

Overview of Financial Results for the Fiscal Year Ended March 31, 2024

May 22, 2024

Nippon Life Insurance Company

Table of Contents

1

Group overview

2

**Domestic life
insurance business**

3

**Mid-term
management plan**

4

Business outlook


【Reference】

**Status of each
Group company**

① Highlights


GROUP

Revenues from insurance and reinsurance


¥8,598.3 billion
 (Comprises insurance premiums of ¥7,342.2 billion
 and reinsurance revenue of ¥1,256.0 billion)
 [+34.9% YoY]

- Increased mainly due to an increase in the sales of the single payment products of Nippon Life and Nippon Wealth Life.


Core operating profit


¥764.0 billion
 [+61.5% YoY]

- Increased mainly due to an increase in the net insurance-related gains primarily through a decrease in the benefit payments related to COVID-19.

Domestic life insurance Individual insurance/annuities

Annualized new premium


¥522.2 billion
 [+29.1% YoY]

- Increased mainly due to the increases in the sales of Nippon Life and Nippon Wealth Life.

Annualized premium in force


¥4,756.3 billion
 [vs end-FY2022 +3.5%]

- Increased compared to the end of FY2022 mainly due to an increase of Nippon Wealth Life.

GROUP

Business outlook for FY2024

Decreases in
revenue and profit

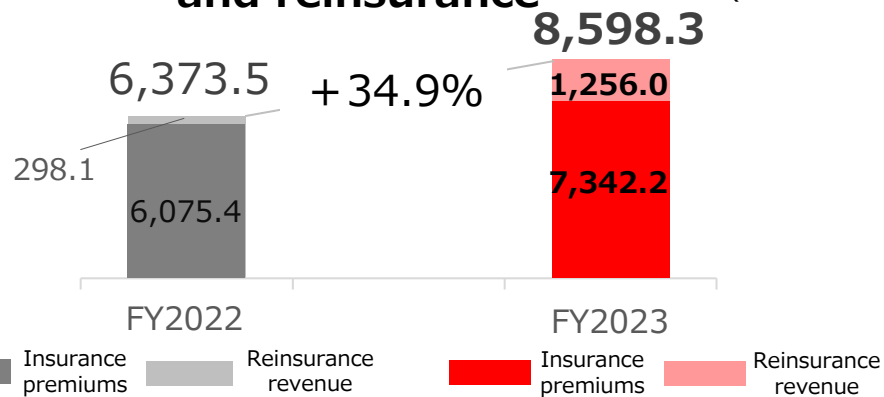
- Insurance and service income* is expected to decrease mainly due to a decrease in the sales of single payment products of Nippon Life and Nippon Wealth Life.
- Core operating profit is expected to decrease mainly due to an increase in the operating expenses.

* Revenues from insurance, reinsurance and other ordinary income

② Revenues from insurance and reinsurance/Core operating profit

Revenues from insurance and reinsurance

(Billions of Yen)

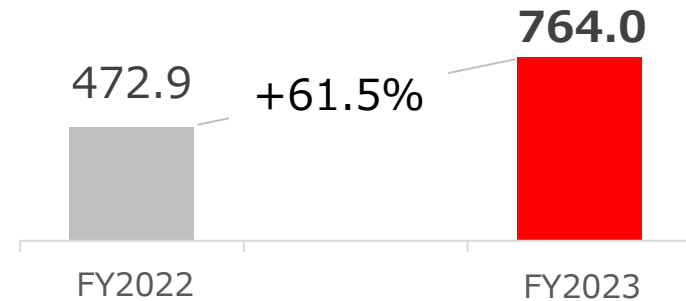


	FY2023	vs FY2022
Revenues from insurance and reinsurance	8,598.3	+ 34.9%
Insurance premiums	7,342.2	+ 20.9%
Reinsurance revenue	1,256.0	+ 321.4%
Nippon Life	5,297.3	+ 14.0%
Taiju Life	928.8	+ 5.0%
Nippon Wealth Life	2,063.6	+ 261.7%
Hanasaku Life	40.9	+ 84.2%
MLC	221.0	+ 6.1%

※Total figures are consolidated revenues from insurance and reinsurance of Nippon Life, Taiju Life, Nippon Wealth Life, Hanasaku Life, Nissay Plus SSI, MLC Limited (hereinafter, MLC) and Nippon Life Insurance Company of America.

Core operating profit

(Billions of Yen)



	FY2023	vs FY2022
Core operating profit	764.0	+ 61.5%
Investment yield margin	284.6	+ 15.8%
Net insurance-related gains	458.8	+ 112.1%
Nippon Life	708.7	+ 42.1%
Taiju Life	14.5	-16.0%
Nippon Wealth Life	37.4	(+66.8)*
Hanasaku Life	-17.2	+ 30.0%
MLC	-0	(-0.3)*

※ Total figures are calculated based on core operating profit of Nippon Life, Taiju Life, Nippon Wealth Life and Hanasaku Life and net income before taxes of global insurance subsidiaries and affiliates and domestic and overseas asset management subsidiaries and affiliates and with adjustment based on the stock ownership ratio and some internal transactions, and excluding interest rate fluctuations.

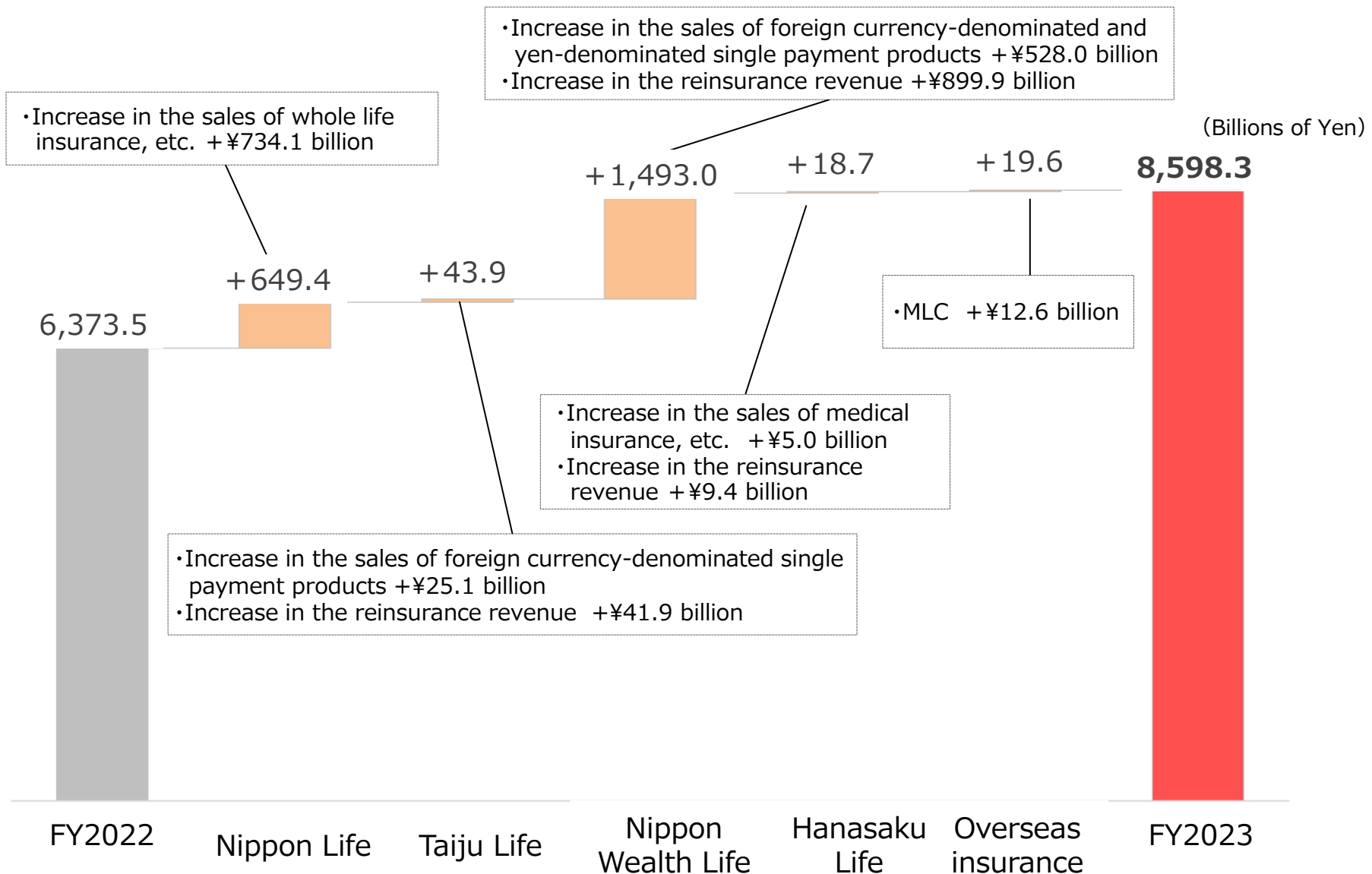
※ Investment yield margin and net insurance-related gains are based on total amount of domestic life insurance.

