
Financial Results for the Fiscal Year Ended March 31, 2010

Nippon Life Insurance Company (President: Kunie Okamoto) announces financial results for the fiscal year ended March 31, 2010.

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Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2010

The financial results of the Nippon Life Insurance Company (hereinafter “the Company” or “the Parent Company”) for the fiscal year ended March 31, 2010 will be submitted to the 63rd annual representative policyholders’ meeting for resolution on July 2, 2010. Summaries of financial results are as follows.

1. Business Highlights

(1) Amount of policies in force and new policies

Policies in Force

Item	As of March 31, 2010				As of March 31, 2009			
	Number of policies		Amount of policies		Number of policies		Amount of policies	
	(thousands)	As a percentage of March 31, 2009 (%)	(100 million yen)	As a percentage of March 31, 2009 (%)	(thousands)	As a percentage of March 31, 2008 (%)	(100 million yen)	As a percentage of March 31, 2008 (%)
Individual insurance	11,775	97.7	1,805,242	93.8	12,047	96.7	1,923,738	93.3
Individual annuities	2,939	104.0	179,352	102.7	2,827	104.0	174,703	102.0
Group insurance	—	—	886,198	101.4	—	—	874,304	102.4
Group annuities	—	—	96,218	105.1	—	—	91,517	101.2

Notes: 1. The amount of individual annuities is the total of (a) annuity underlyings at the beginning of the annuity payments for policies bound prior to the start of the annuity payments, and (b) policy reserves for policies bound after the start of annuity payments.
2. The amount of the group annuities is the amount of the policy reserves.

New Policies

Item	Year ended March 31, 2010						Year ended March 31, 2009					
	Number of policies		Amount of policies				Number of policies		Amount of policies			
	(thousands)	As a percentage of March 31, 2009 (%)	(100 million yen)	As a percentage of March 31, 2009 (%)	New policies	Net increase by conversion	(thousands)	As a percentage of March 31, 2008 (%)	(100 million yen)	As a percentage of March 31, 2008 (%)	New policies	Net increase by conversion
Individual insurance	1,118	104.4	62,792	104.3	74,861	-12,069	1,070	10.25	60,185	113.2	74,410	-14,225
Individual annuities	233	102.6	13,235	99.6	13,543	-308	228	121.8	13,285	117.4	13,515	-229
Group insurance	—	—	5,664	54.2	5,664		—	—	10,448	76.9	10,448	
Group annuities	—	—	29	263.0	29		—	—	11	17.4	11	

Notes: 1. The number of policies includes policies that were converted into new policies. General medical rider sold from October 2008 accepted enrollment by new policies, converted policies, and change of riders (708,000 policies were from change of riders this period). Applications were received for other change of riders this period, resulting in 197,000 policies that are awaiting the start of coverage after change of riders.
2. The amount of new policies and net increase in policies by conversion for individual annuities represents annuity underlyings at the beginning of annuity payments.
3. The amount of new policies for group annuities represents the first premium.

(2) Annualized net premium of individual insurance and individual annuities

Policies in Force

(100 Million Yen, %)

Item	As of March 31, 2010		As of March 31, 2009	
		As a percentage of March 31, 2009 (%)		As a percentage of March 31, 2008 (%)
Individual insurance	23,897	97.2	24,585	96.3
Individual annuities	7,642	107.7	7,098	111.0
Total	31,539	99.5	31,684	99.2
Medical coverages and living benefits	5,854	101.8	5,752	101.2

New Policies

(100 Million Yen, %)

Item	Year ended March 31, 2010		Year ended March 31, 2009	
		As a percentage of March 31, 2009 (%)		As a percentage of March 31, 2008 (%)
Individual insurance	1,666	101.6	1,639	103.8
Individual annuities	813	80.7	1,008	186.5
Total	2,479	93.7	2,647	124.9
Medical coverages and living benefits	461	100.4	459	95.7

- Notes:
1. The amount of annualized net premium is the annual premium amount calculated by multiplying factors according to the premium payment method to a single premium payment amount (for single payment: amount is premium divided by the insured period).
 2. The medical coverages and living benefits represent annualized premium related to medical benefits (hospitalization benefits and surgical benefits), living benefits (specified illness benefits and nursing care benefits) and payer benefits (excluding disability benefits but including specified illness and nursing care benefits).
 3. Annualized new policy premium includes the net increase due to conversion.

(3) Major profit and loss items

(100 Million Yen, %)

Item	Year ended March 31, 2010		Year ended March 31, 2009	
		As a percentage of March 31, 2009 (%)		As a percentage of March 31, 2008 (%)
Premium and other income	48,174	95.6	50,367	103.0
Investment income	15,551	124.7	12,470	92.2
Benefits and claims	38,829	96.2	40,368	95.8
Investment expense	2,960	23.8	12,459	224.2
Operating income	2,935	246.2	1,192	38.2

(4) Distribution of surplus

(100 Million Yen, %)

Item	Year ended March 31, 2010		Year ended March 31, 2009	
		As a percentage of March 31, 2009 (%)		As a percentage of March 31, 2008 (%)
Current year unappropriated surplus	2,546	137.6	1,850	65.8
Reserve for policyholder dividends	1,991	152.5	1,306	57.7
Net surplus after deduction	565	102.5	551	98.8

(5) Total assets

(100 Million Yen, %)

Item	As of March 31, 2010		As of March 31, 2009	
		As a percentage of March 31, 2009 (%)		As a percentage of March 31, 2008 (%)
Total assets	486,848	106.2	458,258	95.2

2. Overview of General Accounts Asset Management for the Fiscal Year Ended March 31, 2010

(1) Investment environment

The Japanese economy in the fiscal year 2009 recovered due to a re-emergence of the overseas economy mostly seen in emerging countries, which among other factors, pushed up exports and production, improved corporate economic sentiment stopping the fall of capital investment, and government economic stimulus measures positively affecting individual consumption.

- The Nikkei average saw steady increases at the onset of the fiscal year owing to various countries' implementation of economic stimulus measures in earnest to stop financial market turmoil. Although stock prices subsequently struggled as the yen appreciated, by the end of the fiscal year, the economic indicators of various countries improved, etc., bringing the average up again to finish at ¥11,089 at the end of March 2010.
- The yield rate on 10-year government bonds increased temporarily up to 1.5% due to hopes of an economic recovery created by global stimulus measures and fears that the implementation of fiscal support actions would deteriorate supply and demand for government debt. Subsequently, as such hopes and fears eased, and investors became aware of the BOJ's monetary relaxation, the yield rate fell to 1.39% at the end of March 2010.
- Regarding the yen/dollar rate, diminished expectations of an early recovery in the U.S. economy and prospects of the continuation of the quantitative easing policy in the U.S. resulted in a temporary appreciation of the yen to a level under ¥85. December's announcement by the BOJ of additional easing measures suspended the yen's advancement. Subsequently, the 90 yen box zone shifted to ¥93.04 at the end of March 2010.

With a mixture of optimism and pessimism towards an economic recovery in the Euro zone, the yen/euro rate moved in the range of upper ¥120 to upper ¥130. As the fiscal year came to a close and financial problems centered on Greece came to the fore, the yen appreciated against the euro, finishing at ¥124.92 at the end of March 2010.

(2) Investment summary

On the heels of a recovery in the stock market, investment in foreign securities and other factors, our general account assets increased by ¥2,780.7 billion compared to the end of the fiscal year 2008, totaling ¥47,235.0 billion (6.3% increase compared to the previous fiscal year-end).

We continued to mainly invest in yen-based interest assets that provide stable interest income. From the perspective of improving profits in the mid-to-long term, we invested in stocks within the scope of acceptable risk while taking into account business stability.

- We invested in bonds that provide stable interest revenue and are sound assets.
- Although we focused on prime lending, our loan balance decreased because the amount collected was still higher than the amount of loans.
- Given our focus on investing for the medium-to-long term, we managed our domestic stock

investment based on the overall state of returns to investors including corporate profitability and dividends.

- Regarding foreign securities, we sold foreign-currency-denominated bonds based on currency movements. Also, we increased our balance of foreign bonds that hedge risk of exchange rate fluctuation because the difference in domestic and overseas interest rates remained small with a low level of exchange rate hedge cost.

(3) Investment results

Income from asset management increased due to higher gains on sales of domestic stocks offsetting a decline in interest and dividends from Japanese stocks, resulting in asset management related income increasing to ¥1,355.0 billion (¥1,247.0 billion in the fiscal year 2008).

Asset management related costs were ¥296.0 billion, a decrease compared to the previous fiscal year, because of a lower loss on valuation of securities mostly as stock valuation losses and foreign securities valuation loss decreased (¥892.6 billion in the fiscal year 2008).

As a result, our asset management results increased by ¥704.4 billion versus the previous fiscal year, totaling ¥1,058.9 billion.

(4) Investment risk management

Investment risk, which can be categorized into market risk, credit risk, and real estate investment risk, refers to a variety of risks associated with investment and finance activities. Because life insurance is a long-term contract, risk management from a long-term perspective that takes into account liability characteristics is necessary in asset management. The Company has established an Investment Risk Management Dept., within its Risk Management Dept., to comprehensively manage investment risk, thereby thoroughly preparing a system to manage risk and pursue stable returns while keeping losses within an acceptable range.

a. Market risk management

Market risk refers to the risk of losses incurred when the market value of assets in investment declines due to such factors as fluctuations in interest rates, stock prices, or exchange rates. To manage market risk, we believe it is important to curb excessive losses for each financing and investment transaction, along with controlling market risk for our entire portfolio within acceptable levels.

- Establishing maximum holding ceilings
To curb excessive losses on each financing and investment transaction, we have implemented maximum holding ceilings based on the nature of the assets and regularly report to the Risk Management Committee on the status of compliance, along with preparing a system to control risk to acceptable levels when there is a breach of rules.
- Measuring and managing market value-at-risk
To control market risk in our entire portfolio, we use statistical analysis to rationally calculate market

value-at-risk of the portfolio as a whole and conduct appropriate asset allocation within acceptable boundaries of risk.

b. Credit risk management

Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines or disappears due to deterioration of the financial condition of the party to whom credit has been extended. We believe that in managing credit risk it is important to examine each transaction rigorously, set terms appropriate to the level of credit risk involved, and analyze and evaluate accurately every facet of the risk in the portfolio as a whole.

- Managing credit risk in individual transactions

We have built systems for rigorous examinations, involving a Credit Department independent of the departments handling investment and finance activities. To build a sound portfolio, we have established interest guidelines to ensure the returns we obtain are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company or group.

- Managing credit risk in a portfolio as a whole

We calculate the magnitude of credit risk as credit value at risk using Monte Carlo simulations. By considering the results in our policy for managing our credit risk portfolio, we keep risk within an acceptable range.

c. Real estate investment risk management

Real estate investment risk refers to the risk of reduced returns caused by factors such as rent fluctuation as well as losses when real estate values decline due to market deterioration. Our approach to managing real estate investment risk involves rigorous examination of each investment by a Credit Department independent of the department actually handling the investment and finance activities. We have also developed a system involving warning levels for investment return and price levels, which enables us to focus on specific properties whose profitability is suffering.

(5) ALM

For life insurance companies to carry out stable management in the long term, it is important to use the ALM (asset and liability management) approach as a basis for understanding the situation of liabilities that pay future insurance benefits (policy reserve) and investment assets, as well as for adjusting investment schedule. We analyze and evaluate 1) Liability cash flow, 2) Risk of falling short of assumed interest rate, 3) Level of allowed risk for each product, and decide the medium-to-long-term investment plan at Managing Directors Meetings and Risk Management Committee Meetings.

(6) Self-assessment and allowance for doubtful accounts

Asset self-assessment refers to evaluating individual assets based on the financial condition of each borrower and its collateral, and is classified into four categories (Non-categorized, II, III IV).

To ensure the objectivity of the self-assessment process, we have established a highly reliable framework that includes:

- Strict assessment standards based on the insurance company inspection manual of the Financial Services Agency
- Internal audit by the Internal Auditing Dept. independent from the groups handling the actual assessment
- External audit by external auditors (certified public accountants)

In the fiscal year ended March 31, 2010, we recorded an appropriate allowance for doubtful accounts according to the same allowance standards as the previous fiscal year.

Allowance for doubtful accounts standard:

- Allowance for “Non-categorized” borrowers is provided under the general allowance for doubtful accounts based on actual loan losses in the previous fiscal year.
- Allowance for “On caution” borrowers is provided under the general allowance for doubtful accounts based on the accumulated actual loan loss ratio (ratio of losses incurred from loans within three years from a certain date) for the previous three fiscal years.

Regarding corporate loans to “Substandard” borrowers, we distinguish between the portion that is not secured by collateral or guarantee and other and calculate the actual loan loss ratio.

- Regarding allowance for “Doubtful,” “Quasi-Bankrupt” and “Bankrupt” borrowers, the necessary amount, concerning the balance calculated by subtracting estimated collectable amount based on collateral and guarantees from total loans, is provided as specific allowance for doubtful accounts. The portion for “Category IV” is directly deducted from total loans amount.

