

# CHAPTER 5

## Financial Data

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### CONSOLIDATED FINANCIAL REVIEW

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\*All figures are rounded down to the nearest unit.

## 1. Consolidated Balance Sheets

Nippon Life Insurance Company and Subsidiaries

As of March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>ASSETS:</b>				
Cash and deposits	¥ 616,728	¥ 595,333	¥ 948,672	\$ 6,278
Call loans	203,800	196,100	259,200	2,075
Monetary receivables purchased	1,160,387	1,379,371	1,334,680	11,813
Proprietary trading securities	—	—	2,099	—
Assets held in trust	114,637	170,507	195,593	1,167
Investments in securities (Notes 3, 9 and 10)	31,283,156	33,956,847	37,285,454	318,468
Loans receivable (Notes 11 and 12)	9,050,468	9,513,305	9,706,754	92,135
Tangible fixed assets (Notes 4, 9 and 14):	1,685,176	1,746,924	1,737,541	17,155
Land	1,084,930	—	—	11,045
Buildings	556,207	—	—	5,662
Leases	203	—	—	2
Construction in progress	21,484	—	—	219
Other tangible fixed assets	22,351	—	—	227
Intangible fixed assets:	167,541	156,008	150,725	1,706
Software	64,945	—	—	661
Other intangible fixed assets	102,595	—	—	1,045
Reinsurance receivables	275	614	306	3
Other assets	781,863	694,195	559,315	7,961
Deferred tax assets (Note 15)	944,425	8,537	6,432	9,614
Customers' liability for acceptances and guarantees	14,204	8,554	9,176	145
Allowance for doubtful accounts	(25,220)	(39,300)	(35,980)	(257)
<b>Total assets</b>	<b>¥45,997,446</b>	<b>¥48,386,999</b>	<b>¥52,159,972</b>	<b>\$468,263</b>
<b>LIABILITIES:</b>				
<b>Policy reserves and others:</b>				
Reserve for outstanding claims	¥ 224,277	¥ 239,867	¥ 248,136	\$ 2,283
Policy reserve	40,881,510	40,741,366	40,384,315	416,182
Reserve for dividends to policyholders (Note 6)	1,215,391	1,233,268	1,259,846	12,373
	<b>42,321,180</b>	<b>42,214,502</b>	<b>41,892,298</b>	<b>430,838</b>
Agency account payable	—	—	25	—
Reinsurance payables	340	339	265	3
Other liabilities	1,239,459	1,344,698	1,672,194	12,618
Accrued bonuses for directors and corporate auditors	71	94	103	1
Accrued severance indemnities (Note 7)	440,804	435,358	428,628	4,487
Accrued retirement benefits for directors and corporate auditors	6,123	5,930	5,805	62
Accrued loss from supporting closely related companies	485	515	552	5
Reserve for price fluctuations in security investments	372,013	487,263	467,263	3,787
Deferred tax liabilities (Note 15)	—	131,375	1,513,529	—
Deferred tax liabilities for revaluation reserve	176,020	177,283	179,535	1,792
Acceptances and guarantees	14,204	8,554	9,176	145
<b>Total liabilities</b>	<b>¥44,570,702</b>	<b>¥44,805,916</b>	<b>¥46,169,377</b>	<b>\$453,738</b>

As of March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>NET ASSETS:</b>				
Foundation funds (Note 8)	¥ 200,000	¥ 200,000	¥ 250,000	\$ 2,036
Reserve for redemption of foundation funds (Note 8)	750,000	700,000	650,000	7,635
Reserve for revaluation	651	651	651	7
Consolidated surplus	349,344	473,978	501,357	3,556
<b>Total equity</b>	<b>1,299,995</b>	<b>1,374,629</b>	<b>1,402,008</b>	<b>13,234</b>
Net unrealized gain on available-for-sale securities, net of tax	253,693	2,301,439	4,670,620	2,583
Deferred gain on derivatives under hedge accounting	6	155	57	0
Land revaluation difference	(91,006)	(88,938)	(84,955)	(926)
Cumulative translation adjustments	(46,148)	(16,157)	(7,615)	(470)
<b>Total valuations, conversions and others</b>	<b>116,544</b>	<b>2,196,499</b>	<b>4,578,106</b>	<b>1,187</b>
Minority interests	10,203	9,954	10,479	104
<b>Total net assets</b>	<b>1,426,743</b>	<b>3,581,082</b>	<b>5,990,595</b>	<b>14,525</b>
<b>Total liabilities and net assets</b>	<b>¥45,997,446</b>	<b>¥48,386,999</b>	<b>¥52,159,972</b>	<b>\$468,263</b>

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

## 2. Consolidated Statements of Income

Nippon Life Insurance Company and Subsidiaries

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>REVENUES:</b>				
<b>Income from insurance and reinsurance premiums</b>	<b>¥5,060,302</b>	<b>¥4,917,492</b>	<b>¥4,879,630</b>	<b>\$51,515</b>
<b>Investment income:</b>				
Interest, dividends and other income	1,142,142	1,230,756	1,168,241	11,627
Gain on proprietary trading securities	—	7	83	—
Gain from assets held in trust	—	—	22,477	—
Gain on sales of securities	88,169	107,006	102,321	898
Gain from redemption of securities	5,063	10,405	46,455	52
Other investment income	4,292	329	1,704	43
Gain from separate accounts, net	—	—	82,180	—
	<b>1,239,667</b>	<b>1,348,505</b>	<b>1,423,462</b>	<b>12,620</b>
<b>Other revenues</b>	<b>392,892</b>	<b>341,599</b>	<b>319,917</b>	<b>4,000</b>
<b>Total revenues</b>	<b>6,692,862</b>	<b>6,607,597</b>	<b>6,623,010</b>	<b>68,135</b>
<b>EXPENDITURES:</b>				
<b>Insurance claims and other payments:</b>				
Death and other claims	1,314,163	1,395,485	1,218,441	13,378
Annuity payments	506,864	475,766	439,395	5,160
Health and other benefits	851,235	845,378	799,944	8,666
Surrender benefits	1,102,075	1,166,937	1,061,274	11,219
Other refunds	280,608	350,997	331,384	2,857
Reinsurance premiums	1,648	1,588	1,434	17
	<b>4,056,596</b>	<b>4,236,155</b>	<b>3,851,874</b>	<b>41,297</b>
<b>Provision for policy reserves:</b>				
Provision of claims reserves	—	—	17,689	—
Provision for policy reserves	140,343	356,921	964,304	1,429
Interest on reserve for dividends to policyholders	33,206	35,170	37,156	338
	<b>173,550</b>	<b>392,091</b>	<b>1,019,150</b>	<b>1,767</b>
<b>Investment expenses:</b>				
Interest expenses	4,791	7,506	5,985	49
Loss on proprietary trading securities	0	—	—	0
Loss from assets held in trust	54,967	20,866	—	560
Loss on sales of securities	131,964	93,466	102,492	1,343
Loss on valuation of securities	532,044	40,194	12,944	5,416
Loss from redemption of securities	6,240	2,950	1,806	64
Loss from derivative financial instruments, net	116,658	66,639	129,611	1,188
Foreign exchange loss, net	15,927	12,167	1,290	162
Provision for allowance for doubtful accounts	—	5,672	—	—
Write-off of loans	213	172	314	2
Depreciation for rental real estate and other assets	27,160	27,331	26,249	276
Other investment expenses	25,441	20,868	19,998	259
Loss from separate accounts, net	352,786	265,274	—	3,591
	<b>1,268,196</b>	<b>563,110</b>	<b>300,694</b>	<b>12,910</b>
<b>Operating expenses (Note 13)</b>	<b>583,788</b>	<b>579,641</b>	<b>566,770</b>	<b>5,943</b>
<b>Other expenditures</b>	<b>519,689</b>	<b>534,550</b>	<b>539,939</b>	<b>5,291</b>
<b>Total expenditures</b>	<b>6,601,821</b>	<b>6,305,548</b>	<b>6,278,429</b>	<b>67,208</b>
<b>Operating income</b>	<b>¥ 91,041</b>	<b>¥ 302,048</b>	<b>¥ 344,580</b>	<b>\$ 927</b>

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>Extraordinary profits:</b>				
Gain on disposal of fixed assets	¥ 1,083	¥ 1,200	¥ 45,600	\$ 11
Reversal of price fluctuations in security investments	115,250	—	—	1,173
Reversal of allowance for doubtful accounts	10,187	—	7,724	104
Other extraordinary profits	—	—	—	—
	<b>126,521</b>	<b>1,200</b>	<b>53,325</b>	<b>1,288</b>
<b>Extraordinary losses:</b>				
Loss on disposal of fixed assets	3,760	7,242	20,104	38
Impairment loss (Note 14)	5,977	4,630	5,389	61
Provision for reserve for price fluctuations in security investments	—	20,000	26,000	—
Loss on reduction entry of real estate	256	128	95	3
Other extraordinary losses	1,477	1,053	1,398	15
	<b>11,471</b>	<b>33,054</b>	<b>52,987</b>	<b>117</b>
<b>Surplus before income taxes</b>	<b>206,090</b>	<b>270,194</b>	<b>344,918</b>	<b>2,098</b>
<b>Income taxes</b> (Note 15):				
Current	2,896	112,679	154,913	29
Deferred	50,526	(101,711)	(115,757)	515
Total	53,423	10,967	39,155	544
<b>Minority interests</b>	<b>573</b>	<b>649</b>	<b>382</b>	<b>6</b>
<b>Surplus</b>	<b>¥ 152,093</b>	<b>¥ 258,577</b>	<b>¥ 305,380</b>	<b>\$ 1,548</b>

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

### 3. Consolidated Statements of Cash Flows

Nippon Life Insurance Company and Subsidiaries

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>I Cash flows from operating activities:</b>				
Surplus before income taxes	¥ 206,090	¥ 270,194	¥ 344,918	\$ 2,098
Depreciation for rental real estate and other assets	27,160	27,331	26,249	276
Depreciation	44,566	60,696	60,703	454
Impairment loss	5,977	4,630	5,389	61
Amortization of goodwill	—	(803)	—	—
Net increase (decrease) in reserve for outstanding claims	(15,019)	(8,140)	17,677	(153)
Net increase in policy reserve	140,499	357,127	964,481	1,430
Interest on reserve for dividends to policyholders	33,206	35,170	37,156	338
Net increase (decrease) in allowance for doubtful accounts	(10,963)	5,133	(7,892)	(112)
Net (decrease) in reserve for bonuses for directors and corporate auditors	(22)	(9)	—	(0)
Net increase in accrued severance indemnities	5,446	6,729	16,559	55
Net increase in accrued retirement benefits for directors and corporate auditors	192	125	5,805	2
Net increase (decrease) in reserve for price fluctuations in security investments	(115,250)	20,000	26,000	(1,173)
Interest, dividends and other income	(1,142,142)	(1,230,756)	(1,168,241)	(11,627)
Net loss from assets held in trust	54,967	—	—	560
Net loss (gain) on securities investment	577,080	19,149	(31,524)	5,875
Net loss of policy loans	253,292	—	—	2,579
Loss from derivative financial instruments	116,658	—	—	1,188
Interest expenses	4,791	7,506	5,985	49
Foreign exchange loss, net	15,927	12,167	1,290	162
Net loss (gain) on tangible fixed assets investment	2,933	6,170	(25,400)	30
Investment loss (gain) on equity method	2,386	(2,982)	(169)	24
Loss (gain) from separate accounts, net	352,786	265,274	(82,180)	3,591
Net decrease in proprietary trading securities	—	2,099	0	—
Net decrease (increase) in reinsurance receivables	338	(307)	159	3
Net (increase) in other assets (excluding related to investing activities and financial activities)	(3,248)	(1,166)	(17,865)	(33)
Net decrease in agency accounts payable	—	(25)	(3)	—
Net increase (decrease) in reinsurance payables	1	74	(225)	0
Net increase (decrease) in other liabilities (excluding related to investing activities and financial activities)	9,058	3,273	(16,140)	92
Other, net	(29,885)	22,585	55,005	(304)
<b>Subtotal</b>	<b>¥ 536,831</b>	<b>(118,751)</b>	<b>217,739</b>	<b>5,465</b>
Interest, dividends and other income received	1,164,940	1,210,377	1,140,848	11,859
Interest paid	(5,236)	(8,252)	(4,835)	(53)
Dividends to policyholders paid	(224,679)	(232,402)	(214,083)	(2,287)
Other, net	12,919	27,487	28,323	132
Income taxes paid	(88,828)	(140,829)	(168,453)	(905)
<b>Net cash provided by operating activities</b>	<b>¥ 1,395,946</b>	<b>¥ 737,629</b>	<b>¥ 999,540</b>	<b>\$ 14,211</b>

