
CHAPTER

5

FINANCIAL DATA

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Report of Independent Auditors

Nippon Life Insurance Company and Subsidiaries

The Board of Directors of
NIPPON LIFE INSURANCE COMPANY

We have audited the accompanying consolidated balance sheets of NIPPON LIFE INSURANCE COMPANY and its subsidiaries as of March 31, 2003, 2004, and 2005, and the related consolidated statements of operations, surplus, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NIPPON LIFE INSURANCE COMPANY and its subsidiaries as of March 31, 2003, 2004, and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 2 (3), effective from the year ended March 31, 2003, the Company changed its method of determining fair value, from the market value prevailing at the balance sheet date to the average market value for one month before the year end, for the valuation of stocks, including foreign stocks, in available-for-sale securities for which market quotations are available.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 of the accompanying consolidated financial statements.



ChuoAoyama PricewaterhouseCoopers

Osaka, Japan
May 13, 2005

[1] Consolidated Balance Sheets

Nippon Life Insurance Company and Subsidiaries

As of March 31, 2005, 2004, and 2003	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Assets:				
Cash and deposits	¥ 511,376	¥ 394,613	¥ 365,985	\$ 4,761
Call loans	363,100	437,400	478,300	3,381
Monetary receivables purchased	1,456,619	901,904	687,501	13,563
Trading securities	2,999	2,999	5,999	27
Money held in trust	144,615	155,055	248,380	1,346
Investments in securities (Note 3)	31,213,322	29,856,490	27,342,127	290,653
Loans receivable (Notes 11 and 12)	10,298,415	10,993,883	11,599,189	95,897
Real estate and movables, net of accumulated depreciation (Note 4)	1,880,583	1,937,312	1,997,067	17,511
Reinsurance receivables	497	419	447	4
Other assets	951,429	893,837	990,649	8,859
Deferred tax assets (Note 15)	4,499	4,937	304,768	41
Customers' liabilities for acceptances and guarantees	1,574	3,085	6,622	14
Allowance for doubtful accounts	(51,068)	(89,584)	(112,192)	(475)
Total assets	¥46,777,966	¥45,492,355	¥43,914,847	\$435,589
Liabilities:				
Policy reserves and others:				
Reserve for outstanding claims	241,262	247,880	281,477	2,246
Policy reserves	38,796,547	38,645,018	38,616,127	361,267
Reserve for dividends to policyholders (Note 6)	1,357,447	1,415,625	1,500,148	12,640
	40,395,257	40,308,524	40,397,754	376,154
Agency account payable	37	27	46	0
Reinsurance payables	499	409	408	4
Other liabilities	1,841,026	1,041,161	1,027,530	17,143
Accrued severance indemnities (Note 8)	393,941	452,662	427,298	3,668
Accrued losses from supporting closely related companies	656	705	755	6
Reserve for price fluctuations of investments in securities	390,262	255,261	150,260	3,634
Deferred tax liabilities (Note 15)	355,207	305,279	1,005	3,307
Deferred tax liabilities for revaluation reserve for land	34,962	38,770	40,819	325
Acceptances and guarantees	1,574	3,085	6,622	14
Total liabilities	¥43,413,426	¥42,405,887	¥42,052,501	\$404,259
Minority interests	9,065	7,650	7,021	84
Capital:				
Foundation funds (Note 9)	200,000	250,000	300,000	1,862
Reserve for redemption of foundation funds (Note 9)	550,000	500,000	450,000	5,121
Reserve for revaluation	651	651	651	6
Surplus	428,234	411,095	379,293	3,987
Revaluation reserve for land, net of taxes	61,881	68,620	72,250	576
Net unrealized gains on securities, net of taxes	2,167,583	1,898,076	667,710	20,184
Cumulative translation adjustments	(52,876)	(49,625)	(14,581)	(492)
Total capital	3,355,475	3,078,817	1,855,324	31,245
Total liabilities, minority interests, and capital	¥46,777,966	¥45,492,355	¥43,914,847	\$435,589

The accompanying notes are an integral part of the financial statements.

[2] Consolidated Statements of Operations

Nippon Life Insurance Company and Subsidiaries

For the years ended March 31, 2005, 2004, and 2003	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Revenues:				
Income from insurance and reinsurance premiums	¥4,852,854	¥5,169,262	¥5,446,295	\$45,189
Investment income:				
Interest, dividend and other income	992,769	995,820	1,015,060	9,244
Gains from trading securities, net	—	—	83	—
Gains from money held in trust, net	18,869	24,184	—	175
Gains on sales of securities	201,805	189,082	301,859	1,879
Gains from redemption of securities	217	30	286	2
Foreign exchange gains, net	—	2,119	—	—
Other investment income	22,701	17,474	13,191	211
Gains from separate account, net	86,089	348,404	—	801
	1,322,452	1,577,116	1,330,480	12,314
Other revenues (Note 14)	329,024	464,793	677,353	3,063
Total revenues	6,504,331	7,211,172	7,454,130	60,567
Expenditures:				
Insurance claims and other payments:				
Death and other claims	1,254,272	1,581,421	1,546,741	11,679
Annuity payments	410,990	388,094	351,191	3,827
Health and other benefits	828,828	894,880	975,199	7,717
Surrender benefits	1,228,264	1,284,092	1,320,828	11,437
Other refunds	944,312	1,296,060	782,293	8,793
	4,666,668	5,444,550	4,976,255	43,455
Provision for policy reserves and others:				
Provision for reserve for outstanding claims	—	—	42,378	—
Provision for policy reserves	151,591	29,193	—	1,411
Interest on reserve for dividends to policyholders	41,000	43,495	47,395	381
	192,591	72,689	89,774	1,793
Expenses for investment:				
Interest expense	3,933	2,932	3,258	36
Losses from trading securities, net	3	48	—	0
Losses from money held in trust, net	—	—	21,842	—
Losses on sales of securities	53,123	57,432	127,294	494
Losses on valuation of securities	31,382	23,505	524,468	292
Losses on redemption of securities	—	0	—	—
Losses from derivative financial instruments, net	66,340	47,561	49,899	617
Foreign exchange losses, net	2,155	—	2,394	20
Write-down of loans	506	1,705	1,221	4
Depreciation for rental real estate and other assets	31,636	34,066	37,109	294
Losses from separate account, net	—	—	339,873	—
Other expenses for investment	34,678	32,779	35,674	322
	223,760	200,032	1,143,036	2,083
Operating expenses	564,994	576,937	624,710	5,261
Other expenditures	483,263	534,703	494,522	4,500
Total expenditures	6,131,279	6,828,913	7,328,300	57,093
Operating income	373,052	382,259	125,829	3,473

For the years ended March 31, 2005, 2004, and 2003	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Extraordinary profits:				
Gains on disposal of assets	¥ 4,871	¥ 6,584	¥ 4,415	\$ 45
Reversal of allowance for doubtful accounts	36,701	15,954	32,472	341
Other	295	—	42,581	2
	41,868	22,539	79,468	389
Extraordinary losses:				
Losses on disposal of assets	47,709	23,104	17,272	444
Provision for reserve for price fluctuations of investments in securities	135,000	105,000	17,000	1,257
Losses on valuation of real estate	2,476	2,124	3,241	23
Provision for accrued severance indemnities	—	—	39,319	—
Other (Note 16)	1,864	7,046	5,097	17
	187,050	137,276	81,930	1,741
Surplus before income taxes	227,870	267,522	123,367	2,121
Income taxes (Note 15):				
Current	130,755	147,203	29,070	1,217
Deferred	(106,482)	(78,993)	(19,653)	(991)
Minority interests	866	682	973	8
Surplus in the current year	¥202,730	¥198,628	¥112,976	\$1,887

The accompanying notes are an integral part of the financial statements.