3. Investment Management Performance (General Account)

(1) Asset composition

(100 Million Yen, %)

	As of March 31, 2010		As of March 31, 2009	
	Amount	%	Amount	%
Cash equivalents and call loans	6,818	1.4	7,070	1.6
Securities repurchased under resale agreements	—	—	—	—
Deposits paid for securities borrowing transactions	1,516	0.3	—	—
Monetary receivables purchased	11,522	2.4	11,603	2.6
Proprietary trading securities	—	—	—	—
Assets held in trust	106	0.0	1,146	0.3
Securities:	336,288	71.2	300,996	67.7
Domestic bonds	174,054	36.8	169,185	38.1
Domestic stocks	68,500	14.5	55,307	12.4
Foreign securities:	90,504	19.2	73,483	16.5
Foreign bonds	67,266	14.2	56,727	12.8
Foreign stocks and other securities	23,238	4.9	16,755	3.8
Other securities	3,229	0.7	3,019	0.7
Loans receivable:	87,708	18.6	91,334	20.5
Policy loans	10,256	2.2	10,874	2.4
Industrial and consumer loans	77,451	16.4	80,459	18.1
Real estate:	17,695	3.7	16,512	3.7
Investment property	11,232	2.4	10,195	2.3
Deferred tax assets	4,350	0.9	9,268	2.1
Other assets	6,589	1.4	6,821	1.5
Allowance for doubtful accounts	-246	-0.1	-211	-0.0
Total assets (General account)	472,350	100.0	444,543	100.0
Foreign currency denominated assets	75,428	16.0	61,684	13.9

Notes: 1. The above assets include cash received as collateral under securities lending contracts. Cash collateral received through these transactions are recorded in other liabilities. (As of March 31, 2010: ¥1,025.0 billion; as of March 31, 2009: ¥450.4 billion)

2. Real estate is the sum of land, buildings, and construction in progress.

(2) Increases / Decreases in assets

(100 Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
Cash equivalents and call loans	-251	913
Securities repurchased under resale agreements	—	—
Deposits paid for securities borrowing transactions	1,516	—
Monetary receivables purchased	-81	-2,189
Proprietary trading securities	—	—
Assets held in trust	-1,039	-558
Securities:	35,292	-22,246
Domestic bonds	4,869	6,867
Domestic stocks	13,192	-27,350
Foreign securities:	17,021	-1,761
Foreign bonds	10,538	87
Foreign stocks and other securities	6,482	-1,848
Other securities	209	-2
Loans receivable:	-3,626	-4,199
Policy loans	-618	-517
Industrial and consumer loans	-3,007	-3,682
Real estate:	1,183	-26
Investment property	1,036	-58
Deferred tax assets	-4,918	9,268
Other assets	-232	693
Allowance for doubtful accounts	-34	137
Total assets (General account)	27,807	-18,206
Foreign currency denominated assets	13,744	-5,922

Notes: 1. Increases/decreases in cash received as collateral under securities lending contracts are as follows:

(Year ended March 31, 2010: ¥574.5 billion; year ended March 31, 2009: -¥122.6 billion)

2. Real estate is the sum of land, buildings, and construction in progress.

(3) Investment income

(100 Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
Interest, dividends, and other income:	11,195	11,484
Interest on deposits and savings	5	17
Interest on securities and dividends	7,978	8,134
Interest on loans receivable	1,942	1,988
Rental income on real estate	1,000	1,034
Other income	267	309
Gain from proprietary trading securities	—	—
Gain from assets held in trust, net	279	—
Gain on sales of securities:	1,854	886
Gain on sales of domestic bonds	170	107
Gain on sales of domestic stocks and other securities	1,022	186
Gain on sales of foreign securities	662	592
Other gains	—	—
Gain on redemption of securities	12	50
Gain on derivative financial instruments, net	196	—
Foreign exchange gain, net	—	—
Other investment income	11	49
Total	13,550	12,470

(4) Investment expenses

(100 Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
Interest expense	21	33
Loss from proprietary trading securities	—	0
Loss from assets held in trust, net	—	558
Loss from trading securities	—	—
Loss on sales of securities:	1,236	1,195
Loss on sales of domestic bonds	13	177
Loss on sales of domestic stocks and other securities	192	70
Loss on sales of foreign securities	1,030	947
Other losses	—	—
Loss on valuation of securities:	818	5,279
Loss on valuation of domestic bonds	—	—
Loss on valuation of domestic stocks and other securities	48	2,739
Loss on valuation of foreign securities	758	2,538
Other losses	11	1
Loss on redemption of securities	125	62
Loss on derivative financial instruments, net	—	1,133
Foreign exchange loss, net	128	159
Provision for allowance for doubtful accounts	133	—
Write-off of loans	1	0
Depreciation of rental real estate and other assets	264	271
Other investment expenses	230	232
Total	2,960	8,926

Note: In addition to the above, a reversal of allowance for doubtful accounts was recorded as an extraordinary gain.

Year ended March 31, 2010: No items to report; year ended March 31, 2009: ¥9.7 billion

(5) Investment indicators

1) Yield on primary assets

	(%)	
	Year ended, March 31, 2010	Year ended, March 31, 2009
Cash equivalents and call loans	0.13	0.48
Securities repurchased under resale agreements	—	—
Deposits paid for securities borrowing transactions	0.12	0.37
Monetary receivables purchased	2.12	1.95
Proprietary trading securities	—	—
Assets held in trust	24.88	-26.86
Securities:	2.27	0.64
Domestic bonds	2.05	1.91
Domestic stocks	3.96	-1.95
Foreign securities:	1.84	-0.04
Foreign bonds	2.11	3.01
Foreign stocks and other	0.98	-8.87
Loans receivable:	2.12	2.12
Industrial and consumer loans	1.75	1.74
Real estate:	3.01	3.57
Investment property	4.65	5.74
General account total:	2.36	0.80
Overseas investment	2.14	-0.47

Notes: 1. Yields are calculated by dividing investment income less investment expenses by the daily average book value balance.
2. The amount of overseas investment is the sum of assets denominated in foreign currencies and yen.

2) Daily average balance

	(100 Million Yen)	
	Year ended, March 31, 2010	Year ended, March 31, 2009
Cash equivalents and call loans	4,737	5,639
Securities repurchased under resale agreements	—	—
Deposits paid for securities borrowing transactions	1,511	522
Monetary receivables purchased	11,659	12,653
Proprietary trading securities	—	—
Assets held in trust	1,121	2,080
Securities:	307,704	294,335
Domestic bonds	170,847	162,400
Domestic stocks	50,501	51,180
Foreign securities:	83,005	77,327
Foreign bonds	62,841	57,466
Foreign stocks and other	20,163	19,860
Loans receivable:	89,481	93,496
Industrial and consumer loans	78,961	82,399
Real estate:	17,570	16,562
Investment property	11,186	10,264
General account total:	449,462	441,110
Overseas investment	87,972	85,356

(6) Net valuation gain/loss of trading securities

(100 Million Yen)

Item	As of March 31, 2010		As of March 31, 2009	
	Carrying value on the balance sheet	Net valuation gain/loss	Carrying value on the balance sheet	Net valuation gain/loss
Trading securities	102	797	1,102	-445

Notes: 1. Assets held in trust are included in trading securities recorded on the balance sheets and net valuation gain/loss is included in profit/loss for the current period including net gain/loss related to derivative transactions.
2. Assets held in trust included in trading securities do not include cash equivalents and call loans.

(7) Market value information of securities (excluding trading securities)

(100 Million Yen)

	As of March 31, 2010					As of March 31, 2009				
	Book value	Market value	Net gain/loss	Net gain/loss		Book value	Market value	Net gain/loss	Net gain/loss	
				Gain	Loss				Gain	Loss
Policy-reserve-matching bonds	168,355	173,705	5,350	5,656	-306	167,042	173,145	6,103	6,436	-333
Held-to-maturity debt securities	195	198	3	3	—	282	283	1	1	-0
Investments in subsidiaries and affiliates	621	861	240	240	—	544	518	-25	—	-25
Available-for-sale securities:	149,696	168,118	18,421	22,079	-3,658	130,977	135,385	4,408	12,382	-7,973
Domestic bonds	16,627	16,976	349	355	-5	13,584	13,751	167	187	-20
Domestic stocks	47,675	64,395	16,720	19,030	-2,310	45,944	51,650	5,706	10,543	-4,837
Foreign securities:	77,579	79,092	1,512	2,606	-1,093	64,072	63,028	-1,044	1,649	-2,693
Foreign bonds	64,822	65,795	973	1,578	-604	55,274	55,687	413	1,583	-1,170
Foreign stocks and other securities	12,757	13,296	539	1,028	-489	8,797	7,340	-1,457	66	-1,523
Other securities	3,141	2,983	-158	84	-242	3,182	2,762	-420	1	-421
Monetary receivables purchased	973	970	-2	3	-5	753	752	-0	0	-1
Negotiable certificates of deposit	3,700	3,699	-0	0	-0	3,440	3,440	0	0	-0
Total	318,868	342,884	24,015	27,979	-3,964	298,846	309,333	10,486	18,819	-8,332
Domestic bonds	173,705	179,317	5,611	5,856	-244	169,018	175,169	6,150	6,354	-203
Domestic stocks	48,219	65,078	16,858	19,168	-2,310	46,488	52,169	5,680	10,543	-4,862
Foreign securities:	78,577	80,177	1,600	2,719	-1,119	65,111	63,959	-1,152	1,657	-2,810
Foreign bonds	65,742	66,701	959	1,589	-630	56,314	56,619	305	1,591	-1,286
Foreign stocks and other securities	12,834	13,475	640	1,129	-489	8,797	7,340	-1,457	66	-1,523
Other securities	3,141	2,983	-158	84	-242	3,182	2,762	-420	1	-421
Monetary receivables purchased	11,524	11,627	103	151	-48	11,604	11,832	228	262	-34
Negotiable certificates of deposit	3,700	3,699	-0	0	-0	3,440	3,440	0	0	-0

Note: The above table includes securities deemed appropriate as securities under the Financial Instruments and Exchange Law in Japan.

- Book value of securities without market value

(100 Million Yen)

	As of March 31, 2010	As of March 31, 2009
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Other	—	—
Investments in subsidiaries and affiliates	1,808	1,813
Available-for-sale securities:	12,446	11,049
Unlisted domestic stocks (excluding over-the-counter-stocks)	3,185	2,727
Unlisted foreign stocks (excluding over-the-counter-stocks)	7,073	6,623
Unlisted foreign bonds	539	—
Other	1,648	1,698
Total	14,254	12,863

Note: Of securities without market value, net gain/loss on foreign exchange valuation of assets denominated in foreign currencies was as follows:
As of March 31, 2010: -¥31.0 billion; as of March 31, 2009: -¥30.3 billion

(8) Market value information of assets held in trust

(100 Million Yen)

	As of March 31, 2010					As of March 31, 2009				
	Carrying value on the balance sheet	Market value	Net unrealized gain/loss	Gain	Loss	Carrying value on the balance sheet	Market value	Net unrealized gain/loss	Gain	Loss
Assets held in trust	106	106	—	—	—	1,146	1,146	—	—	—

Notes: 1. Market value calculations are based on prices rationally calculated by the trustee of assets held in trust.
2. Amounts on the balance sheet include net gain/loss on derivative transactions within assets held in trust.

- Assets held in trust for investment

(100 Million Yen)

	As of March 31, 2010		As of March 31, 2009	
	Carrying value on the balance sheet	Net valuation gain/loss	Carrying value on the balance sheet	Net valuation gain/loss
Assets held in trust for investment	106	797	1,146	-445

Note: Assets held in trust on the balance sheets and net valuation gain/loss included in current period include net gain/loss on derivative transactions.

- Assets held in trust classified as held-to-maturity, policy-reserve-matching, and others

No data as there was not an ending balance as of March 31, 2010 and as of March 31, 2009.

<Reference>

- Appraisal value of real estate

(100 Million Yen)

	As of March 31, 2010				
	Carrying value on the balance sheet	Market value (appraisal value)	Net unrealized gain/loss 1)	Revaluation 2)	1) + 2)
Land and leaseholds	12,922	13,010	88	829	917

	As of March 31, 2009				
	Carrying value on the balance sheet	Market value (appraisal value)	Net unrealized gain/loss 1)	Revaluation 2)	1) + 2)
Land and leaseholds	11,674	13,481	1,807	850	2,657

- Notes:
1. Appraisal value is based on the value of land disclosed in public.
 2. In accordance with the law for the revaluation of land, business use land was revalued and net valuation gain/loss was recorded on the balance sheet.
 3. For revaluation 2), the difference between the amount revalued and the historical cost, net of tax has been credited to revaluation reserve for land in net assets, resulting in deferred tax liabilities in respect of revaluation reserve for land being included in liabilities.

4. Policies in Force by Type of Benefits as of March 31, 2010

		Individual insurance		Individual annuity		Group insurance		Total	
		Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Death protection	General	11,770	1,805,175	—	—	27,464	886,047	39,234	2,691,223
	Disaster	6,598	345,424	265	3,434	3,256	39,006	10,121	387,865
	Others	268	3,318	—	—	82	1,395	351	4,713
Pure endowment		5	66	2,939	179,352	11	150	2,956	179,570
Hospitalization coverage	Disaster	8,071	506	354	15	1,705	19	10,131	541
	Illness	8,031	501	351	15	—	—	8,382	517
	Others	10,598	662	103	3	65	0	10,767	666
Disability coverage		7,684	—	84	—	3,038	—	10,807	—
Surgical coverage		12,651	—	351	—	—	—	13,003	—

	Group annuity		Workers' asset-formation insurance/annuity		Total	
	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Pure endowment	15,940	96,218	228	4,663	16,169	100,882

	Medical care insurance		Disability income insurance	
	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Hospitalization coverage	866	28	78	76

- Notes:
1. The number of policies for Group Insurance, Group Annuity, Workers Asset-Formation Insurance/Annuity, Medical Care Insurance (Group type), and Disability Income Insurance represents the number of insureds.
 2. The amount in "Pure endowment" for Individual Annuity, Group Insurance (Annuity Riders), and Workers' Asset-Formation Annuity (excluding Workers' Asset-Formation Savings Annuity) represents the total of (a) annuity underlyings at the beginning of the annuity payments for policies bound prior to the start of the annuity payments, and (b) policy reserves for policies bound after the start of the annuity payments. The amount in "Pure endowment" for Group Annuity, Workers' Asset-Formation Insurance, and Savings Annuity represents the amount of corresponding policy reserves.
 3. The amount in "Hospitalization coverage" represents the amount of daily hospitalization benefits.
 4. The amount in "Hospitalization coverage" of medical care insurance represents the amount related to hospitalization from illness.
 5. The amount in disability income insurance represents the amount of monthly disability benefit payments.
 6. The number of insureds and amount of policies for reinsurance written were 16 thousand people and ¥15.7 billion, respectively.