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>II Cash flows from investing activities:</b>				
Net decrease (increase) in deposits	¥ (1,400)	¥ —	¥ 3,500	\$ (14)
Purchases of monetary receivables purchased	(103,755)	(174,725)	(336,173)	(1,056)
Proceeds from sales and redemption of monetary receivables purchased	98,958	136,032	134,111	1,007
Purchases of assets held in trust	—	(23,283)	(24,893)	—
Proceeds from sales of assets held in trust	—	27,511	28,753	—
Purchases of securities	(11,901,539)	(10,582,710)	(9,348,013)	(121,160)
Proceeds from sales and redemption of securities	10,110,478	9,779,372	8,055,301	102,927
Investments in loans	(1,526,277)	(3,248,162)	(3,499,735)	(15,538)
Collections of loans	1,725,834	3,486,385	3,786,269	17,569
Settlement of financial derivative instruments, net	109,461	220,252	—	1,114
Net (decrease) in cash received as collateral under security lending contracts	(122,611)	(351,953)	—	(1,248)
Other, net	(1,100)	(68)	(387,999)	(11)
<b>II ① Subtotal</b>	<b>(1,611,951)</b>	<b>(731,349)</b>	<b>(1,588,876)</b>	<b>(16,410)</b>
<b>[(I + II ①)]</b>	<b>[(216,004)]</b>	<b>[6,279]</b>	<b>[(589,336)]</b>	<b>[(2,199)]</b>
Purchases of tangible fixed assets	(59,975)	(64,568)	(53,153)	(611)
Proceeds from sales of tangible fixed assets	3,631	9,524	137,868	37
Other, net	(38,316)	(28,151)	(22,070)	(390)
<b>Net cash (used in) investing activities</b>	<b>(1,706,612)</b>	<b>(814,546)</b>	<b>(1,526,232)</b>	<b>(17,374)</b>
<b>III Cash flows from financing activities:</b>				
Proceeds from debt issuance	133,799	175,900	163,579	1,362
Repayments of debt	(138,008)	(185,476)	(158,671)	(1,405)
Issuance of foundation funds	50,000	—	—	509
Redemption of foundation funds	(50,000)	(50,000)	(50,000)	(509)
Interest on foundation funds	(2,501)	(3,119)	(3,632)	(25)
Other, net	(1,069)	10,948	8,948	(11)
<b>Net cash (used in) financing activities</b>	<b>(7,780)</b>	<b>(51,746)</b>	<b>(39,775)</b>	<b>(79)</b>
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	<b>(19,889)</b>	<b>(16,020)</b>	<b>(244)</b>	<b>(202)</b>
<b>V Net (decrease) in cash and cash equivalents</b>	<b>(338,335)</b>	<b>(144,684)</b>	<b>(566,711)</b>	<b>(3,444)</b>
<b>VI Cash and cash equivalents at the beginning of the year</b>	<b>1,294,607</b>	<b>1,439,291</b>	<b>2,006,003</b>	<b>13,179</b>
<b>VII Decrease in cash and cash equivalents due to the exclusion of subsidiaries from consolidation</b>	<b>(3,511)</b>	<b>—</b>	<b>—</b>	<b>(36)</b>
<b>VIII Cash and cash equivalents at the end of the year</b>	<b>¥ 952,759</b>	<b>¥ 1,294,607</b>	<b>¥ 1,439,291</b>	<b>\$ 9,699</b>

## 4. Consolidated Statements of Changes in Net Assets

Nippon Life Insurance Company and Subsidiaries

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>FOUNDATION FUNDS AND OTHERS:</b>				
<b>Foundation funds:</b>				
Beginning balance	¥ 200,000	¥ 250,000	¥ 300,000	\$ 2,036
Increase/decrease				
Issuance of foundation funds	50,000	—	—	509
Redemption of foundation funds	(50,000)	(50,000)	(50,000)	(509)
Net change	—	(50,000)	(50,000)	—
Ending balance	200,000	200,000	250,000	2,036
<b>Reserve for redemption of foundation funds:</b>				
Beginning balance	700,000	650,000	600,000	7,126
Increase/decrease				
Additions to reserve for redemption of foundation funds	50,000	50,000	50,000	509
Net change	50,000	50,000	50,000	509
Ending balance	750,000	700,000	650,000	7,635
<b>Reserve for revaluation:</b>				
Beginning balance	651	651	651	7
Increase/decrease				
Net change	—	—	—	—
Ending balance	651	651	651	7
<b>Consolidated surplus:</b>				
Beginning balance	473,978	501,357	438,305	4,825
Increase/decrease				
Additions to reserve for dividends to policyholders	(226,284)	(239,686)	(179,929)	(2,304)
Additions to reserve for redemption of foundation funds	(50,000)	(50,000)	(50,000)	(509)
Interest on foundation funds	(2,501)	(3,119)	(3,632)	(25)
Bonuses for directors and corporate auditors	—	—	(0)	—
Net surplus	152,093	258,577	305,380	1,548
Reversal of land revaluation difference	2,058	3,963	(8,766)	21
Decrease in number of companies under the equity method	—	2,885	—	—
Other	—	1	—	—
Net change	(124,634)	(27,378)	63,051	(1,269)
Ending balance	349,344	473,978	501,357	3,556
<b>Total equity:</b>				
Beginning balance	1,374,629	1,402,008	1,338,956	13,994
Increase/decrease				
Issuance of foundation funds	50,000	—	—	509
Additions to reserve for dividends to policyholders	(226,284)	(239,686)	(179,929)	(2,304)
Interest on foundation funds	(2,501)	(3,119)	(3,632)	(25)
Bonuses for directors and corporate auditors	—	—	(0)	—
Net surplus	152,093	258,577	305,380	1,548
Redemption of foundation funds	(50,000)	(50,000)	(50,000)	(509)
Reversal of land revaluation difference	2,058	3,963	(8,766)	21
Decrease in number of companies under the equity method	—	2,885	—	—
Other	—	1	—	—
Net change	(74,634)	(27,378)	63,051	(760)
Ending balance	1,299,995	1,374,629	1,402,008	13,234
<b>Valuation, conversion and others:</b>				
<b>Net unrealized gain on available-for-sale securities, net of tax:</b>				
Beginning balance	2,301,439	4,670,620	4,171,825	23,429
Increase/decrease				
Net change, excluding foundation funds and others	(2,047,746)	(2,369,180)	498,794	(20,846)
Net change	(2,047,746)	(2,369,180)	498,794	(20,846)
Ending balance	253,693	2,301,439	4,670,620	2,583
<b>Deferred gain on derivatives under hedge accounting:</b>				
Beginning balance	155	57	—	2
Increase/decrease				
Net change, excluding foundation funds and others	(149)	98	57	(2)
Net change	(149)	98	57	(2)
Ending balance	6	155	57	0
<b>Land revaluation difference:</b>				
Beginning balance	(88,938)	(84,955)	(93,688)	(905)
Increase/decrease				
Net change, excluding foundation funds and others	(2,067)	(3,983)	8,732	(21)
Net change	(2,067)	(3,983)	8,732	(21)
Ending balance	(91,006)	(88,938)	(84,955)	(926)
<b>Cumulative translation adjustments:</b>				
Beginning balance	(16,157)	(7,615)	(11,691)	(165)
Increase/decrease				
Net change, excluding foundation funds and others	(29,990)	(8,542)	4,075	(305)
Net change	(29,990)	(8,542)	4,075	(305)
Ending balance	(46,148)	(16,157)	(7,615)	(470)

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>Total valuation, conversion and others:</b>				
Beginning balance	¥ 2,196,499	¥ 4,578,106	¥ 4,066,445	\$ 22,361
Increase/decrease				
Net change, excluding foundation funds and others	(2,079,954)	(2,381,607)	511,660	(21,174)
Net change	(2,079,954)	(2,381,607)	511,660	(21,174)
Ending balance	116,544	2,196,499	4,578,106	1,187
<b>Minority interests:</b>				
Beginning balance	9,954	10,479	10,305	102
Increase/decrease				
Net change, excluding foundation funds and others	249	(525)	174	2
Net change	249	(525)	174	2
Ending balance	10,203	9,954	10,479	104
<b>Total net assets:</b>				
Beginning balance	3,581,082	5,990,595	5,415,708	36,457
Increase/decrease				
Issuance of foundation funds	50,000	—	—	509
Additions to reserve for dividends to policyholders	(226,284)	(239,686)	(179,929)	(2,304)
Interest on foundation funds	(2,501)	(3,119)	(3,632)	(25)
Bonuses for directors and corporate auditors	—	—	(0)	—
Net surplus	152,093	258,577	305,380	1,548
Redemption of foundation funds	(50,000)	(50,000)	(50,000)	(509)
Reversal of land revaluation difference	2,058	3,963	(8,766)	21
Decrease in number of companies under the equity method	—	2,885	—	—
Other	—	1	—	—
Net change, excluding foundation funds and others	(2,079,705)	(2,382,133)	511,835	(21,172)
Net change	(2,154,339)	(2,409,512)	574,886	(21,932)
Ending balance	¥ 1,426,743	¥ 3,581,082	¥ 5,990,595	\$ 14,525

## 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 “Parent Company” or “Nippon Life”) and its consolidated subsidiaries (collectively the “Company”) in accordance with the provisions set forth in the Japanese Commercial Code and 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 guidances. The accompanying consolidated financial statements of the Company are in compliance with such requirements. Amounts of less than one million have been eliminated. As a result, totals may not add up exactly.

#### (2) United States dollar amounts

Nippon Life 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 ¥98.23=US\$1, the effective rate of exchange at the balance sheet date of March 31, 2009. 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 ¥98.23=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 Nippon Life and its subsidiaries. Consolidated subsidiaries as of March 31, 2009 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 Leasing Co., Ltd. (Japan)  
Nissay Credit Guarantee Co., Ltd. (Japan)  
Nippon Life Insurance Company of America (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.)

The major subsidiaries excluded from consolidation are Nissay Card Service Co., Ltd. the Tokyo Agency of Nippon Life Insurance Co., Ltd. and Nissay Business Service Co., Ltd.

NLI Properties Central, Inc. and NLI Properties East, Inc. are excluded from consolidation due to the liquidation.

The respective and aggregate effects of the companies that are excluded from consolidation on total assets, revenues, net income and surplus for the fiscal year ended March 31, 2009 are immaterial. This exclusion from consolidation does not prevent a reasonable judgment of the consolidated financial position and the result of operations of Nippon Life and its subsidiaries.

##### ii) Affiliates

Affiliates accounted for under the equity method in the year ended March 31, 2009 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)  
Nissay-SVA Life Insurance Co., Ltd. (China)

Bangkok Life Assurance Public Company Limited (formerly Bangkok Life Assurance Limited), like its parent, is engaged in the life insurance business and, therefore, as a qualitatively significant company, was accounted for under the equity method since the fiscal year ended March 31, 2004. However, in recent years, as a result of the diversification of the overseas insurance business, the main objective of the Parent Company's investments in Bangkok Life has been to obtain revenue. Because the Parent Company is not directly involved in important decisions related to Bangkok Life's management policies, Bangkok Life has been deemed to be of no qualitative significance from the fiscal year ended March 31, 2008, and is thus no longer accounted for under the equity method. Nippon Life Insurance Company of Philippines, Inc., having been sold all of its investment equity, is no longer an equity-method affiliate. The subsidiaries not consolidated, e.g., Nissay Card Service Co., Ltd, the Tokyo Agency of Nippon Life Insurance Co., Ltd. and others, and affiliates other than those listed above, e.g., Bangkok Life Assurance Public Company Limited, are not accounted for under the equity method. The respective and aggregate effects of such companies to consolidated net income and surplus for the fiscal year ended March 31, 2009 are immaterial.