[3] Consolidated Statements of Cash Flows

Nippon Life Insurance Company and Subsidiaries

For the years ended March 31, 2005, 2004, and 2003	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Cash flows from operating activities:				
Surplus before income taxes	¥ 227,870	¥ 267,522	¥ 123,367	\$ 2,121
Depreciation	90,593	95,870	102,335	843
Amortization of goodwill	(454)	—	57	(4)
Net increase (decrease) in reserve for outstanding claims	(6,561)	(33,358)	42,291	(61)
Net increase (decrease) in policy reserves	151,590	29,168	(262,768)	1,411
Interest on reserve for dividends to policyholders	41,000	43,495	47,395	381
Net increase (decrease) in allowance for doubtful accounts	(21,812)	(10,924)	(20,889)	(203)
Net increase (decrease) in accrued severance indemnities	(58,721)	25,364	52,153	(546)
Net increase (decrease) in reserve for price fluctuations of investments in securities	135,000	105,000	17,000	1,257
Interest, dividend and other income	(992,769)	(995,820)	(1,015,060)	(9,244)
Net losses (gains) on securities investment	(117,550)	(108,174)	349,560	(1,094)
Interest expense	3,933	2,932	3,258	36
Foreign exchange losses (gains), net	2,155	(2,119)	2,394	20
Net losses (gains) on real estate investment	45,502	22,291	16,434	423
Equity in earnings of affiliates	(2,200)	(1,878)	669	(20)
Losses (gains) from separate account, net	(86,089)	(348,404)	339,873	(801)
Net decrease (increase) in trading securities	—	3,000	(9,459)	—
Net decrease (increase) in reinsurance receivables	(78)	27	96	(0)
Net decrease (increase) in other assets	(17,396)	2,258	(19,132)	(161)
Net decrease (increase) in agency account payable	10	(19)	12	0
Net decrease (increase) in reinsurance payables	90	0	(52)	0
Net increase (decrease) in other liabilities	(24,228)	(20,548)	16,690	(225)
Other, net	111,319	55,445	103,003	1,036
Subtotal	(518,795)	(868,871)	(110,812)	(4,830)
Interest, dividend and other income received	1,008,630	1,018,345	1,012,221	9,392
Interest paid	(3,988)	(2,889)	(3,738)	(37)
Dividends to policyholders paid	(221,325)	(243,468)	(272,135)	(2,060)
Other, net	39,947	36,722	(5,268)	371
Income taxes paid	(206,713)	14,140	(122,739)	(1,924)
Net cash provided by (used in) operating activities	97,755	(46,022)	497,526	910

For the years ended March 31, 2005, 2004, and 2003	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Cash flows from investing activities:				
Net change in deposits	¥ —	¥ (469)	¥ 157,991	\$ —
Purchases of monetary receivables purchased	(631,939)	(207,297)	(684,005)	(5,884)
Proceeds from sales and redemption of monetary receivables purchased	215,973	246,243	540,374	2,011
Purchases of money held in trust	(13,632)	(9,732)	(140,388)	(126)
Proceeds from sales of money held in trust	29,906	115,664	415,014	278
Purchases of securities	(6,980,723)	(6,911,387)	(7,891,991)	(65,003)
Proceeds from sales and redemption of securities	6,333,298	6,681,420	7,111,774	58,974
Investments in loans	(3,858,467)	(4,125,820)	(4,070,978)	(35,929)
Collections of loans	4,560,926	4,735,476	4,672,643	42,470
Other, net	460,468	(123,486)	(309,493)	4,287
Subtotal	115,810	400,609	(199,058)	1,078
Purchases of real estate and movables	(112,762)	(57,313)	(55,791)	(1,050)
Proceeds from sales of real estate and movables	55,390	20,651	23,048	515
Other, net	—	—	240	—
Net cash provided by (used in) investing activities	58,438	363,947	(231,560)	544
Cash flows from financing activities:				
Proceeds from debt issuance	190,758	34,703	28,900	1,776
Repayments of debt	(192,480)	(36,353)	(32,276)	(1,792)
Raising of foundation funds	—	—	150,000	—
Redemption of foundation funds	(50,000)	(50,000)	(300,000)	(465)
Interest on foundation funds paid	(3,645)	(4,291)	(7,312)	(33)
Other, net	864	(35)	(22)	8
Net cash provided by (used in) financing activities	(54,502)	(55,976)	(160,710)	(507)
Effect of exchange rate changes on cash and cash equivalents	(4,564)	(16,151)	(9,488)	(42)
Net increase (decrease) in cash and cash equivalents	97,127	245,796	95,766	904
Cash and cash equivalents at the beginning of the year	1,381,179	1,135,382	1,039,615	12,861
Decrease in cash and cash equivalents due to the exclusion of subsidiaries from the consolidation	(7,919)	—	—	(73)
Cash and cash equivalents at the end of the year	¥1,470,387	¥1,381,179	¥1,135,382	\$13,692

The accompanying notes are an integral part of the financial statements.

[4] Consolidated Statements of Surplus

Nippon Life Insurance Company and Subsidiaries

For the years ended March 31, 2005, 2004, and 2003	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Balance at the beginning of the year	¥411,095	¥379,293	¥756,387	\$3,828
Additions:				
Surplus in the current year	202,730	198,628	112,976	1,887
Reversal of revaluation reserve for land	6,738	3,630	5,532	62
	209,468	202,259	118,508	1,950
Deductions:				
Transfer to reserve for dividends to policyholders (Note 6)	135,123	116,158	187,637	1,258
Transfer to reserve for redemption of foundation funds (Note 9)	50,000	50,000	300,000	465
Interest on foundation funds	3,645	4,291	7,312	33
Bonus for directors and corporate auditors	1	1	1	0
Transfer to reserve for revaluation	—	—	651	—
Decrease in surplus due to the exclusion of subsidiaries from the consolidation	3,559	—	—	33
Other	—	5	—	—
	192,329	170,457	495,602	1,790
Balance at the end of the year	¥428,234	¥411,095	¥379,293	\$3,987

The accompanying notes are an integral part of the financial statements.

[5] Notes to the Consolidated Financial Statements

Nippon Life Insurance Company and Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

(1) Accounting principles and presentation

The accompanying consolidated financial statements have been prepared from the accounts and records maintained by NIPPON LIFE INSURANCE COMPANY (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Insurance Business Law and the related rules and regulations applicable to the mutual life insurance industry in general and in conformity with accounting principles generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards. Certain accounting and reporting practices required to be followed by the industry are regulated by the Financial Services Agency and the related ministry by means of ministry ordinances and guidances. The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are in compliance with such requirements.

Relevant notes have been added and certain reclassifications or summarizations of the account balances in the basic consolidated financial statements disclosed in Japan have been made to achieve presentation deemed appropriate for foreign readers of the consolidated financial statements.

Amounts of less than one million have been eliminated. As a result, totals may not add up exactly.

(2) United States dollar amounts

The Company prepares its consolidated financial statements in yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥107.39=US\$1, the effective rate of exchange at the balance sheet date of March 31, 2005. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥107.39=US\$1 or at any other rate.

2. Summary of Significant Accounting Policies

(1) Principles of consolidation

i) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and its subsidiaries. Consolidated subsidiaries in the year ended March 31, 2005 are listed below:

Nissay Computer Co., Ltd. (Japan)
 Nissay Asset Management Corporation (Japan)
 Nissay Information Technology Co., Ltd. (Japan)
 Nissay Capital Co., Ltd. (Japan)
 Nissay Card Service Co., Ltd. (Japan)
 Nippon Life Insurance Company of America (U.S.A.)
 NLI Properties East, Inc. (U.S.A.)
 NLI Properties Central, Inc. (U.S.A.)
 NLI Properties West, Inc. (U.S.A.)
 NLI Commercial Mortgage Fund, LLC (U.S.A.)
 NLI Commercial Mortgage Fund, II LLC (U.S.A.)
 Nissay Credit Guarantee Co., Ltd. (Japan)
 Nissay Leasing Co., Ltd. (Japan)

NLI Commercial Mortgage Fund, LLC has been established and treated as a consolidated subsidiary in the year ended March 31, 2004.

NLI Properties UK Limited was excluded from the consolidation due to its liquidation in the year ended March 31, 2005.

NLI Commercial Mortgage Fund, II LLC has been established and treated as a consolidated subsidiary in the year ended March 31, 2005.

The major subsidiaries excluded from consolidation are Tokyo Agency of Nippon Life Insurance Co., Ltd., Japan Insurance Services, Inc., and Nissay Business Service Co., Ltd. The respective and aggregate effects of the companies, which are excluded from consolidation, on total assets, revenues, surplus in the current year and surplus at the end of the year are immaterial. This exclusion from the consolidation does not prevent reasonable judgment of the consolidated financial position of the Company and its subsidiaries and the result of their operations.

ii) Affiliates

Affiliates accounted for under the equity method in the year ended March 31, 2005 are listed below:

Nissay Dowa General Insurance Company, Limited (Japan)
 The Master Trust Bank of Japan, Ltd. (Japan)
 Corporate-pension Business Service Co., Ltd. (Japan)
 Nippon Life Insurance Company of the Philippines, Inc. (Philippines)
 Nissay-SVA Life Insurance Co., Ltd. (China)
 Bangkok Life Assurance Limited (Thailand)

Nissay-SVA Life Insurance Co., Ltd. has been established and treated as an affiliate accounted for under the equity method in the year ended March 31, 2004.

Bangkok Life Assurance Limited has been treated as an affiliate accounted for under the equity method effective from the year ended March 31, 2004, due to acquisition of its shares.

The subsidiaries not consolidated, e.g., Tokyo Agency of Nippon Life Insurance Co., Ltd. and Japan Insurance Services, Inc., and affiliates other than those listed above, e.g., Japan Affinity Marketing, Inc., are not accounted for under the equity method. The respective and aggregate effects of such companies to surplus in the current year and surplus at the end of the year are immaterial.