※ Figures for subsidiaries are calculated based on the stock ownership ratio during each fiscal year.

※ Figures of both FY2023 and FY2022 for MLC are under the new accounting standard.

* Increase rates cannot be calculated because the figures of FY2023 and FY2022 have different signs (negative/positive). Figures in parentheses show the amount of change year on year.

③ Revenues from insurance and reinsurance



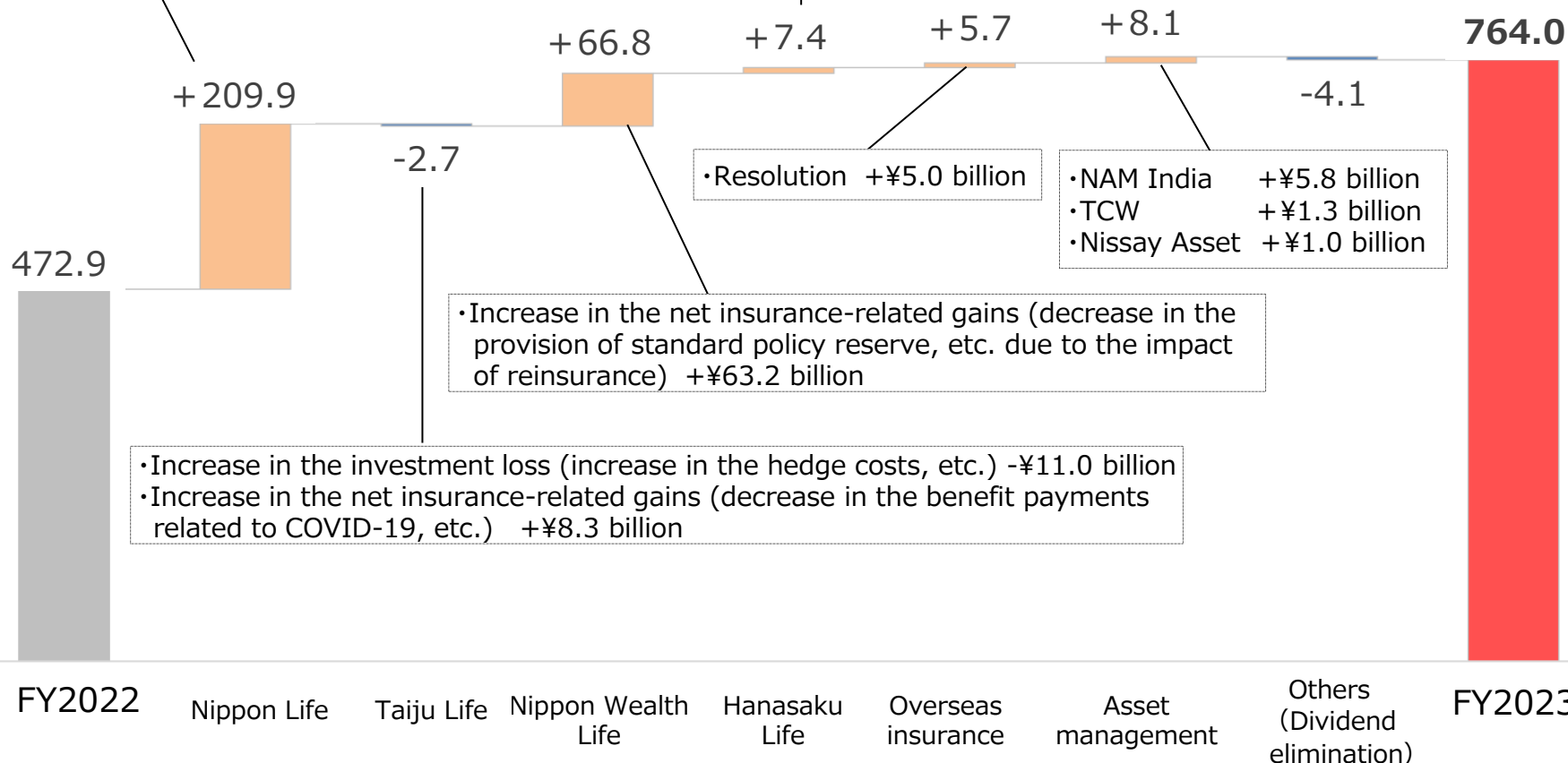
※ Total figures are consolidated revenues from insurance and reinsurance of Nippon Life, Taiju Life, Nippon Wealth Life, HanasakuLife, Nissay Plus SSI, MLC, and Nippon Life Insurance Company of America.

④ Core operating profit

- Increase in the net insurance-related gains (decrease in the benefit payments related to COVID-19, etc.) +¥163.5 billion
- Increase in the investment yield margin (increase in the interest, dividends, and other income, etc.) +¥46.3 billion

- Increase in the net insurance-related gains (decrease in the new policy expenses associated with the use of reinsurance, etc.) +¥7.3 billion

(Billions of Yen)



※ Total figures are calculated based on core operating profit of Nippon Life, Taiju Life, Nippon Wealth Life and Hanasaku Life and net income before taxes of overseas life insurance subsidiaries and affiliates and domestic and overseas asset management subsidiaries and affiliates and with adjustment based on the stock ownership ratio and some internal transactions, and excluding interest rate fluctuations.

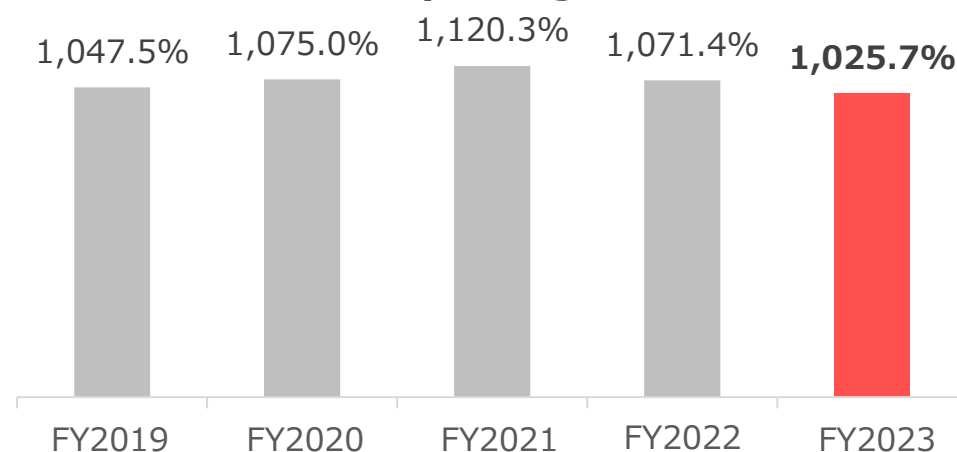
※ [Company names] Nissay Asset: Nissay Asset Management Corporation, NAM India: Nippon Life India Asset Management Limited, Resolution: Resolution Life Group Holdings Ltd.

※ Figures of both FY2023 and FY2022 for MLC are under the new accounting standard.

⑤ Soundness

- Solvency margin ratio declined compared to the end of FY2022 as the sizable impact of increased investment risk outweighed the increase in margin due to an increase in unrealized gains on securities caused by rising stock prices.
- Real net assets increased compared to the end of FY2022 due to an increase in unrealized gains on securities caused by a rise in stock prices.

