).

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. 187 and 188).

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/Loss on Securities

### Unrealized Gain on Securities

**¥11,033.3 billion**

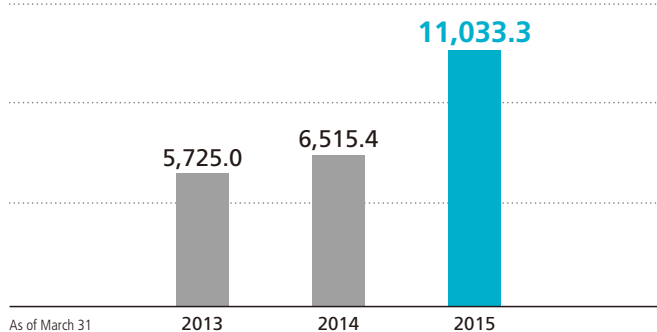
as of March 31, 2015

(¥6,515.4 billion as of March 31, 2014)

Unrealized gain/loss on securities indicates the difference between the market value of securities and the book value. Unrealized gain/loss on securities, although affected by economic conditions, is one of the indicators for preparing against risk (see p. 169).

### [Trends in Unrealized Gain/Loss on Securities]

(Unit: Billions of Yen)



## High-Level Solvency Margin Ratio to Respond to Unforeseeable Risks

### Solvency Margin Ratio

**930.8%**

as of March 31, 2015

(779.0% as of March 31, 2014)

The solvency margin ratio is the total value of the solvency margin (equity plus 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, 2015 was 930.8%, which ensures a high level of preparedness for paying benefits with sufficient surplus capacity to fully cover risk (see p. 166 and 167).

### [Solvency Margin Ratio]

(Unit: Billions of Yen, %)

As of March 31, 2015		
Total solvency margin	(A)	¥13,421.0
Foundation funds ( <i>kikin</i> ) and reserves		4,206.1
Unrealized gain/loss on available-for-sale securities × 90%		7,581.4
Total amount of risk	(B)	2,883.6
Solvency margin ratio	$\frac{(A)}{(1/2) \times (B)} \times 100$	930.8%

## High Level of Real Net Assets

### Real Net Assets

**¥16,447.7 billion**

as of March 31, 2015

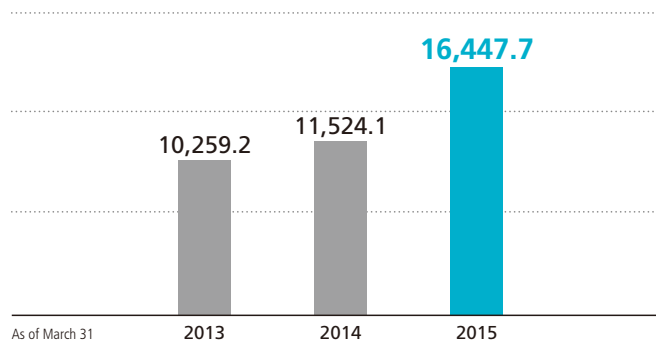
(¥11,524.1 billion as of March 31, 2014)

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, 2015 stood at ¥16,447.7 billion and the ratio of real net assets (the ratio to general account assets) was 26.9%, 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

**¥679.0 billion**

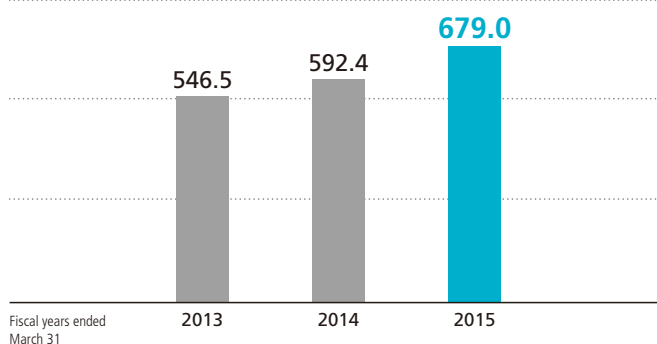
for the fiscal year ended March 31, 2015

(¥592.4 billion for the fiscal year ended March 31, 2014)

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, 2015, core operating profit stood at ¥679.0 billion, remaining at a high level (see p. 51, 172).