The number of consolidated subsidiaries and affiliates as of March 31, 2009, 2008 and 2007, respectively, were as follows:

	2009	2008	2007
Consolidated subsidiaries	10	12	12
Subsidiaries not consolidated but accounted for under the equity method	0	0	0
Affiliates accounted for under the equity method	4	4	6

iii) *The Financial Statements year-end date of consolidated subsidiaries and affiliates*

The Financial Statements year-end date of consolidated overseas subsidiaries and affiliates is December 31. The consolidated financial statements are prepared using data as of the date of preparation, and necessary adjustments are made to reflect important transactions that occurred between the financial statements year-end date and preparation date.

iv) *Valuation of assets and liabilities of consolidated subsidiaries and affiliates*

The Company applies the mark to market method.

v) *Amortization of goodwill*

The total amount of goodwill is amortized as incurred in the fiscal consolidated 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 a 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**

Securities of the Parent Company (including items such as deposits and monetary receivables purchased treated as securities based on “Accounting Standards for Financial Instruments” (Corporate Accounting Standards No. 10) and securities within assets held in trust) are valued as follows:

- i) Trading securities are valued at the market value as of the balance sheet date (moving average method is used for calculating cost of sales).
- ii) Held-to-maturity debt securities are valued using the moving average method net of accumulated amortization (straight-line).
- iii) Policy-reserve-matching bonds are valued using the moving average method net of accumulated amortization (straight-line) in accordance with Industry Audit Committee Report No. 21, “Treatment of Accounting and Auditing for Policy-Reserve-Matching Bonds Within Insurance Industry,” issued by the Japanese Institute of Certified Public Accountants (the “JICPA”).
- iv) Stocks of non-consolidated subsidiaries and affiliates or those not accounted for by the equity method (stock issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Law, excluding subsidiaries prescribed in Article 2-3, Paragraph 2 of the Order for Enforcement of Insurance Business Law and stocks issued by affiliates prescribed in Article 2-3, Paragraph 3 of the Order for Enforcement of Insurance Business Law) are valued using the moving average method.

v) Available-for-sale securities

- 1) Of securities with market value, stocks (including foreign stocks) are valued by using the average market value during the one month period before the balance sheet date (cost of sales is calculated by using the moving average method). Others are valued by using the market value on the balance sheet date (cost of sales is calculated by using the moving average method).
- 2) Of securities without market value, public and corporate bonds (including foreign bonds), of which the difference between the purchase price and face value is due to an interest rate adjustment, are valued using the moving average method net of accumulated amortization (straight-line). Others are valued at the gross moving average amount.

Adjustments to fair value, net of applicable taxes are recorded in a separate component of net assets.

### ***Hedge accounting of the Parent Company is calculated by the following method.***

The Parent Company uses a variety of derivative financial instruments, including foreign currency forward contracts, interest rate swaps and currency swaps as a means of hedging exposure to foreign currency and interest rate risks. Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge the foreign currency exposures of certain financial assets denominated in foreign currencies. These contracts which qualify for hedge accounting are measured at fair value at the balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

Interest rate swaps are utilized to hedge the interest rate exposures of certain loan receivables denominated in foreign currencies. These swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the difference paid or received under the swap agreements is recognized and included in interest expense or income.

The foreign currency forward contracts and currency swaps are utilized to hedge the foreign currency and interest rate exposures of certain loans denominated in foreign currencies. Certain loans denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

#### (4) Policy-reserve-matching bonds

Securities that are held for the purpose of matching periods outstanding for liabilities within the sub-groups (insurance type, remaining period and investment policy) of insurance products, such as individual insurance and annuities, workers' asset-formation insurance and annuities and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Treatment of Accounting and Auditing for Policy-Reserve-Matching Bonds within Insurance Industry," issued by the JICPA. The book value of policy-reserve-matching bonds as of March 31, 2009, 2008 and 2007 amounted to ¥16,704,274 million (US\$170,053 million), ¥17,145,681 million and ¥17,252,402 million, respectively. The market value of policy-reserve-matching bonds as of March 31, 2009, 2008 and 2007 amounted to, ¥17,314,594 million (US\$176,266 million), ¥17,752,748 million and ¥17,515,888 million, respectively.

Starting on April 1, 2008, given the need to review the subcategories of the liabilities outstanding due to a change in investment policy for bonds, we eliminated the subcategorization of guaranteed fixed-term rate group annuities and U.S. dollar-denominated single-payment individual insurance, and excluded new fixed-rate variable individual insurance from policies subject to subcategorization of yen-denominated single-payment individual insurance.

As a result, a portion of policy-reserve-matching bonds was changed to available-for-sale securities at the beginning of the period. Compared to the past method, there were increases of ¥6,640 million (US\$68 million) in securities and of ¥4,001 million (US\$41 million) in available-for-sale securities valuation difference and a decrease of ¥2,261 million (US\$23 million) in deferred tax assets. Also, operating income and surplus before income tax increased by ¥378 million (US\$4 million).

#### (5) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen using "Accounting Standards of the Business Accounting Council." Exchange rates fluctuate significantly, and available-for-sale securities denominated in foreign currencies of the Parent Company, for which recovery is not expected, are converted to yen using either the rate at the balance sheet date or the average one month rate prior to the balance sheet date, whichever indicates a weaker yen. This exchange is recorded under "Loss on valuation of securities."

#### (6) Real estate and movables

1) Tangible fixed assets of the Parent Company (except for lease assets related to financial leases where ownership is not transferred and buildings acquired on or after April 1, 1998) are depreciated based on the declining balance method. Buildings acquired on or after April 1, 1998 are depreciated based on the straight-line method.

Accompanying the tax reforms of 2007, from the fiscal year ended March 31, 2008, tangible fixed assets acquired on or after April 1, 2007 are depreciated after adjustment based on the declining-balance method and straight-line method set forth in the corporation tax act. As a result, compared to the past method, operating income and surplus before income tax decreased by ¥565 million.

Also, in accordance with the tax reforms described above, the residual balances of the tangible assets acquired prior to April 1, 2007, which are fully depreciated under the former tax regulation, are depreciated over five years using the straight-line method. As a result, compared to the past method, operating income and surplus before income tax decreased by ¥2,135 million.

2) The amount of accumulated depreciation for tangible fixed assets was ¥1,112,067 million (US\$11,321 million) as of March 31, 2009 and ¥1,131,350 million as of March 31, 2008.

Revaluation of the land for operations is performed based on the law related to land revaluation. The amount related to the valuation difference between the previous and the revalued amount is tax effected and recognized as "deferred tax liabilities for land revaluation reserve" within the liability section. The valuation difference, net of tax is recognized as "land revaluation difference" within the net assets section.

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Revaluation Date: March 31, 2002

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Revaluation Methodology: The amount is rationally calculated by using the land listed value and road rate as prescribed by the Ordinance clauses 2-1 and 2-4, respectively, which are the laws regarding land revaluation.

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#### (7) Software

Software, which is included within intangible fixed assets, is depreciated based on the straight-line method.

#### (8) Leases

Where financial leases 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. The depreciation of lease assets related to financial leases where ownership is not transferred is based on the straight-line method for the lease term.

In the past, an accounting treatment based on a method related to ordinary lease transactions was applied to trading financial leases where ownership is not transferred. Starting from this period, however, the "Accounting Standards of Lease Transactions" (Corporate Accounting Standards No. 13) and "Application Guidelines for Accounting Standards of Lease Transactions" (Corporate Accounting Standards Application Guidelines No. 16) are applied.

Based on the new methodology, lease assets of ¥203 million (US\$2 million) and lease liabilities of ¥161 million (US\$2 million) are recorded. Also, operating income and surplus before income tax increased by ¥120 million (US\$1 million). Regarding financial leases where ownership is not transferred and the lease start date is March 31, 2008 or prior, the accounting treatment based on the method related to ordinary lease transactions is applied.

#### **(9) Allowance for doubtful accounts**

- 1) Allowance for doubtful accounts of the Parent Company is recognized in accordance with Nippon Life's internal Asset Valuation Regulations and Write-Off/Provision Rules:
  - i) The amount of allowance for loans receivable from creditors who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through disposal of collateral or execution of guarantees from the balance of loans receivable (as mentioned in (3) below).
  - ii) The allowance for loans receivable from creditors who are not currently legally bankrupt but have high possibility of bankruptcy is recognized in 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 loans receivable from creditors other than the above is provided based on the borrowers' balance multiplied by the historical average (for a certain period) percentage of bad debt.
- 2) All credits of the Parent Company are assessed by the sections concerned in responsible sections in accordance with Nippon Life's Asset Valuation Regulations. The assessments are verified by an independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.
- 3) For consolidated subsidiaries, these companies allocate amounts deemed necessary in accordance mainly with their internal Asset Valuation Regulations and Write-Off/Provision Rules.
- 4) The amount of collateral value or the amount collectible through the execution of guarantees or other methods, subtracted directly from the balance of loans receivable, is the estimated uncollectible amount of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The amounts recognized in the consolidated financial statements were ¥8,243 million (US\$84 million) (including ¥6,891 million (US\$70 million) of credits secured and/or guaranteed), ¥6,292 million (including ¥4,870 million of credits secured and/or guaranteed) and ¥6,921 million (including ¥4,561 million of credits secured and/or guaranteed) as of March 31, 2009, 2008 and 2007, respectively.

#### **(10) Accrued bonuses for directors and corporate auditors**

Accrued bonuses for directors and corporate auditors are recognized based on the amount estimated to be paid.

#### **(11) Accrued severance indemnities**

Accrued severance indemnities of the Parent 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 as of the balance sheet date.

#### **(12) Accrued retirement benefits for directors and corporate auditors**

Accrued retirement benefit for directors and corporate auditors is an estimated payment amount based on internal rules.

#### **(13) Accrued loss from supporting closely related companies**

Accrued loss from supporting closely related companies is recognized based on the amount that is estimated to be required in the future for supporting the restructuring of the closely related companies.

#### **(14) Reserve for price fluctuations in security investments**

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

#### **(15) Accounting for consumption taxes**

Consumption taxes and local consumption taxes of the Parent Company are accounted for by using the tax exclusion method. However, 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 incurred.

#### **(16) Policy reserve**

A policy reserve of the Parent Company is a reserve set forth in accordance with Article 116 of the Insurance Business Law. A policy reserve is recognized by performing a calculation based on the following methodology:

- 1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (Ordinance No. 48 issued by the Ministry of Finance in 1996).
- 2) Reserves for other contracts are computed based on the net level premium method.

Since the fiscal year ended March 31, 2007, the addition to the policy reserves have been made over five years to a portion of the individual annuity policyholders. Such treatment is in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of Insurance Business Law. Including the treatment, the policy reserve was ¥241,261 million (US\$2,456 million) as of March 31, 2009 and ¥226,074 million as of March 31, 2008.

### (17) Presentation of fixed assets

Beginning in the fiscal year ended March 31, 2009, in accordance with the revised Ordinance for Enforcement of the Insurance Business Law, “the components of Tangible fixed assets” and “Intangible fixed assets” are presented.

Land, buildings, construction in progress, and other tangible fixed assets included in tangible fixed assets were ¥1,081,709 million (US\$11,012 million), ¥574,521 million (US\$5,849 million), ¥12,420 million (US\$126 million) and ¥78,272 million (US\$797 million), respectively. Software and other intangible fixed assets included in intangible fixed assets were ¥57,244 million (US\$583 million) and ¥98,763 million (US\$1,005 million), respectively.

### 3. Securities Loaned and Borrowed

The amount of securities loaned and borrowed for consumption was ¥1,411,639 million (US\$14,371 million), ¥2,312,680 million and ¥3,649,930 million as of March 31, 2009, 2008 and 2007, respectively.

Assets that can be sold or re-secured are marketable securities loaned under a loan for consumption contract. As of the end of the period assets which were not disposed totaled ¥206,962 million (US\$2,107 million) at market value as of March 31, 2009.

### 4. Accumulated Depreciation

The amount of accumulated depreciation for tangible fixed assets amounted to ¥1,112,067 million (US\$11,321 million), ¥1,131,350 million and ¥1,089,114 million as of March 31, 2009, 2008 and 2007, respectively.

### 5. Separate Accounts

Separate Accounts as provided for in Article 118, Paragraph 1 of the Insurance Business Law were ¥1,371,549 million (US\$13,963 million), ¥1,860,271 million and ¥2,279,213 million as of March 31, 2009, 2008 and 2007, respectively and are presented within other assets with a corresponding liability recorded for the same amount.