5. Balance Sheets

(Million Yen)

	As of March 31, 2010	As of March 31, 2009
	Amount	Amount
Assets:		
Cash and deposits:	579,855	558,365
Cash	2,150	2,535
Deposits	577,705	555,829
Call loans	146,100	203,800
Deposits paid for securities borrowing transactions	151,689	—
Monetary receivables purchased	1,152,229	1,160,387
Assets held in trust	10,670	114,637
Investments in securities:	34,949,393	31,334,883
National government bonds	12,490,745	12,170,897
Local government bonds	1,775,404	1,608,674
Corporate bonds	3,573,079	3,575,038
Domestic stocks	7,214,491	5,855,101
Foreign securities	9,421,573	7,688,044
Other securities	474,099	437,126
Loans receivable:	8,770,808	9,133,432
Policy loans	1,025,658	1,087,489
Industrial and consumer loans	7,745,149	8,045,943
Tangible fixed assets:	1,788,915	1,672,097
Land	1,208,797	1,083,993
Buildings	534,557	545,803
Leases	2,917	160
Construction in progress	26,238	21,484
Other tangible fixed assets	16,404	20,656
Intangible fixed assets:	185,307	169,716
Software	74,367	67,409
Other intangible fixed assets	110,940	102,306
Reinsurance receivables:	300	275
Other assets:	524,486	558,898
Accounts receivable	171,633	214,739
Prepaid expense	9,075	8,895
Accrued revenue	217,189	213,170
Money on deposit	42,639	44,007
Deposits for futures transactions	338	326
Financial derivative instruments	39,251	32,532
Suspense	23,329	23,557
Other assets	21,030	21,669
Deferred tax assets	435,027	926,890
Customers' liability for acceptances and guarantees	14,667	13,668
Allowance for doubtful accounts	-24,606	-21,178
Total assets	48,684,846	45,825,874

5. Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2010	As of March 31, 2009
	Amount	Amount
Liabilities:		
Policy reserves and other reserves:	43,387,241	42,317,607
Reserve for outstanding claims	222,724	222,094
Policy reserves	42,014,375	40,880,121
Reserve for policyholder dividends	1,150,140	1,215,391
Reinsurance payables	326	340
Other liabilities:	1,748,605	1,080,942
Cash received as collateral under securities lending contracts	1,025,057	450,495
Loans payable	52	67
Accounts payable	279,758	186,201
Accrued expenses	56,821	57,947
Deferred income	22,900	23,193
Deposits received	100,744	99,882
Guarantee deposits received	97,222	100,496
Futures transactions margin account	1,051	2,005
Financial derivative instruments	141,214	131,762
Lease obligations	2,302	116
Suspense receipts	10,288	8,678
Other liabilities	11,192	20,095
Accrued bonuses for directors and corporate auditors	56	71
Accrued severance indemnities	451,091	438,948
Accrued retirement benefits for directors and corporate auditors	5,929	5,968
Accrued losses from supporting closely related companies	453	485
Reserve for price fluctuations in security investments	398,011	372,013
Deferred tax liabilities for revaluation reserve	174,013	176,020
Acceptances and guarantees	14,667	13,668
Total liabilities	46,180,396	44,406,066
Net assets:		
Foundation funds	250,000	200,000
Reserve for redemption of foundation funds	800,000	750,000
Reserve for revaluation	651	651
Surplus:	369,489	300,520
Legal reserve for deficiency	10,425	9,867
Voluntary surplus reserve:	359,064	290,653
Contingency reserve	71,917	71,917
Reserve for assisting social public welfare	167	1,244
Reserve for condensed booking of fixed assets for tax purposes	32,140	32,281
Other reserves	170	170
Unappropriated surplus	254,669	185,040
Total equity	1,420,140	1,251,171
Net unrealized gain on available-for-sale securities, net of tax	1,176,023	259,636
Deferred gains on derivatives under hedge accounting	-602	6
Land revaluation differences	-91,111	-91,006
Total valuations, conversions and others	1,084,309	168,636
Total net assets	2,504,449	1,419,807
Total liabilities and net assets	48,684,846	45,825,874

Basis of Presenting the Non-Consolidated Balance Sheet as of March 31, 2010

1. Securities (including items treated as securities based on “financial product accounting standards” (Corporate Accounting Standards No. 10) and securities within assets held in trust of deposits and monetary receivables purchased) are valued as follows:
 - (1) Trading securities are stated at market value as of the balance sheet date (Moving average method is used for calculating cost of sales).
 - (2) Held-to-maturity debt securities are valued using the moving average method net of accumulated amortization (straight-line).
 - (3) Policy-reserve-matching bonds are valued using the moving average method net of accumulated amortization (straight-line) 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 Japanese Institute of Certified Public Accountants (the “JICPA”).
 - (4) Stocks of subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2 paragraph 12 of the Insurance Business Act excluding subsidiaries prescribed in Article 13-5-2 paragraph 3 of the Ordinance of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2 paragraph 4 of the Ordinance of the Insurance Business Act) are valued using the moving average method.
 - (5) Available-for-sale securities
 - 1) For securities with a market value, stocks (including foreign stocks) are valued by using the average market value during the period of one month before the balance sheet date (cost of sales is calculated by using the moving average method). Other securities with a market value are valued by using the market value on the balance sheet date (cost of sales is calculated by using the moving average method).
 - 2) For securities without a 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). Other securities without a market value are valued at the gross moving average amount.

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

2. Securities that are held for the purpose of matching the periods the liabilities are outstanding 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.
3. Derivative financial instruments are stated at market value.
4. (1) 1) Tangible fixed assets (except for lease assets related to trading 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.
 - 2) Software, which is included within intangible fixed assets, is depreciated based on the straight-line method.
 - 3) The straight-line method based on lease period is used to calculate the depreciation of lease assets related to trading financial leases where ownership is not transferred.
- (2) The amount of accumulated depreciation for tangible fixed assets was ¥1,086,502 million as of March 31, 2010.
5. Revaluation of land used 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 revaluation reserve" within the liability section. The valuation difference, excluding 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 Ordinance clauses 2-1 and 2-4, respectively, which are the laws regarding land of the Insurance Business Act.

6. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using "the accounting standard for foreign currency transactions."

Exchange rates can fluctuate significantly. Available-for-sale securities of the Company, 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 rate one month prior to the balance sheet date, whichever indicates a weaker yen. This exchange is recorded under "Loss on valuation of securities."

7. (1) An allowance for doubtful accounts is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.
 - 1) The amount of the 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 at (3) below).
 - 2) The allowance for loans receivable from creditors who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized on the amounts deemed necessary considering an assessment of the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - 3) The allowance for loans receivable from creditors other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.
 - (2) All credits are assessed by responsible sections in accordance with the Company's Asset Valuation Regulation. 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 by the execution of guarantees or other methods directly subtracted from the balance of loans receivable is the estimated uncollectible amount for loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The amount recognized in the financial statements was ¥13,660 million (including ¥7,760 million of credits secured and/or guaranteed) as of March 31, 2010.
8. Accrued bonuses for directors and corporate auditors are recognized based on the amount estimated to be paid.
 9. (1) Accrued severance indemnities are provided based on the estimated amount of projected benefit obligations in excess of the market value of pension plan assets for future severance payments of employees as of the balance sheet date.
 - (2) "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19) is applied from the fiscal year ended March 31, 2010.

Because it was decided that the same discount rate as previously applied is to be used, there is no effect on ordinary income or pre-tax net surplus.

(3) Information relating to retirement allowance payments is as follows.

1) Breakdown of retirement benefit obligations as of March 31, 2010 :

	Million Yen
	As of March 31, 2010
a. Retirement Benefit Obligations	-¥770,393
b. Pension Plan Assets	284,328
c. Accrued Retirement Benefit Costs (a+b)	-486,064
d. Unrecognized Actuarial Differences	34,973
e. Accrued Severance Indemnities (c+d)	-¥451,091

2) Basic information for the calculation of accrued severance indemnities is as follows:

a. Periodical allocation method of estimated retirement benefit	Straight-line
b. Discount rate	1.6%
c. Expected rate on plan assets	2.5%
d. Method of amortizing actuarial differences	Amortization is made over a certain period (5 years) using the straight-line method within the average remaining years of service of employees one year after the accrual of liabilities.
e. Method of amortizing prior service costs	Amortization is made over a certain period (5 years) using the straight-line method within the average remaining years of service of employees upon accrual of liabilities.

10. Accrued retirement benefits for directors and corporate auditors are estimated payment amounts based on internal rules.

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

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

13. Accounting treatment for financial leases other than from the transfer of ownership is based on “Accounting Standards of Lease Transactions” (Corporate Accounting Standards No. 13). Regarding financial leases where ownership is not transferred and the lease start date is March 31, 2008 or prior, the accounting treatment

applied is based on the method related to ordinary lease transactions.

14. Hedge accounting is calculated by the following method.

- (1) The Company applies the mark-to-market method of hedge accounting mainly for hedging activities against exposures to foreign exchange rate fluctuations on certain bonds denominated in foreign currencies. The Company also applies the special treatment prescribed under the Accounting Standards for Financial Instruments for interest swap agreements used to manage cash flow volatility associated with interest rate changes on certain loans receivable. In addition, the Company matches foreign exchange forward contracts and currency swaps with certain financial assets denominated in foreign currencies.
- (2) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of market value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company's internal risk management policies.

15. 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 Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are recorded to expense as incurred as of March 31, 2010.

16. A policy reserve is a reserve set forth in accordance with Article 116 of the Insurance Business Act. 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, additional amounts to the policy reserves were to be made over 5 years to a portion of the individual annuity policyholders. Such treatment is in accordance with Article 69 paragraph 5 of the Enforcement Ordinance of the Insurance Business Act. As a result of the adoption of the treatment, the policy reserve is ¥207,970 million as of March 31, 2010.

17. Regarding the asset management of general accounts (except separate accounts as provided in Article 118 paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, we built a portfolio geared towards mid- to long-term investment, and formulated an investment plan considering the outlook of the investment environment.

Based on this, in order to reliably pay insurance claims and benefits into the future, we positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as our core assets and, from the viewpoint of improving profit in the mid- to long-term, we invested in stocks and foreign

securities. Also, from the viewpoint of effective asset management, the Company mainly uses derivative transactions for controlling assets investment risks. Specifically, we use interest rate swaps for our interest rate related investments, foreign exchange forward contracts and currency options and swaps for our currency related investments, and hedge accounting is applied with respect to a portion thereof.

Hedge accounting methodologies include market value hedge accounting for hedging against foreign currency exchange fluctuation risk for certain foreign currency-denominated bonds, exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps to hedge cash flow volatility on certain loans receivable and designated hedge accounting (“*Furiate-shori*”) for foreign exchange contracts and currency swaps for certain foreign currency-denominated assets. Effectiveness of hedging activities is mainly evaluated by ratio analysis to compare market value movements on the hedging instruments and the hedged items in accordance with the Company’s internal risk management policies.

Mainly, securities are exposed to market risk and credit risk, loans are exposed credit risk, and derivative transactions are exposed to market risk and credit risk. Market risk refers to the risk of losses incurred when the market value of investment assets declines due to such factors as fluctuations in interest rates, stock prices or exchange rates. Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines or disappears due to deterioration of the financial condition of the party to whom credit has been extended. These risks are managed according to rules and regulations regarding asset management risks. To manage market risk, we have implemented investment limits based on the nature of the assets in order to curb excessive losses for each financing and investment transaction. Also, we regularly report on the status of compliance to the Risk Management Committee, the advisory body of the Management Committee, along with preparing a system to control risk to acceptable levels when there is a breach of rules. In addition, to control market risk in our entire portfolio, we use statistical analysis to rationally calculate market value-at-risk of the portfolio as a whole and conduct appropriate asset allocation within acceptable boundaries of risk.

To manage credit risk, we have built systems for rigorous examinations involving an Assessment Management Unit independent of the departments handling investment and finance activities. We are also striving to build a sound portfolio through the establishment of interest guidelines to ensure the returns we obtain are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company or group.

Moreover, we calculate the magnitude of credit risk as credit value at risk using Monte Carlo simulations. By considering the results of our policy for managing our credit risk portfolio, we keep risk within an acceptable range.

18. (1) Balance sheet amounts and market values of major financial instruments and their differences are as follows.

(Million Yen)

	Balance sheet amount (*1)	Market value	Difference
Cash and deposits (negotiable certificates of deposit)	369,994	369,994	—
Available-for-sale securities	369,994	369,994	—
Monetary receivables purchased	1,152,229	1,162,774	10,545
Policy-reserve-matching bonds	1,055,131	1,065,677	10,545
Available-for-sale securities	97,097	97,097	—
Assets held in trust	10,670	10,670	—
Trading securities	10,670	10,670	—
Securities	33,527,343	34,076,187	548,844
Trading securities	1,320,539	1,320,539	—
Held-to-maturity debt securities	19,522	19,864	341
Policy-reserve-matching bonds	15,780,403	16,304,899	524,496
Investments in subsidiaries and affiliates	62,165	86,172	24,006
Available-for-sale securities	16,344,712	16,344,712	—
Loans receivable (*2)	8,757,502	8,947,552	190,050
Policy loans	1,025,475	1,025,475	—
Industrial and consumer loans	7,732,027	7,922,077	190,050
Derivative financial instruments (*3)	(101,963)	(101,963)	—
Hedge accounting not applied	(649)	(649)	—
Hedge accounting applied	(101,313)	(101,313)	—
Cash received as collateral under securities lending contracts (*4)	(1,025,057)	(1,025,057)	—

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.

(*2) The market values of financial derivative instruments including interest rate swaps under exceptional accounting treatment (“*Tokurei-shori*”) or currency swaps under designated hedge accounting (“*Furiate-shori*”) are included in the market values of loans receivable because they are accounted for as an integral part of loans receivable which are hedged items.

(*3) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

(*4) Cash received as collateral under securities lending contracts is recorded in liabilities and presented in parentheses.

- (2) Market value measurement methods for major financial instruments are as follows.
- 1) Securities, deposits and monetary receivables purchased are treated as securities based on “Accounting Standards for Financial Instruments” (Corporate Accounting Standards No. 10)
 - a. Items with a market price

Market value is measured based on the closing market price at year-end. However, the market values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the end of the fiscal year.
 - b. Items without a market price

Market value is measured mainly by discounting future cash flows to the present value.
 - 2) Loans receivable
 - a. Policy loans

Market value is deemed to approximate book value, due to no repayment deadlines based on characteristics such as limiting loans to the surrender benefit range, and expected reimbursement period and interest rate requirements, etc. Thus, the book value is used as the market value of the policy loans.
 - b. General loans

Market value of variable interest rate loans is deemed to approximate book value, because market interest rates are reflected in future cash flows over the short term. Thus, the book value is used as the market value of the variable interest rate loans.

Market value of fixed interest rate loans is measured mainly by discounting future cash flows to the present value.

Loans receivable to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectable amount from the book value directly prior to the decrease.
 - 3) Derivative financial instruments
 - a. Market value of futures and other market transactions is measured by the liquidation value or closing market price at year-end.
 - b. Market value of exchange contracts and currency options is measured based on theoretical values calculated by the Company using Telegraphic Transfer Middle rate (TTM) and discount rates obtained from brokers.
 - c. Market value of interest rate swaps and currency options is measured based on theoretical present value calculated by discounting future cash flows using published market interest rates, etc.
 - 4) Money held in trust

Market value is measured based on the price rationally calculated by the trustee of money held in trust, pursuant to 1) and 3) above.

5) Cash received as collateral under securities lending contracts

The book value is used as market value due to their short-term settlement.

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities and other items for which it is extremely difficult to determine a market value are not included in securities in table (1).

Amounts on the balance sheet at the end of the fiscal year by holding purpose are ¥180,835 million for stocks of subsidiaries and affiliates and ¥1,233,214 million for available-for-sale securities.

(4) Matters regarding securities, etc. by purpose of possession are as follows.

1) Trading securities

Securities managed as trust assets in money held in trust and securities related to separate accounts are classified as trading securities.

Valuation differences included in current period income consist of a loss of ¥2,479 million for money held in trust and a loss of ¥9,996 million for securities related to separate accounts.

Money held in trust includes derivative financial instruments held in trust.

2) Held-to-maturity debt securities

Balance sheet amounts, market values and their differences by type are as follows.