### [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 accounts for the fiscal year ended March 31, 2015, Nippon Life recorded no negative spread for the fifth consecutive year since 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 equity 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)  $\times$  1/2

## Excellent Ratings from Ratings Companies

### Ratings (as of July 1, 2015)

**AA**

R&I

(Insurance Claims Paying Ability)

**A+**

S&P

(Insurer Financial Strength Rating)

**A1**

Moody's

(Insurance Financial Strength Ratings)

### 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/eng/>

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.com>

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.

### Moody's Definition of "A" Rating

<http://www.moody.com/>

Obligations judged to be upper-medium grade and subject to low credit risk.

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, S&P, and Moody's 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, 2015 Business Overview and Performance

## General Overview

The Japanese economy extended its gradual recovery in the fiscal year ended March 31 2015, despite weakness in parts due to the impact of the consumption tax hike in April 2014, among other factors.

Higher interest, dividend and other income boosted investment income in the fiscal year under review, supporting growth in core operating profit amid a solid financial performance. We took the opportunity to boost reserves and reinforce equity\*, while also raising dividends to policyholders. We also introduced a more advanced corporate governance structure by creating the Outside Directors Committee. This body will deliberate and review all important matters relating to management of Nippon Life, including executive appointments.

We achieved most of the targets set out in the three-year management plan for fiscal 2012–14, known as the Future Creation Project. The fundamental aim of the plan was to “Return to Growth” based on a range of Group-wide

initiatives. We were able to restore growth in the numbers of policies in force and customers (policyholders), while also managing to strengthen equity.

Diversifying customer needs and the progressive aging of society with a low birthrate mean there is still substantial scope to develop the life insurance market in Japan. We recognize the importance of taking on this challenge, while also actively targeting the growth of the Group’s overseas and other operations. Given the inherent need to take a long-term view in the life insurance business, we have set our sights on the business foundation we will need 10 years from now in formulating a new three-year business plan for the period starting in fiscal 2015, based on the themes of “expansion of the domestic life insurance business” and “strengthening of Group-wide businesses.”

\* Nippon Life calculates its equity as the sum of foundation funds (*kikin*) and reserves (including 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) and subordinated debt.

## Individual Market Sales Field

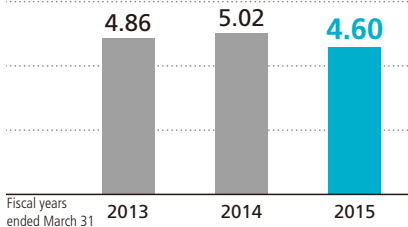
### ● New Policies

#### Number of Policies Sold

For the fiscal year ended March 31, 2015

**4.60 million**

(Unit: Millions of Policies)

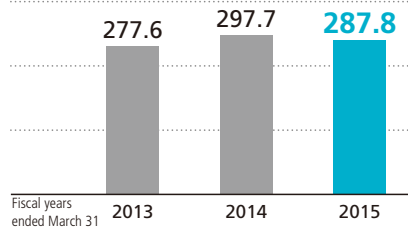


#### Annualized Premiums on New Policies

For the fiscal year ended March 31, 2015

**¥287.8 billion**

(Unit: Billions of Yen)

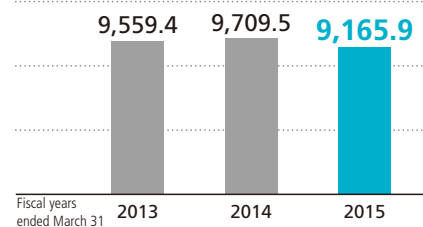


#### Amount of New Policies

For the fiscal year ended March 31, 2015

**¥9,165.9 billion**

(Unit: Billions of Yen)



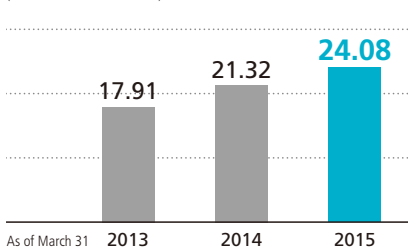
### ● Policies in Force

#### Number of Policies in Force

As of March 31, 2015

**24.08 million**

(Unit: Millions of Policies)

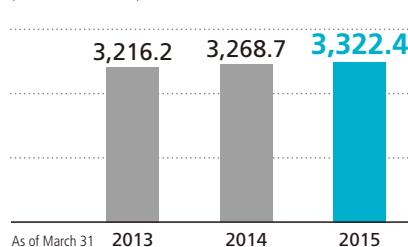


#### Annualized Premiums for Policies in Force

As of March 31, 2015

**¥3,322.4 billion**

(Unit: Billions of Yen)

