NISSAY

Nippon Life Insurance Company

Annual Report • 2004

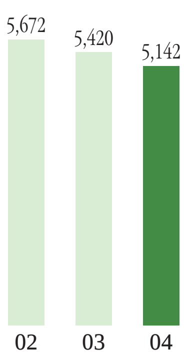
CONSOLIDATED FINANCIAL HIGHLIGHTS

Nippon Life Insurance Company and Subsidiaries

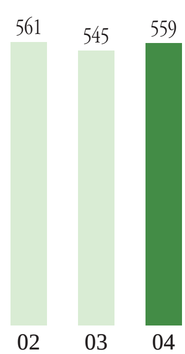
For the fiscal years ended March 31, 2004 and 2003	Millions of Yen 2004	Millions of Yen 2003	Millions of U.S. Dollars 2004
Total revenues	¥ 7,211,172	¥ 7,454,130	$ 68,229
Income from insurance and reinsurance premiums	5,169,262	5,446,295	48,909
Investment income	1,577,116	1,330,480	14,922
Total expenditures	6,828,913	7,328,300	64,612
Insurance claims and other payments	5,444,550	4,976,255	51,514
Provision for policy reserves	72,689	89,774	687
Expenses for investment	200,032	1,143,036	1,892
Operating expenses	576,937	624,710	5,458
Operating income	382,259	125,829	3,616
Surplus before income taxes	267,522	123,367	2,531
Surplus in the current year	198,628	112,976	1,879
Total assets	¥45,492,355	¥43,914,847	$430,431

Note: U.S. dollar amounts have been converted from yen, for convenience only, on the basis of ¥105.69=US$1, the effective rate of exchange at the balance sheet date of March 31, 2004.

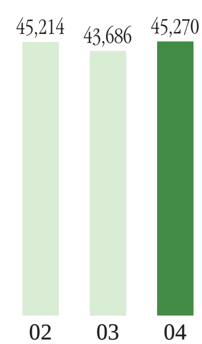
Financial Highlights (Non-consolidated basis)



Income from Insurance and Reinsurance Premiums (Billions of yen)



Core Operating Profit (Billions of yen)



Total Assets (Billions of yen)

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NISSAY

"NISSAY" is the abbreviation for Nippon Life. We employed the NISSAY brand and the company logo "century crystal" for our centennial anniversary, 1989.

Josei Itoh, Chairman: left
Ikuo Uno, President: right

TO OUR CUSTOMERS, BUSINESS ASSOCIATES, AND FRIENDS

We would like to thank you for your continuing interest in Nippon Life Insurance Company. We have prepared this annual report to assist you in better understanding our business operations, the issues we are addressing and our management strategies.

Nippon Life celebrated its 115th anniversary in 2004. All of us, the management and staff of Nippon Life, will continue to exert our utmost efforts to remain a company that customers trust and prefer, and accordingly, request your continuing support and assistance.

July 2004

Our Philosophy

Life insurance provides financial security and supports one's well-being during times of unexpected misfortune. With gradual curtailment of Japanese social security benefits, people's reliance on life insurance that is founded on society's "self-responsibility" and "mutual-aid" is becoming increasingly acute and important. In providing lifetime security to the public, the life insurance industry has assumed a vocation that is imbued with a national mission.

In 1959, Nippon Life established a corporate philosophy to promote the interests of the three most important stakeholders: customers, employees and the company itself.

We instill this philosophy into the hearts and minds of all members of Nippon Life at every opportunity, from small worksite meetings, and sessions at the training center to board meetings. All employees are required to carry a booklet that was created to remind them of this purpose.

1. Customer First

Since its establishment, Nippon Life has devoted utmost efforts to honor its mission of protecting the financial security of the people. Every member of Nippon Life is asked to ensure that customers come first.

For example, even during the periods of greatest devastation in Japan, such as the Great Kanto Earthquake and World War II, Nippon Life helped customers by promptly providing insurance benefits in the face of its own financial challenges, choosing not to evoke the applicable exclusion clauses.

In order to deal with financial challenges after World War II, Nippon Life mutualized to revitalize itself. Since then, it has proudly maintained mutuality as the best system to maximize customers' interests.

Nippon Life is poised to listen to its customers and every year holds "Nissay Konwakai" (round-table conferences for policyholders) in 117 cities throughout Japan, from which many opinions and suggestions are taken into its corporate strategies and operations.

2. Disciplined Economies of Scale and Scope

Nippon Life believes establishing a customer base with sound and disciplined underwriting is the very basis of fulfilling its mission as a life insurer. Following this principle, Nippon Life has expanded its customer base by increasing policies in force mainly through death protection products.

To this end, Nippon Life has made all-out efforts to develop the most extensive and massive network of exclusive career agents in Japan.

3. Long Term Perspective

To fulfill its long-term commitment, Nippon Life places first priority on sound underwriting. Nippon Life also strives to ensure long-term financial strength and profitability by maintaining sound and disciplined asset management.

From the view of capital and solvency soundness, Nippon Life has maintained sufficient surplus and capital, and in recent years has been accumulating on-balance-sheet capital. Nippon Life aims at increasing on-balance-sheet capital up to 3 trillion yen at an early date.

In adhering to this long-term perspective, Nippon Life refrains from entering into unreasonable pricing competition, and rejects myopic investment strategies that seek short-term capital gains.

To promote the long-term relationship with its valued customers, Nippon Life introduced “Nissay Insurance Accounts,” a platform that allows customers to integrate life, non-life insurance, and other products into a single account.

4. No-Group Bias

Since establishment, Nippon Life has never had a group-bias, maintaining excellent relationships with all conglomerates, as well as financial and other corporate groups in Japan. As a result, our ability to serve all range of customers regardless of their group background has become one of our strengths.

5. “Face to Face” Service

Nippon Life provides a complete line-up of products to fulfill the diverse needs of its individual customers, ranging from life, annuity, medical, to long-term care insurance.

We believe that “Face to Face” consulting service by exclusive career agents is the optimal measure to meet the respective needs of our customers.

Nippon Life has over 50,000 exclusive career agents in every neighborhood throughout Japan and ensures that each customer is best served by his or her own agent in the neighborhood.

6. Focus on people

Nippon Life values its employees. Maximizing the potential and promoting the integrity of each employee are keys to surviving in the mega-competitive environment. Thus, we have devoted ourselves to employee education through our various training facilities.

The Nissay Training Center, our signature facility, is considered by our executives to be their main office, along with their office in our headquarters.

July 2004

Ikuo Uno
President

Maintaining and Enhancing Soundness and Profitability

Nippon Life is striving to strengthen its management base in order to fulfill its promise of providing coverage to customers. We have selected a range of information to enable our readers to understand the soundness and profitability of our operations as an insurance company. However, since each indicator numbered below has its limitations, it is necessary to comprehensively review all the various indicators for the best understanding of our business base.

(All the data presented herein are as of the end of fiscal 2003 and on a non-consolidated basis unless otherwise stated.)

1. RATINGS :
(as of July 1, 2004)

R&I
(Insurance Claims Paying Ability): **AA**

Fitch
(Insurer Financial Strength Rating): **AA-**

S&P
(Insurer Financial Strength Ratings): **A+**

We have received an "Insurance Claims Paying Ability" rating of "AA" from Rating and Investment Information, Inc. (R&I), an "Insurer Financial Strength Rating" of "AA-" from Fitch Ratings Ltd., and an "Insurer Financial Strength Ratings" of "A+" from Standard & Poor's (S&P). We believe that these high ratings are based on a high appraisal of our extremely strong position in the market, our superior capital position, our strong earnings capability, and our financial flexibility. Looking forward, we are aiming to maintain and improve our ratings by solidifying our management base through increased profitability and capital expansion.

Notes:
1. The above-mentioned ratings express the certainty of an insurance company's ability to pay benefits; the ratings are not guarantees for payment of benefits.
2. The above-mentioned ratings are based on numbers and data up to the time of each rating, and are subject to change in the future.
3. Nippon Life received the above-mentioned ratings from R&I, Fitch, and S&P after officially requesting them.
4. R&I's definition of "AA" rating: A very high degree of capacity for payment of insurance claims, and excellence in several key factors of evaluation. Plus (+) and minus (-) signs may be added to ratings within a range from "AA" to "CCC" to indicate their relative standing within each category.
5. Fitch's definition of "AA-" rating: Very strong. Insurers are viewed as possessing very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small. "+" or "-" may be appended to a rating to indicate the relative position of a credit within the rating category.
6. S&P's definition of "A+" rating: An insurer rated "A" has STRONG financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings. Plus (+) or minus (-) signs following ratings from "AA" to "CCC" show relative standing within the major rating categories.

2. CORE OPERATING PROFIT:

¥559.8 billion
(fiscal 2003)

This was the amount after taking account of the negative spread for fiscal 2003, and it remained at a high level sufficient to pay dividends to policyholders and increase the reserve for contingencies against future risks. We are striving to secure and expand our core operating profit as well as build a sound income-generating capability through our efforts to make management more efficient.

Note: Core operating profit mainly consists of income related to insurance and investment operations, including interest and dividend income, and is the index that reflects an insurance company's fundamental earnings position on a flow basis.

3. FUNDS ACCOUNT (KIKIN) AND RESERVES:

¥2,469.9 billion

Nippon Life believes that improving its ability to deal with risk is essential for maintaining a firm management base. While giving due consideration to maintaining a balance with dividends paid to policyholders, management is redoubling efforts to quickly achieve its target of ¥3 trillion in capital for its funds account (kikin) and reserves to deal with any type of risk and further ensure payments to policyholders.

Note: Funds account (kikin) and reserves include reserves for a funds account and redemption of funds under capital, reserve for contingencies under liabilities on the balance sheets, and is designated as a financial resource against risks, excluding unrealized gains on securities that are easily swayed by economic conditions.

4. UNREALIZED GAINS ON SECURITIES: **¥3,306.3 billion**

Unrealized gains on securities remained at a high level and increased compared with the previous fiscal year owing to higher share prices.

5. SOLVENCY MARGIN RATIO: **893.8%**

Our solvency margin ratio is considered sufficient enough to make payments to fully cover risks. By increasing our profits through the streamlining of management and improvement of operating income, we are promoting steady accumulation in our funds account (kikin) and reserves, and are continuing to strive to maintain and improve our high solvency margin ratio.

Note: The solvency margin is the financial leeway needed to pay when risks arise that exceed normally forecastable levels, such as those arising from major earthquakes or collapses in the stock market. The solvency margin ratio is the total value of the solvency margin divided by the quantified value of all risks exceeding those that can normally be forecast.

6. REAL NET ASSETS: **¥6,608.0 billion**

The ratio of real net assets to the general account stood at a high 15.4%.

Note: The value of real net assets is the difference between total assets after adjustment for unrealized gains on securities, real estate, and other assets that exceed total liabilities.