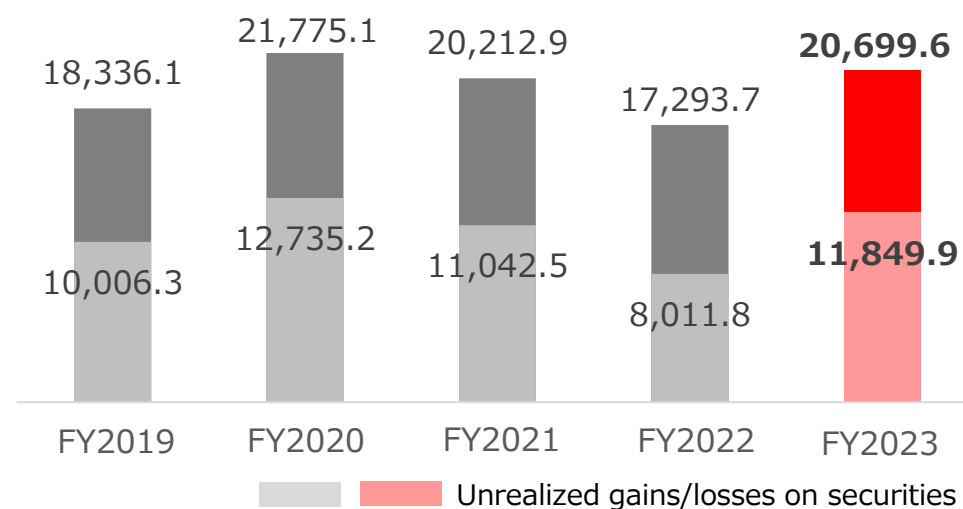
Solvency margin ratio



※ MLC's figures as of the end of FY2023 and the end of FY2022 are both based on the new accounting standard.

Real net asset

(Billions of Yen)



※ Unrealized gains/losses on securities are calculated from Nippon Life, Taiju Life, Nippon Wealth Life, Hanasaku Life, overseas life insurance subsidiaries and other consolidated subsidiaries.

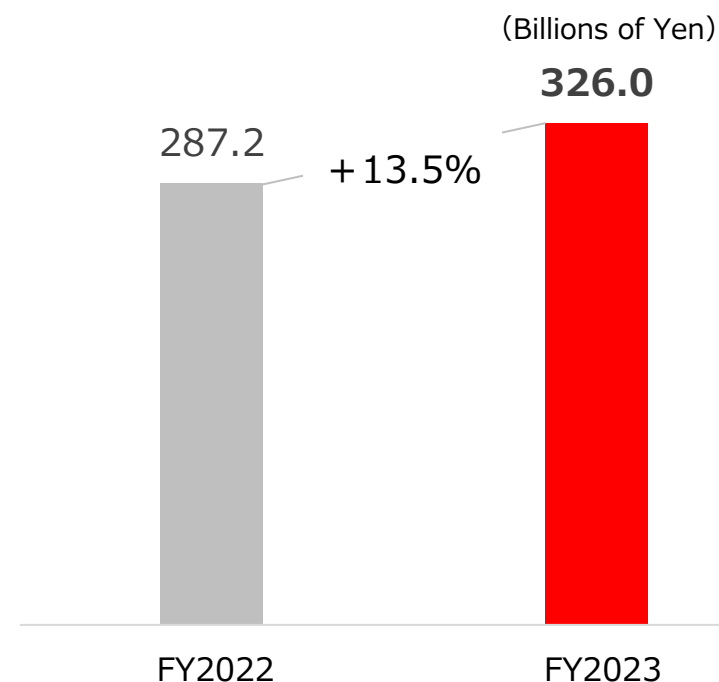
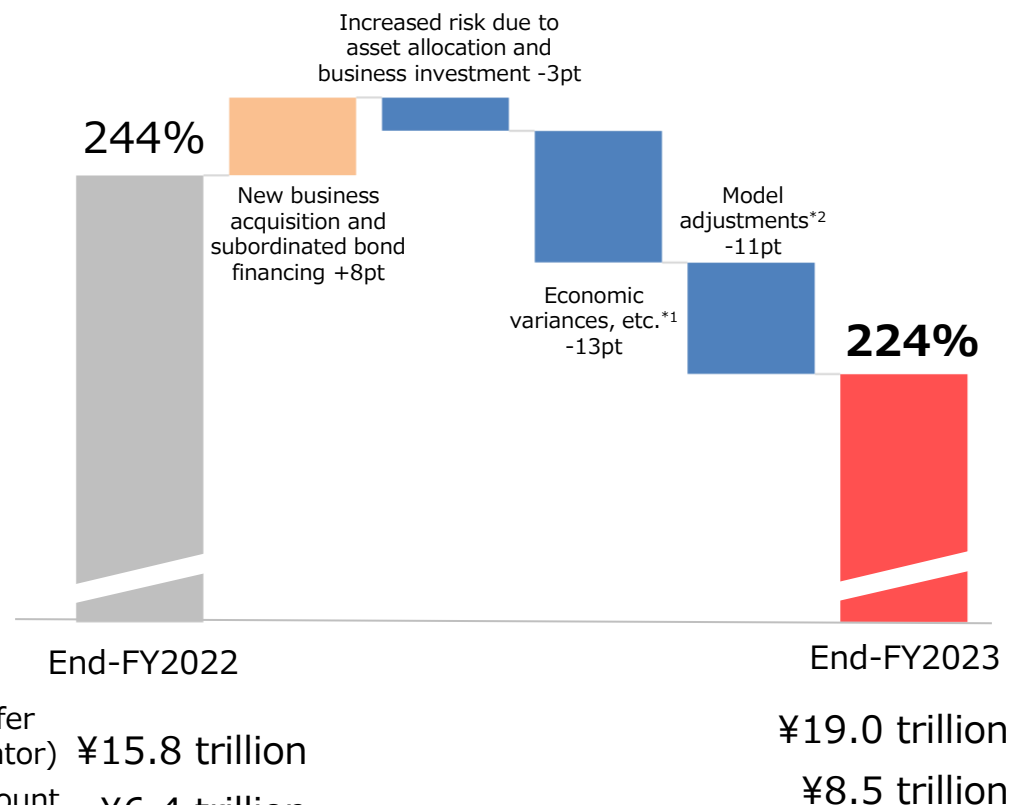
※ MLC's figures as of the end of FY2023 and the end of FY2022 are both based on the new accounting standard.

⑥ ESR and Value of New Business

- Economic value-based solvency ratio (ESR) decreased compared to the end of FY2022 due to factors including economic variances and model adjustments, while ESR improved due to efforts such as new business acquisition and subordinated bond financing.
- Value of new business increased compared to the previous fiscal year due to the impact of rising interest rates and other factors.

Economic value-based solvency ratio (ESR)

Value of new business



Note: Value of new business is shown after model adjustments.

*1 Economic variances, etc. include increases in the inflation rate used to forecast operating expenses.

*2 Model adjustments include changes in the ultimate forward rate (UFR).

⑦ Statements of income/Balance sheet

Statements of income

- Ordinary profit increased compared to the previous fiscal year.
- Net surplus increased compared to the previous fiscal year.

(Billions of Yen)

	FY2023	vs FY2022
Ordinary income	12,008.8	+ 24.8%
Revenues from insurance and reinsurance	8,598.3	+ 34.9%
Investment income	3,119.9	+ 4.7%
Ordinary expenses	11,427.4	+ 20.9%
Benefits and other payments	6,623.1	+ 19.6%
Investment expenses	944.0	-31.5%
Operating expenses	789.9	+3.9%
Ordinary profit	581.3	+ 239.8%
Extraordinary gains and losses	-64.4	-239.4%
Net surplus (income)	412.4	+ 190.2%

Balance sheet

- Total assets and liabilities increased compared to the previous fiscal year-end.
- Net assets increased compared to the previous fiscal year-end.