(Million Yen)

	Type	Balance sheet amount	Market value	Difference
Items whose market value exceeds the balance sheet amount	Domestic bonds	19,522	19,864	341
	Total	19,522	19,864	341

* There are no items whose market value does not exceeds the balance sheet amount.

3) Policy-reserve-matching bonds

Balance sheet amounts, market values and their differences by type are as follows.

(Million Yen)

	Type	Balance sheet amount	Market value	Difference
Items whose market value exceeds the balance sheet amount	Monetary receivables	795,158	809,991	14,833
	Domestic bonds	14,092,476	14,642,231	549,755
	Foreign securities	37,850	38,957	1,106
	Subtotal	14,925,486	15,491,180	565,694
Items whose market value does not exceed the balance sheet amount	Monetary receivables	259,973	255,685	-4,287
	Domestic bonds	1,595,851	1,571,991	-23,860
	Foreign securities	54,224	51,719	-2,504
	Subtotal	1,910,049	1,879,396	-30,653
Total		16,835,535	17,370,576	535,041

4) Available-for-sale securities

Acquisition cost or amortized cost and balance sheet amounts and their differences by type are as follows.

(Million Yen)

	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
Items whose balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	15,000	15,000	0
	Monetary receivables	4,968	5,299	330
	Domestic bonds	1,143,171	1,178,679	35,508
	Domestic stocks	3,678,010	5,581,030	1,903,019
	Foreign securities	4,903,840	5,164,505	260,665
	Other securities	176,370	184,786	8,415
	Subtotal	9,921,362	12,129,301	2,207,938
Items whose balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	355,000	354,994	-5
	Monetary receivables	92,359	91,798	-561
	Domestic bonds	519,534	518,958	-575
	Domestic stocks	1,089,503	858,490	-231,013
	Foreign securities	2,854,106	2,744,707	-109,399
	Other securities	137,800	113,554	-24,246
	Subtotal	5,048,304	4,682,502	-365,801
Total		14,969,667	16,811,804	1,842,136

* The items (¥1,233,214 million) whose market value is extremely difficult to determine are not included.

- 5) Because some issues of monetary receivables purchased no longer meet the requirements for policy-reserve-matching bonds provided in “Treatment of Accounting and Auditing for Policy-Reserve-Matching Bonds Within the Insurance Industry” (JICPA Industry Audit Committee Report No. 21), they are replaced with available-for-sale securities. An end of period valuation according to the above revealed decreases of ¥122 million in monetary receivables purchased and ¥78 million in securities valuation difference and an increase of ¥44 million in deferred tax assets. There is no effect on ordinary income or surplus before income tax.

19. The balance sheet amount for investment and rental properties at the fiscal year end was ¥1,210,242 million, with a market value of ¥1,239,545 million.

The Company owns rental office buildings and commercial facilities the market value of which at fiscal year

end is the amount measured based mainly on real estate appraisal standards.

20. (1) The total amount of loans of bankrupt borrowers, delinquent loans, loans that are delinquent for over 3 months and restructured loans, which were included in loans receivable, was ¥42,056 million as of March 31, 2010.
 - 1) The balances of loans to bankrupt borrowers and delinquent loans were ¥3,222 million and ¥36,524 million, respectively as of March 31, 2010.

Loans to bankrupt borrowers are loans, except for a portion of loans written-off, where the borrowers satisfy conditions prescribed in Article 96 Paragraph 1 Item 3 or Item 4 of the Enforcement Regulations of the Corporation Tax Act and are recorded net of the portion of the losses written-off. Interest is not accrued as income since the recovery of principal or interest on the loans is unlikely due to the fact that payments are long overdue or for other reasons.

Delinquent loans are loans with interest not accrued, and exclude the loans to bankrupt borrowers and loans to which postponement of interest payments is made with the objective of reconstructing these loans and supporting the borrowers.
 - 2) There were no loans that were delinquent for over 3 months as of March 31, 2010.

Loans that are delinquent for over 3 months are loans with principal or interest unpaid for over 3 months beginning one day after the due date based on the loan agreement. These loans exclude loans classified as loans to bankrupt borrowers and delinquent loans.
 - 3) The balance of restructured loans was ¥2,309 million as of March 31, 2010.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrower's restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, and providing other benefits to the borrowers.

These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over 3 months.
 - (2) The direct write-off of loans receivable decreased balances of loans to bankrupt borrowers and delinquent loans by ¥10,849 million and ¥2,810 million respectively as of March 31, 2010.
21. Separate Accounts as provided for in Article 118 paragraph 1 of the Insurance Business Act were ¥1,449,753 million as of March 31, 2010 and are presented within other assets with a corresponding liability recorded for the same amount.
 22. The total amount of credits and debits to subsidiaries as of March 31, 2010 were ¥208,611 million and ¥5,540 million, respectively.

23. Changes in the reserve for policyholder dividends included in policy reserves for the period ended March 31, 2010 were as follows:

	Million Yen
	As of March 31, 2010
a. Balance at the end of previous fiscal year	¥1,215,391
b. Transfer to reserve from surplus in previous fiscal year	130,634
c. Policyholder dividends paid out in the current period	227,044
d. Increase in interest	31,160
e. Balance at the end of fiscal year (a+b-c+d)	¥1,150,140

24. Assets pledged as collateral by securities, land, and buildings as of March 31, 2010 were ¥1,072,156 million, ¥2,952 million, and ¥308 million, respectively. The total amount of loans covered by the aforementioned assets as of March 31, 2010 was ¥1,036,302 million.

These amounts included ¥1,039,219 million of securities deposited and ¥1,036,250 million of cash received as collateral under the securities lending contracts secured by cash as of March 31, 2010.

25. ¥100,000 million of foundation funds were offered according to Article 60 of Insurance Business Act.

26. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act as of March 31, 2010.

27. The total amount of stocks and investments in subsidiaries was ¥243,000 million as of March 31, 2010. Affiliated corporation Nissay Dowa General Insurance Company, Limited effected a stock swap with MS&AD Insurance Group Holdings, Inc. following its business integration with Aioi Insurance Co., Ltd. and Mitsui Sumitomo Insurance Group Holdings, Inc. on April 1, 2010. This stock swap will result in the recording of ¥12,898 million in gain on sales of securities for the fiscal year ending March 31, 2011.

28. The amount of securities loaned for consumption was ¥1,865,306 million as of March 31, 2010.

29. Assets for which rights held can be freely disposed of by means of sale or re-collateralization are available-for-sale securities that have been loaned for consumption, and in this period ownership was maintained for a total market value of ¥595,913 million as of March 31, 2010.

30. The amount of commitments related to loans receivable and loans outstanding was ¥108,580 million as of March 31, 2010.

31. The amount of future contributions to the Life Insurance Policyholder Protection Corporation of Japan, in accordance with Article 259 of the Insurance Business Act, was estimated to be ¥86,842 million as of March 31, 2010.

The contribution amount is recorded as an operating expense at the time of payment.

32. (1) Total deferred tax assets were ¥1,203,884 million and total deferred tax liabilities were ¥703,107 million as of March 31, 2010. Among deferred tax assets, the deduction for valuation allowance for deferred tax assets was ¥65,749 million. The major components causing deferred tax assets were policy reserves of ¥786,701 million, accrued severance indemnities of ¥162,907 million, reserve for price fluctuations in investments of ¥143,737 million, and allowance for doubtful accounts of ¥12,326 million. The major component causing deferred tax liabilities was net unrealized gain on securities of ¥662,894 million.

(2) The statutory tax rate was 36.1% for the fiscal year ended March 31, 2010. The major difference between the statutory tax rate and the effective income tax rate was -28.3% for the reserve for policyholder dividends and -4.6% for loss on valuation of securities.

33. The amount of policy reserves provided for the portion of reinsurance as defined in Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act was ¥198 million as of March 31, 2010.

34. The amount per Article 30, Paragraph 2 of the Enforcement Regulation of the Insurance Business Act was ¥1,176,071 million as of March 31, 2010 .

6. Statements of Income

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
Revenues:	6,594,626	6,605,061
Income from insurance and reinsurance premiums:	4,817,479	5,036,774
Insurance premiums	4,816,612	5,035,543
Reinsurance premiums	867	1,230
Investment income:	1,555,160	1,247,078
Interest, dividends, and other income:	1,119,518	1,148,493
Interest on deposits and savings	510	1,799
Interest/dividends on securities	797,883	813,411
Interest on loans receivable	194,283	198,865
Rent on real estate	100,067	103,454
Other interest/dividends	26,773	30,961
Gain from assets held in trust, net	27,911	—
Gain on sales of securities	185,497	88,609
Gain from redemption of securities	1,226	5,047
Gain on derivative financial instruments, net	19,659	—
Other investment income	1,189	4,927
Gain from separate accounts	200,158	—
Other revenues:	221,985	321,208
Income from annuity riders	8,308	8,619
Income from deferred benefits	193,839	279,850
Reversal of policy reserves for outstanding claims	—	14,863
Other revenues	19,837	17,875

6. Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
Expenditures:	6,301,112	6,485,848
Insurance claims and other payments:	3,882,981	4,036,829
Death and other claims	1,173,840	1,313,660
Annuity payments	540,285	506,864
Health and other benefits	863,421	832,280
Surrender benefits	1,059,647	1,102,075
Other refunds	244,455	280,608
Reinsurance premiums	1,330	1,339
Provision for policy reserves:	1,166,043	173,731
Provision for claim reserves	630	—
Provision for policy reserves	1,134,253	140,524
Interest on reserve for policyholder dividends	31,160	33,206
Investment expenses:	296,078	1,245,945
Interest expense	2,137	3,315
Loss from proprietary trading securities	—	0
Loss on assets held in trust, net	—	55,871
Loss on sales of securities	123,658	119,523
Loss on valuation of securities	81,808	527,986
Loss from redemption of securities	12,580	6,240
Loss on derivative financial instruments, net	—	113,319
Foreign exchange loss, net	12,876	15,934
Provision for doubtful accounts	13,377	—
Write-off of loans	153	2
Depreciation of rental real estate and other assets	26,405	27,160
Other investment expenses	23,079	23,261
Loss from separate accounts, net	—	353,329
Operating expenses	573,633	563,271
Other expenditures:	382,374	466,070
Deferred benefit payments	276,138	367,581
Tax	35,562	36,536
Depreciation	44,094	42,858
Provision for accrued severance indemnities	12,142	5,177
Other expenditures	14,436	13,917
Operating income	293,513	119,212
Extraordinary profits:	1,324	126,072
Gain on disposal of fixed assets	1,324	1,083
Reversal of reserve for price fluctuations in security investments	—	115,250
Reversal of allowance for doubtful accounts	—	9,738
Extraordinary losses:	40,614	11,453
Loss on disposal of fixed assets	5,057	3,742
Impairment losses	6,650	5,977
Provision for reserve for price fluctuations in security investments	25,998	—
Loss on reduction entry of real estate	332	256
Contributions for assisting social public welfare	2,577	1,477
Surplus before income taxes	254,224	233,831
Income tax - current	1,320	-1,363
Income tax - deferred	892	53,689
Income tax - total	2,212	52,326
Net surplus for the year	252,011	181,505

Notes to the Non-Consolidated Statement of Income for the fiscal year ended March 31, 2010

1. The total revenue and expense from transactions with subsidiaries is ¥26,024 million and ¥38,910 million, respectively for the fiscal year ended March 31, 2010.
2. Gain on sales of securities includes gains on sales of domestic bonds, domestic stocks and foreign securities of ¥17,010 million, ¥102,209 million and ¥66,277 million, respectively for the fiscal year ended March 31, 2010.
3. Loss on sales of securities includes losses on sales of domestic bonds, domestic stocks and foreign securities of ¥1,306 million, ¥19,258 million and ¥103,093 million, respectively for the fiscal year ended March 31, 2010.
4. Loss on the valuation of securities includes losses on the valuation of domestic stocks and foreign securities of ¥4,809 million and ¥75,857 million, respectively for the fiscal year ended March 31, 2010.
5. Reversal of the policy reserves for ceded reinsurance used for the calculation of policy reserves was ¥7 million for the fiscal year ended March 31, 2010.
6.
 - 1) Gain from assets held in trust, net, includes valuation gain of ¥79,793 million for the fiscal year ended March 31, 2010.
 - 2) Gain from derivative financial instruments, net, includes valuation gain of ¥77,626 million for the fiscal year ended March 31, 2010.
7. Benefit cost of accrued severance indemnities for the fiscal year ended March 31, 2010 was analyzed as follows:

	Million Yen
	Year ended March 31, 2010
a. Service cost	¥26,292
b. Interest cost	12,406
c. Expected return on plan assets	-6,774
d. Amortization of actuarial differences	25,727
e. Amortization of prior service cost	-6,861
f. Others	1,348
g. Net periodic benefit cost (a+b+c+d+e+f)	¥52,139

8. Loss on impairment of assets is as follows:
 - 1) Method for grouping the assets
Leased property and idle property are classified as one group per structure. Assets utilized for insurance

business operations are classified into one group.

2) Circumstances causing impairment losses

The Company observed a marked decrease of profitability or market value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses.