### 6. Reserve for Dividends to Policyholders

Changes in the reserve for dividends to policyholders included in policy reserves for the periods ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Balance at the end of previous fiscal year	¥1,233,268	¥1,259,846	¥1,312,057	\$12,555
Transfer to reserve from surplus in previous fiscal year	226,284	239,686	179,929	2,304
Policyholder dividends paid out during the fiscal year	(277,367)	(301,434)	(269,297)	(2,824)
Increase in interest	33,206	35,170	37,156	338
Balance at the end of fiscal year	¥1,215,391	¥1,233,268	¥1,259,846	\$12,373

### 7. Accrued Severance Indemnities

Accrued severance indemnities at March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Retirement benefit obligation	¥(777,951)	¥(789,182)	¥(779,072)	\$(7,920)
Pension plan assets	271,666	301,947	322,418	2,766
Accrued retirement benefit costs	(506,284)	(487,234)	(456,654)	(5,154)
Unrecognized actuarial differences	72,341	66,286	49,984	736
Unrecognized past service cost	(6,861)	(14,410)	(21,959)	(70)
Accrued severance indemnities	¥(440,804)	¥(435,358)	¥(428,628)	\$(4,487)

The basic information for the calculation of accrued severance indemnities is as follows:

Periodical allocation method of estimated retirement benefit:	Straight-line
Discount rate:	1.6%
Expected rate on plan assets:	2.5%
Method of amortizing actuarial differences:	Amortization is made over a certain period (five years) using the straight-line method within the average remaining years of service of employees one year after the accrual of liabilities.
Method of amortizing prior service:	Amortization is made over a certain period (five years) using the straight-line method within the average remaining years of service of employees upon accrual of liabilities.

The benefit cost of accrued severance indemnities for the years ended March 31, 2009, 2008 and 2007 was analyzed as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Service cost	¥26,635	¥26,385	¥26,866	\$271
Interest cost	12,611	12,452	12,647	128
Expected return on plan assets	(7,538)	(8,050)	(8,009)	(77)
Amortization of actuarial differences	17,790	18,486	31,955	181
Amortization of prior service cost	(7,548)	(7,548)	(7,548)	(77)
Others	1,900	1,848	286	19
Net periodic benefit costs	¥43,850	¥43,574	¥56,198	\$446

## 8. Foundation Funds

Nippon Life redeemed ¥50,000 million (US\$509 million) of foundation funds, and credited the same amount to the reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law as of March 31, 2009, 2008 and 2007, respectively. The amount of ¥50,000 million (US\$509 million) of foundation funds were additionally offered according to Article 60 of the Insurance Business Law in the fiscal year ended March 31, 2009.

## 9. Pledged Assets

The amount of assets pledged as collateral by securities, leasing receivables, land and buildings as of March 31, 2009 was ¥606,018 million (US\$6,169 million), ¥34,044 million (US\$347 million), ¥2,952 million (US\$30 million) and ¥325 million (US\$3 million), respectively. The total amount of loans covered by the aforementioned assets as of March 31, 2009 is ¥502,733 million (US\$5,118 million).

These amounts included ¥531,740 million (US\$5,413 million) of securities deposited and ¥470,591 million (US\$4,791 million) of cash received as collateral under the securities lending contracts as of March 31, 2009.

The amount of assets pledged as collateral by securities, leasing receivables, land and buildings as of March 31, 2008 was ¥617,845 million, ¥74,953 million, ¥2,952 million and ¥335 million, respectively. The total amount of loans covered by the aforementioned assets as of March 31, 2008 was ¥644,843 million.

These amounts included ¥566,028 million of securities deposited and ¥580,977 million of cash received as collateral under the securities lending contracts as of March 31, 2008.

The amount of assets pledged as collateral by securities, leasing receivables, land and buildings as of March 31, 2007 was ¥1,187,482 million, ¥85,297 million, ¥2,952 million, and ¥344 million, respectively. The total amount of loans covered by the aforementioned assets as of March 31, 2007 was ¥1,002,797 million.

These amounts included ¥1,018,513 million of securities deposited and ¥928,128 million of cash received as collateral under the securities lending contracts as of March 31, 2007.

## 10. Investments in Non-Consolidated Subsidiaries

The total amount of stocks and investments in non-consolidated subsidiaries was ¥119,721 million (US\$1,219 million), ¥130,339 million and ¥163,708 million as of March 31, 2009, 2008 and 2007, respectively.

## 11. Loans Receivable

- 1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and loans for restructuring, which were included in loans receivable, was ¥53,081 million (US\$540 million), ¥74,770 million and ¥77,925 million as of March 31, 2009, 2008 and 2007, respectively.
  - i) The balances of loans to bankrupt borrowers and delinquent loans were ¥3,456 million (US\$35 million) and ¥39,945 million (US\$407 million) as of March 31, 2009, ¥3,401 million and ¥54,678 million as of March 31, 2008, ¥4,533 million and ¥57,247 million as of March 31, 2007.

Loans to bankrupt borrowers are loans, except for a portion of loans written-down, where the borrowers satisfy conditions prescribed in Article 96, Paragraph 1, Item 3 or Item 4 of the Enforcement Regulations of the Corporation Tax Law and are recorded net of the portion of the losses written down. Interest is not accrued as income since the recovery of principal or interest on the loans is unlikely due to the fact that the payments are long overdue or for other reasons. Delinquent loans are loans with interest not accrued, and exclude the loans of bankrupt borrowers and the loans to which the postponement of interest payment is made with the objective of reconstructing these loans and supporting the borrowers.

- ii) The balances of loans that are delinquent for over three months were ¥0 (US\$0), ¥435 million and ¥531 million as of March 31, 2009, 2008 and 2007, respectively.

Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement.

- iii) The balances of loans for restructuring were ¥9,680 million (US\$99 million), ¥16,254 million and ¥15,593 million as of March 31, 2009, 2008 and 2007, respectively.

Loans for restructuring are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credit and providing benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans and loans delinquent for over three months.

- 2) The direct write-off of loans receivable decreased the balances of loans of bankrupt borrowers and delinquent loans by ¥6,099 million (US\$62 million) and ¥2,143 million (US\$22 million) as of March 31, 2009, ¥1,270 million and ¥5,022 million as of March 31, 2008 and ¥1,875 million and ¥5,046 million as of March 31 2007.

## 12. Loan Commitments

The amount of commitments related to loans receivable and loans outstanding was ¥90,990 million (US\$926 million), ¥120,598 million and ¥150,349 million as of March 31, 2009, 2008 and 2007, respectively.

## 13. Contribution to the Life Insurance Policyholder Protection Fund and Organization

- 1) The amount of future contributions to the Life Insurance 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, was estimated to be ¥2,358 million as of March 31, 2007. The obligation to contribute to the Policyholder Protection Fund, which has been taken over by the Life Insurance Policyholder Protection Corporation of Japan, ended with the fiscal year ended March 31, 2008 contribution. The contribution amounts is recognized as an operating expense at the time of payment.
- 2) The amounts of future contributions to the Life Insurance Policyholder Protection Corporation of Japan, in accordance with Article 259 of the Insurance Business Law, was estimated to be ¥90,467 million (US\$921 million), ¥94,127 million, ¥92,760 million as of March 31, 2009, 2008 and 2007, respectively. The contribution amounts is recognized as an operating expense at the time of payment.

## 14. Loss on Impairment of Assets

- i) Method for grouping the assets  
Leased buildings and idle property are classified as one group per structure. Assets utilized for insurance business operations are classified into one group.
- ii) Circumstances causing impairment loss  
Nippon Life observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and an impairment loss was recognized as an extraordinary loss.

## iii) Breakdown of asset groups that recognized impairment losses:

For the year ended March 31, 2009

Purpose of use	Millions of Yen			
	Land	Leasehold	Buildings	Total
Leased property	¥ 330	¥423	¥ 30	¥ 785
Idle property	3,607	—	1,585	5,192
Total	¥3,937	¥423	¥1,616	¥5,977

For the year ended March 31, 2008

Purpose of use	Millions of Yen			
	Land	Leasehold	Buildings	Total
Leased property	¥1,597	¥179	¥231	¥2,009
Idle property	1,978	—	642	2,620
Total	¥3,576	¥179	¥874	¥4,630

For the year ended March 31, 2007

Purpose of use	Millions of Yen			
	Land	Leasehold	Buildings	Total
Leased property	¥ 686	¥—	¥ 690	¥1,376
Idle property	2,767	—	1,245	4,012
Total	¥3,453	¥—	¥1,935	¥5,389

For the year ended March 31, 2009

Purpose of use	Millions of U.S. Dollars			
	Land	Leasehold	Buildings	Total
Leased property	\$ 3	\$4	\$ 0	\$ 8
Idle property	37	—	16	53
Total	\$40	\$4	\$16	\$61

## iv) Calculation method of recoverable amount

The recoverable amount used for the measurement of impairment loss on leased assets is based on the net realizable value upon sales of the asset or the future cash flows. The recoverable amount for idle property is based on the net realizable value upon sale of the asset. The discount rate used for calculation of future cash flows is 4.0%. Net realizable values are determined based on the real estate appraisal or posted land price.

## 15. Deferred Tax Assets and Liabilities

- 1) Deferred tax assets/liabilities consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Deferred tax assets	¥1,223,549	¥ 1,266,021	¥ 1,149,395	\$12,456
Valuation allowance for deferred tax assets	(66,575)	(54,445)	(42,114)	(678)
	1,156,974	1,211,576	1,107,281	11,778
Deferred tax liabilities	(212,548)	(1,334,414)	(2,614,378)	(2,164)
Net deferred tax assets/(liabilities)	¥ 944,425	¥ (122,838)	¥(1,507,097)	9,614

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

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Deferred tax assets:				
Policy reserves	¥700,903	¥ 830,660	¥ 741,170	\$7,135
Reserve for price fluctuations in security investments	134,330	175,936	168,696	1,368
Accrued severance indemnities	159,247	157,259	154,770	1,621
Allowance for doubtful accounts	10,759	15,298	9,738	110
Deferred tax liabilities:				
Net unrealized gain on securities	¥172,181	¥1,293,452	¥2,569,877	\$1,753

2) The statutory tax rate was 36.1% for the years ended March 31, 2009, 2008 and 2007. The major differences between the statutory tax rate and the effective income tax rate were as follows:

	2009	2008	2007
Reserve for dividends to policyholders	(22.9)%	(30.2)%	(25.1)%
Loss on valuation of securities	5.7	—	—
Dividends received from controlled foreign corporation	3.7	—	—

### Supplementary Note

In accordance with Article 110, Item 2 of the Japanese Insurance Business Law, Nippon Life Insurance Company's consolidated balance sheets as of March 31, 2009, 2008 and 2007, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended ("consolidated financial statements"), all expressed in Japanese yen, were audited by Deloitte Touche Tohmatsu.

Nippon Life Insurance Company, by its own judgment, has made certain reclassification and modifications to those audited consolidated financial statements referred to above to facilitate and enhance the readers' understanding of the financial information, and included them in this publication.

In addition, Nippon Life Insurance Company has translated Japanese yen amounts into U.S. dollar amounts solely for the convenience of readers outside Japan.

## 6. Non-Consolidated Balance Sheets

Nippon Life Insurance Company

As of March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>ASSETS:</b>				
<b>Cash and deposits:</b>	¥ 558,365	¥ 500,625	¥ 806,112	\$ 5,684
Cash	2,535	3,053	3,655	26
Deposits	555,829	497,572	802,456	5,658
<b>Call loans</b>	<b>203,800</b>	<b>196,100</b>	<b>259,200</b>	<b>2,075</b>
<b>Monetary receivables purchased</b>	<b>1,160,387</b>	<b>1,379,371</b>	<b>1,334,680</b>	<b>11,813</b>
<b>Proprietary trading securities</b>	<b>—</b>	<b>—</b>	<b>2,099</b>	<b>—</b>
<b>Assets held in trust</b>	<b>114,637</b>	<b>170,507</b>	<b>195,592</b>	<b>1,167</b>
<b>Investments in securities</b> (Notes 3, 11 and 12):				
National government bonds	12,170,897	11,592,242	11,670,238	123,902
Local government bonds	1,608,674	1,654,734	1,828,531	16,377
Corporate bonds	3,575,038	3,514,354	3,460,230	36,395
Domestic stocks	5,855,101	8,762,375	12,025,649	59,606
Foreign securities	7,688,044	7,994,217	7,783,690	78,266
Other securities	437,126	485,842	561,903	4,449
	<b>31,334,883</b>	<b>34,003,765</b>	<b>37,330,243</b>	<b>318,995</b>
<b>Loans receivable</b> (Notes 13 and 14):				
Policy loans	1,087,489	1,139,246	1,209,475	11,071
Industrial and consumer loans	8,045,943	8,414,143	8,517,226	81,909
	<b>9,133,432</b>	<b>9,553,389</b>	<b>9,726,702</b>	<b>92,980</b>
<b>Tangible fixed assets</b> (Notes 4, 11 and 19):				
Land	1,083,993	1,080,571	1,068,970	11,035
Buildings	545,803	560,924	568,518	5,556
Leases	160	—	—	2
Construction in progress	21,484	12,420	5,937	219
Other tangible fixed assets	20,656	21,376	20,246	210
	<b>1,672,097</b>	<b>1,675,293</b>	<b>1,663,673</b>	<b>17,022</b>
<b>Intangible fixed assets:</b>				
Software	67,409	55,376	46,742	686
Other intangible fixed assets	102,306	98,144	95,773	1,042
	<b>169,716</b>	<b>153,520</b>	<b>142,515</b>	<b>1,728</b>
<b>Reinsurance receivables</b>	<b>275</b>	<b>614</b>	<b>306</b>	<b>3</b>
<b>Other assets:</b>				
Accounts receivable	214,739	112,580	72,301	2,186
Prepaid expenses	8,895	7,992	8,281	91
Accrued revenue	213,170	243,876	243,046	2,170
Money on deposit	44,007	46,070	46,353	448
Deposit for futures transactions	326	332	502	3
Futures transactions margin account	—	—	1	—
Financial derivative instruments	32,532	80,979	3,324	331
Suspense payments	23,557	15,524	9,694	240
Other assets	21,669	21,789	21,344	221
	<b>558,898</b>	<b>529,146</b>	<b>404,850</b>	<b>5,690</b>
<b>Deferred tax assets</b> (Note 20)	<b>926,890</b>	<b>—</b>	<b>—</b>	<b>9,436</b>
<b>Customers' liability for acceptances and guarantees</b>	<b>13,668</b>	<b>7,900</b>	<b>8,109</b>	<b>139</b>
<b>Allowance for doubtful accounts</b>	<b>(21,178)</b>	<b>(34,944)</b>	<b>(32,183)</b>	<b>(216)</b>
<b>Total assets</b>	<b>¥45,825,874</b>	<b>¥48,135,290</b>	<b>¥51,841,901</b>	<b>\$466,516</b>