The number of consolidated subsidiaries and affiliates in the years ended March 31, 2003, 2004, and 2005 were as follows:

	2005	2004	2003
Consolidated subsidiaries	13	13	12
Subsidiaries not consolidated but accounted for under the equity method	0	0	0
Affiliates accounted for under the equity method	6	6	4

iii) Balance sheet date of subsidiaries

The financial statements of consolidated overseas subsidiaries, the fiscal year-ends of which are all December 31, are included in the consolidated financial statements on the basis of their respective fiscal years after making appropriate adjustments for material transactions during the periods from their respective year-ends to the date of the consolidated financial statements.

iv) Valuation of subsidiary's assets and liabilities on acquisition

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair value.

v) *Goodwill arising on consolidation*

Goodwill arising on consolidation is charged or credited to income in the year in which it is incurred.

vi) *Treatment of appropriation of surplus*

Consolidated statements of surplus are prepared based on appropriation of surplus approved during the current year.

(2) Cash and cash equivalents

Cash and cash equivalents, for the purpose of reporting cash flows, are composed of cash in hand, deposits held at call with banks and all highly liquid short term investments, with maturity of three months or less when purchased and which are readily convertible into cash and present insignificant risk of change in value.

(3) Securities and hedging activities

Valuations of trading securities, investments in securities, financial instruments similar to securities included in deposits and monetary receivables purchased, and also securities included in money held in trust, are mainly as follows:

- i) Trading securities are stated at market value prevailing at the balance sheet date. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with the Industry Audit Committee Report No.21 "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching bonds in Insurance Industry" issued by the Japanese Institute of Certified Public Accountants (the "JICPA").
- iv) Investments in non-consolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities for which market quotations are available are stated at fair value, determined as described below. Costs of their sales are determined by the moving average method. Adjustments to fair value, net of taxes are recorded as an increase or decrease in capital.

Available-for-sale securities for which market quotations are unavailable are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between purchase price and face value is due to interest rate adjustment. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

Effective for the year ended March 31, 2003, the Company changed its method of determining fair value, from the market value prevailing at the balance sheet date to the average market value for one month before the year end, for the valuation of stocks, including foreign stocks, in available-for-sale securities for which market quotations are available. The effect of this change in the method of determining the fair value of such stocks for the year ended March 31, 2003 was to increase investments in securities by ¥106,647 million, net unrealized gains on securities by ¥21,710 million, deferred tax liabilities by ¥12,265 million, operating income by ¥72,670 million and surplus before income taxes by ¥72,670 million, respectively. The market value prevailing at the balance sheet date is used for the valuation of all available-for-sale securities, for which market values are available, other than stocks as described above.

The Company's derivative financial instruments are stated at market value.

The Company applies the mark-to-market method of hedge accounting mainly for hedging activities against exposures to foreign exchange rate fluctuations on certain bonds denominated in foreign currencies. The Company also applies the special treatment prescribed under the Accounting Standards for Financial Instruments for interest swap agreements satisfying the conditions of the accounting standards to manage cash flow volatility associated with interest rate changes on certain loans receivable. In addition, The Company matches forward foreign exchange contracts with certain financial assets denominated in foreign currencies.

Effectiveness of hedging activities is mainly evaluated by ratio analysis to compare market value movements on the hedging instruments and the positions being hedged in accordance with the Company's internal risk management policies.

Effective from the year ended March 31, 2003, deferred gains on certain interest swap agreements, previously recorded on the balance sheet, are credited to income over the residual term of the swap agreements, three or four years, on a straight-line basis in accordance with the temporary provision prescribed in the Industry Audit Committee Report No.26 "Treatment of Accounting and Auditing Concerning Application of Accounting Standards for Financial Instruments in Insurance Industry" issued by the JICPA. Such deferred gains outstanding as of March 31, 2003, 2004, and 2005 amounted to ¥27,619 million, ¥17,596 million, and ¥7,572 million (US\$70 million), respectively.

(4) Foreign currency translation

The Company's assets and liabilities denominated in foreign currencies, except for investments in non-consolidated subsidiaries and affiliates which are not accounted for under the equity method, are translated into Japanese yen at the current exchange rate prevailing at the balance sheet date. Investments in non-consolidated subsidiaries and affiliates which are not accounted for under the equity method are translated into Japanese yen at the historical exchange rates prevailing at the transaction dates.

Where a significant change in exchange rates occurs and there is no expectation of upward recovery, the assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rate prevailing at the balance sheet date, not changed for subsequent recoveries.

Assets and liabilities denominated in foreign currencies, which are held by consolidated subsidiaries, are mainly converted into yen at the exchange rates prevailing at the respective fiscal year-ends of the consolidated subsidiaries.

(5) Real estate and movables

Depreciation of real estate and movables held by the Company, except for buildings newly acquired on and after April 1, 1998 which are depreciated based on the straight-line method, is computed based on the declining balance method. Depreciation of real estate and movables held by consolidated subsidiaries is mainly computed based on the straight-line method.

In accordance with the Law for the Revaluation of Land, the Company's business use land was revalued on March 31, 2002 on the basis of appraisal values disclosed in public and the road tax rating, with rational adjustments, which are prescribed in Article 2 Item 1 and Item 4 of the Enforcement Regulation of the Law for the Revaluation of Land, respectively. The difference between the amount revalued and the historical cost, net of tax has been credited to revaluation reserve for land in capital, resulting in deferred tax liabilities in respect of revaluation reserve for land being included in liabilities.

Changes in the total value of business use land revalued, as compared with its aggregate carrying value after revaluation, amounted to ¥56,102 million, ¥102,224 million, and ¥98,446 million (US\$916 million) as of March 31, 2003, 2004, and 2005, respectively, which is required to be disclosed in accordance with Article 10 of the Law of the Revaluation of Land.

(6) Software

Depreciation of the Company's software, which is included in other assets, is computed based on the straight-line method.

(7) Leases

Where financial leases of the Company do not transfer ownership of the leased properties to the lessee during the terms of the leases, the leased properties are not capitalized and the related lease expenses are charged to income for the year in which they are incurred.

(8) Allowance for doubtful accounts

The allowance for doubtful accounts of the Company is provided as follows, in accordance with the Company's asset valuation regulation and writing-down/provision rule:

- i) The allowance for credits of borrowers, who are legally or substantially bankrupt, is provided based on the amounts remaining after deductions of amounts expected to be collected through the disposal of collateral or execution of guarantees from the balance of loans receivable after write-down described below.
- ii) The allowance for credits of borrowers, who are not currently legally bankrupt but have high possibility of bankruptcy, is provided based on the amounts deemed necessary considering the borrowers' overall solvency assessment, within the amounts remaining after deductions of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) The allowance for credits of borrowers other than the above is provided based on the borrowers' balance multiplied by the actual average percentage of bad debt losses on defaults during a certain past period.
- iv) The allowance for specialized overseas debts is provided based on the expected amounts of overseas investment losses caused by political and economic difficulties of respective countries, and is included in allowance for doubtful accounts.

All credits are assessed by the sections concerned in accordance with the Company's asset valuation regulation. The assessments are audited by the specific credit assessment department, which is independent from the sections described above, and are reflected in the calculation of the allowance for doubtful accounts.

The allowance for doubtful accounts of consolidated subsidiaries is provided based on the amounts deemed necessary considering actual bad debt losses on defaults and other elements in the past fiscal years.

In respect of credits of legally or substantially bankrupt borrowers including credits secured and/or guaranteed, the amounts remaining after deductions of collateral value or the amounts collectible through execution of guarantees or other methods is written-down directly from the balance of loans receivable as uncollectible amounts estimated. The amounts were ¥94,958 million, including ¥26,900 million of credits secured and/or guaranteed, ¥30,794 million, including ¥17,121 million of credits secured and/or guaranteed, and ¥15,889 million (US\$147 million), including ¥10,881 million (US\$101 million) of credits secured

and/or guaranteed, as of March 31, 2003, 2004, and 2005, respectively.

(9) Accrued severance indemnities

Accrued severance indemnities of the Company are provided based on the estimated amounts of projected benefit obligations in excess of the fair value of pension plan assets for future severance payments of employees.

(10) Accrued losses from supporting closely related companies

Accrued losses from supporting closely related companies of the Company are provided for in accordance with Article 32-14 of the Enforcement Regulation of the Insurance Business Law, formerly Article 287-2 of the Commercial Code, and represent the loss amount estimated for restructuring and financial support to closely related companies in the future.

(11) Reserve for price fluctuations of investments in securities

Reserve for price fluctuations of investments in securities of the Company is computed based on Article 115 of the Insurance Business Law.

(12) Accounting for consumption taxes

Consumption taxes withheld or borne by the Company and its domestic subsidiaries are separately recorded with no inclusion in each account of revenues and expenditures. The consumption taxes paid on certain real estate transactions, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Consumption Tax Law, are deferred as prepaid expenses and amortized to income over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are charged to income as they are incurred.

(13) Policy reserves

Policy reserves of the Company are provided in accordance with Article 116 of the Insurance Business Law. Reserves for life policies and contracts included in policy reserves are computed as follows:

Reserves for contracts subject to standard policy reserves are computed in accordance with the method, which the Prime Minister prescribed, by means of the ordinance No.48 issued by the Ministry of Finance in 1996. Reserve for other contracts is computed based on the net level premium method.