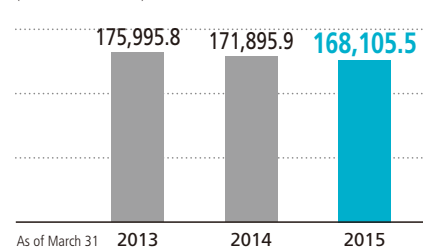


#### Amount of Policies in Force

As of March 31, 2015

**¥168,105.5 billion**

(Unit: Billions of Yen)



- Notes:
- Number of policies sold represents the total of new policies and policies after conversions.
  - 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.)
  - Amount of annualized premiums on new policies which includes net increase due to conversions.
  - 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).
  - Starting in the fiscal year ended March 31, 2013, each policy is counted separately for insurance products that combine two or more policies. If these multiple-policy products had been counted as single policies, as they were prior to March 2012, the number of policies sold in the fiscal year ended March 31, 2015 would have been 1.38 million, 7.6% lower than in the previous fiscal year.

The number of new policies decreased 8.3%\*<sup>1</sup> to 4.60 million and the amount of new policies decreased 5.6% to ¥9,165.9 billion. This reflected the sale of fewer annuity and educational endowment policies to new customers, mainly young people, as a result of our revision of insurance premiums in April 2014. Nevertheless, on a cumulative basis, we recorded substantial increases in policy numbers, annualized premiums and amount of policies in force over the three-year period of fiscal 2012–14.

The policy retention rate after one year\*<sup>2</sup> was 94.8%, an increase of 1.0 percentage point from the previous fiscal year, reflecting a steady increase in the quality of new policies.

Turning to policies in force, annualized premiums on March 31, 2015 were up 1.6% from the previous fiscal year-end to ¥3,322.4 billion, while the number of policies in force was 24.08 million, up 13.0%\*<sup>1</sup>, continuing to climb for a third consecutive year after turning around in the previous fiscal year. However, the amount of policies in force had decreased by 2.2% to ¥168,105.5 billion. The amount of policies in force declined at a slower pace than in the previous year, mainly due to an improvement in the surrender and lapse rates. The number of customers (policyholders) as of the fiscal year-end rose 0.1% to 11.57 million, exceeding the target of 11.5 million set under the Future Creation Project.

The number of registered sales representatives\*<sup>3</sup> on March 31, 2015 had increased by only 36 from the previous fiscal year-end to 48,209. Moreover, core personnel with notably strong sales and service capabilities had increased by 614 from the previous fiscal year to 10,572.

In the agency channel, the number of agencies on March 31, 2015 had increased by 1,052 from the previous fiscal year-end to 13,141\*<sup>4</sup>, while the amount of new policies also increased 8.6% year on year to ¥658.0 billion.

Despite the concerted efforts of many market players to sell foreign currency-denominated products through the bancassurance channel, we still posted premium income of ¥460.0 billion (up 3.5% year on year), mainly from yen-denominated products.

\*<sup>1</sup> Starting in April 2012, each policy is counted separately for insurance products that combine two or more policies.

If products that combine several insurance policies were presented as one item, as they were prior to March 2012, the total number of individual insurance policies sold for the fiscal year under review would be 1.38 million, down 7.6% year on year, and the number of policies in force would be 14.84 million, up 0.9% year on year.

\*<sup>2</sup> 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.

\*<sup>3</sup> The number of registered sales representatives does not include sales management or part-time sales staff.

\*<sup>4</sup> Sales agencies do not include banks or financial institutions that perform agency sales.

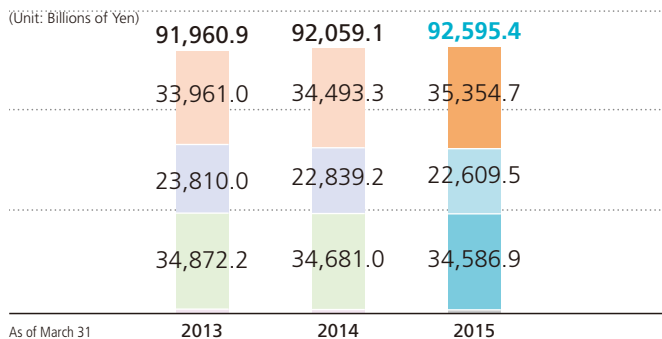
## Corporate Market Sales Field

### Amount of Group Insurance Policies in Force

As of March 31, 2015

**¥92,595.4 billion**

■ General welfare group term life insurance  
■ Group credit life insurance  
■ Optional group term life insurance  
■ Other