(Billions of Yen)

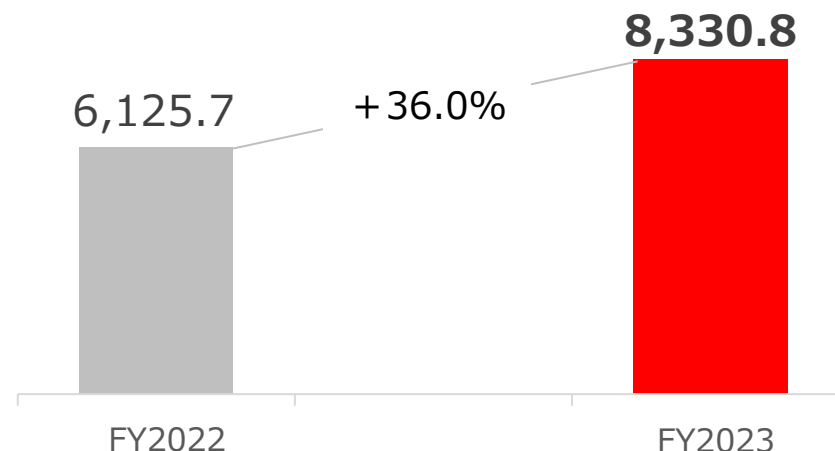
	End-FY2023	vs end-FY2022
Assets	97,596.1	+ 11.4%
Investments in securities	81,628.5	+ 12.9%
Loans	8,911.9	+ 3.2%
Tangible fixed assets	1,896.6	+ 2.1%
Liabilities	87,049.6	+ 7.9%
Policy reserves and other reserves	74,254.0	+ 3.8%
Policy reserves	72,849.1	+ 4.5%
Reserve for price fluctuations	1,732.8	+ 2.9%
Net assets	10,546.5	+ 52.2%

① Revenues from insurance and reinsurance

- Revenues from insurance and reinsurance increased mainly due to an increase in the sales representative channel and the financial institution over-the-counter distribution channel.

Revenues from insurance and reinsurance (domestic total)

(Billions of Yen)



	FY2023	vs FY2022
Revenues from insurance and reinsurance (domestic total)	8,330.8	+36.0%
Individual insurance and individual annuities	5,784.9	+29.3%
Sales representative channel	3,575.8	+21.0%
Agency channel	645.2	+13.7%
Financial institution over-the-counter distribution channel	1,563.7	+64.7%
Group insurance	287.7	+1.9%
Group annuities	1,000.4	-5.7%

※ Sum of figures of Nippon Life, Taiju Life, Nippon Wealth Life, Hanasaku Life and Nissay Plus SSI.

※ From FY2023, the bancassurance channel has been changed to the financial institution over-the-counter distribution channel.

② New policies

- Annualized premiums and the amount of coverage, etc. on new policies for individual insurance and individual annuities increased, while the number of new policies decreased.

Individual insurance/annuities

(Billions of Yen, Millions of policies)

	Annualized premium*		Number of policies		Amount of coverage, etc.	
	FY2023	vs FY2022	FY2023	vs FY2022	FY2023	vs FY2022
Domestic total	522.2	+ 29.1%	3.95	-12.2%	8,533.1	+ 4.1%
Sales representative channel	201.5	+ 13.7%	3.45	-15.9%	4,634.0	-8.9%
Agency channel	79.9	+ 6.9%	0.28	+ 11.5%	2,122.5	+ 7.0%
Financial institution over-the-counter distribution channel	239.4	+ 57.8%	0.19	+ 39.4%	1,733.8	+ 56.9%
Nippon Life	258.8	+ 9.9%	3.47	-15.7%	5,160.1	-9.7%
Taiju Life	39.9	+ 12.4%	0.15	+ 4.8%	838.4	+ 7.1%
Nippon Wealth Life	211.4	+ 72.3%	0.12	+ 72.9%	1,402.2	+ 86.5%
Hanasaku Life	12.0	+ 13.0%	0.20	+ 20.1%	1,132.4	+ 19.4%

* Annualized new premium, including overseas, is approximately ¥530.0 billion (estimate).

③ Policies in force

- In terms of policies in force for individual insurance and annuities, annualized premium increased, the number of policies was flat, and the amount of coverage, etc., decreased.
- Group insurance decreased, while group annuities increased.

Individual insurance/annuities

(Billions of Yen, Millions of policies)

	Annualized premium*		Number of policies		Amount of coverage, etc.	
	End-FY2023	vs end-FY2022	End-FY2023	vs end-FY2022	End-FY2023	vs end-FY2022
Domestic total	4,756.3	+3.5%	38.43	+0.2%	168,473.6	-1.7%
Nippon Life	3,740.1	-0.0%	34.82	-0.5%	144,248.4	-3.3%
Taiju Life	517.3	+2.1%	2.51	-1.2%	16,117.8	-2.6%
Nippon Wealth Life	464.9	+44.5%	0.52	+26.8%	5,445.0	+37.6%
Hanasaku Life	33.7	+38.5%	0.56	+42.4%	2,662.2	+57.0%

* Annualized premium in force, including overseas, is approximately ¥4.98 trillion (estimate).

Group insurance/annuities

	Group insurance (Amount of coverage, etc.)		Group annuities (AUM, etc.)	
	End-FY2023	vs end-FY2022	End-FY2023	vs end-FY2022
Domestic total	107,855.9	-0.7%	19,916.6	+6.9%
Nippon Life	96,874.4	-0.6%	13,994.8	-0.7%
Taiju Life	10,981.5	-0.7%	597.6	-9.7%

※ The domestic total of group insurance and annuities represents the sum of figures of Nippon Life, Taiju Life and Nippon Wealth Life.

※ The domestic total for group annuities includes the investment advisory balance of Nissay Asset Management (¥4,231.9 billion) and investment trusts in defined contribution pension plans (¥1,090.9 billion for Nippon Life's sales representative).

④ Policyholder Dividends (Nippon Life Nonconsolidated Basis)

- For individual insurance, Nippon Life's policy is to increase the risk margin dividend while keeping the investment yield margin dividend unchanged.
- Regarding group insurance, our policy is to keep the group insurance dividend unchanged while mostly increasing the group annuity dividend.
- The total amount of dividends is forecast at ¥264.5 billion, while the policyholder dividend payout ratio is forecast at 51%.

Individual insurance

- The risk margin dividend will **increase** by ¥10.0 billion, while the investment yield margin dividend will be **unchanged**.

Number of eligible policies: Approx. 10 million

Amount of dividend : Approx. ¥80.0 billion

Group insurance and group annuities

- Group insurance dividends will be **unchanged**.

Number of eligible groups: Approx. 6,800

Amount of dividend : Approx. ¥120.0 billion

- Group annuity dividends will generally **increase**.

Number of eligible groups: Approx. 4,800

Amount of dividend : Approx. ¥60.0 billion

(Reference) The yield for new group annuities* (including dividends) is 1.35% (+0.15 point from FY2022)

Total amount of dividend: ¥264.5 billion (up ¥82.6 billion from FY2022)
Policyholder dividend payout ratio: **51%**

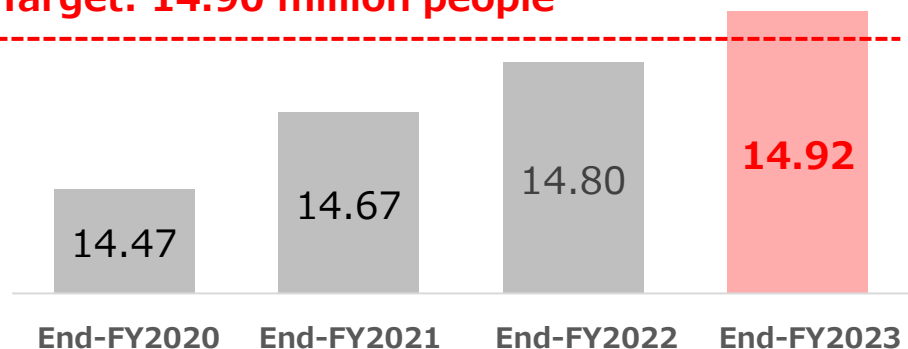
① Outcomes for the numerical targets of Mid-Term Management Plan (2021-2023)

- The targets for the number of customers, annualized premium in force, and core operating profit were achieved.
- The target for equity was not achieved due to the impact of benefit payments related to COVID-19. Meanwhile, capital solvency has steadily improved, mainly due to measures to reduce risk.