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

As of March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>LIABILITIES:</b>				
<b>Policy reserves and others:</b>				
Reserve for outstanding claims	¥ 222,094	¥ 236,957	¥ 244,911	\$ 2,261
Policy reserve (Note 15)	40,880,121	40,739,597	40,382,501	416,167
Reserve for dividends to policyholders (Note 7)	1,215,391	1,233,268	1,259,846	12,373
	<b>42,317,607</b>	<b>42,209,823</b>	<b>41,887,258</b>	<b>430,801</b>
<b>Reinsurance payables</b>	<b>340</b>	<b>339</b>	<b>265</b>	<b>3</b>
<b>Other liabilities:</b>				
Cash received as collateral under securities lending contracts	450,495	573,106	925,059	4,586
Loans payable	67	422	129	1
Corporate tax payable	—	26,649	53,680	—
Accounts payable	186,201	259,578	198,693	1,896
Accrued expenses	57,947	56,366	59,872	590
Deferred income	23,193	21,341	20,256	236
Deposits received	99,882	103,636	107,427	1,017
Guarantee deposits received	100,496	103,059	99,434	1,023
Futures transactions margin account	2,005	906	549	20
Financial derivative instruments	131,762	27,999	46,222	1,341
Lease obligation	116	—	—	1
Suspense receipt	8,678	9,538	9,418	88
Other liabilities	20,095	7,870	3,069	205
	<b>1,080,942</b>	<b>1,190,476</b>	<b>1,523,815</b>	<b>11,004</b>
<b>Accrued bonuses for directors and corporate auditors</b>	<b>71</b>	<b>94</b>	<b>103</b>	<b>1</b>
<b>Accrued severance indemnities</b> (Note 9)	<b>438,948</b>	<b>433,771</b>	<b>427,256</b>	<b>4,469</b>
<b>Accrued retirement benefits for directors and corporate auditors</b>	<b>5,968</b>	<b>5,801</b>	<b>5,691</b>	<b>61</b>
<b>Accrued loss from supporting closely related companies</b>	<b>485</b>	<b>515</b>	<b>552</b>	<b>5</b>
<b>Reserve for price fluctuations in security investments</b>	<b>372,013</b>	<b>487,263</b>	<b>467,263</b>	<b>3,787</b>
<b>Deferred tax liabilities</b> (Note 20)	<b>—</b>	<b>138,242</b>	<b>1,510,382</b>	<b>—</b>
<b>Deferred tax liabilities for revaluation reserve</b>	<b>176,020</b>	<b>177,283</b>	<b>179,535</b>	<b>1,792</b>
<b>Acceptances and guarantees</b>	<b>13,688</b>	<b>7,900</b>	<b>8,109</b>	<b>139</b>
<b>Total liabilities</b>	<b>44,406,066</b>	<b>44,651,511</b>	<b>46,010,233</b>	<b>452,062</b>
<b>NET ASSETS:</b>				
<b>Foundation funds</b> (Note 10)	<b>200,000</b>	<b>200,000</b>	<b>250,000</b>	<b>2,036</b>
<b>Reserve for redemption of foundation funds</b> (Note 10)	<b>750,000</b>	<b>700,000</b>	<b>650,000</b>	<b>7,635</b>
<b>Reserve for revaluation</b>	<b>651</b>	<b>651</b>	<b>651</b>	<b>7</b>
<b>Surplus:</b>				
Legal reserve for deficiency	9,867	9,020	8,123	100
Voluntary surplus reserve	290,653	386,722	400,020	2,959
Contingency reserve	71,917	71,917	71,917	732
Reserve for retirement benefits	—	—	3,500	—
Reserve for assisting social public welfare	1,244	1,221	648	12
Reserve for condensed booking of fixed assets for tax purposes	32,281	32,082	29,261	329
Reserve for condensed booking of fixed assets to be purchased	—	—	1,908	—
Other reserves	170	170	170	2
Unappropriated surplus	185,040	281,332	292,615	1,884
<b>Total surplus</b>	<b>300,520</b>	<b>395,742</b>	<b>408,143</b>	<b>3,059</b>
<b>Total equity</b>	<b>1,251,171</b>	<b>1,296,394</b>	<b>1,308,795</b>	<b>12,737</b>
<b>Net unrealized gain on available-for-sale securities, net of tax</b>	<b>259,636</b>	<b>2,276,167</b>	<b>4,607,770</b>	<b>2,643</b>
<b>Deferred gain on derivatives under hedge accounting</b>	<b>6</b>	<b>155</b>	<b>57</b>	<b>0</b>
<b>Land revaluation difference</b>	<b>(91,006)</b>	<b>(88,938)</b>	<b>(84,955)</b>	<b>(926)</b>
<b>Total valuations, conversions and others</b>	<b>168,636</b>	<b>2,187,384</b>	<b>4,522,873</b>	<b>1,717</b>
<b>Total net assets</b>	<b>1,419,807</b>	<b>3,483,778</b>	<b>5,831,668</b>	<b>14,454</b>
<b>Total liabilities and net assets</b>	<b>¥45,825,874</b>	<b>¥48,135,290</b>	<b>¥51,841,901</b>	<b>\$466,516</b>

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

## 7. Non-Consolidated Statements of Income

Nippon Life Insurance Company

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>REVENUES:</b>				
<b>Income from insurance and reinsurance premiums:</b>				
Insurance premiums	¥5,035,543	¥4,889,029	¥4,853,646	\$51,262
Reinsurance premiums	1,230	1,058	657	13
	<b>5,036,774</b>	<b>4,890,087</b>	<b>4,854,303</b>	<b>51,275</b>
<b>Investment income</b> (Note 17):				
Interest, dividends and other income	1,148,493	1,234,533	1,156,348	11,692
Interest on deposits and savings	1,799	2,592	1,201	18
Interest/dividends on securities	813,411	898,898	825,239	8,281
Interest on loans receivable	198,865	201,242	204,064	2,024
Rent on real estate	103,454	101,256	102,765	1,053
Other interest/dividends	30,961	30,542	23,077	316
Gain on proprietary trading securities	—	7	83	—
Gain from assets held in trust	—	—	22,108	—
Gain on sales of securities	88,609	106,977	101,722	902
Gain from redemption of securities	5,047	10,153	46,455	51
Other investment income	4,927	962	1,500	50
Gain from separate accounts, net	—	—	81,506	—
	<b>1,247,078</b>	<b>1,352,633</b>	<b>1,409,724</b>	<b>12,695</b>
<b>Other revenues:</b>				
Income from annuity riders	8,619	6,388	6,039	88
Income from deferred benefits	279,850	234,872	225,138	2,849
Reversal of policy reserve for outstanding claims	14,863	7,953	—	151
Other revenues	17,875	17,560	18,894	183
	<b>321,208</b>	<b>266,776</b>	<b>250,071</b>	<b>3,271</b>
<b>Total revenues</b>	<b>6,605,061</b>	<b>6,509,497</b>	<b>6,514,099</b>	<b>67,241</b>
<b>EXPENDITURES:</b>				
<b>Insurance claims and other payments:</b>				
Death and other claims	1,313,660	1,394,957	1,218,010	13,373
Annuity payments	506,864	475,766	439,395	5,160
Health and other benefits	832,280	822,921	779,972	8,473
Surrender benefits	1,102,075	1,166,937	1,061,274	11,219
Other refunds	280,608	350,997	331,384	2,857
Reinsurance premiums	1,339	1,356	1,113	14
	<b>4,036,829</b>	<b>4,212,938</b>	<b>3,831,149</b>	<b>41,096</b>
<b>Provision for policy reserves:</b>				
Provision for claims reserves	—	—	17,689	—
Provision for policy reserves	140,524	357,096	964,337	1,431
Interest on reserve for dividends to policyholders	33,206	35,170	37,156	338
	<b>173,731</b>	<b>392,266</b>	<b>1,019,183</b>	<b>1,769</b>
<b>Investment expenses</b> (Note 17):				
Interest expenses	3,315	6,007	5,333	34
Loss on proprietary trading securities	0	—	—	0
Loss from assets held in trust	55,871	21,483	—	569
Loss on sales of securities	119,523	93,274	102,305	1,217
Loss on valuation of securities	527,986	39,211	11,861	5,375
Loss from redemption of securities	6,240	2,950	1,802	64
Loss from derivative financial instruments, net	113,319	63,729	127,398	1,154
Foreign exchange loss, net	15,934	12,158	1,273	162
Allowance for doubtful accounts	—	4,814	—	—
Write-off of loans	2	—	3	0
Depreciation for rental real estate and other assets	27,160	27,331	26,249	276
Other investment expenses	23,261	18,909	20,114	236
Loss from separate accounts, net	353,329	265,975	—	3,597
	<b>1,245,945</b>	<b>555,846</b>	<b>296,342</b>	<b>12,684</b>
<b>Operating expenses</b> (Note 16)	<b>563,271</b>	<b>552,888</b>	<b>547,501</b>	<b>5,734</b>
<b>Other expenditures:</b>				
Deferred benefit payments	367,581	390,080	384,946	3,742
Taxes	36,536	34,758	35,223	372
Depreciation	42,858	39,235	39,261	436
Provision for accrued severance indemnities	5,177	6,515	16,382	53
Other expenditures	13,917	13,252	13,500	141
	<b>466,070</b>	<b>483,842</b>	<b>489,314</b>	<b>4,744</b>
<b>Total expenditures</b>	<b>6,485,848</b>	<b>6,197,782</b>	<b>6,183,492</b>	<b>66,027</b>
<b>Operating income</b>	<b>¥ 119,212</b>	<b>¥ 311,714</b>	<b>¥ 330,606</b>	<b>\$ 1,214</b>

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

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>Extraordinary profits:</b>				
Gain on disposal of fixed assets	¥ 1,083	¥ 1,200	¥ 38,398	\$ 11
Reversal of price fluctuations in security investments	115,250	—	—	1,173
Reversal of allowance for doubtful accounts	9,738	—	7,764	99
	<b>126,072</b>	<b>1,200</b>	<b>46,162</b>	<b>1,283</b>
<b>Extraordinary losses:</b>				
Loss on disposal of fixed assets	3,742	7,222	19,870	38
Impairment loss (Note 19)	5,977	4,630	5,389	61
Provision for reserve for price fluctuations in security investments	—	20,000	26,000	—
Loss on reduction entry of real estate	256	128	95	3
Contribution for assisting social public welfare	1,477	927	1,107	15
	<b>11,453</b>	<b>32,907</b>	<b>52,461</b>	<b>117</b>
<b>Surplus before income taxes</b>	<b>233,831</b>	<b>280,007</b>	<b>324,307</b>	<b>2,380</b>
<b>Income taxes</b> (Note 20):				
Current	(1,363)	103,331	141,201	(14)
Deferred	53,689	(99,765)	(117,168)	546
Total	52,326	3,565	24,032	532
<b>Surplus</b>	<b>¥ 181,505</b>	<b>¥ 276,441</b>	<b>¥ 300,274</b>	<b>\$ 1,848</b>
<b>Reversal of revaluation reserve for land</b>	—	—	—	—
<b>Reversal of reserve for assisting social public welfare</b>	—	—	—	—
<b>Unappropriated surplus</b>	—	—	—	—