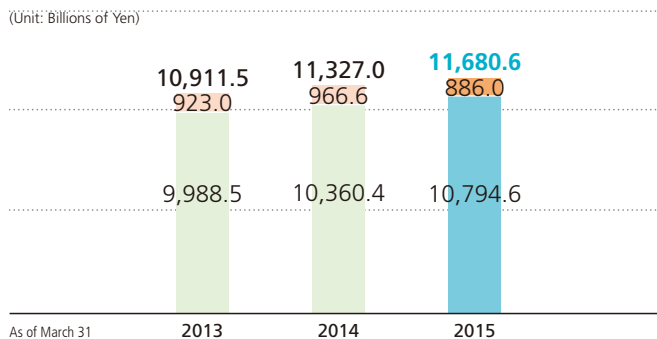
In the corporate market, group insurance policies in force as of March 31, 2015 had increased 0.6% year on year to ¥92,595.4 billion. In addition, group annuity assets increased 3.1% to ¥11,680.6 billion (or 5.5% to ¥13,951.3 billion including the Group subsidiary Nissay Asset Management),

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

As of March 31, 2015

**¥11,680.6 billion**

■ Separate accounts  
■ General account



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

despite restricted underwriting due to low interest rates on the general account-based products that guarantee yields. This was due to aggressive promotion of products based on specially designated separate accounts, whose returns are reflected directly in annuity assets.

### The Fiscal Year Ended March 31, 2015 Total Payments of Death and Other Claims, Annuity Payments, Health and Other Benefits

Total payments of Death and Other Claims, Annuity Payments, Health and Other Benefits (total for individuals and companies) were ¥2,583.1 billion in the fiscal year ended March 31, 2015. (The total number of payments stood at 12,557,000.) Nippon Life is committed to continuing to make payments with speed and reliability.

¥2,583.1 billion (12,557,000 payments)		
Insurance claims	Annuities	Benefits
¥1,022.0 billion (214,000 payments)	¥839.9 billion (9,736,000 payments)	¥721.1 billion (2,605,000 payments)

## Investment

The investment environment showed signs of improvement in fiscal 2014, with increases in stock prices and a depreciation of the yen. However, interest rates remained lower, and these are the most important indicator for Nippon Life because its portfolio is centered on yen-denominated interest assets.

Against this backdrop, dedicated asset management efforts enabled us to record interest, dividend and other income of ¥1,371.7 billion (up 5.8% year on year), a significant increase marking the fifth consecutive year of higher positive spreads. Well-timed investments in relatively high-yielding overseas bonds helped to secure this result. We also posted net capital gains of ¥173.6 billion, mainly due to gains on sales of Japanese equities.

In May 2014, we indicated that Nippon Life accepted the set of principles for responsible institutional investors published in Japan's Stewardship Code. Accordingly, we will support the continued growth over the medium and long terms of the enterprises in which we invest through constructive and purposeful dialogue\*.

\* As outlined in Japan's Stewardship Code, this refers to dialogue aimed at promoting the corporate value and capital efficiency of investee companies from a medium- and long-term perspective to support their sustainable growth.

### [Main Investment-Related Revenues and Expenditures]

(Unit: Billions of Yen)

Fiscal years ended March 31	2015	2014	2013
Investment income	¥1,773.9	¥1,683.7	¥1,560.8
Interest, dividend and other income	1,371.7	1,296.6	1,217.0
Gain on sales of securities	242.0	260.4	192.3
Gain from separate accounts, net	154.1	122.6	144.6
Investment expenses	140.9	186.3	428.1
Loss on sales of securities	18.3	57.7	72.0
Loss on valuation of securities	3.2	22.2	98.6
Net proceeds from investments	1,632.9	1,497.4	1,132.7
Proceeds from investments in the general account	1,478.7	1,374.8	988.1

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

As part of improving our after-sales service to policyholders, we have been developing a system to enable non-sales personnel to support sales representatives in conducting policy details confirmation activities. With elderly policyholders, this involves looking at issues relating to continuation and maintenance management, as well as encouraging use of the Designated Proxy System for appointing a representative to ensure that the policyholder

receives payment of all insurance claims and benefits. We have also promoted the *Zutto Motto Service*\*.