Number of Customers (Domestic Group)

(Millions of People)

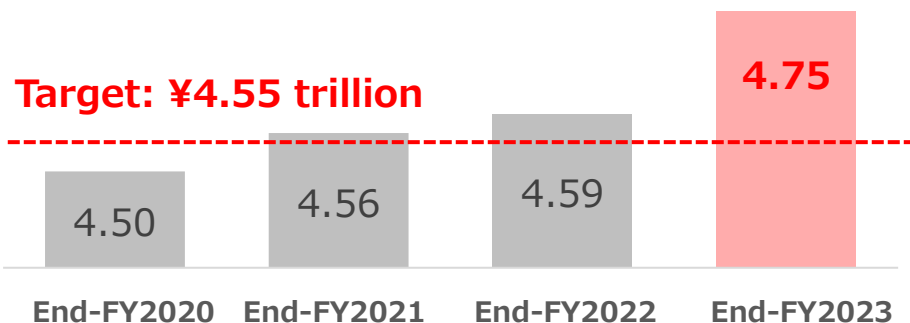
Target: 14.90 million people



Annualized Premium in Force (Domestic Group)

(Trillions of Yen)

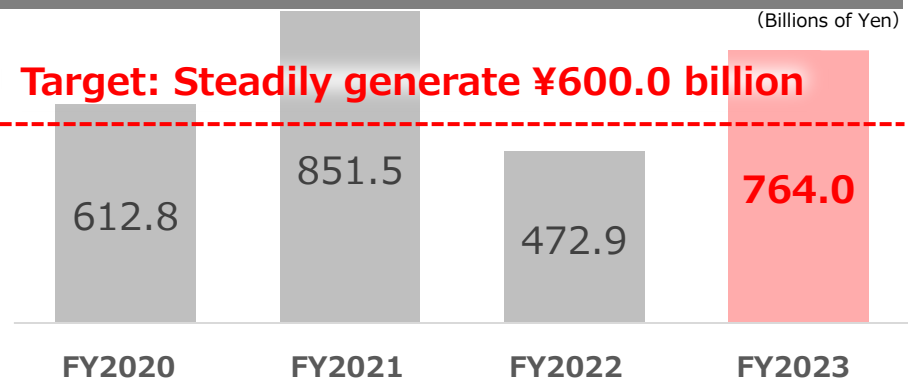
Target: ¥4.55 trillion



Core Operating Profit (Group)

(Billions of Yen)

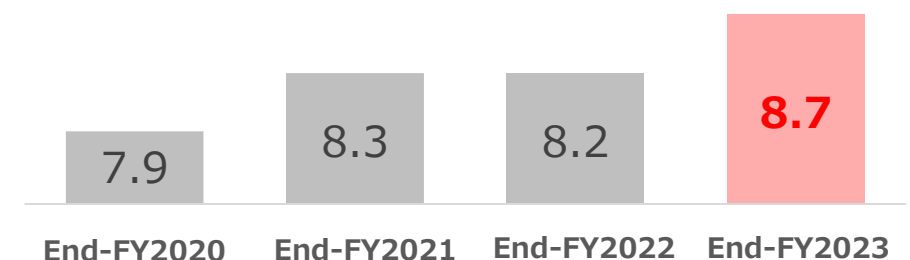
Target: Steadily generate ¥600.0 billion



Equity (Group)

(Trillions of Yen)

Target: ¥9.0 trillion



※ All figures are based on the calculation method applied since FY2022.

※ Figures of both FY2023 and FY2022 for MLC are under the new accounting standard.

※ MLC's figures as of the end of FY2023 and FY2022 are both based on the new accounting standard. 13

② New Mid-Term Management Plan (2024-2026)

Under the New Mid-Term Management Plan, we will realize the Nippon Life Group's growth and a worldclass financial soundness level, as well as enhance policyholder dividends, through the expansion of value provided to society via each business

The Society We
Aim For

A society in which everyone can live their lives with peace of mind

Enhance sustainability management in the three areas of People, Community, and Environment

Corporate
Vision

A corporate group offering various types of reassurance across diverse areas centering around life insurance, spanning out to asset management, healthcare, nursing care, childcare and others as a provider of 'multidimensional peace of mind'.



Mid-Term Management Plan (2024-2026)

Positioning

The three years covered by the mid-term business plan is a period to strongly promote Group business management, where acceleration of expansion on sales performance and new revenue streams is pursued in order to boost the rate of mid to long term growth.

Theme

“Over-deliver on customer expectations in offering peace of mind and reach out to a larger community of customers”

5 Strategic
Directions

- ① Enhance value of our insurance business in the domestic market
- ② Offer peace of mind in the domestic market in an even more multidimensional way
- ③ Expand the global business
- ④ Advance the financial strategy to the next stage (Asset management, capital, policyholder dividends)
- ⑤ Build a stronger business foundation

Customer-oriented business operations

Expansion of value provided to society

- Enhance products and services
- Strengthen consulting capabilities
- Improve CX
- Help companies deal with management issues
- Contribute to the solution of social issues such as community and global environmental issues

Increase the number of customers to 15.60 million and the number of corporate customers to 350,000

Maintain customer satisfaction of 90% or more

Increase assets under management to ¥112 trillion

Nippon Life Group's growth

**Value of new business
¥350.0 billion**

**Annualized premiums in
force ¥4.85 trillion**

Core operating profit of ¥860.0 billion

Financial soundness and policyholder dividends

Ensure a worldclass financial soundness level

Enhance policyholder dividends

① Business outlook for FY2024

- Insurance and service income* is expected to decrease mainly due to a decrease in sales of single payment products of Nippon Life and Nippon Wealth Life.

* Nippon Life's original benchmark, calculated as the sum of revenues from insurance and reinsurance and other ordinary income

- Core operating profit is expected to decrease mainly due to an increase in operating expenses.
- Annualized premium in force is expected to remain unchanged, while value of new business is expected to decrease.

(Billions of Yen, Millions of Australian Dollars)

Insurance and service income (Revenues from insurance, reinsurance and other ordinary income)

Core operating profit

Annualized premium in force (Domestic group)

	FY2023	FY2024 outlook	FY2023	FY2024 outlook	FY2023	FY2024 outlook
Group total (Revenues from insurance and reinsurance)	8,888.8 (8,598.3)	Approx. 7,760.0 (Approx. 7,470.0)	764.0	Approx. 730.0	4,756.3	Approx. 4,760.0
Nippon Life	5,411.4	Decrease	708.7	Decrease	Value of new business (Group)	
Taiju Life	942.0	Decrease	14.5	Increase		
Nippon Wealth Life	2,067.2	Decrease	37.4	Increase	FY2023	FY2024 outlook
Hanasaku Life	40.9	Increase	-17.2	Increase	326.0	Approx. 320.0
MLC	1,858	Increase	-0	Increase		

※ The Group total for insurance and service income is consolidated revenues from insurance and reinsurance calculated from Nippon Life, Taiju Life, Nippon Wealth Life, Hanasaku Life, Nissay Plus SSI, MLC, and Nippon Life Insurance Company of America.

※ The Group total for core operating profit is calculated from the core operating profit of Nippon Life, Taiju Life, Nippon Wealth Life, and Hanasaku Life and net income before taxes of overseas life insurance subsidiaries and affiliates and domestic and overseas asset management subsidiaries and affiliates, adjusted for the stock ownership ratio and some internal transactions, and excluding interest rate fluctuation factors.

※ MLC's revenues from insurance and reinsurance are premium revenue. Core operating profit is calculated as net income before taxes, adjusted for the stock ownership ratio and excluding interest rate fluctuation factors, etc. (on a local currency basis).