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

## 8. Non-Consolidated Statements of Changes in Net Assets

Nippon Life Insurance Company

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>FOUNDATION FUNDS AND OTHERS:</b>				
<b>Foundation funds:</b>				
Beginning balance	¥ 200,000	¥ 250,000	¥ 300,000	\$ 2,036
Increase/decrease				
Issuance of foundation funds	50,000	—	—	509
Redemption of foundation funds	(50,000)	(50,000)	(50,000)	(509)
Net change	—	(50,000)	(50,000)	—
Ending balance	200,000	200,000	250,000	2,036
<b>Reserve for redemption of foundation funds:</b>				
Beginning balance	700,000	650,000	600,000	7,126
Increase/decrease				
Additions to reserve for redemption of foundation funds	50,000	50,000	50,000	509
Net change	50,000	50,000	50,000	509
Ending balance	750,000	700,000	650,000	7,635
<b>Reserve for revaluation:</b>				
Beginning balance	651	651	651	7
Increase/decrease				
Net change	—	—	—	—
Ending balance	651	651	651	7
<b>Surplus:</b>				
<b>Legal reserve for deficiency:</b>				
Beginning balance	9,020	8,123	7,409	91
Increase/decrease				
Additions to legal reserve for deficiency	847	897	714	9
Net change	847	897	714	9
Ending balance	9,867	9,020	8,123	100
<b>Voluntary surplus reserve:</b>				
<b>Contingency reserve:</b>				
Beginning balance	71,917	71,917	71,917	732
Increase/decrease				
Net change	—	—	—	—
Ending balance	71,917	71,917	71,917	732
<b>Reserve for retirement benefit:</b>				
Beginning balance	—	3,500	3,500	—
Increase/decrease				
Reversal of reserve for retirement benefit	—	(3,500)	—	—
Net change	—	(3,500)	—	—
Ending balance	—	—	3,500	—
<b>Reserve for assisting social public welfare:</b>				
Beginning balance	1,221	648	255	12
Increase/decrease				
Additions to reserve for assisting social public welfare	1,500	1,500	1,500	15
Reversal of reserve for assisting social public welfare	(1,477)	(927)	(1,107)	(15)
Net change	23	573	393	0
Ending balance	1,244	1,221	648	12
<b>Reserve for condensed booking of fixed assets for tax purpose:</b>				
Beginning balance	32,082	29,261	30,115	327
Increase/decrease				
Additions to reserve for condensed booking of fixed assets for tax purpose	941	3,566	—	10
Reversal of reserve for condensed booking of fixed assets for tax purpose	(742)	(745)	(853)	(8)
Net change	199	2,820	(853)	2
Ending balance	32,281	32,082	29,261	329
<b>Reserve for condensed booking of fixed assets for tax purpose to be purchased:</b>				
Beginning balance	—	1,908	—	—
Increase/decrease				
Additions to reserve for condensed booking of fixed assets for tax purpose to be purchased	—	—	1,908	—
Reversal of reserve for condensed booking of fixed assets for tax purpose to be purchased	—	(1,908)	—	—
Net change	—	(1,908)	1,908	—
Ending balance	—	—	1,908	—
<b>Other reserves:</b>				
Beginning balance	170	170	170	2
Increase/decrease				
Net change	—	—	—	—
Ending balance	170	170	170	2
<b>Unappropriated surplus:</b>				
Beginning balance	281,332	292,615	236,830	2,864
Increase/decrease				
Additions to reserve for dividends to policyholders	(226,284)	(239,686)	(179,929)	(2,304)
Additions to legal reserve for deficiency	(847)	(897)	(714)	(9)
Additions to reserve for redemption of foundation funds	(50,000)	(50,000)	(50,000)	(509)
Interest on foundation funds	(2,501)	(3,119)	(3,632)	(25)

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Net surplus	¥ 181,505	¥ 276,441	¥ 300,274	\$ 1,848
Reversal of reserve for retirement benefit	—	3,500	—	—
Additions to reserve for assisting social public welfare	(1,500)	(1,500)	(1,500)	(15)
Reversal of reserve for assisting social public welfare	1,477	927	1,107	15
Additions to reserve for condensed booking of fixed assets for tax purpose	(941)	(3,566)	—	(10)
Reversal of reserve for condensed booking of fixed assets for tax purpose	742	745	853	8
Additions to reserve for condensed booking of fixed assets for tax purpose to be purchased	—	—	(1,908)	—
Reversal of reserve for condensed booking of fixed assets for tax purpose to be purchased	—	1,908	—	—
Reversal of land revaluation difference	2,058	3,963	(8,766)	21
Net change	(96,291)	(11,283)	55,784	(980)
Ending balance	185,040	281,332	292,615	1,884
<b>Total surplus:</b>				
Beginning balance	395,742	408,143	350,197	4,028
Increase/decrease				
Additions to reserve for dividends to policyholders	(226,284)	(239,686)	(179,929)	(2,304)
Additions to reserve for redemption of foundation funds	(50,000)	(50,000)	(50,000)	(509)
Interest on foundation funds	(2,501)	(3,119)	(3,632)	(25)
Net surplus	181,505	276,441	300,274	1,848
Reversal of land revaluation difference	2,058	3,963	(8,766)	21
Net change	(95,222)	(12,400)	57,946	(969)
Ending balance	300,520	395,742	408,143	3,059
<b>Total equity:</b>				
Beginning balance	1,296,394	1,308,795	1,250,848	13,197
Increase/decrease				
Issuance of foundation funds	50,000	—	—	509
Additions to reserve for dividends to policyholders	(226,284)	(239,686)	(179,929)	(2,304)
Interest on foundation funds	(2,501)	(3,119)	(3,632)	(25)
Net surplus	181,505	276,441	300,274	1,848
Redemption of foundation funds	(50,000)	(50,000)	(50,000)	(509)
Reversal of land revaluation difference	2,058	3,963	(8,766)	21
Net change	(45,222)	(12,400)	57,946	(460)
Ending balance	1,251,171	1,296,394	1,308,795	12,737
<b>Valuation, conversion and others:</b>				
<b>Net unrealized gain on available-for-sale securities, net of tax:</b>				
Beginning balance	2,276,167	4,607,770	4,110,781	23,171
Increase/decrease				
Net change, excluding foundation funds and others	(2,016,530)	(2,331,603)	496,989	(20,528)
Net change	(2,016,530)	(2,331,603)	496,989	(20,528)
Ending balance	259,636	2,276,167	4,607,770	2,643
<b>Deferred gain on derivatives under hedge accounting:</b>				
Beginning balance	155	57	—	2
Increase/decrease				
Net change, excluding foundation funds and others	(149)	98	57	(2)
Net change	(149)	98	57	(2)
Ending balance	6	155	57	0
<b>Land revaluation difference:</b>				
Beginning balance	(88,938)	(84,955)	(93,688)	(905)
Increase/decrease				
Net change, excluding foundation funds and others	(2,067)	(3,983)	8,732	(21)
Net change	(2,067)	(3,983)	8,732	(21)
Ending balance	(91,006)	(88,938)	(84,955)	(926)
<b>Total valuations, conversion and others:</b>				
Beginning balance	2,187,384	4,522,873	4,017,093	22,268
Increase/decrease				
Net change, excluding foundation funds and others	(2,018,748)	(2,335,488)	505,780	(20,551)
Net change	(2,018,748)	(2,335,488)	505,780	(20,551)
Ending balance	168,636	2,187,384	4,522,873	1,717
<b>Total net assets:</b>				
Beginning balance	3,483,778	5,831,668	5,267,941	35,465
Increase/decrease				
Issuance of foundation funds	50,000	—	—	509
Additions to reserve for dividends to policyholders	(226,284)	(239,686)	(179,929)	(2,304)
Interest on foundation funds	(2,501)	(3,119)	(3,632)	(25)
Net surplus	181,505	276,441	300,274	1,848
Redemption of foundation funds	(50,000)	(50,000)	(50,000)	(509)
Reversal of land revaluation difference	2,058	3,963	(8,766)	21
Net change, excluding foundation funds and others	(2,018,748)	(2,335,488)	505,780	(20,551)
Net change	(2,063,970)	(2,347,889)	563,726	(21,011)
Ending balance	¥ 1,419,807	¥ 3,483,778	¥ 5,831,668	\$ 14,454

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

## 9. Non-Consolidated Statements of Surplus

Nippon Life Insurance Company

For the years ended March 31	Thousands of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
<b>Unappropriated surplus</b> (1)	<b>¥185,040,053</b>	<b>¥281,332,008</b>	<b>¥292,615,159</b>	<b>\$1,884</b>
<b>Reversal from voluntary surplus reserve</b>	<b>710,630</b>	<b>742,180</b>	<b>6,154,294</b>	<b>7</b>
Reversal of reserve for retirement benefits	—	—	3,500,000	—
Reversal of reserve for condensed booking of fixed assets for tax purposes	710,630	742,180	745,833	7
Reversal of reserve for condensed booking of fixed assets to be purchased	—	—	1,908,460	—
<b>Total</b>	<b>¥185,750,683</b>	<b>¥282,074,189</b>	<b>¥298,769,454</b>	<b>\$1,891</b>
<b>Appropriations:</b>	<b>¥185,750,683</b>	<b>¥282,074,189</b>	<b>¥298,769,454</b>	<b>\$1,891</b>
Reserve for dividends to policyholders (2)	130,634,056	226,284,047	239,686,709	1,330
Net surplus	55,116,626	55,790,142	59,082,745	561
Transfer to legal reserve for deficiency (3)	558,000	847,000	897,000	6
Transfer to reserve for redemption of foundation funds (4)	50,000,000	50,000,000	50,000,000	509
Interest on foundation funds (5)	2,489,250	2,501,750	3,119,250	25
Transfer to voluntary reserve	2,069,376	2,441,392	5,066,495	21
Reserve for assisting social public welfare	1,500,000	1,500,000	1,500,000	15
Reserve for condensed booking of fixed assets for tax purposes	569,376	941,392	3,566,495	6
Reserve for condensed booking of fixed assets to be purchased	—	—	—	—
<b>Surplus carried forward</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

### Provision of Reserve for Policyholder Dividends

Of the surplus available for disposition, a minimum ratio (see formula below) for the reserve for dividends to policyholders needs to be established in the Articles of Incorporation.

Nippon Life applies mutatis mutandis Article 30-6 of the Ordinance for Enforcement of Insurance Business Law in the Articles of Incorporation and has established the ratio (20/100) stipulated in said Article 30-6 as the minimum ratio in the Articles of Incorporation. The ratio of provision of the appropriation of surplus in fiscal year ended March 31, 2009 was 100.1%.

Exceeds 100% because the “reversal” of the “reserve for condensed booking of fixed assets for tax purposes,” which provides an adjustment for the difference between the book and market value of real estate, when calculating the denominator of the ratio of provision based on Article 30-4 of the Ordinance for Enforcement of Insurance Business Law, exceeds the “provision.”

[Fiscal year ended March 31, 2009]

$$\frac{\text{Reserve for policyholder dividends [(2)]}}{\text{Surplus available for distribution [(1) - (Reversal of reserve for assisting social public welfare of ¥1,400 million + (3)+(4)+(5))]} \times 100 = 100.1\%$$

## 10. 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 (“Nippon Life”) in accordance with the provisions set forth in the Japanese Commercial Code and 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 Nippon Life are in compliance with such requirements. However, while the business report and supporting schedules have been prepared by the management of Nippon Life as a part of the whole disclosure required by the Japanese Commercial Code and the Insurance Business Law, they have not been provided herein. Amounts of less than one million have been eliminated. As a result, totals may not add up exactly.

#### (2) United States dollar amounts

Nippon Life 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 ¥98.23=US\$1, the effective rate of exchange at the balance sheet date of March 31, 2009. 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 ¥98.23=US\$1 or at any other rate.