3) Breakdown of asset groups that recognized impairment losses for the fiscal year ended March 31, 2010 are as follows:

Purpose of use	Million Yen		Total
	Land	Buildings	
Leased Property	¥1,954	¥584	¥2,539
Idle Property	¥3,173	¥937	¥4,111
Total	¥5,128	¥1,522	¥6,650

4) Calculation method of recoverable amount

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

9. Transactions with related parties are as follows:

Subsidiaries:

Type	Subsidiaries
Company Name	Nissay Credit Guarantee Co., Ltd.
Location	Osaka
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
Detail of transaction	Debt guarantees of Nippon Life's loan (*)
Balance as of March 31, 2010	¥549,269 million

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

7. Statements of Changes in Net Assets

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
Foundation funds and others:		
Foundation funds:		
Beginning balance	200,000	200,000
Increase/Decrease:		
Issuance of foundation funds	100,000	50,000
Redemption of foundation funds	-50,000	-50,000
Net change	50,000	—
Ending balance	250,000	200,000
Reserve for redemption of foundation funds:		
Beginning balance	750,000	700,000
Increase/Decrease:		
Additions to reserve for redemption of foundation funds	50,000	50,000
Net change	50,000	50,000
Ending balance	800,000	750,000
Reserve for revaluation:		
Beginning balance	651	651
Increase/Decrease:		
Net change	—	—
Ending balance	651	651
Surplus:		
Legal reserve for deficiency:		
Beginning balance	9,867	9,020
Increase/Decrease:		
Additions to legal reserve for deficiency	558	847
Net change	558	847
Ending balance	10,425	9,867
Voluntary surplus reserve:		
Contingency reserve		
Beginning balance	71,917	71,917
Increase/Decrease:		
Net change	—	—
Ending balance	71,917	71,917
Reserve for assisting social public welfare:		
Beginning balance	1,244	1,221
Increase/Decrease:		
Additions to reserve for assisting social public welfare	1,500	1,500
Reversal of reserve for assisting social public welfare	-2,577	-1,477
Net change	-1,077	23
Ending balance	167	1,244

7. Statements of Changes in Net Assets (Continued)

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
Reserve for condensed booking of fixed assets for tax purposes:		
Beginning balance	32,281	32,082
Increase/Decrease:		
Additions to reserve for condensed booking of fixed assets for tax purposes	569	941
Reversal of reserve for condensed booking of fixed assets for tax purposes	-710	-742
Net change	-141	199
Ending balance	32,140	32,281
Other reserves:		
Beginning balance	170	170
Increase/Decrease:		
Net change	—	—
Ending balance	170	170
Unappropriated surplus:		
Beginning balance	185,040	281,332
Increase/Decrease:		
Additions to reserve for policyholder dividends	-130,634	-226,284
Additions to legal reserve for deficiency	-558	-847
Additions to reserve for redemption of foundation funds	-50,000	-50,000
Interest on foundation funds	-2,489	-2,501
Net surplus	252,011	181,505
Additions to reserve for assisting social public welfare	-1,500	-1,500
Reversal of reserve for assisting social public welfare	2,577	1,477
Additions to reserve for condensed booking of fixed assets for tax purposes	-569	-941
Reversal of reserve for condensed booking of fixed assets for tax purposes	710	742
Reversal of land revaluation difference	80	2,058
Net change	69,629	-96,291
Ending balance	254,669	185,040
Total surplus:		
Beginning balance	300,520	395,742
Increase/Decrease:		
Additions to reserve for policyholder dividends	-130,634	-226,284
Additions to reserve for redemption of Foundation funds	-50,000	-50,000
Interest on foundation funds	-2,489	-2,501
Net surplus	252,011	181,505
Reversal of land revaluation difference	80	2,058
Net change	68,969	-95,222
Ending balance	369,489	300,520

7. Statements of Changes in Net Assets (Continued)

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
Total foundation funds and others:		
Beginning balance	1,251,171	1,296,394
Increase/Decrease:		
Issuance of foundation funds	100,000	50,000
Additions to reserve for policyholder dividends	-130,634	-226,284
Interest on foundation funds	-2,489	-2,501
Net surplus	252,011	181,505
Redemption of foundation funds	-50,000	-50,000
Reversal of land revaluation difference	80	2,058
Net change	168,969	-45,222
Ending balance	1,420,140	1,251,171
Valuations, conversions, and others:		
Net unrealized gain on available-for-sale securities, net of tax:		
Beginning balance	259,636	2,276,167
Increase/Decrease:		
Net change, excluding Foundation funds and others	916,386	-2,016,530
Net change	916,386	-2,016,530
Ending balance	1,176,023	259,636
Deferred gains on derivatives under hedge accounting:		
Beginning balance	6	155
Increase/Decrease:		
Net change, excluding foundation funds and others	-608	-149
Net change	-608	-149
Ending balance	-602	6
Land revaluation differences:		
Beginning balance	-91,006	-88,938
Increase/Decrease:		
Net change, excluding foundation funds and others	-104	-2,067
Net change	-104	-2,067
Ending balance	-91,111	-91,006
Total valuations, conversions and others:		
Beginning balance	168,636	2,187,384
Increase/Decrease:		
Net change, excluding foundation funds and others	915,672	-2,018,748
Net change	915,672	-2,018,748
Ending balance	1,084,309	168,636
Total net assets:		
Beginning balance	1,419,807	3,483,778
Increase/Decrease:		
Issuance of foundation funds	100,000	50,000
Additions to reserve for policyholder dividends	-130,634	-226,284
Interest on foundation funds	-2,489	-2,501
Net surplus	252,011	181,505
Redemption of foundation funds	-50,000	-50,000
Reversal of land revaluation differences	80	2,058
Net change, excluding foundation funds and others	915,672	-2,018,748
Net change	1,084,641	-2,063,970
Ending balance	2,504,449	1,419,807

8. Details of Operating Income (Ordinary Income)

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
Ordinary income (Core operating profit) (A)	505,061	539,887
Capital gain:	233,068	88,609
Gain from proprietary trading securities	—	—
Gain from assets held in trust, net	27,911	—
Gain from trading securities	—	—
Gain on sales of securities	185,497	88,609
Gain on derivative financial instruments, net	19,659	—
Foreign exchange gains	—	—
Other capital gains	—	—
Capital loss:	218,344	832,636
Loss from proprietary trading securities	—	0
Loss from assets held in trust, net	—	55,871
Loss from trading securities	—	—
Loss on sales of securities	123,658	119,523
Loss on valuation of securities	81,808	527,986
Loss on derivative financial instruments, net	—	113,319
Foreign exchange losses	12,876	15,934
Other capital losses	—	—
Net capital gain/loss (B)	14,724	-744,026
Ordinary income including net capital gain/loss (A+B)	519,785	-204,138
Non-recurring income:	—	564,616
Income from reinsurance premiums	—	—
Reversal of contingency reserves	—	564,616
Other non-recurring income	—	—
Non-recurring loss:	226,271	241,264
Reinsurance premiums fee	—	—
Provision for contingency reserves	—	—
Provision for individual allowance for doubtful accounts	18,147	—
Provision of allowance for specific overseas debts	—	—
Write-off expense of loans	153	2
Other non-recurring losses	207,970	241,261
Non-recurring income / loss (C)	-226,271	323,351
Operating income (A+B+C)	293,513	119,212

<Reference>

[Detail of Other Ordinary Gain and Loss]

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
Other non-recurring losses:	207,970	241,261
Provision for policy reserves based on Article 69, Clause 5 of the Ordinance for Enforcement of Insurance Business Act	207,970	241,261

9. Proposal for Appropriation of Unappropriated Surplus

(Thousands Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
Unappropriated surplus for the current year	254,669,357	185,040,053
Reversal from voluntary surplus reserve:	1,029,560	710,630
Reversal of reserve for condensed booking of fixed assets for tax purposes	1,029,560	710,630
Reversal of reserve for condensed booking of fixed assets, not purchased yet	—	—
Total	255,698,917	185,750,683
Appropriations:	255,698,917	185,750,683
Reserve for policyholder dividends	199,189,981	130,634,056
Net surplus:	56,508,935	55,116,626
Additions to legal reserve for deficiency	768,000	558,000
Additions to reserve for redemption of foundation funds	50,000,000	50,000,000
Interest on foundation funds	3,650,500	2,489,250
Transfer to voluntary reserve:	2,090,435	2,069,376
Reserve for assisting social public welfare	1,500,000	1,500,000
Reserve for condensed booking of fixed assets for tax purposes	590,435	569,376
Reserve for condensed booking of fixed assets, not purchased yet	—	—
Surplus carried forward	—	—

10. Status of Non-performing Assets According to Borrower's Classification

(Million Yen, %)

	As of March 31, 2010	As of March 31, 2009
Bankrupt and Quasi-Bankrupt Loans	12,505	12,453
Doubtful Loans	27,253	29,394
Substandard Loans	2,309	1,323
Subtotal	42,067	43,172
[Percent of total] (%)	[0.39]	[0.41]
Normal Loans	10,650,996	10,560,212
Total	10,693,063	10,603,384

- Notes:
1. Bankrupt and quasi-bankrupt loans are non-performing assets that have fallen into bankruptcy due to reasons including initiation of bankruptcy proceedings, start of reorganization proceedings, and submission of an application to start rehabilitation proceedings.
 2. Doubtful loans are non-performing assets with a strong likelihood that loan principal or interest cannot be recovered according to the contract, because of difficulties in financial condition and business performance of the obligor, although the obligor has not yet entered into bankruptcy.
 3. Substandard loans include loans that are delinquent for over three months or restructured loans. Loans that are delinquent for over three months are loans with principal or interest being unpaid for over three months counting from the day after the due date based on the loan agreement (excluding 1. and 2. in above notes). Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, and providing other benefits to the borrowers (excluding 1. and 2. in above notes and loans that are delinquent for over three months).
 4. Normal loans are loans that do not fall under the classifications for 1. to 3. in above notes, and where the obligor has no financial or business performance problems.

Supplemental information for borrower's classification

- Classifications and calculation methods used in this table are based on the Enforcement Regulation of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customer's liabilities for acceptances and guarantees.
- Loans subject to bankruptcy rehabilitation are directly deducted from total loans as estimated uncollectible amounts calculated by subtracting estimated collectable amounts based on collateral and guarantees from total loans. These amounts were ¥13,660 million for loans subject to bankruptcy rehabilitation as of March 31, 2010; ¥7,196 million for loans subject to bankruptcy rehabilitation as of March 31, 2009.

11. Status of Risk-Monitored Loans

(Million Yen, %)

	As of March 31, 2010	As of March 31, 2009
Loans to bankrupt borrowers	3,222	3,415
Delinquent loans	36,524	38,426
Loans that are delinquent for over three months	—	—
Restructured loans	2,309	1,323
Total	42,056	43,165
[Percent of total loans receivable] (%)	[0.48]	[0.47]

Notes: 1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), an estimated uncollectible amount (calculated by subtracting estimated collectable amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount.

The amount of loans to bankrupt borrowers and delinquent loans were ¥10,849 million and ¥2,810 million as of March 31, 2010; ¥6,000 million and ¥1,196 million as of March 31, 2009.

2. Loans to bankrupt borrowers are loans with principal or interest payments being long overdue and interest not being accrued including the following: (a) Loans to borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act, (b) Loans to borrowers that have notes suspended from being traded, and (c) Loans to borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws .
3. “Delinquent loans” are loans for which interest is not being accrued on the balance sheet, which excludes the aforementioned loans to bankrupt borrowers and restructured loans.
4. “Loans that are delinquent for over three months” are loans with principal or interest unpaid for over three months counting from the day after the due date based on the loan agreement. Note that the account does not include loans to bankrupt borrowers and delinquent loans.
5. “Restructured loans” are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower’s restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, and providing other benefits to the borrowers (excluding loans to bankrupt borrowers and delinquent loans from above, and loans that are delinquent for over three months).

12. Breakdown of allowance for doubtful accounts

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009	Change
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	11,481	16,250	-4,769
(B) Specific allowance for doubtful accounts	13,124	4,927	8,197
(C) Allowance for specific overseas loans	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	26,785	12,124	14,660
(B) Reversal [excluding reversals with write-off]	8,638	19,041	-10,403
(C) Net provision	18,147	-6,917	25,064
(3) Allowance for specific overseas loans			
(A) Number of debtor countries	—	—	—
(B) Amounts of credit	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-off of loans	153	2	150

<Reference>

[Status of Borrower Classification]

(100 Million Yen, %)

	As of March 31, 2010		As of March 31, 2009	
	Money available	Percentage of whole	Money available	Percentage of whole
Loan balances (After direct write-off of category IV)	87,708	100.0	91,334	100.0
Non-categorized	86,024	98.1	88,987	97.4
Category II	1,659	1.9	2,310	2.5
Category III	23	0.0	37	0.0
Category IV	—	—	—	—

Notes: 1. Specific allowances for doubtful accounts of Category III were as follows:

As of March 31, 2010: ¥2.2 billion; as of March 31, 2009: ¥3.4 billion

2. The amounts of direct write-offs of Category IV were as follows:

As of March 31, 2010: ¥13.6 billion; as of March 31, 2009: ¥7.1 billion

13. Solvency Margin Ratio

(Million Yen)

	As of March 31, 2010	As of March 31, 2009
Solvency margin gross amount (A)	6,232,562	4,800,915
Foundation funds (kikin) and other reserve funds:	2,805,804	2,653,864
Total net assets	1,217,299	1,118,048
Reserve for price fluctuation of security investments	398,011	372,013
Contingency reserve	864,445	864,445
General allowance for doubtful accounts	11,481	16,250
Other	314,567	283,107
Net unrealized gain/loss on available-for-sale securities × 90%	1,654,828	389,725
Net unrealized gain/loss on real estate × 85%	77,950	225,883
Excess of continued Zillmerized reserve	1,555,073	1,424,104
Qualifying subordinated debt	—	—
Deduction clause	-360	-272
Others	139,265	107,609
Total amount of risk (B)		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	1,238,967	1,061,664
Underwriting risk R ₁	149,961	154,192
Underwriting risk of third market insurance R ₈	74,937	75,916
Anticipated yield risk R ₂	179,138	189,925
Investment risk R ₃	999,788	810,106
Business management risk R ₄	28,290	24,821
Minimum guarantee risk R ₇	10,677	10,952
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	1,006.0%	904.4%

- Note: 1. The aforementioned amounts and figures are calculated based on Article 86, Article 87 of the Enforcement Regulation of the Insurance Business Act, as well as Ordinance No. 50 issued by the Ministry of Finance in 1996. (Excess of continued Zillmerized reserve is calculated based on Ordinance No. 50 1-3-1.)
2. The standard method is used for calculation of the amount equivalent to minimum guarantee risk.

(Information)

Policy reserve valuation method and ratio for individual insurance and annuities

	As of March 31, 2010	As of March 31, 2009
Policies subject to the standard policy reserve	Net level premium method	Net level premium method
Policies not subject to the standard policy reserve	Net level premium method	Net level premium method
Ratio (excluding contingency reserve)	100.0%	100.0%

- Notes: 1. Individual insurance and annuities are subject to valuation method and ratio. Policy reserves for group insurance and annuities are not included in the above figures due to the absence of an accumulation method.
2. For valuation ratio, policies subject to the standard policy reserve represent the ratio in accordance with the method, which the Prime Minister prescribed, by means of Ordinance No. 48 issued by the Ministry of Finance in 1996. Policies not subject to the standard policy reserve represent the ratio for the reserve calculated by the net level premium method and unearned premium.