7. POLICY RESERVE: **¥38,642.6 billion**

We make additions to our standard policy reserve required under the Insurance Business Law, to be fully prepared to meet insurance and other payment obligations. In addition, even for insurance contracts wherein such reserves are not required, we apply the net level premium reserve method, which is the most conservative legal method for computing policy reserves.

8. NON-PERFORMING ASSETS—ACCORDING TO BORROWER CLASSIFICATION AS A PERCENTAGE OF TOTAL LOANS

0.85%

To maintain and improve our financial standing, we provide an allowance for doubtful accounts for non-performing assets, and regularly reduce the outstanding amount through efforts to collect and write off non-performing assets. Non-performing assets according to borrower classification was reduced ¥23.2 billion from the previous fiscal year to ¥107.9 billion, representing 0.85% of total loans, and the total coverage ratio was 96.8%. And risk-monitored exposure, another indicator of non-performing loans, was ¥107.8 billion, representing 0.98% of total loans.

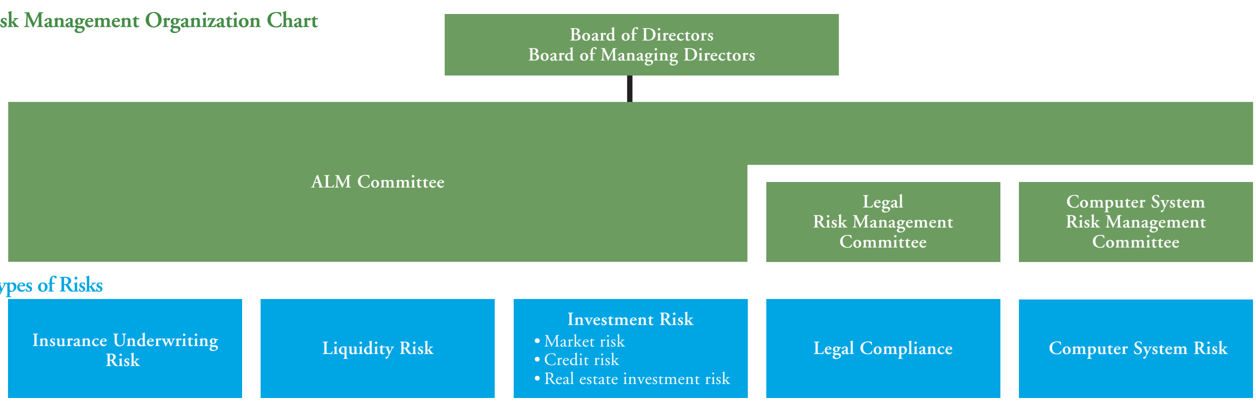
Compliance

To remain a company that is trusted and selected by customers, we believe it is essential for every staff member of Nippon Life to be fully aware of prudent employee conduct and act responsibly. We strive to realize a customer-first perspective while strictly observing laws and other regulations.

As a part our compliance effort, every year the Board of Directors formulates the Compliance Program, and based on this program, the Compliance Committee analyzes and proposes solutions to issues related to insurance soliciting and administration while promoting compliance throughout the Company. From June 2003, we began to incorporate the opinions of external experts regarding the creation of brochures describing insurance products that are given to customers during solicitations. We also strengthened our internal organization for reviewing such brochures before publication and distribution. In March 2004, we reorganized and increased the number of positions for compliance officers to promote compliance in the Legal Department.

In fiscal 1998, Nippon Life created its own Code of Conduct for determining the rules and regulations that all directors and employees must adhere to in their business activities. Thereafter, we created and have updated the Legal Compliance Manual, which explains the Code of Conduct and responsibilities of each division from a compliance perspective. Nippon Life makes every effort to further increase awareness of compliance among all employees and management by disseminating information and providing training through seminars based on the Compliance Program as well as by continuously updating the Code of Conduct and Legal Compliance Manual in line with changes to the law and other regulations. To promote proper marketing activities, Nippon Life provides ongoing training on sales ethics for marketing staff through internal satellite broadcasts and newsletters. At the same time, the Auditing Division monitors training as part of concerted efforts to ensure its effectiveness.

Risk Management Organization Chart



Strengthening Risk Management

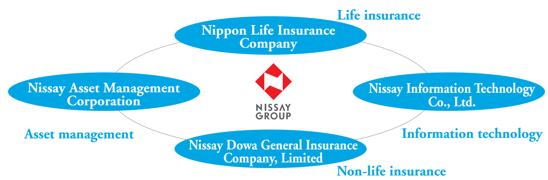
To ensure sound management and gain the trust of customers, it is increasingly important for the management of life insurance companies to precisely grasp and appropriately manage all aspects of risks related to insurance underwriting and asset management. Consequently, Nippon Life has given risk management a high priority and implemented every possible measure in this regard. In our risk management activities, we have identified the areas and types of risks to which life insurance companies are susceptible, created risk monitoring systems, prepared rules and regulations, and taken other appropriate steps for the management of all risk eventualities in an effective manner. Nippon Life comprehensively manages these risks in terms of their overall impact on operations. We have formed risk management units, which are independent of the departments responsible for generating revenues and profit, to provide cross-checking functions. The Auditing Department conducts inspections on the effectiveness of risk management as a double-checking function.

Group Management Structure and Alliance Strategy

Four Core Group Management Companies

Nippon Life makes every effort to create a structure capable of providing the best, most comprehensive insurance services across a broad spectrum of needs, including life insurance, non-life insurance, medical and nursing care insurance, and asset growth, to meet the diverse and sophisticated needs of its customers. We work from the customer's perspective in our basic strategies to:

1) Provide the finest in innovative services in a precise and prompt manner.
2) Provide responsible services, from sales to underwriting, under the Nissay brand.



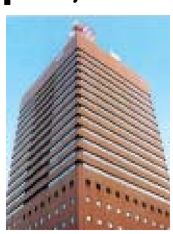
To this end, the four group companies of Nippon Life Insurance Company, Nissay Dowa General Insurance Company, Limited, Nissay Asset Management Corporation, and Nissay Information Technology Co., Ltd. are working toward even more solid group management.

Nissay Dowa General Insurance Company, Limited

Taking advantage of the direction and position of the comprehensive insurance strategy, which is advancing along with Nippon Life, Nissay Dowa General Insurance Company, Limited is growing at the top of its class in the industry, with year-on-year growth of 4.6% in net premiums written. Nissay Dowa is making every effort to be chosen and trusted by its customers while increasing growth potential and profitability.


Nissay Dowa General Insurance Company, Limited

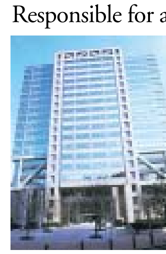
Nissay Asset Management Corporation


Nissay Asset Management Corporation

Nissay Asset Management Corporation had approximately ¥6.7 trillion in assets under management as of March 31, 2004, one of the highest levels in the industry. The company works tirelessly to increase the trust of its customers in the fields of group pensions and investment trusts. Nissay Asset is jointly developing a wide selection of investment trusts, including some through our NLI Research Institute and alliance partner Putnam Investments, LLC in the United States. Among them, the Nissay/Putnam Income Open, a product jointly developed with Putnam, is one of the best selling funds in Japan's investment trust industry with more than ¥750 billion under management as of March 31, 2004.

Nissay Information Technology Co., Ltd.

Responsible for advancing the Group's IT strategy, Nissay Information Technology Co., Ltd. has developed cutting-edge information systems to support services for Nissay Insurance Accounts, comprehensive services for life and non-life insurance, and call centers. In addition, taking full advantage of its expertise in IT systems, the company actively provides services to a wide range of customers.


Nissay Information Technology Co., Ltd.

Initiatives to Promote Alliances by Business Field

Our alliance strategy is aimed at offering customers the best, most comprehensive insurance services, and our basic policy is to move forward steadily in implementing the following initiatives:

1) When new services are needed, conclude alliances with the strongest company in that business field, and
2) Build an infrastructure that is common throughout society, and in the business areas where priority must be given to cost reduction, work together with a broad range of partners.

International Insurance Operations

Overseas Development Centered on Three Insurance Companies

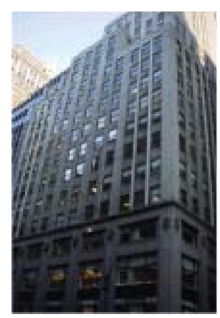
Nippon Life is aggressively developing insurance operations overseas through local affiliates to expand international business opportunities over the medium and long term. In China and the rest of Asia, the need for insurance is increasing in tandem with economic growth. The advance of Japanese companies overseas is also increasing the importance of benefit programs and welfare systems for employees working overseas.

Nippon Life launched an insurance company in China in fiscal 2003 to complement its longstanding operations in the United States and the Philippines.

Although international insurance operations face many challenges and tough competition, Nippon Life is steadily developing overseas businesses to strengthen its management base and improve earnings capabilities. This will be achieved by providing high-quality services tailored to each region through its three overseas insurance companies, Nippon Life Insurance Company of America, Nippon Life Insurance Company of the Philippines, Inc., and Nissay-SVA Life Insurance Co., Ltd.

Nippon Life Insurance Company of America

In December 1991, Nippon Life Insurance Company of America (NLIA) was established as the only Japanese insurer to underwrite group insurance in the United States. NLIA has established primary offices in New York, Los Angeles, and Chicago, as well as three satellite offices in other parts of the United States, and sells insurance products such as group health insurance to companies across the nation. NLIA is focusing efforts on expanding sales to U.S. companies in addition to Japanese companies, and serves approximately 1,600 companies, of which about 500 are Japanese. NLIA aims to further expand its business base by improving services and responding precisely to customer needs.



Nippon Life Insurance Company of America

Nippon Life Insurance Company of the Philippines, Inc.

As the first step in underwriting insurance in Asia, we established Nippon Life Insurance Company of the Philippines, Inc. (NLP) in February 1997, as a joint venture with the Yuchengco Group, one of the biggest financial groups in the Philippines. NLP offers individual insurance at 15 branch offices throughout the Philippines, and performance has demonstrated steady growth since its inception. NLP also sells group term life insurance, group health insurance, and other insurance products to companies in the Philippines. NLP approaches not only Japanese companies but also local Philippine companies to offer products and services tailored to customer needs in an effort to enhance the employee benefit programs of companies.

Nippon Life Insurance Company of the Philippines, Inc.

Nissay-SVA Life Insurance Co., Ltd.

To take advantage of business opportunities in the fast-growing Chinese market, in September 2003 we established Nissay-SVA Life Insurance Co., Ltd. as a joint venture with SVA (Group) Co., Ltd., a leading consumer electronics manufacturer under the direct control of the Shanghai municipal government. This marks the first entrance of a Japanese life insurance company into China. We are promoting management that differs from other life insurance companies in China by thoroughly training insurance agents. Leveraging the brand recognition of SVA and Nippon Life's expertise, we aim to establish a new business base by providing enhanced services.

Nissay-SVA Life Insurance Co., Ltd.