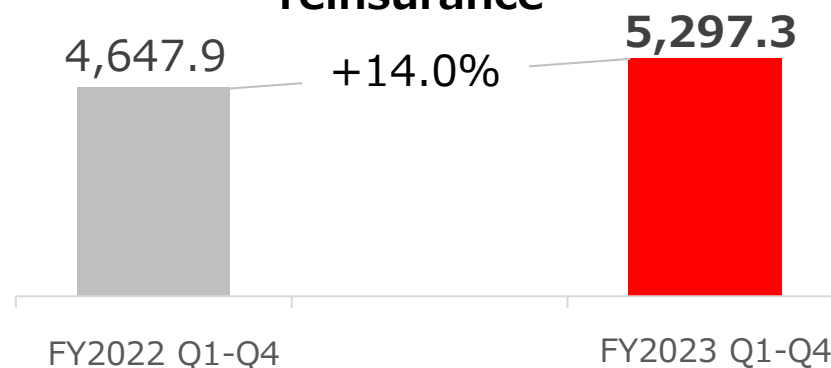
**【Reference】
Status of each
Group company**

Nippon Life (nonconsolidated): Revenue and Profit

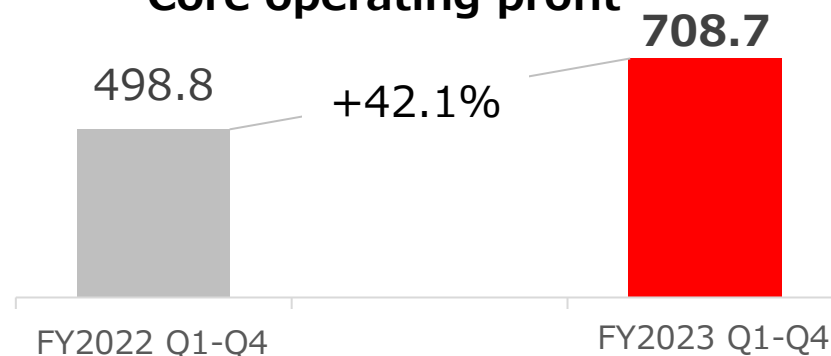
(Billions of Yen)

- Revenue and profit increased year on year at Nippon Life on a nonconsolidated basis.
- Revenues from insurance and reinsurance increased mainly due to an increase in sales of yen-denominated whole life insurance in the sales representative channel.
- Core operating profit increased mainly due to an increase in net insurance-related gains through a decrease in benefit payments related to COVID-19.

Revenues from insurance and reinsurance



Core operating profit



	FY2023	vs FY2022
Core operating profit	708.7	+ 42.1%
Investment yield margin	280.8	+ 19.8%
Net insurance-related gains*	427.9	+ 61.9%

* The expense margin was ¥54.5 billion and the risk margin was ¥373.3 billion.

Nippon Life (nonconsolidated): Asset management

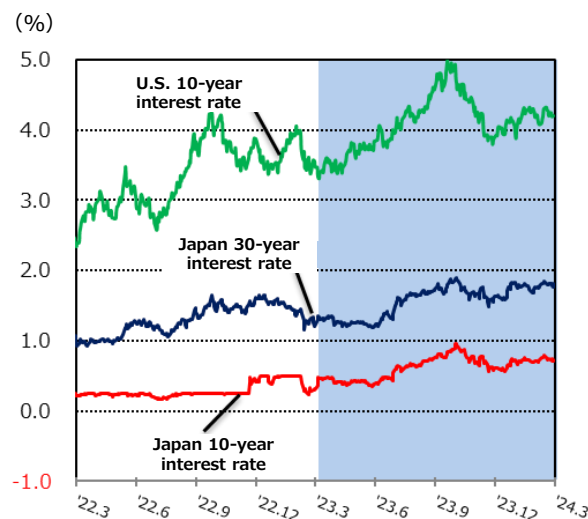
- Net investment income decreased year on year.
- Investment income decreased mainly due to a decrease in the gain on the sales of securities.
- Investment expenses decreased mainly due to a decrease in the loss on sale of securities, while there was an increase in loss on derivative financial instrument, net.

Net investment income (General account)

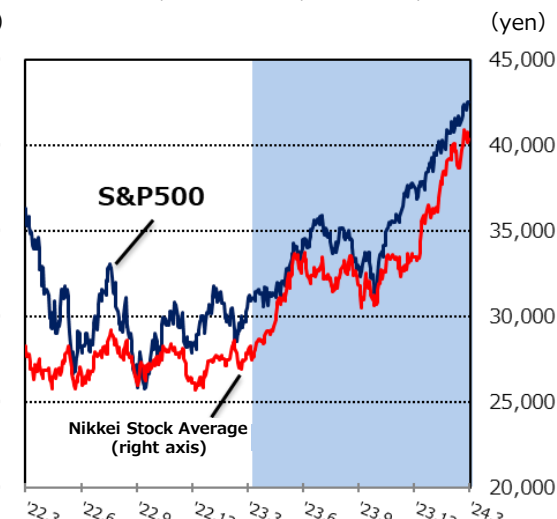
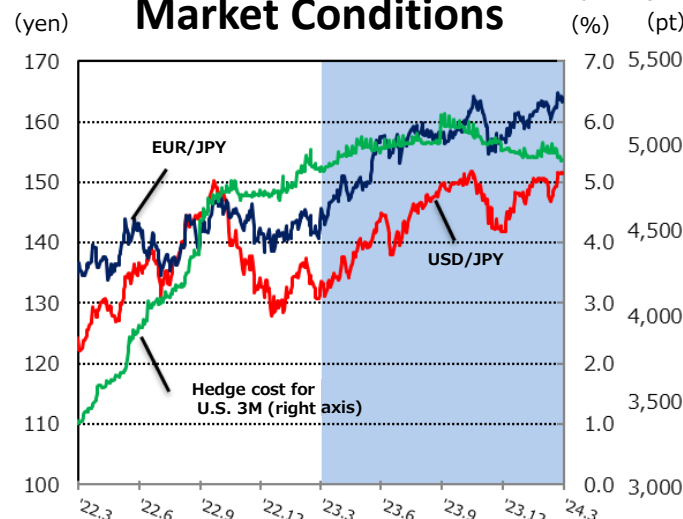
(Billions of Yen)

	FY2023	vs FY2022
Investment income	2,088.9	-498.8
Interest, dividends, and other income	1,607.6	+83.1
Gain on sales of securities	315.3	-694.0
Foreign exchange gains	158.2	+105.6
Investment expenses	696.9	-481.4
Loss on sale of securities	275.8	-598.5
Loss on valuation of securities	6.5	+0.3
Loss on derivative financial instruments, net	288.3	+112.3
Net investment income	1,391.9	-17.3

※ Some accounting treatments have been changed from FY2023 with the objective of aligning with those of Taiju Life, and retroactively adjusted figures are shown for comparisons with the previous fiscal year.



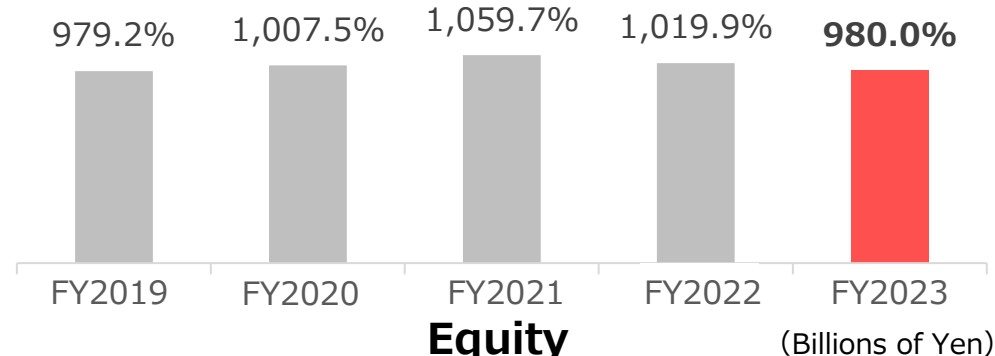
Market Conditions



Nippon Life (nonconsolidated): Soundness

- Solvency margin ratio declined compared to the end of FY2022 as the sizable impact of increased investment risk outweighed the increase in margin due to an increase in unrealized gains on securities caused by rising stock prices.
- Unrealized gains on securities increased compared to the end of FY2022 due to a rise in domestic stock prices.

Solvency margin ratio



Equity



Unrealized gains/losses on securities

	End-FY2023	vs end-FY2022
Investments in securities	12,002.7	+ 3,927.3
Domestic bonds	-1,011.6	-1,762.8
Domestic stocks	9,577.8	+ 3,962.3
Foreign securities	3,348.2	+ 1,622.9
Others	88.2	+ 105.0

※ Calculations exclude items such as stocks without market prices and entities such as partnerships.