\* The service credits customers with "Thanks Miles" for registering information on policyholders and family members. Miles can be accumulated and exchanged for a range of complimentary gifts from four menus, including the Thanks Mile Menu.

## Overseas Operations and Alliances

In October 2014, Nippon Life acquired an equity stake in PT Asuransi Jiwa Sequis Life, an Indonesian life insurer. In February 2015, we increased our ownership stake in Reliance Capital Asset Management Limited, which is a subsidiary of India's Reliance Group.

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



## Revenues and Expenditures and Financial Condition

Core operating profit increased 14.6% year on year to ¥679.0 billion, mainly on an increase in net proceeds from investments atop higher interest, dividend and other income, although net proceeds related to insurance deteriorated, mainly due to a continued decline in the amount of policies in force.

Foundation funds (*kikin*) and reserves totaled ¥3,806.5 billion after accumulating further reserves, exceeding the target level of ¥3 trillion under the Future Creation Project. Our issuance in October 2014 of US\$2.25 billion (¥242.5 billion) in U.S. dollar-denominated subordinated notes raised additional capital, helping to bolster equity, the combination of foundation funds (*kikin*) and reserves, to ¥4,206.1 billion (a gain of ¥626.2 billion relative to the previous fiscal year-end).

We increased dividends on policies for individuals for the first time in seven years 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. The dividends paid on group insurance policies were kept at the same level as the previous year. We also conducted a dividend payment in line with the rules for group annuities.

\* 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.

### [Ordinary Profit]

(Unit: Billions of Yen)

Fiscal years ended March 31	2015	2014	2013
Core operating profit	¥ 679.0	¥ 592.4	¥ 546.5
Expense difference	79.5	72.7	67.0
Risk difference	408.9	404.8	447.7
Interest difference	190.6	114.7	31.7
Capital gain/loss	173.6	145.6	(153.8)
Non-recurring gain/loss	(245.5)	(225.4)	(3.9)
Ordinary profit	607.2	512.6	388.7

- Notes: 1. Core operating profit + capital gain/loss + non-recurring gain/loss = ordinary profit  
 2. The breakdown of core profit (expense difference, risk difference, and interest difference) has been calculated using a proprietary method giving consideration to the Company's unique factors, such as the composition of policies in force.  
 3. Capital gain/loss includes gain/loss on sales of securities and loss on valuation of securities and others.  
 4. Non-recurring gain/loss includes provision for and reversal of contingency reserves and others.

### [Equity Replacement Ratio]

(Unit: Billions of Yen)

As of March 31	2015	2014	2013
Foundation funds ( <i>kikin</i> ) and reserves	¥3,806.5	¥3,422.8	¥2,965.9
Net assets	1,491.3	1,486.1	1,430.4
Equalized reserve for dividends to policyholders	50.0	50.0	—
Liabilities	2,315.1	1,936.7	1,535.4
Contingency reserve	1,250.2	1,005.7	780.1
Reserve for price fluctuations in investments in securities	778.7	623.3	427.5
Subordinated bonds	399.5	157.0	157.0
Equity	4,206.1	3,579.9	3,122.9

Note: 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.

### [Status of Reserve for Policyholder Dividends]

(Unit: Billions of Yen)

Fiscal years ended March 31	2015	2014	2013
Provision for reserve for policyholder dividends	¥257.2	¥201.7	¥167.1
Amount of equalized reserve for dividends to policyholders	—	50.0	—

Note: The amount of appropriation of retained earnings has been written for the reserve for policyholder dividends and the equalized reserve for dividends to policyholders.

## Risk Management and Compliance

Nippon Life performs risk management in a manner that reflects the characteristics of each type of risk associated with underwriting, asset management, administrative operations, IT systems and other items. These activities help enable us to fulfill our responsibility as a source of long-term security for policyholders. Given the increasing diversity and complexity of risk and the regulatory trends in Japan and overseas, Nippon Life will continue to make its integrated risk management system even more advanced. Measures to accomplish this include identifying risks in a more all-inclusive and systematic manner and performing ERM\* management that is acutely aware of the relationship between earnings and risk.