14. Status of Separate Accounts for the Fiscal Year Ended March 31, 2010

(1) Balance of Separate Account Assets

(Million Yen)

	As of March 31, 2010	As of March 31, 2009
	Amount	Amount
Individual variable insurance	120,824	110,159
Individual variable annuities	174,792	163,119
Group annuities	1,154,136	1,098,269
Separate account total	1,449,753	1,371,549

(2) Status of Separate Account for Individual Variable Insurance

1) Policies in Force

	As of March 31, 2010		As of March 31, 2009	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (term life)	2,599	13,618	2,770	14,611
Variable insurance (whole life)	38,140	602,945	38,824	622,997
Total	40,739	616,564	41,594	637,609

2) Breakdown of Separate Account Assets Year-End Balance (Individual Variable Insurance)

	As of March 31, 2010		As of March 31, 2009	
	Amount (million yen)	Composition ratio (%)	Amount (million yen)	Composition ratio (%)
Cash, deposits, and call loans	5,006	4.1	5,009	4.5
Securities:	105,879	87.6	93,828	85.2
Domestic bonds	30,001	24.8	27,146	24.6
Domestic stocks	40,801	33.8	34,611	31.4
Foreign securities:	35,077	29.0	32,070	29.1
Foreign bonds	13,313	11.0	13,309	12.1
Foreign stocks and other securities	21,763	18.0	18,760	17.0
Other securities	—	—	—	—
Loans receivable	—	—	—	—
Others	9,938	8.2	11,321	10.3
Allowance for doubtful accounts	—	—	—	—
Total	120,824	100.0	110,159	100.0

3) Investment Income from Separate Account (Individual Variable Insurance)

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount of policies	Amount of policies
Interest, dividends, and other income	2,076	3,044
Gain on sales of securities	3,256	3,782
Gain on redemption of securities	1	0
Gain on valuation of securities	3,607	-4,343
Foreign exchange gains	25	—
Gain on derivative financial instruments, net	394	—
Other investment income	4	3
Loss on sales of securities	11,105	22,711
Loss from redemption of securities	1	0
Loss on valuation of securities	-20,888	11,028
Foreign exchange loss	—	6
Loss on derivative financial instruments, net	—	2,474
Other investment expenses	4	5
Net investment income	19,143	-33,737

(3) Status of Separate Account for Individual Variable Annuities

1) Policies in Force

	As of March 31, 2010		As of March 31, 2009	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	28,376	174,790	29,519	163,100

2) Breakdown of Separate Account Assets Year-End Balance (Individual Variable Annuities)

	As of March 31, 2010		As of March 31, 2009	
	Amount (million yen)	Composition ratio (%)	Amount (million yen)	Composition ratio (%)
Cash, deposits, and call loans	—	—	—	—
Securities:	168,692	96.5	156,910	96.2
Domestic bonds	26,602	15.2	28,541	17.5
Domestic stocks	—	—	—	—
Foreign securities:	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	142,090	81.3	128,368	78.7
Loans receivable	—	—	—	—
Others	6,099	3.5	6,209	3.8
Allowance for doubtful accounts	—	—	—	—
Total	174,792	100.0	163,119	100.0

3) Investment Income from Separate Account (Individual Variable Annuities)

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
Interest, dividends, and other income	710	1,611
Gain on sales of securities	96	219
Gain on redemption of securities	—	—
Gain on valuation of securities	1,738	-11,695
Foreign exchange gains	—	—
Gain on derivative financial instruments, net	—	—
Other investment income	0	0
Loss on sales of securities	1,445	2,035
Loss from redemption of securities	—	—
Loss on valuation of securities	-22,182	27,605
Foreign exchange loss	—	—
Loss on derivative financial instruments, net	—	—
Other investment expenses	0	0
Net investment income	23,282	-39,504

15. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million yen)

	Year ended March 31, 2010	Year ended March 31, 2009
Total revenues	66,898	66,928
Operating income	2,915	910
Net surplus for the year	2,436	1,520

	As of March 31, 2010	As of March 31, 2009
Total assets	488,503	459,974

(2) Scope of Consolidation and Application of the Equity Method

	As of March 31, 2010
Number of consolidated subsidiaries	10
Number of non-consolidated subsidiaries accounted for under the equity method	0
Number of affiliates accounted for under the equity method	4

(3) Policies of Presenting the Consolidated Financial Statements

(i) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and its subsidiaries.

Consolidated subsidiaries as of March 31, 2010 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.

The respective and aggregate effects of the companies, which are excluded from consolidation, on total assets, revenues, net income and surplus for the fiscal year ended March 31, 2010 are immaterial. This exclusion from consolidation does not prevent a reasonable judgment of the consolidated financial position of the Company and its subsidiaries and the result of their operations.

(ii) Affiliates

Affiliates accounted for under the equity method as of March 31, 2010 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-Greatwall Life Insurance Co., Ltd. (formerly Nissay-SVA Life Insurance Co., Ltd.)

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 on consolidated net income and surplus for the fiscal year ended March 31, 2010 are immaterial.

Nissay Dowa General Insurance Company, Limited will be excluded from the number of affiliates accounted for under the equity method from the next fiscal year because a decrease in shareholding resulted in the loss of its status as an affiliated corporation.

The number of consolidated subsidiaries and affiliates as of March 31, 2010 were as follows:

Consolidated subsidiaries	10
Subsidiaries not consolidated but accounted for under the equity method	0
Affiliates accounted for under the equity method	4

(iii) Financial statements year-end dates of consolidated subsidiaries and affiliates

The end date of financial statements of consolidated overseas subsidiaries and affiliates is December 31. The 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 statement end date and preparation date.

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

The Company has adopted the mark to market method.

(v) Amortization of goodwill

The total amount of goodwill is recorded to expense as incurred in the fiscal consolidated year.

(4) Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2010	As of March 31, 2009
	Amount	Amount
Assets:		
Cash and deposits	617,836	616,728
Call loans	146,100	203,800
Deposits paid for securities borrowing transactions	151,689	—
Monetary receivables purchased	1,152,229	1,160,387
Assets held in trust	10,670	114,637
Investments in securities	34,919,016	31,283,156
Loans receivable	8,694,487	9,050,468
Tangible fixed assets:	1,808,633	1,685,176
Land	1,209,743	1,084,930
Buildings	544,400	556,207
Leases	2,813	203
Construction in progress	26,238	21,484
Other tangible fixed assets	25,437	22,351
Intangible fixed assets:	181,285	167,541
Software	70,130	64,945
Other intangible fixed assets	111,154	102,595
Reinsurance receivables	300	275
Other assets	742,542	781,863
Deferred tax assets	439,865	944,425
Customers' liability for acceptances and guarantees	15,088	14,204
Allowance for doubtful accounts	-29,403	-25,220
Total assets	48,850,343	45,997,446

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2010	As of March 31, 2009
	Amount	Amount
Liabilities:		
Policy reserves and other reserves:	43,390,643	42,321,180
Reserve for outstanding claims	224,766	224,277
Policy reserves	42,015,736	40,881,510
Reserve for policyholder dividends	1,150,140	1,215,391
Reinsurance payables	326	340
Other liabilities	1,904,609	1,239,459
Accrued bonuses for directors and corporate auditors	56	71
Accrued severance indemnities	453,157	440,804
Accrued retirement benefits for directors and corporate auditors	6,029	6,123
Accrued losses from supporting closely related companies	453	485
Reserve for price fluctuations in security investments	398,011	372,013
Deferred tax liabilities for revaluation reserve	174,013	176,020
Acceptances and guarantees	15,088	14,204
Total liabilities	46,342,389	44,570,702
Net assets:		
Foundation funds	250,000	200,000
Reserve for redemption of foundation funds	800,000	750,000
Reserve for revaluation	651	651
Consolidated surplus	409,964	349,344
Total equity	1,460,616	1,299,995
Net unrealized gain on available-for-sale securities, net of tax	1,178,311	253,693
Deferred gains on derivatives under hedge accounting	-602	6
Land revaluation differences	-91,111	-91,006
Cumulative translation adjustments	-50,640	-46,148
Total valuations, conversions and others	1,035,956	116,544
Minority interests	11,381	10,203
Total net assets	2,507,953	1,426,743
Total liabilities and net assets	48,850,343	45,997,446

Basis of Presenting the Consolidated Balance Sheet as of March 31, 2010

1. Securities of the Parent Company including items treated as securities based on “financial product accounting standards” (Corporate Accounting Standards No. 10) and securities within assets held in trust of deposits and monetary receivables purchased, are valued as follows:
 - (1) Trading securities are stated at market value as of the balance sheet date (moving average method is used for calculating cost of sales).
 - (2) Held-to-maturity debt securities are valued using the moving average method net of accumulated amortization (straight-line).
 - (3) Policy-reserve-matching bonds are valued using the moving average method net of accumulated amortization (straight-line) 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.
 - (4) Stocks of subsidiaries and affiliates of non-consolidated or non-equity method (stocks issued by subsidiaries prescribed in Article 2 paragraph 12 of the Insurance Business Act excluding subsidiaries prescribed in Article 13-5-2 paragraph 3 of the Ordinance of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2 paragraph 4 of the Ordinance of the Insurance Business Act) are valued using the moving average method.
 - (5) Available-for-sale securities
 - 1) For securities with a market value, stocks (including foreign stocks) are valued by using the average market value during the period of one month before the balance sheet date (cost of sales is calculated by using the moving average method). Other securities with a market value are valued by using the market value on the balance sheet date (cost of sales is calculated by using the moving average method).
 - 2) For securities without a 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). Other securities without a market value are valued at the gross moving average amount.

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

2. Securities that are held for the purpose of matching the periods the liabilities are outstanding 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.
3. Derivative financial instruments are stated at market value.
4. (1) 1) Tangible fixed assets of the Parent Company (except for lease assets related to trading 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 mainly on the straight-line method.
 - 2) Depreciation of software, which is included in intangible fixed assets, is calculated based on the straight-line method.
 - 3) The straight-line method based on lease period is used to calculate depreciation of lease assets related to trading financial leases where ownership is not transferred.
- (2) The amount of accumulated depreciation for tangible fixed assets was ¥1,124,281 million as of March 31, 2010.
5. Revaluation of land used for operations of the parent company 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 revaluation reserve" within the liability section. The valuation difference, excluding tax, is recognized as "land revaluation differences" 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 Ordinance clauses 2-1 and 2-4, respectively, which are the laws regarding land revaluation.

6. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using "the accounting standard for foreign currency transactions."

Exchange rates can fluctuate significantly. Available-for-sale securities of the Parent Company, denominated in foreign currencies, for which recovery is not expected, are converted to yen using either the rate at the end of the balance sheet date or the average rate 1 month prior to the end of the balance sheet date, whichever

indicates a weaker yen. This exchange is recorded under “Loss on valuation of securities.”

7. (1) Allowance for doubtful accounts of the Parent Company is recognized in accordance with the Company’s internal Asset Valuation Regulation and Write-Off/Provision Rule.
 - 1) The amount of the 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 at (4) below).
 - 2) The allowance for loans receivable from creditors who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized on the amounts deemed necessary considering an assessment of the borrowers’ overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - 3) The allowance for loans receivable from creditors other than the above is provided based on the borrowers’ balance multiplied by the historical average (of a certain period) percentage of bad debt.
 - (2) All credits of the Parent Company are assessed by responsible sections in accordance with the Company’s Asset Valuation Regulation. 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, the Company allocates amounts deemed necessary in accordance mainly with the Company’s internal Asset Valuation Regulation and Write-Off/Provision Rule.
 - (4) The amount of collateral value or the amount collectible by the execution of guarantees or other methods directly subtracted from the balance of loans receivable is the estimated uncollectible amount for loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The amount recognized in the consolidated financial statements was ¥14,732 million (including ¥8,327 million of credits secured and/or guaranteed) as of March 31, 2010.
8. Accrued bonuses for directors and corporate auditors are recognized based on the amount estimated to be paid.
 9. (1) Accrued severance indemnities of the Parent Company are provided based on the estimated amount of projected benefit obligations in excess of the market value of pension plan assets for future severance payments of employees as of the balance sheet date.
 - (2) “Partial Amendment to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19) is applied from the fiscal year ended March 31, 2010.

Because it was decided that the same discount rate as previously applied is to be used, there is no effect on ordinary income or pre-tax net surplus.

(3) Information relating to retirement allowance payments is as follows.

1) Breakdown of retirement benefit obligations as of March 31, 2010:

	Million Yen
	As of March 31, 2010
a. Retirement Benefit Obligations	-¥773,186
b. Pension Plan Assets	285,021
c. Accrued Retirement Benefit Costs (a+b)	-488,164
d. Unrecognized Actuarial Differences	35,007
e. Accrued Severance Indemnities (c+d)	-¥453,157

2) Basic information for the calculation of accrued severance indemnities is as follows:

a. Periodical allocation method of estimated retirement benefit	Straight-line
b. Discount rate	1.6%
c. Expected rate on plan assets	2.5%
d. Method of amortizing actuarial differences	Amortization is made over a certain period (5 years) using the straight-line method within the average remaining years of service of employees one year after the accrual of liabilities.
e. Method of amortizing prior service costs	Amortization is made over a certain period (5 years) using the straight-line method within the average remaining years of service of employees upon accrual of liabilities.

10. Accrued retirement benefits for directors and corporate auditors are an estimated payment amounts based on internal rules.

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

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

13. Accounting treatment for financial leases other than from the transfer of ownership is based on “Accounting Standards of Lease Transactions” (Corporate Accounting Standards No. 13).
Regarding financial leases where ownership is not transferred and lease start date is March 31, 2008 or prior, the accounting treatment applied is based on method related to ordinary lease transactions.
For financial lease transactions where the lessor’s ownership is not transferred, we calculate the sales amount and cost of sales at the time of receiving the lease fee.
14. Hedge accounting of the Parent Company is calculated by following method.
- 1) The Parent Company applies the mark-to-market method of hedge accounting mainly for hedging activities against exposures to foreign exchange rate fluctuations on certain bonds denominated in foreign currencies. The Parent Company also applies the special treatment prescribed under the Accounting Standards for Financial Instruments for interest swap agreements used to manage cash flow volatility associated with interest rate changes on certain loans receivable. In addition, the Parent Company matches foreign exchange forward contracts and currency swaps with certain financial assets denominated in foreign currencies.
 - 2) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of market value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company’s internal risk management policies.
15. 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 asset transactions, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are recorded to expense as incurred as of March 31, 2010.
16. A policy reserve of the Parent Company is a reserve set forth in accordance with Article 116 of the Insurance Business Act. 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 (the 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, additional amounts to the policy reserves were to be made over 5 years to a portion of the individual annuity policyholders. Such treatment is in accordance with Article 69 paragraph 5 of the Enforcement Ordinance of the Insurance Business Act. As a result of the adoption of the treatment, the policy reserves is ¥207,970 million as of March 31, 2010.

17. Regarding asset management for the Parent Company's general account (excluding separate accounts as provided in Article 118 paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, we built a portfolio geared towards mid- to long-term investment, and formulated an investment plan considering the outlook of the investment environment.

Based on this, in order to reliably pay insurance claims and benefits into the future, we positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as our core assets and, from the viewpoint of improving profit in the mid- to long-term, we invested in stocks and foreign securities. Also, from the viewpoint of effective asset management, the Company mainly uses derivative transactions for controlling asset investment risks. Specifically, we use interest rate swaps for our interest rate related investments, foreign exchange forward contracts and currency options and swaps for our currency related investments, and hedge accounting is applied with respect to a portion thereof.