(14) Deferred income taxes

The Company and its subsidiaries account for their income taxes using accounting for deferred income taxes, which requires the recognition of deferred tax assets and liabilities.

(15) Dividend income receivable

Estimated dividend income receivable, in respect of the Company's domestic stock investments included in available-for-sale securities, for which market quotations are available, are credited to income. The portion of dividend income receivable which could have been estimated as at the prior year-end was included in other extraordinary profits on the consolidated statements of operations for the year ended March 31, 2003. The effect of this change for the year ended March 31, 2003 was to increase operating income by ¥573 million and surplus before income taxes by ¥40,941 million, respectively.

(16) New accounting pronouncement

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed

assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying value of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005. The Company and its domestic subsidiaries have not adopted the standard in the years ended March 31, 2003, 2004, and 2005.

3. Securities Loaned

The balances of securities loaned for consumption were ¥1,414,668 million, ¥1,861,197 million, and ¥2,185,972 million (US\$20,355 million) as of March 31, 2003, 2004, and 2005, respectively.

4. Accumulated Depreciation

Accumulated depreciation for real estate and movables amounted to ¥1,026,237 million, ¥1,053,491 million, and ¥1,058,241 million (US\$9,854 million) as of March 31, 2003, 2004, and 2005, respectively.

5. Separate Account

Total assets in the separate account provided for in Article 118 of the Insurance Business Law were ¥2,506,425 million, ¥2,276,451 million, and ¥2,149,186 million (US\$20,012 million) as of March 31, 2003, 2004, and 2005, respectively. The amounts of liabilities were the same as these figures.

6. Reserve for Dividends to Policyholders

Changes in the reserve for dividends to policyholders included in the policy reserves and others for the years ended March 31, 2003, 2004, and 2005 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Balance at the end of previous fiscal year	¥1,415,625	¥1,500,148	¥1,542,007	\$13,182
Transfer to reserves from surplus in previous fiscal year	135,123	116,158	187,637	1,258
Policyholders dividends paid out in fiscal year	(234,302)	(244,177)	(276,891)	(2,181)
Increase in interest	41,000	43,495	47,395	381
Balance at the end of fiscal year	¥1,357,447	¥1,415,625	¥1,500,148	\$12,640

7. Net Assets Provided for in Article 24-2 Paragraph 2 Item 2 of the Enforcement Regulation of the Insurance Business Law

The Company's net assets provided for in Article 24-2 Paragraph 2 Item 2 of the Enforcement Regulation of the Insurance Business Law, formerly Article 55 Paragraph 2 Item 6 of the Insurance Business Law, were ¥635,085 million, ¥1,863,043 million, and ¥2,126,453 million (US\$19,801 million) as of March 31, 2003, 2004, and 2005, respectively.

8. Accrued Severance Indemnities

Accrued severance indemnities as of March 31, 2003, 2004, and 2005 were analyzed as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Benefit obligations	¥(717,874)	¥(770,398)	¥(762,848)	\$(6,684)
Fair value of pension plan assets	291,132	255,746	232,297	2,710
Funded status	(426,741)	(514,652)	(530,550)	(3,973)
Unrecognized transition amount	—	120	180	—
Unrecognized actuarial differences	70,625	61,385	102,346	657
Unrecognized prior service cost	(37,824)	483	724	(352)
Accrued severance indemnities	¥(393,941)	¥(452,662)	¥(427,298)	\$(3,668)

Components of net periodic benefit cost for the years ended March 31, 2003, 2004, and 2005 were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Service cost	¥29,059	¥30,057	¥28,609	\$270
Interest cost	19,216	19,062	18,823	178
Expected return on plan assets	(7,636)	(6,942)	(8,942)	(71)
Amortization of transition amount	15	60	39,319	0
Amortization of actuarial differences	21,593	24,835	17,138	201
Amortization of prior service cost	(559)	241	241	(5)
Others	(435)	(495)	(560)	(4)
	61,252	66,818	94,629	570
Profit resulting from the transfer to defined contribution pension plans of subsidiaries	(326)	—	—	(3)
Net periodic benefit cost	¥60,926	¥66,818	¥94,629	\$567

The following sets forth the assumptions used in developing the benefit obligations of the Company for the years ended March 31, 2003, 2004, and 2005.

	2005	2004	2003
Discount rate	2.5%	2.5%	2.5%
Expected rate of return on plan assets	3.0	3.0	3.5
Amortization of transition amount	—	—	3 years

All of the transition amount of the Company was amortized until March 31, 2003. The projected benefits are attributed to periods based on years of service. Actuarial differences are amortized using the straight-line method over five years, being within the limit of the average remaining service period counting from the next year in which they arise. Prior service cost is amortized on the straight-line basis over five years, being within the limit of the average remaining service period.

In the year ended March 31, 2005 the Company has amended a part of its severance indemnities regulation, shifting from a tax qualified pension plan to a defined contribution pension plan and a new corporate defined benefit pension plan. As a result, additional prior service cost amounting to ¥35,634 million (US\$331 million) was incurred. Such a prior service cost is amortized over five years, counting from this year.

9. Foundation Funds

In the year ended March 31, 2003, the Company raised ¥150,000 million of foundation funds in accordance with Article 60 of the Insurance Business Law and redeemed ¥300,000 million of foundation funds. On this redemption, the Company credited ¥300,000 million to reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law, in respect of which the Company transferred ¥270,000 million from the voluntary reserve for redemption of foundation funds included in surplus on the consolidated balance sheet.

In the year ended March 31, 2004, the Company redeemed ¥50,000 million of foundation funds, and credited the same amount to reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law.

In the year ended March 31, 2005, the Company redeemed ¥50,000 million (US\$465 million) of foundation funds, and credited the same amount to reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law.

10. Pledged Assets

Assets pledged as collateral amounted to ¥425,981 million, ¥534,281 million, and ¥1,066,967 million (US\$9,935 million) as of March 31, 2003, 2004, and 2005, respectively. Debts secured amounted to ¥274,144 million, ¥331,647 million, and ¥876,046 million (US\$8,157 million) as of March 31, 2003, 2004, and 2005, respectively.

These amounts included ¥244,967 million, ¥321,860 million, and ¥822,609 million (US\$7,660 million) of securities deposited, and ¥259,491 million, ¥316,782 million, and ¥819,077 million (US\$7,627 million) of cash received as collateral, under securities lending contracts secured by cash, as of March 31, 2003, 2004, and 2005, respectively.

11. Loans Receivable

The total amounts of credits of bankrupt borrowers, delinquent loans, delinquent loans past three months or more and restructured loans, which were included in loans receivable, were ¥145,213 million, ¥120,637 million, and ¥86,213 million (US\$802 million) as of March 31, 2003, 2004, and 2005, respectively.

- i) The balances of credits of bankrupt borrowers were ¥7,427 million, ¥7,727 million, and ¥5,229 million (US\$48 million) as of March 31, 2003, 2004, and 2005, respectively. Credits of bankrupt borrowers are the loans, except for a portion of loans written-down, whose borrowers satisfy the conditions prescribed in Article 96 Paragraph 1 Item 3 or Item 4 of the Enforcement Regulations of the Corporation Tax Law. In addition, accruing interest is not recorded as income since principal or interest on such loans is unlikely to be recovered in view of the considerable period of postponement of the principal or interest payments or other circumstances.
- ii) The balances of delinquent loans were ¥91,842 million, ¥81,164 million, and ¥64,372 million (US\$599 million) as of March 31, 2003, 2004, and 2005, respectively. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reason as described above, and exclude credits of bankrupt borrowers and the loans to which postponement of interest payment was made with the object of reconstructing and supporting the borrowers.
- iii) The balances of delinquent loans past three months or more from the due date of interest or principal under terms of the related loan agreements were ¥1,305 million, ¥496 million, and ¥572 million (US\$5 million), which did not include the amounts of credits of bankrupt borrowers and delinquent

loans described above, as of March 31, 2003, 2004, and 2005, respectively.

- iv) The balances of restructured loans, where certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payment, release of credit, and other methods, were made with the object of reconstructing and supporting the borrowers, and which did not include the amount of credits of bankrupt borrowers, delinquent loans and delinquent loans past three months or more described above, were ¥44,637 million, ¥31,249 million, and ¥16,038 million (US\$149 million) as of March 31, 2003, 2004, and 2005, respectively.

The direct write-down of loans receivable decreased credits of bankrupt borrowers described above by ¥75,561 million, ¥13,394 million, and ¥4,340 million (US\$40 million) as of March 31, 2003, 2004, and 2005, respectively.

The direct write-down of loans receivable decreased delinquent loans described above by ¥19,396 million, ¥17,399 million, and ¥11,549 million (US\$107 million) as of March 31, 2003, 2004, and 2005, respectively.

12. Loan Commitments

The outstanding commitments contracted but not provided for and similar agreements were ¥124,085 million, ¥141,259 million, and ¥193,786 million (US\$1,804 million) as of March 31, 2003, 2004, and 2005, respectively.