Considering the strong growth potential of Asia, we acquired a stake in a leading Thai insurer, Bangkok Life Assurance Limited, in April 1997 and are striving to improve local services by dispatching employees from Nippon Life. In January 2004, we acquired an additional stake in Bangkok Life Assurance Limited in a move to strengthen our relationship with the company, which also has attracted investment from Mitsui Sumitomo Insurance Co., Ltd. Together, we aim to contribute to the further development of Bangkok Life Assurance Limited through our combined management expertise and take full advantage of business opportunities in the Thai life insurance market.

We continue to steadily advance overseas operations and aim to expand profit-earning opportunities by providing high-quality insurance services.

Nissay-SVA Life Insurance Co. Ltd., a joint venture with SVA Co. Ltd., was established in September 2003.

A management meeting at the Nippon Life Insurance Company of America.

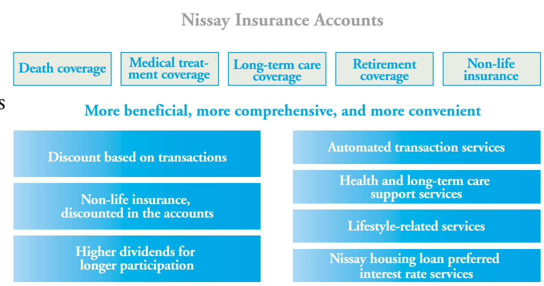
A ceremony held to honor the achievements of agents at the Nippon Life Insurance Company of the Philippines, Inc.

Domestic Insurance Operations

Through Nissay Insurance Accounts, positioned as the core of our product and service strategies, we provide customers with truly comprehensive insurance services. In addition, we are responding to changes in the market by offering services that meet a broad range of emerging customer needs. These include the mounting requirement for medical treatment security accompanying the aging of the population and changes in the public medical insurance system, and the shifting of corporate welfare programs toward greater emphasis on supporting the self-help efforts of employees.

Nissay Insurance Accounts

Nissay Insurance Accounts, which constitutes a platform shared by group companies, allows customers to combine insurance for life, medical treatment, nursing care, and retirement coverage as well as non-life insurance and other products into a single account. In short, the objective of Nissay Insurance Accounts is to provide customers with general security more beneficially, more comprehensively, and more conveniently in all aspects of their lives. Since Nissay Insurance Accounts was introduced in April 1999, the number of customers taking advantage of it has risen to more than 7.7 million. As five years have passed since its introduction, the "more dividends the longer you continue" feature of Nissay Insurance Accounts will begin to pay out dividends from fiscal 2004.



Products and Services for Individual Customers

To respond to the intensifying need for medical treatment security accompanying the aging of the population, in April 2001, we introduced a medical whole–life policy, *Ikiru Chikara EX*. Since then, we have focused development on the aim of providing a full lineup of products that offer customers the coverage they really need. In June 2001, we released a rider that provides coverage from the first overnight hospital stay, and a rider compatible with the public nursing care insurance system. In March 2003, we announced a rider that offers coverage for the reoccurrence of three major illnesses in Japan, cancer, cerebral apoplexy, and cardiac infarction, a first for the insurance industry in Japan. We also offer insurance policies tailored to the age group of our customers through *Ikiru Chikara Youth EX* for young people and *Ikiru Chikara Master Class EX* for middle-aged customers. We have also released *Ikiru Chikara Frau EX* as an insurance plan tailored to women's needs. We have added non-life insurance features to *Ikiru Chikara My Protect EX* and *Ikiru Chikara Lady Protect EX* to realize comprehensive insurance services. The *Ikiru Chikara EX* series is one of our core products, with approximately 1.75 million policies written over the past three years.

To complement our lineup of insurance products, in March 2004, we developed a rider that covers healthcare needs for injuries and illnesses, and another that expands the payment limit (total number of days) regarding hospitalization benefits from 700 days to 1,095 days, the highest level in the industry. We also released *Ikiru Chikara Sky Select EX* as insurance that lets customers select only the coverage they need in only the necessary amounts from our broad lineup of products.

Products and Services for Corporate Customers

The employee benefit system in Japan is undergoing changes, as corporations shift from the former system of providing all employees with uniform benefits, to a system in which companies support the self-help efforts of their employees. Our initiatives in line with these changes in the benefit system include developing and proposing more attractive self-help benefit systems, and in the fields of group insurance and group pensions, we provide comprehensive risk consulting to assist companies in upgrading employee benefit plans. Since defined contribution pension plans began in October 2001 in Japan, Nippon Life has established a structure for handling all aspects of defined contribution pension plans from introduction to daily administrative tasks. Based on this structure, we provide detailed services for participants and consulting services for corporations on plan setup, while utilizing our business experience and knowledge of the 401(k)-style defined-contribution pension plan market in the United States and our extensive background in corporate pension systems.

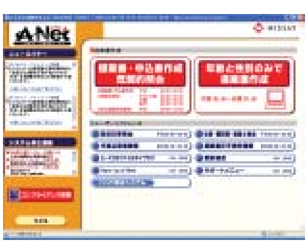
Nissay Life Navigation System

Strengthening of Face-to-Face Consulting Services

Nippon Life strives to strengthen its service network to provide our customers with "the best, most comprehensive insurance services."

Exclusive Agent Channel

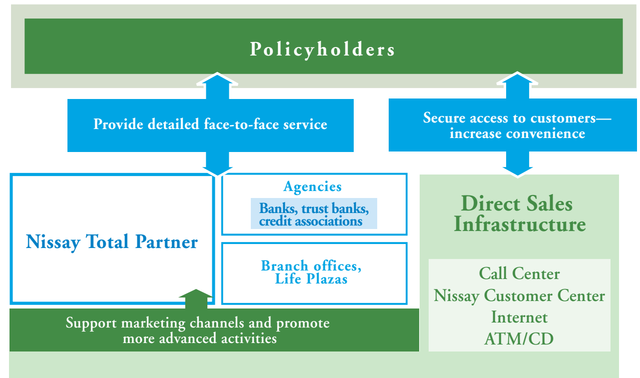
We believe that it is most important for us to provide finely tuned consulting services through our "Nissay Total Partner" sales staff in order to assure the support of each and every customer. For this reason, we are striving to expand this channel while strengthening the consulting capability of all sales personnel. As part of this drive, we are encouraging these staff members to obtain the Affiliated Financial Planner (AFP) qualification. AFP is awarded by the Japan Association for Financial Planners and requires in-depth, overall knowledge of tax and inheritance matters as well as financial products. As of April 2004, 10,136 staff members had obtained AFP, which is the top level in the insurance or any other industry. In addition, we have established specialized training facilities at our branches and other offices, and through our NICE-NET internal satellite broadcasting system, provide careful, detailed instruction for financial products, selling activities, and other related matters essential to providing comprehensive life and non-life insurance services.



A-Net (Nissay Agency Net)

Agencies

Nippon Life has developed a network of 6,000 agencies mainly with companies and other entities acting as agents for financial institutions and also with tax attorneys and professional life and non-life insurance sales agencies. Through this network, we mainly engage in consulting services for small and medium-sized enterprises on such matters as business succession, retirement planning for directors, and inheritance. Moreover, from autumn 2002 we began to sell variable annuity in banks, opening up a channel for consultation on asset-building and retirement coverage at local financial institutions. We continued ongoing efforts to upgrade our sales support structure for agencies by positioning about 400 managers at 77 offices around Japan, enhancing our sales support system by using the Internet, and providing various educational materials and training programs.

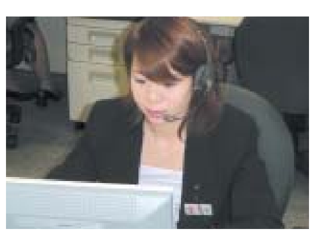


Nissay Life Plaza

Service Counters for Customers

We have established service counters at 46 of our nationwide branches, and Nissay Life Plazas at 41 locations nationwide to provide customers with assistance on procedures related to insurance policies and as a way of responding to the diversity of customer needs. Approximately 1.11 million customers visited our agencies in fiscal 2003.

Nissay Life Plazas provide services in a multitude of areas, including seminars, assistance and advice on insurance-related procedures as well as consulting related to taxation, asset management, medical and nursing care, and variable annuities. We also provide information through free seminars, and consulting services through personal visits on request. From April 2003, we extended the business hours of some of our Nissay Life Plazas to include Saturdays for insurance consulting services and seminars.



Nissay Call Center

Direct Channels

To respond to customer needs for after-sales service and to disseminate information, we are actively moving forward with initiatives to offer direct-to-customer services, including those provided via the Internet, telephones, ATMs, and cash dispensers. Seven days a week, customers are able to directly contact operators at our Nissay Customer Centers to ask questions about the coverage and suitability of their insurance policies. When a customer requests that a representative visit and explain insurance policy coverage, our customer service staff is standing by to provide customers with explanations and consultation services to satisfy their needs.

We strive to improve services at our Nissay Call Centers (inbound call centers) by training specialist operators to receive telephone calls from our customers throughout Japan. In October 2003, we started providing telephone services on Saturday to make our call centers more accessible to customers.

We also broadened the range of services provided over the Internet, expanding content to include referencing non-life insurance policies and remitting policy loans and other transfers to designated customer accounts. Internet services also offer a convenient way to confirm payments, change mailing addresses, and change account transfer information for premium payments. We will continue to expand the range of services that can be provided over the Internet.

Investment in the General Account

Overview

In fiscal 2003, the Japanese economy continued along a gentle recovery driven by exports and capital investment against a backdrop of robust overseas economies. Corporate sentiment improved, and consumer spending began to show strength. Under these circumstances, we focused investments on domestic bonds and financing that provide stable interest income. While strictly paying attention to risk control, we continued to restructure our holdings in domestic equities and foreign securities to improve profitability over the medium to long term.

As of March 31, 2004, the balance of total investments in the general account amounted to ¥42,994.3 billion, an increase of 4.4%, or ¥1,814.2 billion, from the end of the previous fiscal year. This increase was primarily due to a significant increase in mark-to-market valuations of mainly domestic equities. The substantial balance of assets in the general account would have increased ¥302.1 billion if we had not implemented mark-to-market valuations of “Other Securities” in the Accounting Standards. In investment income, amid persistently ultra-low interest rates, interest and dividend income declined slightly, and gains on sales of securities decreased. In investment expenses, we recorded a substantial decline in losses on sales of securities and losses on valuation of securities because of a recovery in the Japanese stock market. As a result, net proceeds from these investments rose ¥497.2 billion to ¥1,008.1 billion, representing a yield on investment in the general account of 2.48%, compared with 1.27% for the previous fiscal year.

Investments in the General Account (non-consolidated) (¥100 million, %)

	Fiscal year ended March 31, 2004		
		Change*	% of total
Assets of fiscal year-end	¥429,943	¥ 3,021	100.0
Loans receivable	110,115	-5,753	25.6
Domestic public and corporate bonds	143,050	9,454	33.3
Domestic stocks	73,134	-1,700	17.0
Foreign securities	56,942	3,950	13.2
Real estate	18,205	-401	4.2

*Note: Change in assets excludes mark-to-market valuations of “Other Securities” in the Accounting Standards.