### 2. Summary of Significant Accounting Policies

#### (1) Securities and hedging activities

Securities (including items such as deposits and monetary receivables purchased treated as securities based on “Accounting Standards for Financial Instruments” (Corporate Accounting Standards No. 10) and securities within assets held in trust) are valued as follows:

- i) Trading securities are valued at the market value as of the balance sheet date (moving average method is used for calculating cost of sales).
- ii) Held-to-maturity debt securities are valued using the moving average method net of accumulated amortization (straight-line).
- iii) Policy-reserve-matching bonds are valued using the moving average method net of accumulated amortization (straight-line) in accordance with Industry Audit Committee Report No. 21, “Treatment of Accounting

and Auditing for Policy-Reserve-Matching Bonds Within Insurance Industry,” issued by the Japanese Institute of Certified Public Accountants (the “JICPA”).

- iv) Stocks of subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Law excluding subsidiaries prescribed in Article 2-3, Paragraph 2 of the Order for Enforcement of Insurance Business Law, and stocks issued by affiliates prescribed in Article 2-3, Paragraph 3 of the Order for Enforcement of Insurance Business Law) are valued using the moving average method.
- v) Available-for-sale securities
  - 1) Of securities with market value, stocks (including foreign stocks) are valued by using the average market value during the one month period before the balance sheet date (cost of sales is calculated by using the moving average method). Others are valued by using the market value on the balance sheet date (cost of sales is calculated by using the moving average method).
  - 2) Of securities without market value, public and corporate bonds (including foreign bonds), of which the difference between the purchase price and face value is due to interest rate adjustment, are valued using the moving average method net of accumulated amortization (straight-line). Others are valued at the gross moving average amount.

Adjustments to fair value, net of applicable taxes are recorded in a separate component of net asset.

#### *Derivative financial instruments are stated at market value.*

Nippon Life uses a variety of derivative financial instruments, including foreign currency forward contracts, interest rate swaps and currency swaps as a means of hedging exposure to foreign currency and interest rate risks. Derivative financial interests and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge the foreign currency exposures of certain financial assets denominated in foreign currencies. These contracts which qualify for hedge accounting are measured at fair value at the balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting as a separate component of equity.

Interest rate swaps are utilized to hedge the interest rate exposures of certain loans receivable denominated in foreign currencies. These swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the difference paid or received under the swap agreements is recognized and included in interest expense or income.

The foreign currency forward contracts and currency swaps are utilized to hedge the foreign currency and interest rate exposures of certain loans denominated in foreign currencies. Certain loans denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

### (2) Policy-reserve-matching bonds

Securities that are held for the purpose of matching periods outstanding for liabilities within the sub-groups (insurance type, remaining period and investment policy) of insurance products, such as individual insurance and annuities, workers' asset-formation insurance and annuities and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Treatment of Accounting and Auditing for Policy-Reserve-Matching Bonds within Insurance Industry," issued by the JICPA. The book value of policy-reserve-matching bonds as of March 31, 2009, 2008 and 2007 amounted to ¥16,704,274 million (US\$170,053 million), ¥17,145,681 million and ¥17,252,402 million, respectively. The market value of policy-reserve-matching bonds as of March 31, 2009, 2008 and 2007 amounted to, ¥17,314,594 million (US\$176,266 million), ¥17,752,748 million and ¥17,515,888 million, respectively.

Starting on April 1, 2008, given the need to review the subcategories of the liabilities outstanding due to a change in investment policy for bonds, we eliminated the subcategorization of guaranteed fixed-term rate group annuities and U.S. dollar-denominated single-payment individual insurance, and excluded new fixed-rate variable individual insurance from policies subject to subcategorization of yen-denominated single-payment individual insurance.

As a result, a portion of policy-reserve-matching bonds was changed to available-for-sale securities at the beginning of the period. Compared to the past method, there were increases of ¥6,640 million (US\$68 million) in securities and of ¥4,001 million (US\$41 million) in the available-for-sale securities valuation difference and a decrease of ¥2,261 million (US\$23 million) in deferred tax assets. Also, operating income and surplus before income tax increased by ¥378 million (US\$4 million).

### (3) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen using "Accounting Standards of the Business Accounting Council." Exchange rates fluctuate significantly, and available-for-sale

securities denominated in foreign currencies, for which recovery is not expected, are converted to yen using either the rate at the balance sheet date or the average one month rate prior to the balance sheet date, whichever indicates a weaker yen. This exchange is recorded under "Loss on valuation of securities."

### (4) Real estate and movables

1) Tangible fixed assets (except for lease assets related to financial leases where ownership is not transferred and buildings acquired on or after April 1, 1998) are depreciated based on the declining balance method. Buildings acquired on or after April 1, 1998 are depreciated based on the straight-line method.

Accompanying the tax reforms of 2007, from the fiscal year ended March 31, 2008, tangible fixed assets acquired on or after April 1, 2007 are depreciated after adjustment based on the declining-balance method and straight-line method set forth in the corporation tax act. As a result, compared to the past method, operating income and surplus before income tax decreased by ¥543 million.

Also, in accordance with the tax reforms described above, the residual balances of the tangible assets acquired prior to April 1, 2007, which are fully depreciated under the former tax regulation, are depreciated over five years using the straight-line method. As a result, compared to the past method, operating income and surplus before income tax decreased by ¥2,131 million.

2) The amount of accumulated depreciation for tangible fixed assets was ¥1,063,143 million (US\$10,823 million) as of March 31, 2009 and ¥1,020,746 million as of March 31, 2008.

Revaluation of the land for operations is performed based on the law related to land revaluation. The amount related to the valuation difference between the previous and the revalued amount is tax effected and recognized as "deferred tax liabilities for land revaluation reserve" within the liability section. The valuation difference net of tax is recognized as "land revaluation difference" within the net assets section.

Revaluation Date	March 31, 2002
Revaluation Methodology	The amount is rationally calculated by using the land listed value and road rate as prescribed by the Ordinance clauses 2-1 and 2-4, respectively, which are the laws regarding land revaluation.

### (5) Software

Software, which is included within intangible fixed assets, is depreciated based on the straight-line method.

## **(6) Leases**

Where financial leases 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. The depreciation of lease assets related to financial leases where ownership is not transferred is based on the straight-line method for the lease term.

In the past, an accounting treatment based on a method related to ordinary lease transactions was applied to trading financial leases where ownership is not transferred. Starting from this period, however, the “Accounting Standards of Lease Transactions” (Corporate Accounting Standards No. 13) and “Application Guidelines for Accounting Standards of Lease Transactions” (Corporate Accounting Standards Application Guidelines No. 16) are applied.

Based on the new methodology, lease assets of ¥160 million (US\$2 million) and lease liabilities of ¥116 million (US\$1 million) are recorded, without effect on operating income or surplus before income tax, for the period April 1, 2008 to March 31, 2009. Regarding financial leases where ownership is not transferred and the lease start date is March 31, 2008 or prior, the accounting treatment based on the method related to ordinary lease transactions is applied.

## **(7) Allowance for doubtful accounts**

- 1) Allowance for doubtful accounts is recognized in accordance with Nippon Life’s internal Asset Valuation Regulations and Write-Off/Provision Rule:
  - i) The amount of allowance for loans receivable from creditors who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through disposal of collateral or execution of guarantees from the balance of loans receivable (as mentioned in (3) below).
  - ii) The allowance for loans receivable from creditors who are not currently legally bankrupt but have high possibility of bankruptcy is recognized in 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 loans receivable from creditors other than the above is provided based on the borrowers’ balance multiplied by the historical average (for a certain period) percentage of bad debt.
- 2) All credits are assessed by the sections concerned in responsible sections in accordance with Nippon Life’s Asset Valuation Regulations. The assessments are verified by an independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

- 3) The amount of collateral value or the amount collectible through the execution of guarantees or other methods, subtracted directly from the balance of loans receivable, is the estimated uncollectible amount of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The amounts recognized in the financial statements were ¥7,196 million (US\$73 million) (including ¥6,193 million (US\$63 million) of credits secured and/or guaranteed), ¥4,863 million (including ¥4,165 million of credits secured and/or guaranteed), and ¥4,163 million (including ¥2,785 million of credits secured and/or guaranteed), as of March 31, 2009, 2008 and 2007, respectively.

## **(8) Impairment of fixed assets**

Nippon Life adopted the “Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Council in Japan on August 2002 and Business Accounting Standard Adaptation Guideline No. 6 “Adaptation Guideline for Accounting Standard for Impairment of Fixed Assets” on October 2003 as of April 1, 2005.

## **(9) Accrued bonuses for directors and corporate auditors**

Accrued bonuses for directors and corporate auditors are recognized based on the amount estimated to be paid.

## **(10) 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 as of the balance sheet date.

## **(11) Accrued retirement benefits for directors and corporate auditors**

Accrued retirement benefits for directors and corporate auditors is an estimated payment amount based on internal rules.

## **(12) Accrued loss from supporting closely related companies**

Accrued loss from supporting closely related companies is recognized based on the amount that is estimated to be required in the future for supporting the restructuring of the closely related companies.

## **(13) Reserve for price fluctuations in security investments**

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

#### (14) Accounting for consumption taxes

Consumption taxes and local consumption taxes are accounted for by using the tax exclusion method. However, 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 incurred.

#### (15) Policy reserve

A policy reserve is a reserve set forth in accordance with Article 116 of the Insurance Business Law. A policy reserve is recognized by performing a calculation based on the following methodology:

- 1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (Ordinance No. 48 issued by the Ministry of Finance in 1996).
- 2) Reserves for other contracts are computed based on the net level premium method.

Since the fiscal year ended March 31, 2007, the addition to the policy reserves have been made over five years to a portion of the individual annuity policyholders. Such treatment is in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of Insurance Business Law. Including the treatment, the policy reserve was ¥241,261 million (US\$2,456 million) as of March 31, 2009 and ¥226,074 million as of March 31, 2008.

#### 3. Securities Loaned and Borrowed

The amount of securities loaned and borrowed for consumption was ¥1,411,639 million (US\$14,371 million), ¥2,312,680 million and ¥3,646,930 million as of March 31, 2009, 2008 and 2007, respectively.

Assets that can be sold or re-secured are marketable securities loaned under a loan for consumption contract. As of the end of the period assets which were not disposed totaled ¥206,962 million (US\$2,107 million) at market value as of March 31, 2009.

#### 4. Accumulated Depreciation

The amount of accumulated depreciation for tangible fixed assets amounted to ¥1,063,143 million (US\$10,823 million), ¥1,020,746 million and ¥985,637 million as of March 31, 2009, 2008 and 2007, respectively.

#### 5. Separate Accounts

Separate Accounts as provided for in Article 118, Paragraph 1 of the Insurance Business Law were ¥1,371,549 million (US\$13,963 million), ¥1,860,271 million and ¥2,279,213 million as of March 31, 2009, 2008 and 2007, respectively, and are presented within other assets with a corresponding liability recorded for the same amount.

#### 6. Receivables from/Payables to Subsidiaries

The total amount of credits and debits to subsidiaries as of March 31, 2009, 2008 and 2007 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Monetary receivables	¥215,054	¥190,253	¥149,366	\$2,189
Monetary liabilities	5,042	12,465	12,774	51

#### 7. Reserve for Dividends to Policyholders

Changes in the reserve for dividends to policyholders included in policy reserves for the periods ended ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Balance at the end of previous fiscal year	¥1,233,268	¥1,259,846	¥1,312,057	\$12,555
Transfer to reserve from surplus in previous fiscal year	226,284	239,686	179,929	2,304
Policyholder dividends paid out during the fiscal year	(277,367)	(301,434)	(269,297)	(2,824)
Increase in interest	33,206	35,170	37,156	338
Balance at the end of fiscal year	¥1,215,391	¥1,233,268	¥1,259,846	\$12,373

#### 8. Net Assets Provided for in the Ordinance for Enforcement of Insurance Business Law

The amount of net assets provided for as per Article 30, Paragraph 2 of the Ordinance for Enforcement of Insurance Business Law as of March 31, 2009, 2008 and 2007 were ¥260,293 million (US\$2,650 million) ¥2,276,974 million and ¥4,608,479 million, respectively.

#### 9. Accrued Severance Indemnities

Accrued severance indemnities at March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Retirement benefit obligation	¥(775,391)	¥(786,927)	¥(777,065)	\$(7,894)
Pension plan assets	270,981	301,272	321,777	2,759
Accrued retirement benefit costs	(504,409)	(485,654)	(455,288)	(5,135)
Unrecognized actuarial differences	72,322	66,293	49,991	736
Unrecognized past service cost	(6,861)	(14,410)	(21,959)	(70)
Accrued severance indemnities	¥(438,948)	¥(433,771)	¥(427,256)	\$(4,469)

The basic information for the calculation of accrued severance indemnities is as follows:

Periodical allocation method of estimated retirement benefit:	Straight-line
Discount rate:	1.6%
Expected rate on plan assets:	2.5%
Method of amortizing actuarial differences:	Amortization is made over a certain period (five years) using the straight-line method within the average remaining years of service of employees one year after the accrual of liabilities.
Method of amortizing prior service costs:	Amortization is made over a certain period (five years) using the straight-line method within the average remaining years of service of employees upon accrual of liabilities.

