CONSOLIDATED FINANCIAL HIGHLIGHTS

	Billions of Yen				
Years ended March 31	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.