Domestic Finance and Investment

We maintain a policy of actively expanding our portfolio of loans as our core asset category. However, the balance of loans outstanding declined from the previous fiscal year, owing to stagnant lending that reflects little inclination to borrow as corporations restructure their finances.

We positioned domestic, public and corporate bonds among our core assets and, during the fiscal year under review, increased our holdings of these assets. We focused especially on investing in Japanese government bonds as a stable asset, while actively expanding our holdings of corporate bonds to raise the overall yield of the portfolio.

In domestic equity investments, we continue to reallocate funds into stocks of each company expected to have strong prospects for growth and dividend payout, in order to increase the return on our equity portfolio. In addition, we were active in making investments in unlisted companies that are expected to grow in the coming years.

In real estate investments, we aimed to secure gross profit through efforts to enhance returns on existing properties by stemming vacancies, negotiating to reduce land-leasing fees and bolstering competitiveness by renovating buildings. We also strived to sell off low-profit properties to improve overall asset efficiency.

International Finance and Investment

Foreign Securities

Our foreign securities holdings amounted to ¥5,694.2 billion at the end of fiscal 2003, accounting for 13.3% of general account assets. As for foreign fixed income securities, we sought to improve returns while enhancing risk management of foreign exchange and interest rates. Our portfolio predominantly comprised liquid U.S. and European bonds. During fiscal 2003, we increased currency-hedged foreign bond investments as a part of measures to carefully counter foreign exchange risk. As for foreign equity investments, we aimed to improve returns by focusing our portfolio on stocks with growth potential in the medium to long term. We utilized information and analyzed data from overseas subsidiaries to improve investment returns. Under stringent risk management, we also invested in private equity funds that would generate higher returns over the long term. We reduced foreign equity holdings when markets rebounded in the latter half of fiscal 2003. We will continue efforts to maximize returns on investments through effectual research and analysis of overseas securities markets.

International Finance

Since beginning to make overseas yen loans in 1977, we have provided a stable source of yen-denominated long-term funds for foreign borrowers. As of March 31, 2004, overseas loans were outstanding to 123 institutions and companies in 37 countries, and in total amounted to ¥961.1 billion. Our major borrowers are governments, governmental agencies, supranational and financial institutions, as well as private-sector companies with excellent credit ratings.

In fiscal 2003, amid a recovery in the global economy, we focused on selective medium- and long-term lending, mainly to borrowers with high credit quality. Looking forward, we will strive to further improve returns on our international loan portfolio, while maintaining the soundness of our assets through stringent appropriate credit risk management.

Overseas Real Estate Investment

We commenced our overseas real estate investment in the United States in 1981. As of March 31, 2004, the balance of overseas real estate investment was ¥222.6 billion. Regarding our properties from the perspective of long-term investment, we have been carrying out detailed building improvements and renovations, as well as proactive leasing activities to attract and retain tenants. As a consequence, the occupancy rates of our properties exceed the market average. In recent years, we sold some of our holdings when the market was favorable, and have been pursuing new investment opportunities with particular emphasis on commercial mortgage loans. We also have invested in securitized products such as commercial mortgage-backed securities (CMBS) and real estate investment trusts (REITs), with the objective of increasing the earnings of our portfolio. We will continue to draw fully on our investment expertise and experience to strengthen the value and profitability of our overseas real estate portfolio.

Asset Management

Amid the demographic trends in Japan toward an aging society and declining birthrate, as well as persistently low interest rates, customer needs for building assets and corporate welfare are diversifying and becoming more sophisticated. To meet these customer needs, the Nippon Life Group is actively involved in asset management business mainly through its subsidiary Nissay Asset Management Corporation.

In May 2000, Nippon Life spun off its separate account asset management department and consolidated the combined asset management resources of the Nippon Life Group in its investment trust and asset management subsidiary, Nissay Asset Management Corporation ("Nissay Asset"), with the objective of realizing a greater reinforcement of its asset management business. As of March 31, 2004, Nissay Asset had approximately ¥6.7 trillion in assets under management. The Nippon Life Group's accumulated asset management capabilities are concentrated in Nissay Asset, providing an asset management structure that is first in its class in the industry. Based on insightful research, we aim to realize stable and strong performance through risk management tailored to investment purpose and asset type.

Nissay/Putnam Income Open

In the corporate pension field, the Nippon Life Group offers a broad spectrum of products that address the needs of its corporate clients for balanced funds and specialized funds. For defined contribution pension plans, we offer a wide variety of products, and make every effort to improve services in the self-help investment market, which is expected to grow.

Nissay Asset offers a wide selection of investment trusts, including some developed utilizing its unique research capabilities and others developed jointly with our NLI Research Institute and alliance partner Putnam Investments, LLC. Among them, the *Nissay/Putnam Income Open*, a product developed brand-in-brand with Putnam remains one of the top selling funds in Japan's investment trust industry with ¥750 billion under management.

In addition, we handle individual variable annuities that enable individual customers to participate more actively in asset building by choosing funds in separate accounts.

International Alliances to Strengthen Group Capabilities

Nippon Life has set the objective of strengthening its global investment management capacity, and in line with this, concluded alliances with Putnam Investments, LLC, in 1997 and with Deutsche Bank AG in 1998. The alliance with Putnam includes cooperative efforts in the fields of corporate pensions and investment trusts, along with frequent exchanges of personnel, leading to stronger management capabilities for the Nissay Group. This alliance with Putnam also includes the co-management of PanAgora Asset Management, Inc., a joint venture established to provide quantitative investment advisory services. The alliance with Deutsche Bank AG covers a wide range of areas centering on investment fields and includes a joint venture, Nissay Deutsche Asset Management Europe Limited, which manages equity investments in a broad variety of fields. We will promote the continued development of our alliances with Putnam and Deutsche Bank AG, both leading players in the international market, to meet the expectations of our customers for even stronger global investment management services.

The strategic alliance between Nippon Life and Deutsche Bank AG covers a broad range of business fields.

Framework and Philosophy of a Mutual Company

Nippon Life was established as a mutual company under the Insurance Business Law of Japan. A mutual company is an incorporated association of insurance policyholders, which are similar to the shareholders of a stock corporation.

A mutual company is founded on the spirit of mutual assistance among its policyholders. Based on this philosophy, Nippon Life believes that a mutual company is the most appropriate kind of corporation for the life insurance business, for the following two reasons.

1) Nippon Life believes that policyholder interests should be at the forefront, and the framework for distributing profits under a mutual company is the same as this belief in that a major portion of the retained earnings from business operations are returned to policyholders.
2) To ensure that its promise to pay insurance benefits to policyholders is fulfilled, a life insurance company is obligated to maintain a sound financial position and stably pay dividends over the long term. We believe that a mutual company is more appropriate than a stock corporation in fulfilling these responsibilities and ensuring long-term stable management.

Nippon Life has integrated the benefits of a stock corporation, namely flexibility in capital procurement and corporate management open to external scrutiny from investors, into the mutual company framework. This is achieved by procuring capital through the public securitization of funds and by including regular financial results meetings as part of its concerted efforts at disclosure.

Meeting of Representatives Established to replace the General Meeting of Members, the Meeting of Representatives is comprised of policyholders selected to act as representatives. The Meeting of Representatives is equivalent to the general shareholders' meeting of a stock corporation, and deliberates and passes resolutions concerning matters critical to the company, such as amending the Articles of Incorporation, approving proposals for the disposal of retained earnings, and nominating directors and auditors. The minutes and a summary of the Meeting of Representatives are available on the Nippon Life Web site.

Representatives Representatives are selected from among policyholders to participate in the Meeting of Representatives to deliberate and pass resolutions regarding matters crucial to Nippon Life.

Their term of office is generally for four years, and can extend to eight years depending on the importance of their duties. The number of representatives, determined in the Articles of Incorporation, currently stands at 140. A resolution passed at the 55th regular Meeting of Representatives will increase the number of representatives to 150 from April 1, 2005. A similar resolution passed at the 57th regular Meeting of Representatives will increase the number of representatives to 160 from April 1, 2007, and to 180 from April 1, 2009. Representatives are chosen to correspond to policyholder demographics and age groups with due consideration to occupation and age.

Representatives are requested to check management from a variety of perspectives, participate in the Meeting of Representatives, listen to explanations from management and deliberate with the Company through direct question and answer sessions. In addition, representatives are chosen to represent the interests of all policyholders, with no ties to the interests of specific policyholders, from among the approximately 11.44 million policyholders based on the perspective of sincerely reflecting the opinions of policyholders at the Meeting of Representatives.

In this context, the Representative Nomination Committee recommends candidates, which are elected by all policyholders as a means to directly reflect their opinions of the candidates.

Board of Trustees Nippon Life has a Board of Trustees that serves as a management advisory body to ensure the appropriateness of management. Trustees are elected at the Meeting of Representatives from among policyholders and academic experts. Trustees give opinions on advisory matters and important management issues, and deliberate on policyholder opinions of corporate management. The results of these opinions and deliberations are reported at the Meeting of Representatives.

Nissay Konwakai The Nissay Konwakai are roundtable conferences for policyholders that we hold once a year throughout Japan, and serve as an opportunity for Nippon Life to report on its business activities and for policyholders to voice their opinions of overall management as well as products and services. The opinions and requests that we receive from participants are acted on and reported at the Meeting of Representatives and Board of Trustees, and we endeavor to examine and reflect these ideas in management. Participation includes several representatives and directors, and we continue to improve ties between the Nissay Konwakai and Meeting of Representatives. In the fiscal year ended March 31, 2004, we held the Nissay Konwakai in 117 locations throughout Japan for a total of 2,418 policyholders.

The 56th Meeting of Representatives

The insurance business is based on the spirit of mutual assistance and is expected to serve the public interest in many respects. To be a good corporate citizen that contributes to society, we are committed to acting together with incorporated foundations in various areas, primarily in environmental protection, cultural activities, support for senior citizens and healthcare and medical fields.

Environmental Protection

To restore the earth's forest resources, which are used as paper in our business activities, we instituted the *Nissay Million Tree-Planting Campaign* in 1992, and achieved the final objective of planting one million trees throughout Japan by spring 2002. This campaign has been led by the Friends of Nissay Forests Association, which consists of our management and staff, in cooperation with the Nissay Green Foundation. From 2003, we began *Planting Forests for the Future of Nissay,* a new campaign to actively continue to plant about 30,000 trees every year, and nurture the trees we have planted into lush, beautiful forests. We have planted more than one million trees through afforestation activities in not only Japan but also six other countries. In addition, Nippon Life formulated its Environmental Charter in 2001 to engage in resolving environmental issues. We have obtained ISO 14001* certification for our head office in Osaka and headquarters in Tokyo, and constantly take measures to reduce environmental harm. In other activities, we contribute to environmental protection on various fronts, including grants for environmental research through the Nissay Life Foundation, and by constructing office buildings for investment purposes that are environmentally friendly.