13. Contribution to Policyholder Protection Fund and Organization

The amounts of future contributions to the Policyholder Protection Fund, which has been taken over by the Life Insurance Policyholder Protection Corporation of Japan in accordance with Supplementary Article 140 Paragraph 5 of the Enactment Law of Financial System Reform Legislation, were estimated at ¥21,128 million, ¥16,996 million, and ¥11,921 million (US\$111 million) as of March 31, 2003, 2004, and 2005, respectively. The contribution is charged to income as operating expenses when paid.

The amounts of future contributions to the Life Insurance Policyholder Protection Corporation of Japan, which were in accordance with Article 259 of the Insurance Business Law, were estimated at ¥96,234 million, ¥91,298 million, and ¥67,889 million (US\$632 million) as of March 31, 2003, 2004, and 2005, respectively. The contribution is also charged to income as operating expenses when paid.

14. Other Revenues

Reversal of policy reserves included in other revenues amounted to ¥247,821 million for the year ended March 31, 2003.

15. Income Taxes

Deferred tax assets/liabilities consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Deferred tax assets	¥ 936,395	¥ 829,424	¥740,061	\$ 8,719
Valuation allowance for deferred tax assets	(43,096)	(43,199)	(33,619)	(401)
	893,298	786,225	706,441	8,318
Deferred tax liabilities	(1,244,006)	(1,086,567)	(402,678)	(11,584)
Net deferred tax assets (liabilities)	¥ (350,707)	¥ (300,341)	¥303,763	\$ (3,265)

The major components causing deferred tax assets/liabilities were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Deferred tax assets:				
Policy reserves	¥ 568,751	¥ 478,098	¥382,811	\$ 5,296
Accrued severance indemnities	138,763	156,737	142,578	1,292
Allowance for doubtful accounts	15,356	32,864	58,965	142
Reserve for price fluctuations of investments in securities	140,892	92,154	54,245	1,311
Deferred tax liabilities:				
Net unrealized gains on securities	¥1,207,625	¥1,054,580	¥373,040	\$11,245

The statutory tax rate of the Company for the years ended March 31, 2003, 2004, and 2005 was 36.1%. The major differences between the statutory tax rate and the effective income tax rate were as follows:

	2005	2004	2003
Reserve for dividends to policyholders	(23.3)%	(18.2)%	(33.9)%

16. Extraordinary Losses

For the year ended March 31, 2003, other extraordinary losses included ¥1,957 million of transitory severance indemnities of employees transferred on revision of the Company's transfer regulation, and ¥1,451 of losses from supporting closely related companies.

For the year ended March 31, 2004, other extraordinary losses included ¥597 million of losses from the cancellation of outsourcing contracts with a group company, and ¥50 million of losses from supporting closely related companies.

17. Subsequent Events

The Board of Directors of the Company approved the following appropriation of surplus on May 9, 2005. This appropriation will be proposed at the policyholder meeting which will be held on July 5, 2005.

	Millions of Yen		Millions of U.S. Dollars
The Company's unappropriated surplus as of March 31, 2005	¥203,951		\$1,899
Reversal of voluntary surplus reserve	4,500		41
	208,452		1,941
Appropriations:			
Transfer to reserve for dividends to policyholders	146,977		1,368
Transfer to legal reserve for deficiency	626		5
Transfer to reserve for redemption of foundation funds	50,000		465
Interest on foundation funds	2,849		26
Transfer to voluntary surplus reserve	7,999		74
	¥208,452		\$1,941

Report of Independent Auditors

Nippon Life Insurance Company

The Board of Directors of
NIPPON LIFE INSURANCE COMPANY

We have audited the accompanying non-consolidated balance sheets of NIPPON LIFE INSURANCE COMPANY as of March 31, 2003, 2004, and 2005, and the related non-consolidated statements of operations for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of NIPPON LIFE INSURANCE COMPANY as of March 31, 2003, 2004, and 2005, and the non-consolidated results of their operations for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 2 (1), effective from the year ended March 31, 2003, the Company changed its method of determining fair value, from the market value prevailing at the balance sheet date to the average market value for one month before the year end, for the valuation of stocks, including foreign stocks, in available-for-sale securities for which market quotations are available.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 of the accompanying non-consolidated financial statements.



ChuoAoyama PricewaterhouseCoopers

Osaka, Japan
May 13, 2005

[6] Non-Consolidated Balance Sheets

Nippon Life Insurance Company

As of March 31, 2005, 2004, and 2003	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Assets:				
Cash and deposits	¥ 364,059	¥ 233,864	¥ 209,631	\$ 3,390
Call loans	363,100	437,400	478,300	3,381
Monetary receivables purchased	1,456,619	901,904	687,501	13,563
Trading securities	2,999	2,999	5,999	27
Money held in trust	144,614	155,054	248,379	1,346
Investments in securities (Note 3)				
Domestic bonds	16,078,795	15,069,343	14,245,156	149,723
Domestic stocks	8,176,676	7,943,353	6,185,655	76,140
Foreign securities	6,372,121	6,186,812	6,054,737	59,336
Other securities	704,231	800,156	1,029,699	6,557
	31,331,825	29,999,666	27,515,247	291,757
Loans receivable (Notes 13 and 14)				
Industrial and consumer loans	8,991,365	9,639,801	10,163,063	83,726
Policy loans	1,325,898	1,371,769	1,423,831	12,346
	10,317,263	11,011,571	11,586,894	96,072
Real estate and movables, net of accumulated depreciation (Note 4)				
Land	1,111,781	1,139,070	1,157,354	10,352
Buildings	650,887	644,273	673,585	6,060
Other	38,060	55,411	51,028	354
	1,800,729	1,838,755	1,881,969	16,768
Deferred tax assets (Note 19)	—	—	303,190	—
Reinsurance receivables	497	419	447	4
Other assets	824,286	773,281	873,564	7,675
Customers' liabilities for acceptances and guarantees	—	734	3,806	—
Allowance for doubtful accounts	(46,537)	(84,893)	(108,465)	(433)
Total assets	¥46,559,458	¥45,270,759	¥43,686,467	\$433,554

The accompanying notes are an integral part of the financial statements.

As of March 31, 2005, 2004, and 2003	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Liabilities:				
Policy reserves and others:				
Reserve for outstanding claims	¥ 239,230	¥ 245,772	¥ 279,491	\$ 2,227
Policy reserves (Note 15)	38,794,345	38,642,672	38,613,570	361,247
Reserve for dividends to policyholders (Note 7)	1,357,447	1,415,625	1,500,148	12,640
	40,391,023	40,304,070	40,393,210	376,115
Reinsurance payables	499	409	408	4
Accrued severance indemnities (Note 9)	392,937	451,614	426,447	3,658
Accrued losses from supporting closely related companies	656	705	755	6
Other liabilities	927,864	908,424	16,123	1,731,450
Reserve for price fluctuations of investments in securities	390,262	255,261	150,260	3,634
Deferred tax liabilities (Note 19)	354,911	305,574	—	3,304
Deferred tax liabilities for revaluation reserve for land	34,962	38,770	40,819	325
Acceptances and guarantees	—	734	3,806	—
Total liabilities	43,296,703	42,285,004	41,924,133	403,172
Capital:				
Foundation funds (Note 10)	200,000	250,000	300,000	1,862
Reserve for redemption of foundation funds (Note 10)	550,000	500,000	450,000	5,121
Reserve for revaluation	651	651	651	6
Surplus:				
Legal reserve for deficiency	6,783	6,199	5,676	63
Voluntary surplus reserve	103,704	100,697	156,154	965
Unappropriated surplus	203,951	193,859	118,269	1,899
(Surplus in the current year)	(195,713)	(187,476)	(111,473)	(1,822)
	314,438	300,755	280,099	2,928
Revaluation reserve for land, net of taxes	61,881	68,620	72,250	576
Net unrealized gains on securities, net of taxes	2,135,782	1,865,728	659,333	19,888
Total capital	3,262,754	2,985,755	1,762,334	30,382
Total liabilities and capital	¥46,559,458	¥45,270,759	¥43,686,467	\$433,554

The accompanying notes are an integral part of the financial statements.