Our internal efforts to support legal and regulatory compliance and prevent the recurrence of problems centered on continuing education programs for all executives and employees, including the use of case studies to highlight particular issues. We will also revise our compliance programs to help instill greater awareness of related issues, and continue to focus on upgrading our efforts in this area. Beyond laws and regulations, we also work to gain the trust of our customers and the broader public by observing social norms.

## Main Balance Sheet Items (Nonconsolidated Basis)

(Unit: Billions of Yen)

As of March 31	2015
<b>Total assets</b>	<b>¥62,283.0</b>
Cash and deposits	492.1
Call loans	572.6
Monetary receivables purchased	498.7
<b>Investments in securities:</b>	<b>49,839.2</b>
Domestic bonds	22,985.7
Domestic stocks	9,311.1
Foreign securities	16,450.6
<b>Loans:</b>	<b>8,357.6</b>
Policy loans	736.5
Industrial and consumer loans	7,621.0
<b>Tangible fixed assets</b>	<b>1,713.2</b>
<b>Intangible fixed assets</b>	<b>170.3</b>
Reinsurance receivables	0.4
Other assets	606.3
Customers' liability for acceptances and guarantees	38.6
Allowance for doubtful accounts	(6.5)
<b>Total liabilities</b>	<b>54,835.6</b>
<b>Policy reserves and other reserves:</b>	<b>50,436.7</b>
Reserve for outstanding claims	197.9
Policy reserves	49,201.3
Reserve for dividends to policyholders	1,037.4
Reinsurance payables	0.5
Corporate bonds	399.5
Other liabilities	1,451.4
Accrued bonuses for directors and audit and supervisory board members	0.0
Accrued retirement benefits	365.3
Accrued retirement benefits for directors and audit and supervisory board members	4.2
Reserve for program points	13.1
Reserve for price fluctuations in investments in securities	778.7
Deferred tax liabilities	1,231.7
Deferred tax liabilities for land revaluation	115.4
Acceptances and guarantees	38.6
<b>Total net assets</b>	<b>7,447.3</b>
Foundation funds ( <i>kikin</i> ) ①	200.0
Reserve for redemption of foundation funds ②	1,050.0
Reserve for revaluation ③	0.6
<b>Total surplus ④:</b>	<b>499.9</b>
Legal reserve for deficiencies	14.2
Other surplus reserves	485.7
Unappropriated surplus	317.4
<b>Total foundation funds and others (=①+②+③+④)</b>	<b>1,750.6</b>
<b>Net unrealized gains on available-for-sale securities, net of tax ⑤</b>	<b>6,016.4</b>
Deferred losses on derivatives under hedge accounting, net of tax ⑥	(231.0)
Land revaluation differences ⑦	(88.6)
<b>Total valuations, conversions, and others (=⑤+⑥+⑦)</b>	<b>5,696.7</b>
<b>Total liabilities and net assets</b>	<b>62,283.0</b>

### Total Assets

Total assets as of March 31, 2015 were ¥62,283.0 billion, with total general and separate account assets of ¥61,169.4 billion and ¥1,113.5 billion, respectively.

### Investments in Securities

From the standpoint of increasing profits for policyholders through the medium- and long-term improvement of revenues and profits, Nippon Life in particular holds domestic bonds, including national government bonds, local government bonds, and corporate bonds, all of which present potential for stable yen-denominated returns. Also, within the range of allowable risks, Nippon Life invests in domestic stocks, foreign securities and other securities. As of March 31, 2015, total investments in securities amounted to ¥49,839.2 billion.

Net unrealized gains on available-for-sale securities, the difference between the market value and book value of the securities, was ¥11,033.3 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 ¥8,357.6 billion as of March 31, 2015.

### Tangible Fixed Assets

Tangible fixed assets include land, buildings, lease assets, construction in progress and movables. As of March 31, 2015, the balance amounted to ¥1,713.2 billion.

### 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, 2015, policy reserves stood at ¥49,201.3 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, 2015, the reserve for price fluctuations in investments in securities stood at ¥778.7 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 to 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, 2015, Nippon Life redeemed ¥50.0 billion in foundation funds (*kikin*) that it had solicited and newly solicited ¥50.0 billion. As a result, foundation funds (*kikin*) and reserve for redemption of foundation funds amounted to ¥200.0 billion and ¥1,050.0 billion, respectively.

\*Please see page 136 for Nonconsolidated Balance Sheets.