Hedge account methodologies include market value hedge accounting for hedging against foreign currency exchange fluctuation risk for certain foreign currency-denominated bonds, exceptional accounting treatment ("*Tokurei-shori*") for interest rate swaps to hedge cash flow volatility on certain loans receivable and designated hedge accounting ("*Furiate-shori*") for foreign exchange contracts and currency swaps for certain foreign currency-denominated assets. Effectiveness of hedging activities is mainly evaluated by ratio analysis to compare market value movements on the hedging instruments and the hedged items in accordance with the Company's internal risk management policies.

Mainly, securities are exposed to market risk and credit risk, loans are exposed to credit risk, and derivative transactions are exposed to market risk and credit risk. Market risk refers to the risk of losses incurred when the market value of investment assets decline due to such factors as fluctuations in interest rates, stock prices or exchange rates. Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines or disappears due to deterioration of the financial condition of the party to whom credit was extended. These risks are managed according to rules and regulations regarding asset management risks.

To manage market risk, we have implemented investment limits based on the nature of the assets in order to curb excessive losses for each financing and investment transaction. Also, we regularly report on the status of compliance to the Risk Management Committee, the advisory body of the Management Committee, along with preparing a system to control risk to acceptable levels when there is a breach of rules. In addition, to control market risk in our entire portfolio, we use statistical analysis to rationally calculate market value-at-risk of the portfolio as a whole and conduct appropriate asset allocation within acceptable boundaries of risk. To manage credit risk, we have built systems for rigorous examinations involving an Assessment Management Unit independent of the departments handling investment and finance activities. We are also striving to build a sound portfolio through the establishment of interest guidelines to ensure the returns we obtain are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company or group. Moreover, we calculate the magnitude of credit risk as credit value at risk using Monte Carlo simulations. By considering the results of our policy for managing our credit risk portfolio, we keep risk within an acceptable range.

18. (1) Balance sheet amounts and market values of major financial instruments and their differences are as follows.

(Million Yen)

	Balance sheet amount (*1)	Market value	Difference
Cash and deposits (negotiable certificates of deposit)	369,994	369,994	—
Available-for-sale securities	369,994	369,994	—
Monetary receivables purchased	1,152,229	1,162,774	10,545
Policy-reserve-matching bonds	1,055,131	1,065,677	10,545
Available-for-sale securities	97,097	97,097	—
Assets held in trust	10,670	10,670	—
Trading securities	10,670	10,670	—
Securities	33,622,413	34,151,995	529,582
Trading securities	1,343,425	1,343,425	—
Held-to-maturity debt securities	44,860	45,221	360
Policy-reserve-matching bonds	15,780,403	16,304,899	524,496
Investments in subsidiaries and affiliates	81,446	86,172	4,725
Available-for-sale securities	16,372,276	16,372,276	—
Loans receivable (*2)	8,680,081	8,861,414	181,332
Policy loans	1,025,475	1,025,475	—
Industrial and consumer loans	7,654,606	7,835,939	181,332
Derivative financial instruments (*3)	(101,963)	(101,963)	—
Hedge accounting not applied	(649)	(649)	—
Hedge accounting applied	(101,313)	(101,313)	—
Cash received as collateral under securities lending contracts (*4)	(1,025,057)	(1,025,057)	—

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.

(*2) The market values of financial derivative instruments including interest rate swaps under exceptional accounting treatment (“*Tokurei-shori*”) or currency swaps under designated hedge accounting (“*Furiate-shori*”) are included in the market values of loans receivable because they are accounted for as an integral part of loans receivable which are hedged items.

(*3) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

(*4) Cash received as collateral under securities lending contracts is recorded in liabilities and presented in parentheses.

- (2) Market value measurement methods for the Parent Company's major financial instruments are as follows.
- 1) Securities, deposits and monetary receivables purchased treated as securities based on "Accounting Standards for Financial Instruments" (Corporate Accounting Standards No. 10)
 - a. Items with a market price

Market value is measured based on the closing market price at year-end. However, the market values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the end of the fiscal year.
 - b. Items without a market price

Market value is measured mainly by discounting future cash flows to the present value.
 - 2) Loans receivable
 - a. Policy loans

Market value is deemed to approximate book value, due to no repayment deadlines based on characteristics such as limiting loans to the surrender benefit range, and expected reimbursement period and interest rate requirements, etc. Thus, the book value is used as market value of the policy loans.
 - b. General loans

Market value of variable interest rate loans is deemed to approximate book value, because market interest rates are reflected in future cash flows over the short term. Thus, the book value is used as the market value of the variable interest loans.

Market value of fixed interest rate loans is measured mainly by discounting future cash flows to the present value.

Loans receivable to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectable amount from the book value directly prior to the decrease.
 - 3) Derivative financial instruments
 - a. Market value of futures and other market transactions is measured by the liquidation value or closing market price at year-end.
 - b. Market value of exchange contracts and currency options is measured based on theoretical values calculated by the Company using Telegraphic Transfer Middle rate (TTM) and discount rates obtained from brokers.
 - c. Market value of interest rate swaps and currency options is measured based on theoretical present value calculated by discounting future cash flows using published market interest rates, etc.
 - 4) Money held in trust

Market value is measured based on the price rationally calculated by the trustee of money held in trust, pursuant to 1) and 3) above.

5) Cash received as collateral under securities lending contracts

The book value is used as market value due to their short-term settlement.

- (3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities and other items for which it is extremely difficult to determine a market value are not included in securities in table (1).

Amounts on the balance sheet at the end of the fiscal year by holding purpose are ¥54,955 million for stocks of subsidiaries and affiliates and ¥1,233,647 million for available-for-sale securities.

- (4) Matters regarding securities, etc. by purpose of possession are as follows.

1) Trading securities

Securities managed as trust assets in money held in trust and securities related to separate accounts are classified as trading securities.

Valuation differences included in current period income consist of a loss of ¥2,479 million for money held in trust and a loss of ¥9,996 million for securities related to separate accounts.

Money held in trust includes derivative financial instruments held the trust.

2) Held-to-maturity debt securities

Balance sheet amounts, market values and their differences by type are as follows.

(Million Yen)

	Type	Balance sheet amount	Market value	Difference
Items whose market value exceeds the balance sheet amount	Domestic bonds	36,172	36,687	514
	Foreign securities	4,669	4,767	97
	Subtotal	40,842	41,454	611
Items whose market value does not exceed the balance sheet amount	Domestic bonds	2,021	2,018	-2
	Foreign securities	1,997	1,748	-248
	Subtotal	4,018	3,767	-251
Total		44,860	45,221	360

3) Policy-reserve-matching bonds

Balance sheet amounts, market values and their differences by type are as follows.

(Million Yen)

	Type	Balance sheet amount	Market value	Difference
Items whose market value exceeds the balance sheet amount	Monetary receivables	795,158	809,991	14,833
	Domestic bonds	14,092,476	14,642,231	549,755
	Foreign securities	37,850	38,957	1,106
	Subtotal	14,925,486	15,491,180	565,694
Items whose market value does not exceed the balance sheet amount	Monetary receivables	259,973	255,685	-4,287
	Domestic bonds	1,595,851	1,571,991	-23,860
	Foreign securities	54,224	51,719	-2,504
	Subtotal	1,910,049	1,879,396	-30,653
Total		16,835,535	17,370,576	535,041

4) Available-for-sale securities

Acquisition cost or amortized cost and balance sheet amounts and their differences by type are as follows.

(Million Yen)

	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
Items whose balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	15,000	15,000	0
	Monetary receivables	4,968	5,299	330
	Domestic bonds	1,144,171	1,179,679	35,508
	Domestic stocks	3,678,202	5,581,643	1,903,440
	Foreign securities	4,914,184	5,175,585	261,400
	Other securities	179,281	188,518	9,237
	Subtotal	9,935,808	12,145,725	2,209,916
Items whose balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	355,500	355,494	-5
	Monetary receivables	92,359	91,798	-561
	Domestic bonds	521,534	520,958	-575
	Domestic stocks	1,089,525	858,505	-231,019
	Foreign securities	2,860,434	2,749,976	-110,458
	Other securities	141,975	116,910	-25,065
	Subtotal	5,061,329	4,693,643	-367,686
Total		14,997,138	16,839,368	1,842,230

* The items (¥1,233,647 million) whose market value is extremely difficult to determine are not included.

- 5) Because some issues of monetary receivables purchased no longer meet the requirements for policy-reserve-matching bonds provided in “Treatment of Accounting and Auditing for Policy-Reserve-Matching Bonds Within the Insurance Industry” (JICPA Industry Audit Committee Report No. 21), they are replaced with available-for-sale securities. An end of period valuation according to the above revealed decreases of ¥122 million in monetary receivables purchased and ¥78 million in securities valuation difference and an increase of ¥44 million in deferred tax assets. There is no effect on ordinary income or surplus before income taxes.

19. The balance sheet amount for investment and rental properties at the fiscal year end was ¥1,202,151 million, a market value of ¥1,261,479 million.

The Parent Company and certain subsidiary companies own rental office buildings and commercial facilities the market value of which at fiscal year end is the amount measured based mainly on real estate appraisal standards.

20. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over 3 months and restructured loans, which were included in loans receivable, was ¥52,700 million as of March 31, 2010.

- 1) The balances of loans to bankrupt borrowers and delinquent loans were ¥3,250 million and ¥38,915 million as of March 31, 2010.

Loans to bankrupt borrowers are loans, except for a portion of loans written-off, where the borrowers satisfy conditions prescribed in Article 96 Paragraph 1 Item 3 or Item 4 of the Enforcement Regulations of the Corporation Tax Act and are recorded net of the portion of the losses written off. 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 to bankrupt borrowers and the loans to which postponement of interest payments is made with the objective of reconstructing these loans and supporting the borrowers.

- 2) There were no loans that were delinquent for over 3 months as of March 31, 2010. Loans that are delinquent for over 3 months are loans with principal or interest unpaid for over 3 months beginning one day after the due date based on the loan agreement. These loans exclude loans classified as loans to bankrupt borrowers and delinquent loans.

- 3) The balance of restructured loans was ¥10,534 million as of March 31, 2010. Restructured loans 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 credits, and providing other benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over 3 months.

(2) The direct write-off of loans receivable decreased balances of loans to bankrupt borrowers and delinquent loans by ¥11,008 million and ¥3,723 million, respectively, as of March 31, 2010.

21. Separate Accounts as provided for in Article 118 paragraph 1 of the Insurance Business Act were ¥1,449,753 million as of March 31, 2010 and are presented within other assets with a corresponding liability recorded for the same amount.

22. Changes in the reserve for policyholder dividends included in policy reserves for the period ended March 31, 2010 were as follows:

	Million Yen
	As of March 31, 2010
a. Balance at the end of previous fiscal year	¥1,215,391
b. Transfer to reserve from surplus in previous fiscal year	130,634
c. Policyholder dividends paid out in the current period	227,044
d. Increase in interest	31,160
e. Balance as of March 31, 2010 (a+b-c+d)	¥1,150,140

23. Assets pledged as collateral by securities, lease, land, and buildings as of March 31, 2010 were ¥1,072,156 million, ¥16,855 million, ¥2,952 million, and ¥308 million, respectively. The total amount of loans covered by the aforementioned assets was ¥1,052,759 million as of March 31, 2010.

These amounts included ¥1,039,219 million of securities deposited and ¥1,036,250 million of cash received as collateral, under the securities lending contracts secured by cash, as of March 31, 2010.

24. ¥100,000 million of foundation funds were offered according to Article 60 of Insurance Business Act.

25. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed for in Article 56 of the Insurance Business Act.

26. The total amount of stocks and investments in non-consolidated subsidiaries was ¥136,401 million as of March 31, 2010.

Affiliated corporation Nissay Dowa General Insurance Company, Limited effected a stock swap with MS&AD Insurance Group Holdings, Inc. following its business integration with Aioi Insurance Co., Ltd. and Mitsui Sumitomo Insurance Group Holdings, Inc. on April 1, 2010. This stock swap will result in the recording of ¥2,415 million in loss on sales of securities for the fiscal year ending March 31, 2011.

27. The amount of securities loaned for consumption was ¥1,865,306 million as of March 31, 2010.

28. Assets that can be sold or re-secured are marketable securities loaned under a loan for consumption contract. These assets were being held without disposal totaling ¥595,913 million at market value as of March 31, 2010.
29. The amount of commitments related to loans receivable and loans outstanding was ¥96,680 million as of March 31, 2010.
30. The amount of future contributions to the Life Insurance Policyholder Protection Corporation of Japan, in accordance with Article 259 of the Insurance Business Act, was estimated to be ¥86,842 million as of March 31, 2010.
The contribution amount is recognized as an operating expense at the time of payment.
31. (1) Total deferred tax assets were ¥1,204,069 million and total deferred tax liabilities were ¥706,808 million as of March 31, 2010. Among deferred tax assets, the deduction for valuation allowance for deferred tax assets was ¥57,395 million. The major components causing deferred tax assets were policy reserves of ¥786,731 million, accrued severance indemnities of ¥163,740 million, reserve for price fluctuations in security investments of ¥143,737 million, and allowance for doubtful accounts of ¥13,941 million. The major component causing deferred tax liabilities was net unrealized gain on securities of ¥662,165 million.
- (2) The statutory tax rate was 36.1% for the fiscal year ended March 31, 2010. The major difference between the statutory tax rate and the effective income tax rate was -28.5% for the reserve for policyholder dividends.