Planting Forests for the Future of Nissay Campaign

*Note: ISO 14001 is an international standard for management systems that continuously strive to reduce the environmental burden of corporate activities.

Cultural Activities

As part of our endeavors to promote culture and the arts in Japan, we established the Nissay Theater in 1963 and formed the Nissay Culture Foundation in 1973 to offer outstanding theatrical works to the community at large. Activities include the Nissay Masterpiece Theater Series, to which more than 6 million children have been invited as of the 2003 year-end, inspiring dreams and excitement in children for the past 40 years. Based on recommendations from prefectural governments, the Nippon Life Group supplies necessary items to private citizens who provide children with activities that, through cooperation with the community, allow children to play a main role in their community, such as through nature-based and actual life experiences. Over the past 25 years, the Nippon Life Group has supported approximately 9,000 groups throughout Japan that are involved in such activities.

"The Adventures of Momojiro" performed by the Shiki Theatre Company.

Enhancing the Quality of Life for Senior Citizens

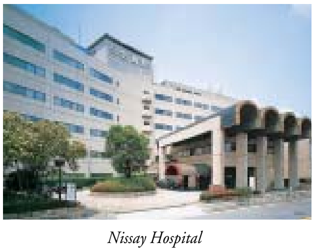
The Nissay Seirei Health & Welfare Foundation, which aims to create a better society where everyone can live in prosperity, has established comprehensive service facilities for senior citizens named Nissay Eden-No-Sono, first in Nara in 1992 and then in Matsudo in 1997. Both of these facilities are licensed by the Ministry of Health, Labour and Welfare and serve principally as nursing homes for senior citizens, providing both residents of these homes and people in the local communities with improved health, quality of life, and peace of mind. In addition, the Nippon Life Foundation gives financial support to groups that are serving regional communities through innovative welfare programs for senior citizens and holds annual symposiums and workshops to spread information on welfare throughout society.

Nissay Eden-No-Sono senior facility in Nara

Healthcare and Medical Fields

In 2004, the Nippon Life Saiseikai Foundation will celebrate 80 years of continuously providing medical checkup services at senior citizen homes and child care facilities for free or at a low cost. Since opening in 1931, Nissay Hospital has provided high-quality medical services as a general hospital with 16 medical departments and 350 beds. The Nissay Hospital also serves society by fostering medical professionals.

In addition, by encouraging all members of our management and staff to voluntary participate in activities that contribute to the community, we actively promote community relations (CR), and strive to build good communications with local communities for a more comfortable living environment.



Nissay Hospital

CORPORATE MANAGEMENT


Chairman
Josei Itoh


President
Ikuo Uno


Executive Vice President
Mitsuhiro Ishibashi


Executive Vice President
Wataru Taguchi


Senior Managing Director
Shingo Okada


Senior Managing Director
Kunie Okamoto


Senior Managing Director
Eitaro Waki


Senior Managing Director
Takao Arai


Managing Director
Mitsutoshi Kimura


Managing Director
Takashi Matsukubo


Managing Director
Takashi Minagawa


Managing Director
Tetsuro Taki


Managing Director
Sadao Kato


Managing Director
Isao Takehara


Managing Director
Keizo Tsutsui


Managing Director
Shunsuke Wada


Managing Director
Takeshi Asahara

DIRECTORS
Yoshihisa Akiyama
Masahiro Yamada
Kiyoshi Ujihara
Chiaki Hamaguchi
Yoichi Fujita
Yoshikazu Takeda
Keiji Tsuda
Yoshinobu Tsutsui
Takeshi Furuichi
Shigemi Kanamori

AUDITORS
Takashi Imai
Keisuke Kitajima
Kantaro Toyoizumi
Koji Miyazaki
Atsuhiko Nozaki

(as of July 3, 2004)

CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended March 31	Billions of Yen 2004	2003	2002	2001	2000
Total revenues	¥ 7,211.1	¥ 7,454.1	¥ 7,980.7	¥ 7,524.5	¥ 8,742.3
Operating income	382.2	125.8	316.3	508.7	335.3
Surplus in the current year	198.6	112.9	278.5	298.9	379.1
Total assets	45,492.3	43,914.8	45,509.6	44,257.2	43,413.9
Net cash provided by (used in) operating activities	(46.0)	497.5	(165.5)	1,076.5	—
Net cash provided by (used in) investing activities	363.9	(231.5)	(976.1)	(691.0)	—
Net cash provided by (used in) financing activities	(55.9)	(160.7)	(4.4)	177.4	—
Cash and cash equivalents at end of the year	1,381.1	1,135.3	1,039.6	2,159.7	—
Number of consolidated subsidiaries and affiliates	13	12	12	15	17
Number of affiliates accounted for by the equity method	6	4	4	4	3
Number of employees	70,073	72,784	72,895	71,225	73,961

Notes: 1. The Consolidated Statements of Cash Flows have been prepared since the year ended March 31, 2001.
2. Number of employees includes employees of the consolidated subsidiaries and affiliates, excluding employees seconded to other companies.
3. For the year ended March 31, 2002, if the effect of transfer of ¥1,172.7 billion of Group annuities assets to Nissay Asset Management Corporation had been excluded, net cash provided by (used in) operating activities would have been ¥1,007.2 billion, and cash and cash equivalents would have increased by ¥52.6 billion.

CONSOLIDATED FINANCIAL REVIEW

During fiscal 2003, ended March 31, 2004, the Japanese economy began to show some positive signs of growth, such as improvement in corporate earnings and a recovery in share prices amid a rebound in the U.S. and other overseas economies. Nevertheless, employment and income conditions fell short of a recovery while interest rates remained low and deflation continued.

In this operating environment, the Nippon Life Group concentrated efforts on developing products and improving services to provide the finest in comprehensive insurance services to customers. Specifically, we undertook the following initiatives focused on the fields of life insurance, non-life insurance, asset management and information technology.

The Nippon Life Group comprises 13 consolidated subsidiaries and six companies accounted for under the equity method.

LIFE INSURANCE

To provide coverage for the risks faced by customers over the long term in a challenging operating environment, Nippon Life focused on two points: making companywide efforts to preserve insurance in force and build a more robust management foundation.

During the fiscal year, core operating profits increased, and operating income and surplus in the current year improved considerably on the back of a recovery in share prices. As a result, the soundness of our financial standing improved. However, the insurance business continued to face tough conditions.

In the individual insurance market, new insurance in force dropped, and insurance in force continued to slide. This was a major issue in fiscal 2003, and continues to be a major challenge in fiscal 2004, caused by a decline in the number of marketing personnel and the insufficient impact of main products that combine death coverage with medical insurance.

Income from insurance premiums fell 5.1% to ¥5,142.8 billion compared with the previous fiscal year, due to the decline in insurance in force. Accordingly, total revenues decreased 3.4% to ¥7,101.9 billion.

Total expenditures dropped 6.9% to ¥6,735.7 billion in accordance with a fall of 8.1% in net business expenses, despite an increase of 9.5% in insurance claims and other payments.

As a result, operating income climbed 214.2% to ¥366.1 billion.

Core operating income, which indicates cash flows by subtracting capital and one-time gains/losses from operating income, increased 2.7% year on year to ¥559.8 billion. Surplus in the current year (operating income reconciled against extraordinary profits of ¥23.1 billion, extraordinary losses of ¥136.6 billion, income taxes, and minority interests) increased 68.2% to ¥187.4 billion.

NON-LIFE INSURANCE

As a part of providing comprehensive insurance services, Nippon Life promoted the sale of non-life insurance through sales agent channels. At the same time, we continued efforts to market non-life insurance in the corporate market by jointly developing business with Nissay Dowa General Insurance Co., Ltd.

In the fiscal year under review, Nissay Dowa expanded sales of Pitat-to-kun risk-differentiated automobile insurance with a special clause for full indemnification in the event of the policyholder sustaining bodily injury in an automobile accident. Sales of Home Pitatto fire insurance also increased. Accordingly, net premiums written at Nissay Dowa rose 4.6% to ¥322.3 billion. Owing to a rise in share prices, evaluation losses on securities decreased, leading to a decrease of 83.0% in expenses for investment to ¥5.0 billion. As a result, Nissay Dowa recorded income before income taxes of ¥9.2 billion and net income of ¥5.5 billion.

ASSET MANAGEMENT

Nissay Asset Management Corporation strives to meet the diversifying and growing asset-building needs of its individual customers and employees welfare planning needs of its corporate customers by offering a broad range of investment products and services.

In the fiscal year ended March 31, 2004, Nissay Asset Management's total assets increased 24.2% to ¥1,932.3 billion, owing to significant growth in the account balances of products such as Nissay/Putnam Income Open mainly through bank channels in the investment trust business. In the investment advisory business, total assets declined 14.0% to ¥4,816.0 billion on account of the dissolution and return of pension funds managed on behalf of the government. As a result, operating income in the asset management segment grew 7.9% to ¥3.4 billion, and net income was ¥1.9 billion, an increase of 33.0% from the previous fiscal year.

INFORMATION TECHNOLOGY

Nissay Information Technology Co., Ltd. worked to increase the sophistication and efficiency of business systems as a part of ongoing efforts to improve customer services. Under Nippon Life's medium-term business service plan Nissay Service Innovation 21, Nissay Information Technology created a Web version of the agent system and reinforced systems maintenance work.

In fiscal 2003, Nissay Information Technology redoubled efforts in the business systems market for insurance and related fields outside the Nissay Group. Sales outside the group rose 9.6% to ¥9.7 billion as a result, but sales to the group declined, leading to a decline in overall sales of 0.2% to ¥34.1 billion. Operating income fell 43.7% to ¥0.4 billion, and net income decreased 36.3% to ¥0.2 billion.

CONCLUSION

As a result of these overall activities, consolidated total revenues amounted to ¥7,211.1 billion, a decrease of 3.3% from the previous fiscal year. Total expenditures declined 6.8% to ¥6,828.9 billion. Operating income advanced 203.8% from the previous fiscal year to ¥382.2 billion. Extraordinary profits for the fiscal year amounted to ¥22.5 billion, and extraordinary losses were ¥137.2 billion. After income taxes and minority interests, surplus in the current year increased 75.8% to ¥198.6 billion. On the consolidated balance sheets, surplus at the end of the fiscal year amounted to ¥411.0 billion, an increase of 8.4% from a year earlier. Total assets grew 3.6% to ¥45,492.3 billion.