The benefit cost of accrued severance indemnities for the years ended March 31, 2009, 2008 and 2007 was analyzed as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Service cost	¥26,593	¥26,344	¥26,831	\$271
Interest cost	12,590	12,433	12,629	128
Expected return on plan assets	(7,531)	(8,044)	(8,003)	(77)
Amortization of actuarial differences	17,790	18,487	31,956	181
Amortization of prior service cost	(7,548)	(7,548)	(7,548)	(77)
Others	1,306	1,328	—	13
Net periodic benefit costs	¥43,201	¥43,000	¥55,864	\$440

## 10. Foundation Funds

Nippon Life redeemed ¥50,000 million (US\$509 million) of foundation funds, and credited the same amount to the reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law as of March 31, 2009, 2008 and 2007, respectively. The amount of ¥50,000 million (US\$509 million) of foundation funds were additionally offered according to Article 60 of Insurance Business Law in the fiscal year ended March 31, 2009.

## 11. Pledged Assets

The amount of assets pledged as collateral by securities, land and buildings as of March 31, 2009 was ¥606,018 million (US\$6,169 million), ¥2,952 million (US\$30 million) and ¥325 million (US\$3 million), respectively. The total amount of loans covered by the aforementioned assets as of March 31, 2009 was ¥470,658 million (US\$4,791 million).

These amounts included ¥531,740 million (US\$5,413 million) of securities deposited and ¥470,591 million (US\$4,791 million) of cash received as collateral, under securities lending contracts as of March 31, 2009.

The amount of assets pledged as collateral by securities, land and buildings as of March 31, 2008 was ¥617,845 million, ¥2,952 million, and ¥335 million, respectively. The total amount of loans covered by the aforementioned assets as of March 31, 2008 was ¥581,064 million.

These amounts included ¥566,028 million of securities deposited and ¥580,977 million of cash received as collateral, under the securities lending contracts as of March 31, 2008.

The amount of assets pledged as collateral by securities, land and buildings as of March 31, 2007 was ¥1,187,482 million, ¥2,952 million, and ¥344 million, respectively. The total amount of loans covered by the aforementioned assets as of March 31, 2007 was ¥928,258 million.

These amounts included ¥1,018,513 million of securities deposited and ¥928,128 million of cash received as collateral under the securities lending contracts as of March 31, 2007.

## 12. Investments in Subsidiaries

The total amount of stocks and investments in subsidiaries was ¥235,711 million (US\$2,400 million), ¥348,555 million and ¥350,232 million as of March 31, 2009, 2008 and 2007, respectively.

## 13. Loans Receivable

1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and loans for restructuring, which were included in loans receivable, was ¥43,165 million (US\$439 million), ¥62,444 million and ¥64,153 million as of March 31, 2009, 2008 and 2007, respectively.

i) The balances of loans to bankrupt borrowers and delinquent loans were ¥3,415 million (US\$35 million) and ¥38,426 million (US\$391 million) as of March 31, 2009, ¥3,372 million and ¥53,148 million as of March 31, 2008 and ¥4,491 million and ¥54,771 million as of March 31, 2007.

Loans to bankrupt borrowers are loans, except for a portion of loans written-down, where the borrowers satisfy conditions prescribed in Article 96 Paragraph 1 Item 3 or Item 4 of the Enforcement Regulations of the Corporation Tax Law and are recorded net of the portion of the losses written down. Interest is not accrued as income since the recovery of principal or interest on the loans is unlikely due to the fact that the payments are long overdue or for other reasons. Delinquent loans are loans with interest not accrued, and exclude the loans of bankrupt borrowers and the loans to which the postponement of interest payment is made with the objective of restructuring these loans and supporting the borrowers.

ii) The balances of loans that are delinquent for over three months were ¥0 (US\$0), ¥435 million and ¥531 million as of March 31, 2009, 2008 and 2007, respectively.

Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement.

iii) The balances of loans for restructuring were ¥1,323 million (US\$13 million), ¥5,488 million and ¥4,359 million as of March 31, 2009, 2008 and 2007, respectively.

Loans for restructuring are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credit and providing benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

2) The direct write-off of loans receivable decreased the balances of loans of bankrupt borrowers and delinquent loans by ¥6,000 million (US\$61 million) and ¥1,196 million (US\$12 million) as of March 31, 2009, ¥1,112 million and ¥3,750 million as of March 31, 2008 and ¥1,711 million and ¥2,451 million as of March 31 2007.

#### 14. Loan Commitments

The amount of commitments related to loans receivable and loans outstanding was ¥128,402 million (US\$1,307 million), ¥131,343 million and ¥166,826 million as of March 31, 2009, 2008 and 2007, respectively.

#### 15. Policy Reserve for Reinsurance Contracts Provided in

##### Accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of Insurance Business Law

The amount of policy reserve provided for the portion of reinsurance as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of Insurance Business Law as of March 31, 2009, 2008 and 2007 was ¥190 million (US\$2 million), ¥188 million and ¥173 million, respectively.

#### 16. Contribution to the Life Insurance Policyholder Protection

##### Fund and Organization

1) The amount of future contributions to the Life Insurance 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, was estimated to be ¥2,358 million as of March 31, 2007. The obligation to contribute to the Policyholder Protection Fund, which has been taken over by the Life Insurance Policyholder Protection

Corporation of Japan, ended with the fiscal year ended March 31, 2008 contribution. The contribution amounts is recognized as an operating expense at the time of payment.

2) The amount of future contributions to the Life Insurance Policyholder Protection Corporation of Japan, in accordance with Article 259 of the Insurance Business Law, was estimated to be ¥90,467 million (US\$921 million), ¥94,127 million and ¥92,760 million as of March 31, 2009, 2008 and 2007, respectively. The contribution amounts is recognized as an operating expense at the time of payment.

#### 17. Investment Income and Expenses

Major items of gain on sales of securities were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Domestic bonds	¥10,738	¥ 6,650	¥ 1,532	\$109
Domestic stocks and other securities	18,641	28,070	74,069	190
Foreign securities	59,229	72,256	26,120	603

Major items of loss on sales of securities were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Domestic bonds	¥17,773	¥26,513	¥77,686	\$181
Domestic stocks and other securities	7,047	2,250	4,676	72
Foreign securities	94,702	64,510	19,942	964

Major items of loss on valuation of securities were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Domestic stocks and other	¥273,957	¥12,400	¥11,423	\$2,789
Foreign securities	253,846	26,807	438	2,584

Major items of gain/loss on proprietary trading securities, net were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Interest, dividend and other income	¥—	¥ 6	¥77	\$—
Gain (loss) on sales of proprietary trading securities	—	7	1	—
Gain (loss) on valuation of proprietary trading securities	—	(6)	6	—

Loss from assets held in trust included valuation losses of ¥44,531 million (US\$453 million), ¥44,744 million and ¥2,821 million for the years ended March 31, 2009, 2008 and 2007, respectively. Loss from derivative financial instruments included valuation losses of ¥70,978 million (US\$723 million), ¥5,654 million and ¥7,424 million for the years ended March 31, 2009, 2008 and 2007, respectively.

## 18. Policy Reserve for Reinsurance

Provision of the policy reserve for ceded reinsurance used for the calculation of policy reserve was ¥2 million (US\$0 million), ¥14 million and ¥21 million for the years ended March 31, 2009, 2008 and 2007, respectively.

## 19. Loss on Impairment of Assets

### i) Method for grouping the assets

Leased buildings and idle property are classified as one group per structure. Assets utilized for insurance business operations are classified into one group.

### ii) Circumstances causing impairment loss

Nippon Life observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and an impairment loss was recognized as an extraordinary loss.

### iii) Breakdown of asset groups that recognized impairment losses:

For the year ended March 31, 2009

Purpose of use	Millions of Yen			
	Land	Leasehold	Buildings	Total
Leased property	¥ 330	¥423	¥ 30	¥ 785
Idle property	3,607	—	1,585	5,192
Total	¥3,937	¥423	¥1,616	¥5,977

For the year ended March 31, 2008

Purpose of use	Millions of Yen			
	Land	Leasehold	Buildings	Total
Leased property	¥1,597	¥179	¥231	¥2,009
Idle property	1,978	—	642	2,620
Total	¥3,576	¥179	¥874	¥4,630

For the year ended March 31, 2007

Purpose of use	Millions of Yen			
	Land	Leasehold	Buildings	Total
Leased property	¥ 686	—	¥ 690	¥1,376
Idle property	2,767	—	1,245	4,012
Total	¥3,453	—	¥1,935	¥5,389

For the year ended March 31, 2009

Purpose of use	Millions of US dollars			
	Land	Leasehold	Buildings	Total
Leased property	\$ 3	\$4	\$ 0	\$ 8
Idle property	37	—	16	53
Total	\$40	\$4	\$16	\$61

### iv) Calculation method of recoverable amount

The recoverable amount used for the measurement of impairment loss on leased assets is based on the net realizable value upon sales of the asset or the future cash flows. The recoverable amount for idle property is based on the net realizable value upon sale of the asset. The discount rate used for calculation of future cash flows is 4.0%. Net realizable values are determined based on the real estate appraisal or posted land price.

## 20. Deferred Tax Assets and Liabilities

### 1) Deferred tax assets/liabilities consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Deferred tax assets	¥1,237,464	¥ 1,275,192	¥ 1,157,674	\$12,598
Valuation allowance for deferred tax assets	(96,492)	(72,078)	(55,380)	982
	1,140,972	1,203,114	1,102,294	11,615
Deferred tax liabilities	(214,081)	(1,341,357)	(2,612,676)	2,179
Net deferred tax assets/(liabilities)	¥ 926,890	¥ (138,243)	¥(1,510,382)	\$ 9,436

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

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Deferred tax assets:				
Policy reserves	¥700,876	¥ 830,636	¥ 741,159	\$7,135
Reserve for price fluctuations in security investments	134,330	175,936	168,696	1,368
Accrued severance indemnities	158,500	156,622	154,252	1,614
Allowance for doubtful accounts	9,429	13,426	8,961	96
Deferred tax liabilities:				
Net unrealized gain on securities	¥173,758	¥1,293,482	¥2,569,099	\$1,769

2) The statutory tax rate was 36.1% for the years ended March 31, 2009, 2008 and 2007. The major differences between the statutory tax rate and the effective income tax rate were as follows:

	2009	2008	2007
Reserve for dividends to policyholders	(20.2)%	(29.2)%	(26.7)%
Loss on valuation of securities	5.0	—	—
Indirect foreign tax credit	—	(4.0)	—

## 21. Transactions with Subsidiaries

Total transactions with subsidiaries for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Total revenues	¥44,520	¥50,280	¥29,776	\$453
Total expenses	40,932	41,116	38,539	417

## 22. Transactions with Affiliates

### Subsidiaries, etc:

Type: Subsidiaries

Company Name: Nissay Credit Guarantee Co., Ltd.

Location: Osaka City, Osaka Prefecture

Capital: ¥950 million

Main Business: Debt guarantee services

Percentage of Shareholder Voting Rights: Direct 78.7%  
Indirect 6.3%

Nature of Relationship between Parties: Debt guarantee, etc.  
Interlocking directors, etc.

Details of Transaction: Debt guarantees for loans held by Nippon Life\*

Balance as of March 31, 2009: ¥576,183 million (US\$5,866 million)

\*Credit guarantees of the loans held by Nippon Life are made in accordance with the guarantee service agreement between the Nissay Credit Guarantee and the debtor.

### Supplementary Note

In accordance with Article 54, Paragraph 4, Item 2 of the Japanese Insurance Business Law, Nippon Life Insurance Company's non-consolidated balance sheets as of March 31, 2009, 2008 and 2007, and the related non-consolidated statements of operations and changes in net assets for the years then ended ("non-consolidated financial statements"), all expressed in Japanese yen, were audited by Deloitte Touche Tohmatsu.

Nippon Life Insurance Company, by its own judgment, has made certain reclassifications and modifications to those audited non-consolidated financial statements referred to above to facilitate and enhance the readers' understanding of the financial information, and included them in this publication.

In addition, Nippon Life Insurance Company has translated Japanese yen amounts into U.S. dollar amounts solely for the convenience of readers outside Japan.