## Main Items in Statement of Income (Nonconsolidated Basis)

(Unit: Billions of Yen)

Fiscal year ended March 31	2015
① Ordinary income:	¥7,293.6
Revenues from insurance and reinsurance:	5,337.1
Insurance premiums	5,336.2
Investment income:	1,773.9
Interest, dividend and other income	1,371.7
Gain on sales of securities	242.0
Other ordinary income	182.6
② Ordinary expenses:	6,686.4
Benefits and other payments:	3,932.1
Death and other claims	1,022.0
Annuity payments	839.9
Health and other benefits	721.1
Surrender benefits	959.8
Other refunds	387.6
Provision for policy reserves:	1,709.4
Provision for policy reserves	1,685.8
Provision for interest on reserve for dividends to policyholders	23.6
Investment expenses:	140.9
Interest expenses	9.8
Loss on sales of securities	18.3
Loss on valuation of securities	3.2
Loss on derivative financial instruments, net	46.3
Operating expenses	563.3
Other ordinary expenses	340.4
③ Ordinary profit (=①-②)	607.2
④ Extraordinary gains:	4.0
Gain on disposals of fixed assets	4.0
⑤ Extraordinary losses:	181.8
Loss on disposals of fixed assets	3.4
Impairment losses	19.9
Provision for reserve for price fluctuations in investments in securities	155.4
Loss on reduction entry of real estate	0.1
Contributions for assisting social public welfare	2.9
⑥ Extraordinary gains (losses) (=④-⑤)	(177.8)
⑦ Surplus before income taxes (=③+⑥):	429.4
Income taxes, current	167.4
Income taxes, deferred	(41.8)
⑧ Total income taxes	125.6
⑨ Net surplus (=⑦-⑧)	303.7

### 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, 2015 was ¥5,337.1 billion.

### Investment Income

This includes interest, dividend and other income as well as gain on sales of securities. For the fiscal year ended March 31, 2015, investment income totaled ¥1,773.9 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, 2015, benefits and other payments were ¥3,932.1 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, 2015, provision for policy reserves totaled ¥1,685.8 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, 2015, investment expenses amounted to ¥140.9 billion.

### Provision for Reserve for Price Fluctuations in Investments in Securities

The provision for reserve for price fluctuations in investments in securities, which is a reserve shown on the balance sheet, is recorded on the statement of income. For the fiscal year ended March 31, 2015, provision for reserve for price fluctuations in investments in securities totaled ¥155.4 billion.

### 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, 2015 totaled ¥303.7 billion.

## Management Policy Ahead

Over the three-year period starting in fiscal 2015, Nippon Life aims to establish a medium-to long-term foundation for growth with a view to creating the business foundation needed ten years from now, and to secure a solid No. 1 status in Japan. We plan to build the growth foundation over the medium and long terms by expanding the domestic life insurance business based on developing market segments, while taking steps for future growth in overseas and other Group operations. We aim to enhance our leading position in Japan by

leveraging our strength in the market for individual life policies. Our new three-year management plan features the two growth strategies of expansion of the domestic life insurance business and strengthening of Group-wide businesses. We will also fortify the business foundation that supports Group operations from the three aspects of expanding the customer base, strengthening financial soundness, and developing human resources.

\*Please see page 138 for Nonconsolidated Statements of Income.

## Expansion of the domestic life insurance business—Segment strategy progression

Expansion plans are based on providing attractive products and services that cater in greater detail to the needs of customers, while also further reinforcing and diversifying our presence across channels.

As a first initiative in terms of products and services, in April 2015, we introduced the *Nissay Mirai no Katachi* "Five Stars" plan featuring dread disease insurance coverage with continuous support to extend the *Mirai no Katachi* product range. The new plan offers protection for the three dread diseases over five years as well as death protection, and is designed to have broad appeal for younger people and women. We have developed a limited-notification-type medical insurance product called Medi-AxN in partnership with AXA Life Insurance that we will sell through our sales representative channel to expand our customer base among seniors in particular. We are also developing asset formation products for sale through the bancassurance channel, including policies designed to give lifestyle support to retirees. We plan to reinforce sales of such products to seniors.

In terms of sales and service channels, our sales representatives remain at the core of our effort to offer sophisticated consulting capabilities and provide optimized solutions for specific customer needs. We are also developing sales strategies to respond to regional characteristics with more organizational structures at the city or regional level.

In addition, by upgrading our network of independent and other agencies and financial institutions, we are working to expand sales opportunities for sales representatives with customers with whom we have had no direct contact. This approach aims to boost our presence in segments where Nippon Life has a relatively low market share.