CONSOLIDATED BALANCE SHEETS

Nippon Life Insurance Company and Subsidiaries

As of March 31, 2004 and 2003	Millions of Yen 2004	Millions of Yen 2003	Millions of U.S. Dollars 2004
ASSETS:			
Cash and deposits	¥ 394,613	¥ 365,985	$ 3,733
Call loans	437,400	478,300	4,138
Monetary receivables purchased	901,904	687,501	8,533
Trading securities	2,999	5,999	28
Money held in trust	155,055	248,380	1,467
Investments in securities (Notes 3)	29,856,490	27,342,127	282,491
Loans receivable (Notes 11 and 12)	10,993,883	11,599,189	104,020
Real estate and movables, net of accumulated depreciation (Note 4)	1,937,312	1,997,067	18,330
Deferred tax assets (Note 15)	4,937	304,768	46
Other assets	894,256	991,097	8,461
Customers' liabilities for acceptances and guarantees	3,085	6,622	29
Allowance for doubtful accounts	(89,584)	(112,192)	(847)
Total assets	¥45,492,355	¥43,914,847	$430,431
LIABILITIES:			
Policy reserves:			
Reserve for outstanding claims	¥ 247,880	¥ 281,477	$ 2,345
Policy reserve	38,645,018	38,616,127	365,644
Reserve for dividends to policyholders (Note 6)	1,415,625	1,500,148	13,394
	40,308,524	40,397,754	381,384
Accrued severance indemnities (Note 8)	452,662	427,298	4,282
Accrued losses from supporting closely related companies	705	755	6
Reserve for price fluctuations of investments in securities	255,261	150,260	2,415
Other liabilities	1,041,597	1,027,985	9,855
Deferred tax liabilities (Note 15)	305,279	1,005	2,888
Deferred tax liabilities for revaluation reserve for land	38,770	40,819	366
Acceptances and guarantees	3,085	6,622	29
Total liabilities	42,405,887	42,052,501	401,228
MINORITY INTERESTS	7,650	7,021	72
CAPITAL:			
Funds (Note 9)	250,000	300,000	2,365
Reserve for redemption of funds (Note 9)	500,000	450,000	4,730
Reserve for revaluation	651	651	6
Surplus	411,095	379,293	3,889
Revaluation reserve for land, net of taxes	68,620	72,250	649
Net unrealized gains on securities, net of taxes	1,898,076	667,710	17,958
Adjustments on foreign currency statements translation	(49,625)	(14,581)	(469)
Total capital	3,078,817	1,855,324	29,130
Total liabilities, minority interests and capital	¥45,492,355	¥43,914,847	$430,431

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

CONSOLIDATED STATEMENTS OF OPERATIONS

Nippon Life Insurance Company and Subsidiaries

For the years ended March 31, 2004 and 2003	Millions of Yen 2004	Millions of Yen 2003	Millions of U.S. Dollars 2004
REVENUES:			
Income from insurance and reinsurance premiums	¥5,169,262	¥5,446,295	$48,909
Investment income:			
Interest, dividend and other income	995,820	1,015,060	9,422
Gains from trading securities, net	—	83	—
Gains from money held in trust, net	24,184	—	228
Gains on sales of securities	189,082	301,859	1,789
Gains from redemption of securities	30	286	0
Foreign exchange gains, net	2,119	—	20
Gains from separate accounts, net	348,404	—	3,296
Other investment income	17,474	13,191	165
	1,577,116	1,330,480	14,922
Other revenues (Note 14)	464,793	677,353	4,397
Total revenues	7,211,172	7,454,130	68,229
EXPENDITURES:			
Insurance claims and other payments:			
Death and other claims	1,581,421	1,546,741	14,962
Annuity payments	388,094	351,191	3,672
Health and other benefits	894,880	975,199	8,467
Surrender benefits	1,284,092	1,320,828	12,149
Other refunds	1,296,060	782,293	12,262
	5,444,550	4,976,255	51,514
Provision for policy reserves:			
Provision for reserve for outstanding claims	—	42,378	—
Provision for policy reserve	29,193	—	276
Interest on reserve for dividends to policyholders	43,495	47,395	411
	72,689	89,774	687
Expenses for investment:			
Interest expenses	2,932	3,258	27
Losses from trading securities, net	48	—	0
Losses from money held in trust, net	—	21,842	—
Losses on sales of securities	57,432	127,294	543
Losses on valuation of securities	23,505	524,468	222
Losses on redemption of securities	0	—	0
Losses from derivative financial instruments, net	47,561	49,899	450
Foreign exchange losses, net	—	2,394	—
Write-down of loans	1,705	1,221	16
Depreciation for rental real estate and others	34,066	37,109	322
Losses from the separate accounts, net	—	339,873	—
Other expenses for investment	32,779	35,674	310
	200,032	1,143,036	1,892
Operating expenses	576,937	624,710	5,458
Other expenditures	534,703	494,522	5,059
Total expenditures	6,828,913	7,328,300	64,612
OPERATING INCOME	382,259	125,829	3,616
EXTRAORDINARY PROFITS:			
Gains on disposal of assets	¥ 6,584	¥ 4,415	$ 62
Reversal of allowance for doubtful accounts	15,954	32,472	150
Other	—	42,581	—
	22,539	79,468	213
EXTRAORDINARY LOSSES:			
Losses on disposal of assets	23,104	17,272	218
Provision for reserve for price fluctuations of investments in securities	105,000	17,000	993
Losses on valuation of real estate	2,124	3,241	20
Provision for accrued severance indemnities	—	39,319	—
Other (Note 16)	7,046	5,097	66
	137,276	81,930	1,298
SURPLUS BEFORE INCOME TAXES	267,522	123,367	2,531
INCOME TAXES (Note 15)**:**			
Current	147,203	29,070	1,392
Deferred	(78,993)	(19,653)	(747)
MINORITY INTERESTS	682	973	6
SURPLUS IN THE CURRENT YEAR	¥ 198,628	¥ 112,976	$ 1,879

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nippon Life Insurance Company and Subsidiaries

For the years ended March 31, 2004 and 2003	Millions of Yen 2004	Millions of Yen 2003	Millions of U.S. Dollars 2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Surplus before income taxes	¥ 267,522	¥ 123,367	$ 2,531
Depreciation	95,870	102,335	907
Amortization of goodwill	—	57	—
Net increase (decrease) in reserve for outstanding claims	(33,358)	42,291	(315)
Net increase (decrease) in policy reserve	29,168	(262,768)	275
Interest on reserve for dividends to policyholders	43,495	47,395	411
Net increase (decrease) in allowance for doubtful accounts	(10,924)	(20,889)	(103)
Net increase (decrease) in accrued severance indemnities	25,364	52,153	239
Net increase (decrease) in reserve for price fluctuations of investments in securities	105,000	17,000	993
Interest, dividend and other income	(995,820)	(1,015,060)	(9,422)
Net losses (gains) on securities investment	(108,174)	349,560	(1,023)
Interest expense	2,932	3,258	27
Foreign exchange losses (gains), net	(2,119)	2,394	(20)
Net losses (gains) on real estate investment	22,291	16,434	210
Equity in earnings of affiliates	(1,878)	669	(17)
Losses (gains) from separate accounts, net	(348,404)	339,873	(3,296)
Net decrease (increase) in trading securities	3,000	(9,459)	28
Net decrease (increase) in other assets	2,286	(19,036)	21
Net increase (decrease) in other liabilities	(20,568)	16,650	(194)
Other, net	55,445	102,958	524
Subtotal	(868,871)	(110,812)	(8,220)
Interest, dividend and other income received	1,018,345	1,012,221	9,635
Interest paid	(2,889)	(3,738)	(27)
Dividends to policyholders paid	(243,468)	(272,135)	(2,303)
Other, net	36,722	(5,268)	347
Income taxes paid	14,140	(122,739)	133
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(46,022)	497,526	(435)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net change in deposits	¥ (469)	¥ 157,991	$ (4)
Purchases of monetary receivables purchased	(207,297)	(684,005)	(1,961)
Proceeds from sales and redemption of monetary receivables purchased	246,243	540,374	2,329
Purchases of money held in trust	(9,732)	(140,388)	(92)
Proceeds from sales of money held in trust	115,664	415,014	1,094
Purchases of securities	(6,911,387)	(7,891,991)	(65,393)
Proceeds from sales and redemption of securities	6,681,420	7,111,774	63,217
Investments in loans	(4,125,820)	(4,070,978)	(39,037)
Collections of loans	4,735,476	4,672,643	44,805
Other, net	(123,486)	(309,493)	(1,168)
Subtotal	400,609	(199,058)	3,790
Purchases of real estate and movables	(57,313)	(55,791)	(542)
Proceeds from sales of real estate and movables	20,651	23,048	195
Other, net	—	240	—
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	363,947	(231,560)	3,443
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from raising debt	34,703	28,900	328
Repayments of debt	(36,353)	(32,276)	(343)
Raising of funds	—	150,000	—
Redemption of funds	(50,000)	(300,000)	(473)
Interest on funds paid	(4,291)	(7,312)	(40)
Other, net	(35)	(22)	(0)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(55,976)	(160,710)	(529)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(16,151)	(9,488)	(152)
NET INCREASE (DECEASE) IN CASH AND CASH EQUIVALENTS	245,796	95,766	2,325
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,135,382	1,039,615	10,742
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	¥ 1,381,179	¥ 1,135,382	$ 13,068

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

CONSOLIDATED STATEMENTS OF SURPLUS

Nippon Life Insurance Company and Subsidiaries

For the years ended March 31, 2004 and 2003	Millions of Yen 2004	Millions of Yen 2003	Millions of U.S. Dollars 2004
BALANCE AT THE BEGINNING OF THE YEAR	¥379,293	¥756,387	$3,588
ADDITIONS:			
Surplus in the current year	198,628	112,976	1,879
Reversal of revaluation reserve for land	3,630	5,532	34
	202,259	118,508	1,913
DEDUCTIONS:			
Transfer to reserve for dividends to policyholders (Note 6)	116,158	187,637	1,099
Transfer to reserve for redemption of funds (Note 9)	50,000	300,000	473
Interest on funds	4,291	7,312	40
Bonus for directors and corporate auditors	1	1	0
Transfer to reserve for revaluation	—	651	—
Other	5	—	0
	170,457	495,602	1,612
BALANCE AT THE END OF THE YEAR	¥411,095	¥379,293	$3,889

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Nippon Life Insurance Company and Subsidiaries

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Accounting principles and presentation

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

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

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

(2) United States Dollar amounts

The Company prepares its consolidated financial statements in yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥105.69=U.S.$1, the effective rate of exchange at the balance sheet date of March 31, 2004. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥105.69=U.S.$1 or at any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of consolidation

i) Consolidated subsidiaries

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

Consolidated subsidiaries in the year ended March 31, 2004 are listed below:

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

Consolidated subsidiaries in the year ended March 31, 2003 are listed below:

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

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

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

ii) Affiliates

Affiliates accounted for under the equity method in the year ended March 31, 2004 are listed below:

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

Affiliates accounted for under the equity method in the year ended March 31, 2003 are listed below:

Nissay Dowa General Insurance Company, Limited (Japan)
The Master Trust Bank of Japan, Ltd. (Japan)
Corporate-Pension Business Service Co., Ltd. (Japan)
Nippon Life Insurance Company of the Philippines, Inc. (Philippines)

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

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

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

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

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

iii) Balance sheet date of subsidiaries

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

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

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

v) Goodwill arising on consolidation

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

vi) Treatment of appropriation of surplus

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

(2) Cash and cash equivalents

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

(3) Securities and hedging activities

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

i) Trading securities are stated at market value prevailing at the balance sheet date. Costs of their sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

iii) Debt securities earmarked for policy reserve are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with the Industry Audit Committee Report No.21 "Temporary Treatment of Accounting and Auditing Concerning Securities Earmarked for Policy Reserve in Insurance Industry" issued by the Japanese Institute of Certified Public Accountants (the "JICPA").

iv) Investments in non-consolidated subsidiaries and affiliates which are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.

v) "Other Securities" for which market quotations are available are stated at fair value, determined as described below. Costs of their sales are determined by the moving average method. Adjustments to fair value, net of taxes are recorded as an increase or decrease in capital.