[7] Non-Consolidated Statements of Operations

Nippon Life Insurance Company

For the years ended March 31, 2005, 2004, and 2003	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Revenues:				
Income from insurance and reinsurance premiums	¥4,829,784	¥5,142,809	¥5,420,729	\$44,974
Investment income (Note 18):				
Interest, dividend and other income	980,473	980,099	999,239	9,130
Gains from trading securities, net	—	—	83	—
Gains from money held in trust, net	18,409	24,016	—	171
Gains on sales of securities	201,749	188,761	301,336	1,878
Gains from redemption of securities	217	30	286	2
Foreign exchange gains, net	—	2,145	—	—
Other investment income	1,597	1,635	1,937	14
Gains from separate account, net	85,909	348,404	—	799
	1,288,357	1,545,095	1,302,883	11,996
Other revenues (Note 17)	279,878	413,999	628,019	2,606
Total revenues	6,398,020	7,101,905	7,351,631	59,577
Expenditures:				
Insurance claims and other payments:				
Death and other claims	1,253,711	1,580,871	1,546,085	11,674
Annuity payments	410,990	388,094	351,191	3,827
Health and other benefits	810,849	874,013	954,332	7,550
Surrender benefits	1,228,264	1,284,092	1,320,828	11,437
Other refunds	943,099	1,295,117	781,315	8,782
Reinsurance premiums	934	695	772	8
	4,647,849	5,422,885	4,954,526	43,280
Provision for policy reserves and others:				
Provision for reserve for outstanding claims	—	—	42,378	—
Provision for policy reserves	151,673	29,101	—	1,412
Interest on reserve for dividends to policyholders	41,000	43,495	47,395	381
	192,673	72,597	89,774	1,794
Expenses for investment (Note 18):				
Interest expense	1,339	1,468	1,539	12
Losses from trading securities, net	3	48	—	0
Losses from money held in trust, net	—	—	22,063	—
Losses on sales of securities	52,814	57,286	126,348	491
Losses on valuation of securities	31,175	23,344	524,300	290
Losses from derivative financial instruments, net	66,340	47,561	49,899	617
Foreign exchange losses, net	2,183	—	2,358	20
Write-down of loans	20	348	178	0
Depreciation for rental real estate and other assets	31,250	32,737	35,197	290
Losses from separate account, net	—	—	339,873	—
Other expenses for investment	25,683	25,774	30,098	239
	210,811	188,571	1,131,857	1,963
Operating expenses	545,234	558,951	608,242	5,077
Other expenditures	444,029	492,749	450,703	4,134
Total expenditures	6,040,598	6,735,755	7,235,105	56,249
Operating income	¥ 357,421	¥ 366,149	¥ 116,526	\$ 3,328

The accompanying notes are an integral part of the financial statements.

For the years ended March 31, 2005, 2004, and 2003	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Extraordinary profits:				
Gains on disposal of assets	¥ 4,692	¥ 6,584	¥ 964	\$ 43
Reversal of allowance for doubtful accounts	37,312	16,587	34,021	347
Other	—	—	40,368	—
	42,004	23,172	75,354	391
Extraordinary losses:				
Losses on disposal of assets	47,629	23,008	17,092	443
Provision for reserve for price fluctuations of investments in securities	135,000	105,000	17,000	1,257
Losses on valuation of real estate	2,476	1,628	538	23
Provision for accrued severance indemnities	—	—	39,433	—
Contribution for assisting social public welfare	1,500	2,752	1,263	13
Other (Note 21)	188	4,294	3,750	1
	186,794	136,684	79,078	1,739
Surplus before income taxes	212,631	252,637	112,802	1,979
Income taxes (Note 19)				
Current	124,050	140,069	19,242	1,155
Deferred	(107,132)	(74,907)	(17,913)	(997)
Surplus in the current year	¥195,713	¥187,476	¥111,473	\$1,822
Reversal of revaluation reserve for land	6,738	3,630	5,532	62
Reversal of reserve for assisting social public welfare	1,500	2,752	1,263	13
Unappropriated surplus	¥203,951	¥193,859	¥118,269	\$1,899

The accompanying notes are an integral part of the financial statements.

[8] Notes to the Non-Consolidated Financial Statements

Nippon Life Insurance Company

1. Basis of Presenting the Non-Consolidated Financial Statements

(1) Accounting principles and presentation

The accompanying non-consolidated financial statements have been prepared from the accounts and records maintained by NIPPON LIFE INSURANCE COMPANY (the "Company") in accordance with the provisions set forth in the Japanese Commercial Code, the Insurance Business Law and the related rules and regulations applicable to the mutual life insurance industry in general and in conformity with accounting principles generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards. Certain accounting and reporting practices required to be followed by the industry are regulated by the Financial Services Agency and the related ministry by means of ministry ordinances and guidance. The accompanying non-consolidated financial statements of the Company are in compliance with such requirements. However, while the business report and supporting schedules have been prepared by the management of the Company as a part of whole disclosure required by the Japanese Commercial Code and the Insurance Business Law, they have not been provided herein.

Relevant notes have been added and certain reclassifications or summarizations of the account balances in the basic non-consolidated financial statements disclosed in Japan have been made to achieve presentation deemed appropriate for foreign readers of the non-consolidated financial statements.

Amounts of less than one million have been eliminated. As a result, totals may not add up exactly.

(2) United States dollar amounts

The Company prepares its non-consolidated financial statements in yen. The dollar amounts included in the non-consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥107.39=US\$1, the effective rate of exchange at the balance sheet date of March 31, 2005. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥107.39=US\$1 or at any other rate.

2. Summary of Significant Accounting Policies

(1) Securities and hedging activities

Valuations of trading securities, investments in securities, financial instruments similar to securities included in deposits and monetary receivables purchased, and also securities included in money held in trust, are mainly as follows:

- i) Trading securities are stated at market value prevailing at the balance sheet date. Costs of their sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with the Industry Audit Committee Report No.21 Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching bonds in Insurance Industry issued by the Japanese Institute of Certified Public Accountants (the "JICPA").
- iv) Investments in subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale securities for which market quotations are available are stated at fair value, determined as described below. Costs of their sales are determined by the moving average method. Adjustments to fair value, net of taxes are recorded as an increase or decrease in capital.

Available-for-sale securities for which market quotations are unavailable

are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between purchase price and face value is due to interest rate adjustment. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

Effective for the year ended March 31, 2003, the Company changed its method of determining fair value, from the market value prevailing at the balance sheet date to the average market value for one month before the year end, for the valuation of stocks, including foreign stocks, in available-for-sale securities for which market quotations are available. The effect of this change in the method of determining the fair value of such stocks for the year ended March 31, 2003 was to increase investments in securities by ¥106,647 million, net unrealized gains on securities by ¥21,710 million, deferred tax liabilities by ¥12,265 million, operating income by ¥72,670 million and surplus before income taxes by ¥72,670 million, respectively. The market value prevailing at the balance sheet date is used for the valuation of all available-for-sale securities, for which market values are available, other than stocks as described above.

Derivative financial instruments are stated at market value.

The Company applies the mark-to-market method of hedge accounting mainly for hedging activities against exposures to foreign exchange rate fluctuations on certain bonds denominated in foreign currencies. The Company also applies the special treatment prescribed under the Accounting Standards for Financial Instruments for interest swap agreements satisfying the conditions of the accounting standards to manage cash flow volatility associated with interest rate changes on certain loans receivable. In addition, The Company matches forward foreign exchange contracts with certain financial assets denominated in foreign currencies.

Effectiveness of hedging activities is mainly evaluated by ratio analysis to compare market value movements on the hedging instruments and the positions being hedged in accordance with the Company's internal risk management policies.

Effective from the year ended March 31, 2003, deferred gains on certain interest swap agreements, previously recorded on the balance sheet, are credited to income over the residual term of the swap agreements, three or four years, on a straight-line basis in accordance with the temporary provision prescribed in the Industry Audit Committee Report No.26 Treatment of Accounting and Auditing Concerning Application of Accounting Standards for Financial Instruments in Insurance Industry issued by the JICPA. Such deferred gains outstanding as of March 31, 2003, 2004, and 2005 amounted to ¥27,619 million, ¥17,596 million, and ¥7,572 million (US\$70 million), respectively.

(2) Foreign currency translation

Assets and liabilities denominated in foreign currencies, except for investments in subsidiaries and affiliates, are translated into Japanese yen at the current exchange rate prevailing at the balance sheet date. Investments in subsidiaries and affiliates are translated into Japanese yen at the historical exchange rates prevailing at the transaction dates.

Where a significant change in exchange rates occurs and there is no expectation of upward recovery, the assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rate prevailing at the balance sheet date, not changed for subsequent recoveries.

(3) Real estate and movables

Depreciation of real estate and movables held by the Company, except for buildings newly acquired on and after April 1, 1998 which are depreciated based on the straight-line method, is computed based on the declining balance method.

In accordance with the Law for the Revaluation of Land, the Company's

business use land was revalued on March 31, 2002 on the basis of appraisal values disclosed in public and the road tax rating, with rational adjustments, which are prescribed in Article 2 Item 1 and Item 4 of the Enforcement Regulation of the Law for the Revaluation of Land, respectively. The difference between the amount revalued and the historical cost, net of tax has been credited to revaluation reserve for land in capital, resulting in deferred tax liabilities in respect of revaluation reserve for land being included in liabilities.

Changes in the total value of business use land revalued, as compared with its aggregate carrying value after revaluation, amounted to ¥56,102 million, ¥102,224 million, and ¥98,446 million (US\$916 million) as of March 31, 2003, 2004, and 2005, respectively, which is required to be disclosed in accordance with Article 10 of the Law of the Revaluation of Land.

(4) Software

Depreciation of software, which is included in other assets, is computed based on the straight-line method.