Through initiatives in the new three-year management plan, we aim to maintain policy quality while securing the top share of the domestic market for new policies, generating 6% growth in annualized premiums while growing the customer base to 11.7 million.

## Strengthening of Group businesses—Overseas insurance and asset management businesses/Development of domestic life insurance market segments

Besides seeking to increase our share of the domestic life insurance market, we are accelerating initiatives in our overseas insurance business and asset management business to tap into additional growth at the Group level.

In the overseas insurance business, in addition to further upgrading our network of major foreign business partners, we will reinforce initiatives aimed at expanding operations. Specifically, we will work to strengthen our existing businesses and further expand into new businesses. We will seek to create intra-Group synergies by sharing expertise with local subsidiaries to help expand our local operations and support further growth of the earnings base.

Based on the international expertise and human capital that Nippon Life has already developed, we are strengthening our setup for the development of new overseas business opportunities. We are also looking at ways of optimizing our strategic approach to markets in line with regional characteristics, including majority investments.

We are enhancing the positioning of the asset management business as a core Group business because of its high compatibility with life insurance and its strong growth potential. In Japan, we will work to expand assets under management in the areas of mutual funds and annuities in closer collaboration with Nissay Asset Management, while providing products that leverage the Group's asset management expertise. Overseas, we will capture high market growth through a combination of new investments and efforts to build on existing alliances with our overseas investment partners.

In the domestic life insurance market, we are building systems at the Group level to enable the development of more flexible insurance products to meet diverse customer needs, while also upgrading our networks with financial institutions and agencies in line with the increasing diversification of domestic sales channels.

Through these initiatives, we are targeting consolidated net income of ¥30 billion by the end of the new three-year management plan, with a goal of ¥100 billion in net income within the next ten years.

## Business principles—Expanding the customer base, strengthening financial soundness, and developing human resources

Our customer base of over 11.5 million policyholders is one of our most valuable assets. We are working to expand this base by servicing customers' individual needs through an optimized mix of sales and service channels, including sales representatives along with our telephone and Internet-based customer service infrastructure. In addition to upgrading these capabilities, we are looking to continuously provide high-value-added services to help enhance customer satisfaction.

To strengthen the Group's financial soundness, we plan to reinforce equity\*<sup>1</sup> so that we can meet our insurance-related liabilities over the long term, while ensuring our ability to generate steady returns on managed assets. In accumulating equity, our objectives are to enhance our capacity to mitigate necessary risks associated with our accelerated growth strategy, and to prepare for any future changes in international capital requirements. We have set a medium- to long-term target for equity of ¥6.5 trillion\*<sup>2</sup>, and to this end we aim to boost equity by ¥1 trillion over the fiscal 2015–17 period. Our asset management approach is based on portfolio diversification from a long-term standpoint. We will respond to the current extended period of low interest rates by continuing to increase investment in overseas and corporate bonds to build a better overall portfolio risk-return profile. In addition, we plan to expand our investments in sectors of high forecast growth, such as the environment and infrastructure, to ¥1 trillion over the next 3–5 years. By engaging in constructive, purposeful dialogue with investee companies, we will also seek to contribute to the sustained growth of the Japanese economy by promoting corporate development. Finally, we will create enterprise risk management (ERM) plans to facilitate more integrated management of equity, asset management, and Group businesses, while also seeking to improve our operational efficiency on a continual basis.

With regard to human resources development, we have begun the internal Human Value Improvement Project. This project aims to support Nippon Life's No. 1 status across regional markets by developing human resources, establishing an ideal working environment that emphasizes work-life balance, and promoting an open-minded corporate culture. To realize greater diversity, we have set a target of expanding the number of women working in managerial roles to 520 by the start of fiscal 2018 (an increase of 20% over the figure for fiscal 2015). As part of this drive, we will take steps to assist in career development while promoting support measures to help employees balance childcare or nursing care with work by introducing more diverse working styles.

Through these initiatives, we aim to create a medium- to long-term foundation for growth and to secure a solid No. 1 status in Japan. Based on our united efforts, we will continue to strive to make Nippon Life a company of excellence in terms of scale, quality and credibility.

\*1 Nippon Life placed ¥75 billion in yen-denominated subordinated notes with domestic investors in April 2015.

\*2 Figures calculated as of March 31, 2015.