Nippon Life (nonconsolidated): Retention rate, numbers of agencies and sales representatives

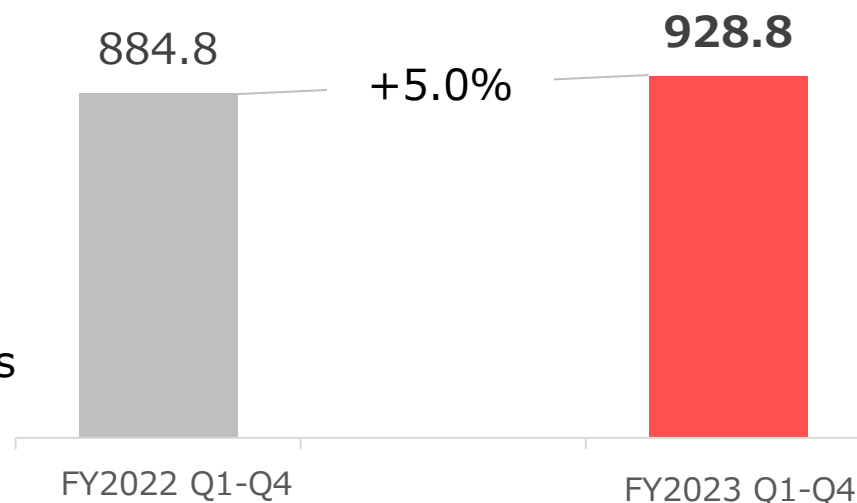
	End- FY2023	vs end- FY2022	(Reference) End- FY2022
New 6-month retention rate	97.5%	-0.4pt	97.9%
Total 13-month comprehensive retention rate	95.6%	-0.3pt	95.9%
Agencies	19,162	+ 129	19,033
Financial institution	298	+ 1	297
Sales representatives (people)	47,937	-2,344	50,281

- ※ New 6-month retention rate represents the retention rate for new policies in the 6th month of monthly payments.
- ※ Total 13-month comprehensive retention rate is the total for new and converted policies and represents the retention rate in the 13 month, including all premium payment methods of monthly, annual and single payment.
- ※ New 6-month retention rate as of end-FY2023 is for new policies from September 2022 to August 2023.
- ※ New 6-month retention rate as of end-FY2022 covers new policies from September 2021 to August 2022.
- ※ Total 13-month comprehensive retention rate as of end-FY2023 covers new and converted policies from January to December 2022.
- ※ Total 13-month comprehensive retention rate as of end-FY2022 covers new and converted policies from January to December 2021.

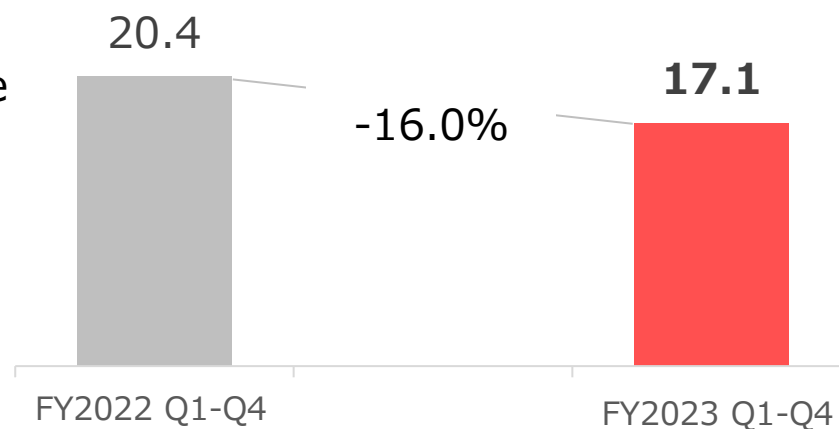
- Revenue increased and profit decreased compared to the previous fiscal year.
- Revenues from insurance and reinsurance increased due to an increase in sales of foreign currency-denominated single payment products and an increase in reinsurance revenue.
- Core operating profit decreased mainly due to an increase in the investment loss caused by an increase in hedge costs, while there was an increase in the net insurance-related gains through a decrease in benefit payments related to COVID-19.

Revenues from insurance and reinsurance

(Billions of Yen)



Core operating profit



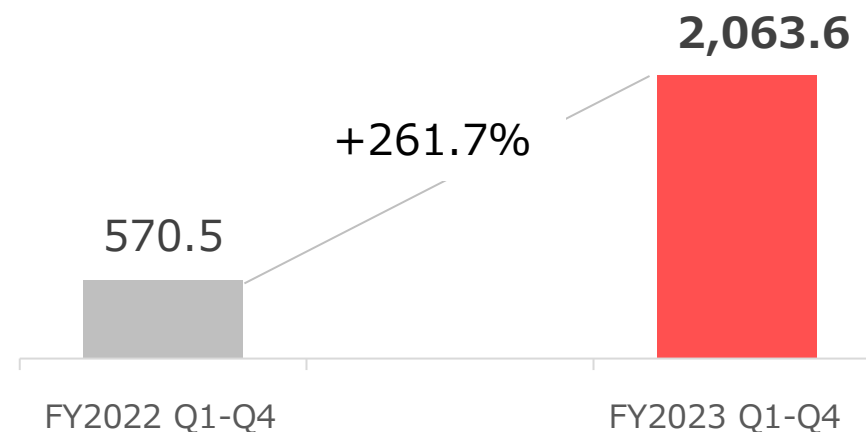
※ Nonconsolidated figures are shown.

Nippon Wealth Life

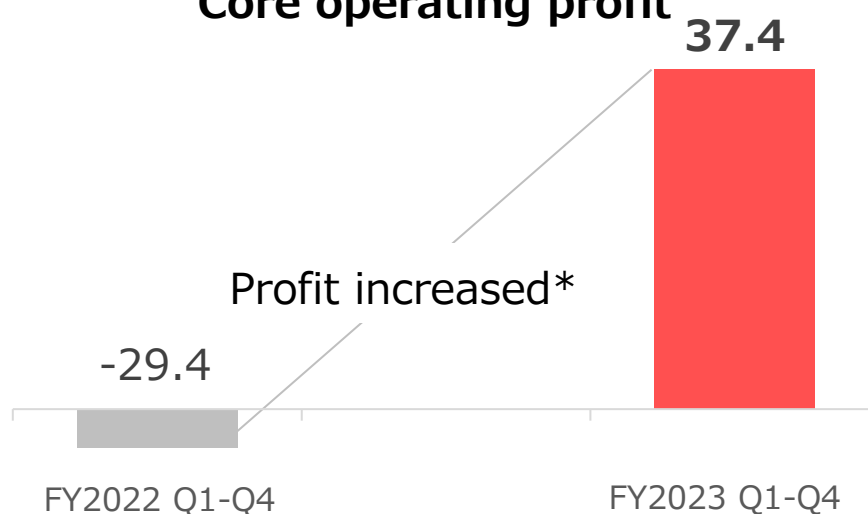
- Revenue and profit increased compared to the previous fiscal year.
- Revenues from insurance and reinsurance increased mainly due to increases in sales of foreign currency-denominated and yen-denominated single payment products and reinsurance revenue.
- Core operating profit increased due to an increase in net insurance-related gains through a decrease in provision of standard policy reserve.

(Billions of Yen)

Revenues from insurance and reinsurance



Core operating profit



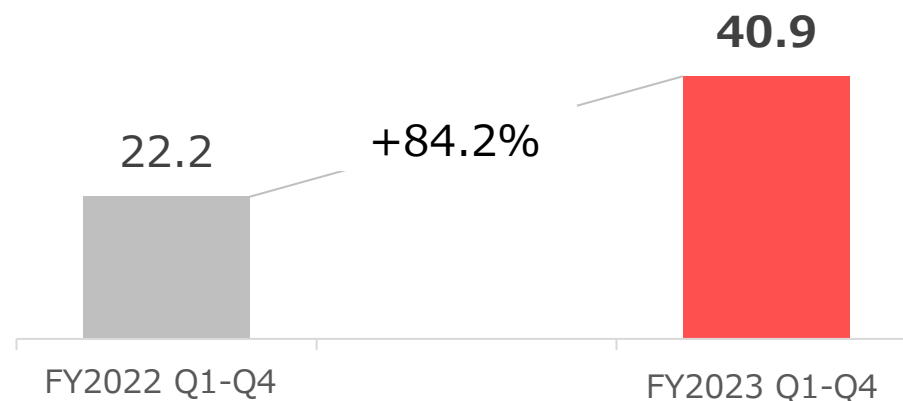
※ Nonconsolidated figures are shown.

* Variance cannot be calculated because the figures of FY2023 Q1-Q4 were positive, whereas those of FY2022 Q1-Q4 were negative.