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

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

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

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

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

Effective from the year ended March 31, 2003, deferred gains on certain interest swap agreements, previously recorded on the balance sheet, are credited to income over the residual term of the swap agreements, three or four years, on a straight-line basis in accordance with the temporary provision prescribed in the Industry Audit Committee Report No.26 "Treatment of Accounting and Auditing Concerning Application of

Accounting Standards for Financial Instruments in Insurance Industry" issued by the JICPA. Such deferred gains outstanding as at March 31, 2004 and 2003 amounted to ¥17,596 million (U.S.$166 million) and ¥27,619 million, respectively.

(4) Foreign currency translation

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

Where a significant change in exchange rates occurs and there is no expectation of upward recovery, the assets and liabilities denominated in foreign currencies are translated into Japanese yen at the average rate for the one-month period ended March 31.

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

(5) Real estate and movables

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

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

Changes in the total value of business use land revalued, as compared with its aggregate carrying amount after revaluation, amounted to ¥102,224 million (U.S.$967 million) and ¥56,102 million as of March 31, 2004 and 2003, respectively, which is required to be disclosed in accordance with Article 10 of the Law of the Revaluation of Land

(6) Software

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

(7) Leases

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

(8) Allowance for doubtful accounts

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

i) The allowance for credits of borrowers, who are legally or substantially bankrupt, is provided based on the amounts remaining after deductions of amounts expected to be collected through the disposal of collateral or execution of guarantees from the balance of loans receivable after write-down described below.

ii) The allowance for credits of borrowers, who are not currently legally bankrupt but have high possibility of bankruptcy, is provided based on the amounts deemed necessary considering the borrowers' overall solvency assessment, within the amounts remaining after deductions of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

iii) The allowance for credits of borrowers other than the above is provided based on the borrowers' balance multiplied by the actual average percentage of bad debt losses on defaults during a certain past period.

iv) The allowance for specialized overseas debts is provided based on the expected amounts of overseas investment losses caused by political and economic difficulties of respective countries, and is included in allowance for doubtful accounts.

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

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

In respect to credits of legally or substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through execution of guarantees or other methods, which includes credits secured and/or guaranteed, is written-down directly from the balance of loans receivable as uncollectible amounts estimated. The amounts were ¥30,794 million (U.S.$291 million), including ¥17,121 million (U.S.$161 million) of credits secured and/or guaranteed, and ¥94,958 million, including ¥26,900 million of credits secured and/or guaranteed, as of March 31, 2004 and 2003, respectively.

(9) Accrued severance indemnities

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

(10) Accrued losses from supporting closely related companies

Accrued losses from supporting closely related companies of the Company are provided for in accordance with Article 32-14 of the Enforcement Regulation of the Insurance Business Law, formerly Article 287-2 of the

Commercial Code, and represent the loss amount estimated for restructuring and financial support to closely related companies in the future.

(11) Reserve for price fluctuations of investments in securities

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

(12) Accounting for consumption taxes

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

(13) Policy reserve

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

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

(14) Deferred income taxes

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

(15) Dividend income receivable

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

(16) Accounting standard for impairment of fixed assets

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

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

3. SECURITIES LOANED

The balances of securities loaned for consumption were ¥1,861,197 million (U.S.$17,609 million) and ¥1,414,668 million as of March 31, 2004 and 2003, respectively.

4. ACCUMULATED DEPRECIATION

Accumulated depreciation for real estate and movables amounted to ¥1,053,491 million (U.S.$9,967 million) and ¥1,026,237 million as of March 31, 2004 and 2003, respectively.

5. SEPARATE ACCOUNTS

Total assets in the Separate Accounts provided for in Article 118 of the Insurance Business Law were ¥2,276,451 million (U.S.$21,538 million) and ¥2,506,425 million as of March 31, 2004 and 2003, respectively. The amounts of liabilities were the same as these figures.

6. RESERVE FOR DIVIDENDS TO POLICYHOLDERS

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

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Balance at the end of previous fiscal year	¥1,500,148	¥1,542,007	$14,193
Transfer to reserves from surplus in previous fiscal year	116,158	187,637	1,099
Policyholders dividends paid out in fiscal year	(244,177)	(276,891)	(2,310)
Increase in interest	43,495	47,395	411
Balance at the end of fiscal year	¥1,415,625	¥1,500,148	$13,394

7. NET ASSETS PROVIDED FOR IN ARTICLE 24-2, PARAGRAPH 2, ITEM 2 OF THE ENFORCEMENT REGULATION OF THE INSURANCE BUSINESS LAW

The Company's net assets provided for in Article 24-2, Paragraph 2, Item 2 of the Enforcement Regulation of the Insurance Business Law, formerly Article 55, Paragraph 2, Item 6 of the Insurance Business Law, were ¥1,863,043 million (U.S.$17,627 million) and ¥635,085 million as of March 31, 2004 and 2003, respectively.

8. ACCRUED SEVERANCE INDEMNITIES

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

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Benefit obligations	¥(770,398)	¥(762,848)	$(7,289)
Fair value of pension plan assets	255,746	232,297	2,419
Funded status	(514,652)	(530,550)	(4,869)
Unrecognized transition amount	120	180	1
Unrecognized actuarial differences	61,385	102,346	580
Unrecognized prior service cost	483	724	4
Accrued severance indemnities	¥(452,662)	¥(427,298)	$(4,282)

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

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Service cost	¥30,057	¥28,609	$284
Interest cost	19,062	18,823	180
Expected return on plan assets	(6,942)	(8,942)	(65)
Amortization of transition amount	60	39,319	0
Amortization of actuarial differences	24,835	17,138	234
Amortization of prior service cost	241	241	2
Other	(495)	(560)	(4)
Net periodic benefit cost	¥66,818	¥94,629	$632

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

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

All of the transition amount of the Company was amortized until March 31, 2003. The projected benefits are attributed to periods based on years of service. Actuarial differences are amortized using the straight-line method over 5 years, being within the limit of the average remaining service period counting from the next year in which they arise. Prior service cost is amortized on the straight-line basis over 5 years, being within the limit of the average remaining service period.

9. FUNDS

In the year ended March 31, 2004, the Company redeemed ¥50,000 million (U.S.$473 million) of funds, and credited the same amount to reserve for redemption of funds provided for in Article 56 of the Insurance Business Law.

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

10. PLEDGED ASSETS

Assets pledged as collateral amounted to ¥534,281 million (U.S.$5,055 million) and ¥425,981 million as of March 31, 2004 and 2003, respectively. Debts secured amounted to ¥331,647 million (U.S.$3,137 million) and ¥274,144 million as of March 31, 2004 and 2003, respectively.

These amounts included ¥321,860 million (U.S.$3,045 million) and ¥244,967 million of securities deposited, and ¥316,782 million (U.S.$2,997 million) and ¥259,491 million of cash received as collateral, under securities lending contracts secured by cash, as of March 31, 2004 and 2003, respectively.

11. LOANS RECEIVABLE

The total amounts of credits of bankrupt borrowers, delinquent loans, delinquent loans past 3 months or more and restructured loans, which were included in loans receivable, were ¥120,637 million (U.S.$1,141 million) and ¥145,213 million as of March 31, 2004 and 2003, respectively.

i) The balances of credits of bankrupt borrowers were ¥7,727 million (U.S.$73 million) and ¥7,427 million as of March 31, 2004 and 2003, respectively. Credits of bankrupt borrowers are the loans, except for a portion of loans written-down, whose borrowers satisfy the conditions prescribed in Article 96, Paragraph 1, Item 3 and Item 4 of the Enforcement Regulations of the Corporation Tax Law. In addition, accruing interest is not recorded as income since principal of or interest on such loans is unlikely to be recovered in view of the considerable period of postponement of the principal or interest payments or other circumstances.

ii) The balances of delinquent loans described below were ¥81,164 million (U.S.$767 million) and ¥91,842 million as of March 31, 2004 and 2003, respectively. Delinquent loans are credits whose accruing interest is not recorded as income due to the same reason as described above, and exclude credits of bankrupt borrowers and the loans to which postponement of interest payment was made with the object of reconstructing and supporting the borrowers.

iii) The balances of delinquent loans past 3 months or more from the due date of interest or principal under terms of the related loan agreements were ¥496 million (U.S.$4 million) and ¥1,305 million, which did not include the amounts of credits of bankrupt borrowers and delinquent loans described above, as of March 31, 2004 and 2003, respectively.

iv) The balances of restructured loans, where certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payment, release of credit, and other methods, were made with the object of reconstructing and supporting the borrowers, and which did not include the amount of credits of bankrupt borrowers, delinquent loans and delinquent loans past 3 months or more described above, were ¥31,249 million (U.S.$295 million) and ¥44,637 million as of March 31, 2004 and 2003, respectively.

The direct write-down of loans receivable decreased credits of bankrupt borrowers and delinquent loans described above by ¥13,394 million (U.S.$126 million) and ¥17,399 million (U.S.$164 million), respectively as of March 31, 2004. The direct write-down of loans receivable decreased credits of bankrupt borrowers and delinquent loans described above by ¥75,561 million and ¥19,396 million, respectively as of March 31, 2003.

12. LOAN COMMITMENTS

The outstanding commitments contracted but not provided for and similar agreements were ¥141,259 million (U.S.$1,336 million) and ¥124,085 million as of March 31, 2004 and 2003, respectively.

13. CONTRIBUTION TO POLICYHOLDER PROTECTION FUND AND ORGANIZATION

The amounts of future contributions to the Policyholder Protection Fund, which has been taken over by the Policyholder Protection Organization in accordance with Supplementary Article 140, Paragraph 5 of the Enactment Law of Financial System Reform Legislation, were estimated at ¥16,996 million (U.S.$160 million) and ¥21,128 million as of March 31, 2004 and 2003, respectively. The contribution is charged to income as operating expenses when paid.

The amounts of future contributions to the Policyholder Protection Organization, which were in accordance with Article 259 of the Insurance Business Law, were estimated at ¥91,298 million (U.S.$863 million) and ¥96,234 million as of March 31, 2004 and 2003, respectively. The contribution is also charged to income as operating expenses when paid.