(5) Allowance for doubtful accounts

The allowance for doubtful accounts is provided as follows, in accordance with the Company's internal asset valuation regulation and writing-down/provision rule:

- i) The allowance for credits of borrowers, who are legally or substantially bankrupt, is provided based on the amounts remaining after deductions of amounts expected to be collected through the disposal of collateral or execution of guarantees from the balance of loans receivable after write-down described below.
- ii) The allowance for credits of borrowers, who are not currently legally bankrupt but have high possibility of bankruptcy, is provided based on the amounts deemed necessary considering the borrowers' overall solvency assessment, within the amounts remaining after deductions of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) The allowance for credits of borrowers other than the above is provided based on the borrowers' balance multiplied by the actual average percentage of bad debt losses on defaults during a certain past period.
- iv) The allowance for specialized overseas debts is provided based on the expected amounts of overseas investment losses caused by political and economic difficulties of respective countries, and is included in allowance for doubtful accounts.

All credits are assessed by the sections concerned in accordance with the Company's asset valuation regulation. The assessments are audited by the specific credit assessment department, which is independent from the sections described above, and are reflected in the calculation of the allowance for doubtful accounts.

In respect of credits of legally or substantially bankrupt borrowers including credits secured and/or guaranteed, the amounts remaining after deductions of collateral value or the amounts collectible through execution of guarantees or other methods is written-down directly from the balance of loans receivable as uncollectible amounts estimated. The amounts were ¥88,511 million, including ¥24,491 million of credits secured and/or guaranteed, ¥25,476 million, including ¥15,155 million of credits secured and/or guaranteed, and ¥11,474 million (US\$106 million), including ¥9,013 million (US\$83 million) of credits secured and/or guaranteed, as of March 31, 2003, 2004, and 2005, respectively.

(6) Accrued severance indemnities

Accrued severance indemnities are provided based on the estimated amounts of projected benefit obligations in excess of the fair value of pension plan assets for future severance payments of employees.

(7) Accrued losses from supporting closely related companies

Accrued losses from supporting closely related companies are provided for in accordance with Article 32-14 of the Enforcement Regulation of the Insurance Business Law, formerly Article 287-2 of the Commercial Code, and represent the loss amount estimated for restructuring and financial support to closely related companies in the future.

(8) Reserve for price fluctuations of investments in securities

Reserve for price fluctuations of investments in securities is computed based on Article 115 of the Insurance Business Law.

(9) Accounting for consumption taxes

Consumption taxes withheld or borne by the Company are separately recorded with no inclusion in each account of revenues and expenditures. The consumption taxes paid on certain real estate transactions, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Consumption Tax Law, are deferred as prepaid expenses and amortized to income over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are charged to income as they are incurred.

(10) Policy reserves

Policy reserves are provided in accordance with Article 116 of the Insurance Business Law. Reserves for life policies and contracts included in policy reserves are computed as follows:

Reserves for contracts subject to the standard policy reserves are computed in accordance with the method, which the Prime Minister prescribed, by means of the ordinance No.48 issued by the Ministry of Finance in 1996. Reserves for other contracts not subject to standard policy reserves are computed based on the net level premium method.

(11) Deferred income taxes

The Company accounts for income taxes using accounting for deferred income taxes, which requires the recognition of deferred tax assets and liabilities.

(12) Dividend income receivable

Estimated dividend income receivable, in respect of domestic stock investments included in available-for-sale securities, for which market quotations are available, are credited to income. The portion of dividend income receivable which could have been estimated as at the prior year-end was included in other extraordinary profits on the statements of operations for the year ended March 31, 2003. The effect of this change for the year ended March 31, 2003 was to increase operating income by ¥573 million and surplus before income taxes by ¥40,941 million, respectively.

(13) New accounting pronouncement

On August 9, 2002, the Business Accounting Council in Japan issued Accounting Standard for Impairment of Fixed Assets. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying value of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004, and for fiscal years ending between March 31, 2004 and March 30, 2005. The Company has not adopted the standard in the years ended March 31, 2003, 2004, and 2005.

3. Securities Loaned

The balances of securities loaned for consumption were ¥1,414,668 million, ¥1,861,197 million, and ¥2,185,972 million (US\$20,355 million) as of March 31, 2003, 2004, and 2005, respectively.

4. Accumulated Depreciation

Accumulated depreciation for real estate and movables amounted to ¥903,388 million, ¥935,917 million, and ¥946,247 million (US\$8,811 million) as of March 31, 2003, 2004, and 2005, respectively.

5. Separate Account

Total assets in the separate account provided for in Article 118 of the Insurance Business Law were ¥2,506,425 million, ¥2,276,451 million, and ¥2,149,186 million (US\$20,012 million) as of March 31, 2003, 2004, and 2005, respectively. The amounts of liabilities were the same as these figures.

6. Receivables from/Payables to Subsidiaries

Total balances owed by/to subsidiaries as of March 31, 2003, 2004, and 2005 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Monetary receivables	¥108,327	¥46,446	¥14,762	\$1,008
Monetary liabilities	3,356	3,261	3,366	31

7. Reserve for Dividends to Policyholders

Changes in the reserve for dividends to policyholders included in policy reserves for the years ended March 31, 2003, 2004, and 2005 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Balance at the end of previous fiscal year	¥1,415,625	¥1,500,148	¥1,542,007	\$13,182
Transfer to reserves from surplus in previous fiscal year	135,123	116,158	187,637	1,258
Policyholders dividends paid out in fiscal year	(234,302)	(244,177)	(276,891)	(2,181)
Increase in interest	41,000	43,495	47,395	381
Balance at the end of fiscal year	¥1,357,447	¥1,415,625	¥1,500,148	\$12,640

8. Net Assets Provided for in Article 24-2 Paragraph 2 Item 2 of the Enforcement Regulation of the Insurance Business Law

Net assets provided for in Article 24-2 Paragraph 2 Item 2 of the Enforcement Regulation of the Insurance Business Law, formerly Article 55 Paragraph 2 Item 6 of the Insurance Business Law, were ¥635,085 million, ¥1,863,043 million, and ¥2,126,453 million (US\$19,801 million) as of March 31, 2003, 2004, and 2005, respectively.

9. Accrued Severance Indemnities

Accrued severance indemnities as of March 31, 2003, 2004, and 2005 were analyzed as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Benefit obligations	¥(716,283)	¥(767,530)	¥(760,216)	\$(6,669)
Fair value of pension plan assets	290,544	254,289	230,992	2,705
Funded status	(425,739)	(513,240)	(529,224)	(3,964)
Unrecognized actuarial differences	70,627	61,143	102,051	657
Unrecognized prior service cost	(37,824)	483	724	(352)
Accrued severance indemnities	¥(392,937)	¥(451,614)	¥(426,447)	\$(3,658)

Components of net periodic benefit cost for the years ended March 31, 2003, 2004, and 2005 were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Service cost	¥28,838	¥29,817	¥28,403	\$268
Interest cost	19,188	19,005	18,763	178
Expected return on plan assets	(7,628)	(6,929)	(8,929)	(71)
Amortization of transition amount	—	—	39,433	—
Amortization of actuarial differences	21,584	24,805	17,134	200
Amortization of prior service cost	(559)	241	241	(5)
Others	(576)	(595)	(622)	(5)
Net periodic benefit cost	¥60,846	¥66,344	¥94,424	\$566

The following sets forth the assumptions used in developing the benefit obligations for the years ended March 31, 2003, 2004, and 2005.

	2005	2004	2003
Discount rate	2.5%	2.5%	2.5%
Expected rate of return on plan assets	3.0	3.0	3.5
Amortization of transition amount	—	—	3 years

All of transition amount was amortized until March 31, 2003. The projected benefits are attributed to periods based on years of service. Actuarial differences are amortized using the straight-line method over five years, being within the limit of the average remaining service period counting from the next year in which they arise. Prior service cost is amortized on the straight-line basis over five years, being within the limit of the average remaining service period.

In the year ended March 31, 2005 the Company has amended a part of its severance indemnities regulation, shifting from a tax qualified pension plan to a defined contribution pension plan and a new corporate defined benefit pension plan. As a result, additional prior service cost amounting to ¥35,634 million (US\$331 million) was incurred. Such a prior service cost is amortized over five years, counting from this year.

10. Foundation Funds

In the year ended March 31, 2003, the Company raised ¥150,000 million of foundation funds in accordance with Article 60 of the Insurance Business Law and redeemed ¥300,000 million of foundation funds. On this redemption, the Company credited ¥300,000 million to reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law, in respect of which the Company transferred ¥270,000 million from the voluntary reserve for redemption of foundation funds included in voluntary surplus reserve on the balance sheet.

In the year ended March 31, 2004, the Company redeemed ¥50,000 million of foundation funds, and credited the same amount to reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law.

In the year ended March 31, 2005, the Company redeemed ¥50,000 million (US\$465 million) of foundation funds, and credited the same amount to reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law.

11. Pledged Assets

Assets pledged as collateral amounted to ¥405,667 million, ¥511,763 million, and ¥1,000,908 million (US\$9,320 million) as of March 31, 2003, 2004, and 2005, respectively. Debts secured amounted to ¥259,831 million, ¥317,043 million, and ¥819,301 million (US\$7,629 million) as of March 31, 2003, 2004, and 2005, respectively.