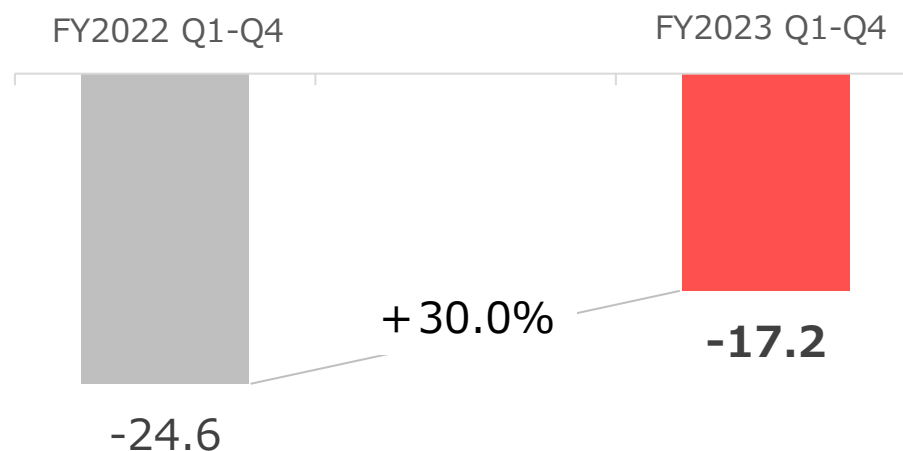
(Billions of Yen)

- Revenue increased and core operating profit improved compared to the previous fiscal year.
- Revenues from insurance and reinsurance increased mainly due to an increase in in-force business such as medical insurance and an increase in reinsurance revenue.
- Core operating profit improved mainly due to decreases in new policy expenses and benefit payments related to COVID-19, while operating expenses increased due to business expansion.

Revenues from insurance and reinsurance



Core operating profit

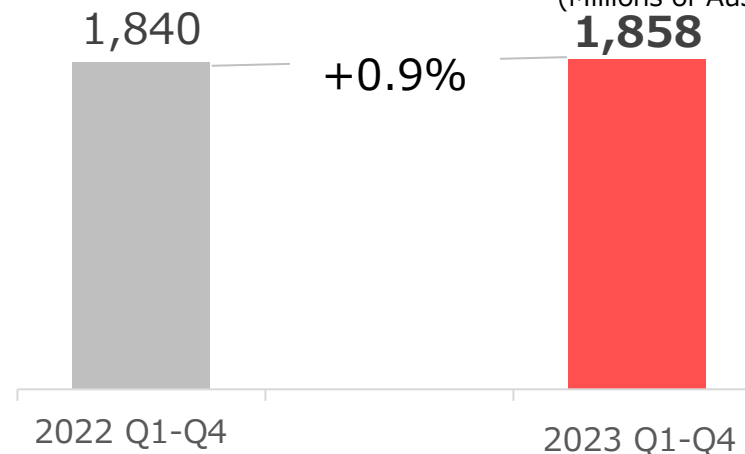


※ Nonconsolidated figures are shown.

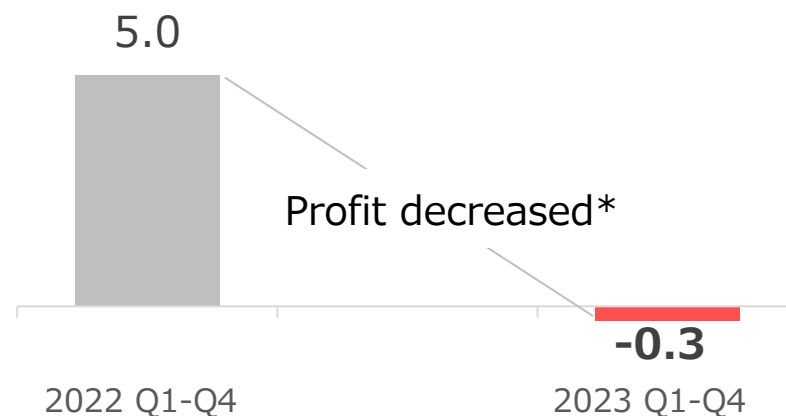
- MLC's premium revenue increased, while core operating profit decreased, compared to the previous fiscal year.
- Premium revenue increased due to the impact of premium repricing, etc. in individual insurance.
- Core operating profit decreased following an increase in payments in individual insurance, etc.

Premium revenue

(Millions of Australian Dollars)



Core operating profit



※ Nonconsolidated figures are shown.

※ 4Q performance reflects consolidated results for January to December.

※ Premium revenue is shown based on an earned basis Japanese accounting standards.

* Variance cannot be calculated because the figures of FY2022 Q1-Q4 were positive, whereas those of FY2023 Q1-Q4 were negative.

1. Definition and overview

ESR (Economic Solvency Ratio) :

A ratio that shows the sufficiency of capital (risk buffer) relative to the amount of risk of the entire Group. The amount of risk and the risk buffer are calculated based on the economic value^{*1} of assets and liabilities held.

Risk buffer (the numerator of ESR):

The risk buffer refers to the capital available to mitigate risk. It is calculated as the sum of net assets shown on the consolidated balance sheet and internal reserves with liability characteristics, such as the reserve for price fluctuations in investments in securities and the contingency reserve; subordinated debt; bonds held to maturity; policy-reserve-matching bonds; loans; unrealized gains and losses on assets such as real estate; and unrealized gains and losses on insurance liabilities; and deducting from this amount the surplus to be appropriated and intangible assets such as goodwill.

Additionally, unrealized gains and losses on insurance liabilities are calculated as the present value of future profits arising from in-force business, less the time value of options and guarantees^{*2} and the risk margin^{*3}.

Amount of risk (the denominator of ESR):

The amount of risk represents a statistical valuation of the losses that could occur as a result of changes in the environment surrounding Nippon Life. It measures life insurance risk, catastrophe risk, market risk, credit risk, and operational risk. The amount of risk is measured as the maximum loss that could occur with a 99.5% confidence level during the following year using methodologies such as Value at Risk (VaR).

Value of new business:

The value of new business represents the present value of future profits arising from new insurance policies written (including policy conversions) during the fiscal period^{*4}. The same assumptions are used to calculate unrealized gains and losses on insurance liabilities as of March 31, 2024.

^{*1} Refers to the present value of future cash flows derived from valuations consistent with market prices, or methodologies using market-consistent principles, techniques, and parameters.

^{*2} Represents the costs associated with guarantees made by an insurance company to provide financial security and protection even during adverse economic conditions, such as minimum interest rate and benefit guarantees.

^{*3} The amount necessary to set aside for fluctuations in future cash flows related to insurance policies.

^{*4} The time value of options and guarantees for new business has also been deducted from value of new business.

2. Assumptions

Economic assumptions

(a) Risk-free rate

Government bond yields as of the valuation date are used as the reference rates.^{*5}

(b) Discount rates

The discount rates are set for each period based on categories covering the period of cash flow generation in years.

Category 1 (0 to 30th year)

Add the expected rate of return to the spot rate (risk-free rate) of government bonds in the same currency as the liabilities.

Category 2 (from the 31th to 60th year)

Set an assumed UFR^{*6} and extrapolate using the Smith-Wilson method so that the forward rate from the 31st year onward, with the 30th year as the initial year of extrapolation, becomes the UFR over a 30-year period.

Category 3 (from the 61th year onward)

Set the UFR as the forward rate.

(Reference) Government bond yield rates as of March 31, 2024

Period	Yen	U.S. dollar	Australian dollars
10 years	0.8%	4.2%	4.0%
20 years	1.6%	4.5%	4.4%
30 years	1.9%	4.3%	4.5%

Non-economic assumptions

Future cash flows such as premiums, operating expenses, claims and benefits, surrender benefits, and policyholder dividends are projected for each type of insurance, considering factors such as improvement in the mortality rate and inflation rate based on the historical payment record and other conditions.

^{*5} However, economic assumptions as of the last day of the policy anniversary month or the end of the three-month period that the policy anniversary month falls under are used to determine the value of new business for certain products.

^{*6} When determining the present value of liabilities with ultra-long-term maturities for which market interest rates cannot be observed, interest rates for ultra-long-term maturities are estimated based on the principle that the forward rate will converge at a certain level (the Ultimate Forward Rate, or UFR). The UFR is 2.9% for the yen interest rate (3.5% in FY2022), 3.5% for the U.S. dollar, and 4.0% for the Australian dollar.