(5) Consolidated Statements of Income

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
Revenues:	6,689,872	6,692,862
Income from insurance and reinsurance premiums	4,837,897	5,060,302
Investment income:	1,560,274	1,239,667
Interest, dividends, and other income	1,128,229	1,142,142
Gain from assets held in trust, net	28,657	—
Gain on sales of securities	183,840	88,169
Gain from redemption of securities	1,259	5,063
Gain on derivative financial instruments, net	16,436	—
Other investment income	1,208	4,292
Gain from separate account, net	200,643	—
Other revenues	291,700	392,892
Expenditures:	6,398,320	6,601,821
Insurance claims and other payments:	3,899,580	4,056,596
Death and other claims	1,174,213	1,314,163
Annuity payments	540,285	506,864
Health and other benefits	879,253	851,235
Surrender benefits	1,059,647	1,102,075
Other refunds	244,455	280,608
Reinsurance premiums	1,724	1,648
Provision for policy reserves:	1,165,881	173,550
Provision for claim reserves	630	—
Provision for policy reserves	1,134,090	140,343
Interest on reserve for policyholder dividends	31,160	33,206
Investment expenses:	308,397	1,268,196
Interest expense	3,268	4,791
Loss from proprietary trading securities	—	0
Loss from assets held in trust, net	—	54,967
Loss on sales of securities	124,083	131,964
Loss on valuation of securities	89,270	532,044
Loss from redemption of securities	12,635	6,240
Loss on derivative financial instruments, net	—	116,658
Foreign exchange loss, net	12,879	15,927
Provision for doubtful accounts	14,779	—
Write-off of loans	267	213
Depreciation of rental real estate and other assets	26,001	27,160
Other investment expenses	25,210	25,441
Loss from separate accounts, net	—	352,786
Operating expenses	590,238	583,788
Other expenditures	434,223	519,689
Operating income	291,552	91,041

(5) Consolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
Extraordinary profits:	1,324	126,521
Gain on disposal of fixed assets	1,324	1,083
Reversal of reserve for price fluctuations in security investments	—	115,250
Reversal of allowance for doubtful accounts	—	10,187
Extraordinary losses:	40,627	11,471
Loss on disposal of fixed assets	5,069	3,760
Impairment losses	6,650	5,977
Provision for reserve for price fluctuations in security investments	25,998	—
Loss on reduction entry of real estate	332	256
Others	2,577	1,477
Surplus before income taxes	252,249	206,090
Income tax - current	5,353	2,896
Income tax - deferred	2,541	50,526
Income tax - total	7,894	53,423
Minority interests	692	573
Net surplus for the year	243,663	152,093

Notes to the Consolidated Statement of Income for the fiscal year ended March 31, 2010

1. Benefit cost of accrued severance indemnities for the fiscal year ended March 31, 2010 was analyzed as follows:

	Million Yen
	Year ended March 31, 2010
a. Service cost	¥26,338
b. Interest cost	12,428
c. Expected return on plan assets	-6,781
d. Amortization of actuarial differences	25,729
e. Amortization of prior service cost	-6,861
f. Others	1,893
g. Net periodic benefit cost (a+b+c+d+e+f)	<u>¥52,747</u>

2. Loss on Impairment of Assets is as follows:

- 1) Method for grouping the assets

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

- 2) Circumstances causing impairment losses

The Company observed a marked decrease of profitability or market 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.

- 3) Breakdown of asset groups that recognized impairment losses for the fiscal year ended March 31, 2010 are as follows:

	Million Yen		
Purpose of use	Land	Buildings	Total
Leased Property	¥1,954	¥584	¥2,539
Idle Property	¥3,173	¥937	¥4,111
Total	<u>¥5,128</u>	<u>¥1,522</u>	<u>¥6,650</u>

- 4) Calculation method of recoverable amount

The recoverable amount used for the measurement of impairment loss on leased property 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 sales of the asset.

The discount rate used in calculation of future cash flows is 4.0%. Net realizable values are determined

based on the real estate appraisal or posted land price.

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
I. Cash flows from operating activities:		
Surplus before income taxes in the year	252,249	206,090
Depreciation of rental real estate and other assets	26,001	27,160
Depreciation	45,477	44,566
Impairment losses	6,650	5,977
Net decrease in reserve for outstanding claims	460	-15,019
Net increase in policy reserves	1,134,209	140,499
Interest on reserve for policyholder dividends	31,160	33,206
Net decrease in allowance for doubtful accounts	14,108	-10,963
Net decrease in reserve for bonuses for directors and corporate auditors	△14	-22
Net increase in accrued severance indemnities	12,352	5,446
Net increase in accrued retirement benefits for directors and corporate auditors	-94	192
Net decrease in reserve for price fluctuations in security investments	25,998	-115,250
Interest, dividends and other income	-1,128,229	-1,142,142
Net loss from assets held in trust	-28,657	54,967
Net loss on security investments	41,218	577,080
Net loss of policy loans	234,322	253,292
Loss (gain) on derivative financial instruments, net	-16,436	116,658
Interest expense	3,268	4,791
Foreign exchange loss	12,831	15,927
Net loss on tangible fixed assets	4,077	2,933
Investment loss on equity method	-1,408	2,386
Loss from separate accounts, net	-200,643	352,786
Net decrease in reinsurance receivables	-25	338
Net increase in other assets (excluding those related to investing activities and financing activities)	1,194	-3,248
Net increase in reinsurance payables	-14	1
Net increase in other liabilities (excluding those related to investing activities and financing activities)	-5,825	9,058
Others, net	20,017	-29,885
Subtotal	484,247	536,831
Interest, dividends and other income received	1,123,829	1,164,940
Interest paid	-3,297	-5,236
Dividends to policyholders paid	-222,643	-224,679
Others, net	1,769	12,919
Income taxes paid/refund	44,475	-88,828
Net cash provided by operating activities	1,428,380	1,395,946

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
II. Cash flows from investing activities:		
Net decrease in deposits	-400	-1,400
Net increase in receivables under securities borrowing transactions	-151,689	—
Purchases of monetary receivables	-19,343	-103,755
Proceeds from sales and redemption of monetary receivables purchased	49,824	98,958
Proceeds from decrease in money held in trust	132,048	—
Purchases of securities	-11,315,842	-11,901,539
Proceeds from sales and redemption of securities	9,505,934	10,110,478
Investments in loans	-1,397,314	-1,526,277
Collections of loans	1,538,025	1,725,834
Income from the settlement of financial derivative instruments	146,595	109,461
Net decrease in cash received as collateral under securities lending contracts	574,562	-122,611
Others, net	-8,903	-1,100
Investment Management Activity Total	-946,503	-1,611,951
(Operating activities and Investment Management activities total)	(481,877)	(-216,004)
Purchases of tangible fixed assets	-184,399	-59,975
Proceeds from sales of tangible fixed assets	3,748	3,631
Others, net	-37,465	-38,316
Net cash used in investing activities	-1,164,619	-1,706,612
III. Cash flows from financing activities:		
Proceeds from debt issuance	149,795	133,799
Repayments of debt	-167,064	-138,008
Proceeds from solicitation of foundation funds	100,000	50,000
Redemption of foundation funds	-50,000	-50,000
Interest on foundation funds	-2,489	-2,501
Others, net	13,011	-1,069
Net cash provided by financing activities	43,253	-7,780
IV. Effect of exchange rate changes on cash and cash equivalents	-9,394	-19,889
V. Net decrease in cash and cash equivalents	297,619	-338,335
VI. Cash and cash equivalents at the beginning of the year	952,759	1,294,607
VII. Decrease in cash and cash equivalents due to the exclusion of subsidiaries from consolidation	—	-3,511
VIII. Cash and cash equivalents at the end of the year	1,250,378	952,759

Basis of Presenting the Consolidated Cash Flows Statement for the fiscal year ended March 31, 2010

Cash and cash equivalents

Cash and cash equivalents, for the purpose of reporting consolidated 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, which are readily convertible into cash, and present insignificant risk of change in value.

(7) Consolidated Statements of Changes in Net Assets

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
Foundation funds and others:		
Foundation funds:		
Beginning balance	200,000	200,000
Increase/Decrease:		
Issuance of foundation funds	100,000	50,000
Redemption of foundation funds	-50,000	-50,000
Net change	50,000	—
Ending balance	250,000	200,000
Reserve for redemption of foundation funds:		
Beginning balance	750,000	700,000
Increase/Decrease:		
Additions to reserve for redemption of foundation funds	50,000	50,000
Net change	50,000	50,000
Ending balance	800,000	750,000
Reserve for revaluation:		
Beginning balance	651	651
Increase/Decrease:		
Net change	—	—
Ending balance	651	651
Surplus:		
Beginning balance	349,344	473,978
Increase/Decrease:		
Additions to reserve for policyholder dividends	-130,634	-226,284
Additions to reserve for redemption of foundation funds	-50,000	-50,000
Interest on foundation funds	-2,489	-2,501
Net surplus	243,663	152,093
Reversal of land revaluation differences	80	2,058
Net change	60,620	-124,634
Ending balance	409,964	349,344
Total foundation funds and others:		
Beginning balance	1,299,995	1,374,629
Increase/Decrease:		
Issuance of foundation funds	100,000	50,000
Additions to reserve for policyholder dividends	-130,634	-226,284
Interest on foundation funds	-2,489	-2,501
Net surplus	243,663	152,093
Redemption of foundation funds	-50,000	-50,000
Reversal of land revaluation differences	80	2,058
Net change	160,620	-74,634
Ending balance	1,460,616	1,299,995

(7) Consolidated Statements of Changes in Net Assets (Continued)

(Million Yen)

	Year ended March 31, 2010	Year ended March 31, 2009
	Amount	Amount
Valuation, Conversion, and others:		
Net unrealized gain on available-for-sale securities, net of tax:		
Beginning balance	253,693	2,301,439
Increase/Decrease:		
Net change, excluding foundation funds and others	924,617	-2,047,746
Net change	924,617	-2,047,746
Ending balance	1,178,311	253,693
Deferred gains on derivatives under hedge accounting:		
Beginning balance	6	155
Increase/Decrease:		
Net change, excluding foundation funds and others	-608	-149
Net change	-608	-149
Ending balance	-602	6
Land revaluation differences:		
Beginning balance	-91,006	-88,938
Increase/Decrease:		
Net change, excluding foundation funds and others	-104	-2,067
Net change	-104	-2,067
Ending balance	-91,111	-91,006
Cumulative translation adjustments:		
Beginning balance	-46,148	-16,157
Increase/Decrease:		
Net change, excluding foundation funds and others	-4,492	-29,990
Net change	-4,492	-29,990
Ending balance	-50,640	-46,148
Total valuations, conversions and others:		
Beginning balance	116,544	2,196,499
Increase/Decrease:		
Net change, excluding foundation funds and others	919,411	-2,079,954
Net change	919,411	-2,079,954
Ending balance	1,035,956	116,544
Minority interests:		
Beginning balance	10,203	9,954
Increase/Decrease:		
Net change, excluding foundation funds and others	1,178	249
Net change	1,178	249
Ending balance	11,381	10,203
Total net assets:		
Beginning balance	1,426,743	3,581,082
Increase/Decrease:		
Issuance of foundation funds	100,000	50,000
Additions to reserve for policyholder dividends	-130,634	-226,284
Interest on foundation funds	-2,489	-2,501
Net surplus	243,663	152,093
Redemption of foundation funds	-50,000	-50,000
Reversal of land revaluation differences	80	2,058
Net change, excluding foundation funds and others	920,590	-2,079,705
Net change	1,081,210	-2,154,339
Ending balance	2,507,953	1,426,743

(8) Status of Non-Performing Assets According to Borrower's Classification (Consolidated)

(Million Yen, %)

	As of March 31, 2010	As of March 31, 2009
Bankrupt and Quasi-Bankrupt Loans	13,513	13,655
Doubtful Loans	28,664	29,752
Substandard Loans	10,534	9,680
Subtotal	52,711	53,088
(Percent of Total, %)	(0.50)	(0.50)
Normal Loans	10,563,650	10,466,913
Total	10,616,362	10,520,002

- Notes: 1. Bankrupt and quasi-bankrupt loans are non-performing assets that have fallen into bankruptcy due to reasons including initiation of bankruptcy proceedings, start of reorganization proceedings, and submission of an application to start rehabilitation proceedings.
2. Doubtful loans are non-performing assets with a strong likelihood that loan principal or interest cannot be recovered according to the contract, because of difficulties in financial condition and business performance of the obligor, although the obligor has not yet entered into bankruptcy.
3. Substandard loans include loans that are delinquent for over three months or restructured loans. Loans that are delinquent for over three months are loans with principal or interest being unpaid for over three months counting from the day after the due date based on the loan agreement (excluding 1) and 2) above). Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, and providing other benefits to the borrowers (excluding 1), 2) from above, and loans that are delinquent for over three months).
4. Normal loans are loans that do not fall under the classifications for 1) to 3) above, and where the obligor has no financial or business performance problems.

(9) Status of Risk-Monitored Loans (Consolidated)

(Million Yen, %)

	As of March 31, 2010	As of March 31, 2009
Loans to bankrupt borrowers	3,250	3,456
Delinquent loans	38,915	39,945
Loans that are delinquent for over three months	—	—
Restructured loans	10,534	9,680
Total	52,700	53,081
[Percent of total loans receivable](%)	(0.61)	(0.59)

- Notes: 1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), an estimated uncollectible amount (calculated by subtracting estimated collectable amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount.

The amount of loans to bankrupt borrowers and delinquent loans were ¥11,008 million and ¥3,723 million as of March 31, 2010; ¥6,099 million and ¥2,143 million as of March 31, 2009.

2. Loans to bankrupt borrowers are loans with principal or interest payments being long overdue and interest not being accrued including the following: (a) Loans to borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act, (b) Loans to borrowers that have notes suspended from being traded, and (c) Loans to borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.
3. "Delinquent loans" are loans for which interest is not being accrued on the balance sheet, which excludes the aforementioned loans to bankrupt borrowers and restructured loans.
4. "Loans that are delinquent for over three months" are loans with principal or interest unpaid for over three months counting from the day after the due date based on the loan agreement. Note that the account does not include loans to bankrupt borrowers and delinquent loans.
5. "Restructured loans" are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, and providing other benefits to the borrowers (excluding loans to bankrupt borrowers and delinquent loans from above, and loans that are delinquent for over three month).

(10) Status of Insurance Claims Paying Ability of Insurance Subsidiaries (Solvency Margin Ratio)

<Nissay Dowa General Insurance Company, Limited>

(Million Yen)

	As of March 31, 2010	As of March 31, 2009
(A) Solvency Margin Gross Amount	413,014	386,106
Capital and Foundation Funds	153,456	153,442
Reserve for price fluctuations in security investments	1,246	607
Contingency reserve	185	176
Catastrophe loss reserve	135,158	135,350
General allowance for doubtful accounts	84	56
Net unrealized gain/loss on available-for-sale securities (Prior to tax effect deductions)	67,559	39,305
Net unrealized gain/loss on real estate	18,243	20,129
Surrender value reserve surplus	—	—
Qualifying subordinated debt	—	—
Deduction clause	—	—
Others	37,080	37,035
(B) Total amount of risk		
$\sqrt{(R_1 + R_2)^2 + (R_3 + R_4)^2} + R_5 + R_6$	91,622	90,305
Underwriting risk (R ₁)	19,973	19,996
Underwriting risk of third market insurance (R ₂)	0	—
Anticipated yield risk (R ₃)	1,038	1,089
Investment risk (R ₄)	36,722	32,583
Business management risk (R ₅)	2,090	3,052
Calamity risk (R ₆)	46,813	48,090
(C) Solvency margin ratio		
$[(A) / \{ (B) \times 1 / 2 \}] \times 100$	901.5%	855.1%

Note: The aforementioned amounts and figures are calculated based on Article 86 and Article 87 of the Enforcement Regulation of the Insurance Business Act, as well as Ordinance No. 50 issued by the Ministry of Finance in 1996.

(11) Segment Information

For the fiscal year ended March 31, 2010 and the fiscal year ended March 31, 2009, the Company, its consolidated subsidiaries and its subsidiaries have engaged in businesses including the acquisition, management, sale, and mortgaging of real estate for lease other than life insurance business. Segment information is omitted due to its immaterial impact relative to all business segments.