14. OTHER REVENUES

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

15. INCOME TAXES

Deferred tax assets/liabilities consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Deferred tax assets	¥ 829,424	¥740,061	$ 7,847
Valuation allowance for deferred tax assets	(43,199)	(33,619)	(408)
	786,225	706,441	7,438
Deferred tax liabilities	(1,086,567)	(402,678)	(10,280)
Net deferred tax assets (liabilities)	¥ (300,341)	¥303,763	$ (2,841)

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

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Deferred tax assets:			
Policy reserves	¥478,098	¥382,811	$4,523
Accrued severance indemnities	156,737	142,578	1,482
Allowance for doubtful accounts	32,864	58,965	310
Reserve for price fluctuations of investments in securities	92,154	54,245	871
Deferred tax liabilities:			
Net unrealized gains on securities	1,054,580	373,040	9,978

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

	2004	2003
Reserve for dividends to policyholders	(18.2)%	(33.9)%
Losses on valuation of securities	9.0	1.9

16. EXTRAORDINARY LOSSES

For the year ended March 31, 2004, other extraordinary losses included ¥597 million (U.S.$5 million) of losses from the cancellation of outsourcing contracts with a group company, and ¥50 million (U.S.$0 million) of losses from supporting closely related companies.

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

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors of
NIPPON LIFE INSURANCE COMPANY

We have audited the accompanying consolidated balance sheets of NIPPON LIFE INSURANCE COMPANY and its subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations, surplus, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are prepared in compliance with Article 110 Paragraph 2 of the Japanese Insurance Business Law and the related rules and regulations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

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

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

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

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation

Osaka, Japan
May 14, 2004

FIVE-YEAR SUMMARY (NON-CONSOLIDATED BASIS)

Nippon Life Insurance Company

For the fiscal years ended March 31	Millions of Yen 2004	2003	2002	2001	2000	Millions of U.S. Dollars 2004
ASSETS	¥45,270,759	¥43,686,467	¥45,214,999	¥44,002,764	¥43,205,403	$428,335
Cash, deposits and call loans	671,264	687,931	593,466	1,391,808	1,060,651	6,351
Money held in trust	155,054	248,379	548,745	598,391	456,595	1,467
Investments in securities	29,999,666	27,515,247	28,689,119	25,090,202	24,803,623	283,845
Loans receivable	11,011,571	11,586,894	12,194,243	12,728,774	13,330,222	104,187
Real estate and movables, net of accumulated depreciation	1,838,755	1,881,969	1,931,347	1,852,986	2,002,509	17,397
Allowance for doubtful accounts	(84,893)	(108,465)	(156,731)	(200,516)	(225,912)	**(803)**
LIABILITIES AND CAPITAL	45,270,759	43,686,467	45,214,999	44,002,764	43,205,403	428,335
Liabilities	42,285,004	41,924,133	42,478,120	42,796,758	42,137,573	400,085
Policy reserves	40,304,070	40,393,210	40,640,351	41,164,073	40,593,941	381,342
Capital	2,985,755	1,762,334	2,736,879	1,206,006	1,067,830	28,250
Funds	250,000	300,000	450,000	450,000	270,000	2,365
Reserve for redemption of funds	500,000	450,000	150,000	150,000	15,000	4,730
Reserve for revaluation	651	651	651	651	651	6
Surplus	300,755	280,099	653,125	601,214	644,128	2,845
						0
REVENUES AND EXTRAORDINARY PROFITS	7,125,077	7,426,985	7,964,150	7,399,426	9,022,345	67,414
Income from insurance premiums	5,142,270	5,420,252	5,668,316	5,766,197	5,808,911	48,654
Interest, dividend and other income	980,099	999,239	985,443	1,044,636	1,296,877	9,273
						0
EXPENDITURES AND EXTRAORDINARY LOSSES	6,872,439	7,314,183	7,682,074	7,075,556	8,608,300	65,024
Claims, annuities and benefits paid	2,842,978	2,851,608	2,809,868	2,694,459	3,094,054	26,899
Operating expenses	558,951	608,242	619,709	620,265	642,861	5,288
Provision for policy reserves	72,597	89,774	82,893	690,028	914,718	686
						0
SURPLUS BEFORE INCOME TAXES	252,637	112,802	282,075	323,870	414,044	2,390
SURPLUS IN THE CURRENT YEAR	187,476	111,473	247,616	247,855	361,866	1,773
TRANSFER TO RESERVE FOR DIVIDENDS TO POLICYHOLDERS	135,123	116,158	187,637	187,615	285,010	1,278

Notes: 1. U.S. dollar amounts have been converted from yen, for convenience only, on the basis of ¥105.69=US$1, the effective rate of exchange at the balance sheet date of March 31, 2004.
2. All figures have been rounded down to the nearest million.

HEADQUARTERS

Name	Address/Department		Tel/Fax
Head Office	3-5-12, Imabashi, Chuo-ku, Osaka 541-8501, Japan		Tel: 81-6-6209-5525
Tokyo Office	1-2-2, Yurakucho, Chiyoda-ku, Tokyo 100-8444, Japan		Tel: 81-3-3503-1081
		International Planning and Operations Department	Tel: 81-3-3507-1422 Fax: 81-3-5251-7674
		China Department	Tel: 81-3-3507-1425 Fax: 81-3-5510-7373
		International Investment Department	Tel: 81-3-3507-1571 Fax: 81-3-5510-7340
	2-28-8, Honkomagome, Bunkyo-ku, Tokyo 113-8661, Japan		Tel: 81-3-3503-1081
		International Corporate Marketing Department	Tel: 81-3-5977-5740 Fax: 81-3-5977-7351

In October 2004, we plan to move some headquarters functions to the Tokyo address below:
1-6-6, Marunouchi, Chiyoda-ku, 100-8288

REPRESENTATIVE OFFICES AND OTHER

Business	Name	Address	Tel/Fax
Representative Office	New York Representative Office	1251 Avenue of the Americas, 18th Floor New York, NY 10020, U.S.A.	Tel: 1-212-403-3400 Fax: 1-212-764-9773
	London Representative Office	20 Little Britain London EC1A 7DH, U.K.	Tel: 44-20-7600-2804 Fax: 44-20-7588-7681
	Frankfurt Representative Office	An der Hauptwache 5 60313, Frankfurt am Main, Germany	Tel: 49-69-273999-0 Fax: 49-69-236527
	Beijing Representative Office	Chang Fu Gong Office Building, Room 4007 Jia 26, Jian Guo Men Wai Dajie Beijing, 100022, China	Tel: 86-10-6513-9240 Fax: 86-10-6513-9241
	Shanghai Representative Office	37th Floor, United Plaza 1468 Nanjing Road(West), Shanghai, 200040, China	Tel: 86-21-6247-1692 Fax:86-21-6247-2709
Insurance Research	NLI Research Institute New York Representative Office	1251 Avenue of the Americas, 18th Floor New York, NY 10020, U.S.A.	Tel: 1-212-403-3400 Fax: 1-212-764-9773

SUBSIDIARIES AND AFFILIATES

Business	Name	Address	Tel/Fax	Equity Ownership
Insurance and Insurance Related	Nippon Life Insurance Company of America	521 Fifth Avenue, New York, NY 10175, U.S.A.	Tel: 1-212-682-3000 Fax: 1-212-682-3002	96.96%*1
	NLI Insurance Agency, Inc.			100%
	Eastern Region Office	757 Third Avenue, 26th Floor, New York, NY 10017, U.S.A.	Tel: 1-212-909-9893 Fax: 1-212-486-9054	—
	Central Region Office	190 South LaSalle Street, Suite 1680, Chicago, IL 60603, U.S.A.	Tel: 1-312-807-1100 Fax: 1-312-807-1110	—
	Western Region Office	445 South Figueroa Street, Suite 2870, Los Angeles, CA 90071, U.S.A.	Tel: 1-213-430-9000 Fax: 1-213-623-0064	—
	Nippon Life Insurance Company of the Philippines, Inc.	21st Floor, Tower Two RCBC Plaza, 6819 Ayala Avenue Makati City 1200, Philippines	Tel: 63-2-753-2151 Fax: 63-2-753-2161	50%*2
	Nissay-SVA Life Insurance Co., Ltd	37th Floor, United Plaza 1468 Nanjing Road(West), Shanghai, 200040, China	Tel: 86-21-6247-6633 Fax:86-21-6247-0739	50%
	Bangkok Life Assurance Limited	23/115 Royal City Avenue, Rama 9 Road, Bangkok 10320, Thailand	Tel:66-2-641-4661 Fax:66-2-203-0500	16.41%
Investment and Asset Management	NLI International Inc.	1251 Avenue of the Americas, 18th Floor, New York, NY 10020, U.S.A.	Tel: 1-212-403-3400 Fax: 1-212-764-9773	100%
	NLI International PLC	20 Little Britain London EC1A 7DH, U.K.	Tel: 44-20-7600-2804 Fax: 44-20-7588-7681	100%
	Nissay Deutsche Asset Management Europe Limited	One Appold Street London EC2A 2UU, U.K.	Tel: 44-20-7545-8205 Fax: 44-20-7545-1193	67%*3
	Singapore Branch	20 Raffles Place #25-08 Ocean Towers Singapore 048620	Tel: 65-6423-5412 Fax: 65-6535-7220	—
Real Estate Investment	NLI Properties East, Inc.	1251 Avenue of the Americas, 18th Floor, New York, NY 10020, U.S.A.	Tel: 1-212-403-3456 Fax: 1-212-764-3235	100%
	NLI Properties West, Inc. NLI Properties Central, Inc.	445 South Figueroa Street, Suite 2850, Los Angeles, CA 90071, U.S.A.	Tel: 1-213-623-9307 Fax: 1-213-623-9263	100%
	NLI Properties UK Limited	20 Little Britain London EC1A 7DH, U.K.	Tel: 44-20-7600-2804 Fax: 44-20-7588-7681	100%
Asset Management	PanAgora Asset Management, Inc.	260 Franklin Street, 22nd Floor Boston, MA 02110, U.S.A.	Tel: 1-617-439-6300 Fax: 1-617-439-6675	20%*4
	Union PanAgora Asset Management GmbH	Clemensstrasse 10 60487 Frankfurt am Main, Germany	Tel: 49-69-743840 Fax: 49-69-74384111	—*5

*Regarding *1-*4, the remaining shares are held by:*
**1 Principal International, Inc.*
**2 The Yuchengco Group of Companies*
Great Pacific Life Assurance Corporation 30%
Rizal Commercial Banking Corporation 20%
**3 Deutsche Bank Group (DB Investments (GB) Limited)*
**4 Putnam Investments, LLC*
**5 Union PanAgora Asset Management GmbH is a 50/50 joint venture company between Union Asset Management Holding AG and PanAgora Asset Management, Inc., which is an affiliate of Nippon Life Insurance Company.*

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