These amounts included ¥244,967 million, ¥321,860 million, and ¥822,609 million (US\$7,660 million) of securities deposited, and ¥259,491 million, ¥316,782 million, and ¥819,077 million (US\$7,627 million) of cash received as collateral, under securities lending contracts secured by cash, as of March 31, 2003, 2004, and 2005, respectively.

12. Investments in Subsidiaries

Investments in subsidiaries aggregated ¥252,784 million, ¥264,546 million, and ¥269,064 million (US\$2,505 million) as of March 31, 2003, 2004, and 2005, respectively.

13. Loans Receivable

The total amounts of credits of bankrupt borrowers, delinquent loans, delinquent loans past three months or more and restructured loans, which were included in loans receivable, were ¥130,354 million, ¥107,828 million, and ¥73,703 million (US\$686 million) as of March 31, 2003, 2004, and 2005, respectively.

- i) The balances of credits of bankrupt borrowers were ¥7,301 million, ¥7,621 million, and ¥5,164 million (US\$48 million) as of March 31, 2003, 2004, and 2005, respectively. Credits of bankrupt borrowers are the loans, except for a portion of loans written-down, whose borrowers satisfy the conditions prescribed in Article 96 Paragraph 1 Item 3 or Item 4 of the Enforcement Regulations of the Corporation Tax Law. In addition, accruing interest is not recorded as income since principal or interest on such loans is unlikely to be recovered in view of the considerable period of postponement of the principal or interest payments or other circumstances.
- ii) The balances of delinquent loans were ¥88,488 million, ¥78,564 million, and ¥61,756 million (US\$575 million) as of March 31, 2003, 2004, and 2005, respectively. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reason as described above, and exclude credits of bankrupt borrowers and the loans to which postponement of interest payment was made with the object of reconstructing and supporting the borrowers.
- iii) The balances of delinquent loans past three months or more from the due date of interest or principal under terms of the related loan agreements were ¥1,305 million, ¥496 million, and ¥572 million (US\$5 million), which did not include the amounts of credits of bankrupt borrowers and delinquent loans described above, as of March 31, 2003, 2004, and 2005, respectively.
- iv) The balances of restructured loans, where certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payment, release of credit, and other methods, were made with the object of reconstructing and supporting the borrowers, and which did not include the amount of credits of bankrupt borrowers, delinquent loans and delinquent loans past three months or more described above, were ¥33,259 million, ¥21,145 million, and ¥6,210 million (US\$57 million) as of March 31, 2003, 2004, and 2005, respectively.

The direct write-down of loans receivable decreased credits of bankrupt borrowers described above by ¥74,654 million, ¥12,974 million, and ¥4,021 million (US\$37 million) as of March 31, 2003, 2004, and 2005, respectively.

The direct write-down of loans receivable decreased delinquent loans described above by ¥13,857 million, ¥12,502 million, and ¥7,453 million (US\$69 million) as of March 31, 2003, 2004, and 2005, respectively.

14. Loan Commitments

The outstanding commitments contracted but not provided for and similar agreements were ¥104,951 million, ¥146,678 million, and ¥222,698 million (US\$2,073 million) as of March 31, 2003, 2004, and 2005, respectively.

15. Policy Reserves for the Reinsurance Contracts Provided in accordance with Article 71 Item 1 of the Enforcement Regulation of the Insurance Business Law

Policy reserves for the reinsurance contracts provided in accordance with Article 71 Item 1 of the Enforcement Regulation of the Insurance Business Law are ¥169 million (US\$1 million) as of March 31, 2005.

16. Contribution to Policyholder Protection Fund and Organization

The amounts of future contributions to the Policyholder Protection Fund, which has been taken over by the Life Insurance Policyholder Protection Corporation of Japan in accordance with Supplementary Article 140 Paragraph 5 of the Enforcement Law of Financial System Reform Legislation, were estimated at ¥21,128 million, ¥16,996 million, and ¥11,921 million (US\$111 million) as of March 31, 2003, 2004 and 2005, respectively. The contribution is charged to income as operating expenses when paid.

The amounts of future contributions to the Life Insurance Policyholder Protection Corporation of Japan, which were in accordance with Article 259 of the Insurance Business Law, were estimated at ¥96,234 million, ¥91,298 million, and ¥67,889 million (US\$632 million) as of March 31, 2003, 2004, and 2005, respectively. The contribution is also charged to income as operating expenses when paid.

17. Other Revenues

Reversal of policy reserves included in other revenues amounted to ¥247,662 million for the year ended March 31, 2003.

18. Investment Income and Expenses

Major items of gains on sales of securities as of March 31, 2003, 2004, and 2005 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Domestic bonds	¥ 2,669	¥ 2,523	¥ 60,685	\$ 24
Domestic stocks and other	181,768	142,267	114,965	1,692
Foreign securities	17,311	43,963	125,685	161

Major items of losses on sales of securities as of March 31, 2003, 2004, and 2005 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Domestic bonds	¥ 7,034	¥ 6,864	¥ 5,903	\$ 65
Domestic stocks and other	5,855	21,572	66,263	54
Foreign securities	39,343	28,840	54,181	366

Major items of losses on valuation of securities as of March 31, 2003, 2004, and 2005 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Domestic bonds	¥ —	¥ —	¥ —	\$ —
Domestic stocks and other	3,568	3,413	506,036	33
Foreign securities	27,607	19,926	16,872	257

Major items of gains/losses from trading securities, net as of March 31, 2003, 2004, and 2005 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Interest, dividend and other income	¥ 1	¥ 0	¥ 1	\$ 0
Gains/Losses on sales of trading securities	(87)	(221)	(144)	(0)
Gains/Losses on valuation of trading securities	0	0	0	0

Valuation gains/losses included in gains/Losses from money held in trust, net amounted to ¥(25,740) million, ¥12,606 million, and ¥5,833 million (US\$54 million) as of March 31, 2003, 2004, and 2005, respectively.

Valuation gains/losses included in losses from derivative financial instrument, net amounted to ¥(8,047) million, ¥21,137 million, and ¥(16,231) million (US\$(151) million) as of March 31, 2003, 2004, and 2005, respectively.

19. Income Taxes

Deferred tax assets/liabilities as of March 31, 2003, 2004, and 2005 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Deferred tax assets	¥ 943,478	¥ 838,206	¥ 736,229	\$ 8,785
Valuation allowance for deferred tax assets	(56,362)	(58,063)	(31,569)	(524)
	887,116	780,143	704,660	8,260
Deferred tax liabilities	(1,242,027)	(1,085,716)	(401,470)	(11,565)
Net deferred tax assets (liabilities)	¥ (354,911)	¥ (305,574)	¥ 303,190	\$ (3,304)

The major components causing deferred tax assets/liabilities as of March 31, 2003, 2004, and 2005 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Deferred tax assets:				
Policy reserves	¥ 568,717	¥ 478,068	¥382,807	\$ 5,295
Accrued severance indemnities	138,517	156,359	142,258	1,289
Allowance for doubtful accounts	13,935	31,606	57,864	129
Reserve for price fluctuations of investments in securities	140,892	92,154	54,245	1,311
Deferred tax liabilities:				
Net unrealized gains on securities	¥1,206,787	¥1,054,125	¥372,503	\$11,237

The statutory tax rate for the years ended March 31, 2003, 2004, and 2005 was 36.1%. The major differences between the statutory tax rate and the effective income tax rate were as follows:

	2005	2004	2003
Reserve for dividends to policyholders	(25.0)%	(19.3)%	(37.2)%

20. Transactions with Subsidiaries

Total transactions with subsidiaries for the years ended March 31, 2003, 2004, and 2005 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Total revenues	¥ 9,846	¥ 7,071	¥ 8,627	\$ 91
Total expenses	30,237	30,983	32,017	281

21. Extraordinary Losses

For the year ended March 31, 2003, other extraordinary losses included ¥1,957 million of transitory severance indemnities of employees transferred on revision of the Company's transfer regulation, and ¥1,451 of losses from supporting closely related companies.

For the year ended March 31, 2004, other extraordinary losses included ¥597 million of losses from the cancellation of outsourcing contracts with a group company, and ¥50 million of losses from supporting closely related companies.

22. Subsequent Event

The Board of Directors of the Company approved the following appropriation of surplus on May 9, 2005. This appropriation will be proposed at the policyholder meeting which will be held on July 5, 2005.

	Millions of Yen	Millions of U.S. Dollars
Unappropriated surplus as of March 31, 2005	¥203,951	\$1,899
Reversal of voluntary surplus reserve	4,500	41
	208,452	1,941
Appropriations:		
Transfer to reserve for dividends to policyholders	146,977	1,368
Transfer to Legal reserve for deficiency	626	5
Transfer to reserve for redemption of foundation funds	50,000	465
Interest on foundation funds	2,849	26
Transfer to voluntary surplus reserve	7,999	74
	¥208,452	\$1,941