CHAPTER

1

## REVIEW OF OPERATIONS IN FISCAL 2004

**Nippon Life is Striving to Strengthen its Management Base in Order to Fulfill its Promise of Providing Coverage to Customers.**

### Indicators for Soundness and Profitability

1. Ratings
2. Core Operating Profit
3. Foundation Funds (Kikin) and Reserves
4. Unrealized Gains on Securities
5. Solvency Margin Ratio
6. Real Net Assets
7. Policy Reserves
8. Non-Performing Assets

*We have selected a range of information to enable our readers to understand the soundness and profitability of our operations as an insurance company. It is necessary to comprehensively review all the various indicators for the best understanding of our business base.

## 1. RATINGS: (as of June 1, 2005)

AA
R&I
(Insurance Claims Paying Ability):

AA-
Fitch
(Insurer Financial Strength Rating):

A+
S&P
(Insurer Financial Strength Rating):

### High Marks from Ratings Companies

Nippon Life has obtained ratings from Rating and Investment Information, Inc. (R&I), Fitch Ratings Ltd. (Fitch), and Standard & Poor's (S&P). These ratings, issued by independent ratings agencies, are an evaluation of an insurance company's ability to pay insurance claims. We believe that obtaining these ratings is meaningful as a reference point for customers to objectively choose an insurance company.

We have received an Insurance Claims Paying Ability rating of "AA" from R&I, an Insurer Financial Strength Rating of "AA–" from Fitch, and an Insurer Financial Strength Ratings of "A+" from S&P. We believe that these high ratings are based on a high appraisal of our strong business foundation, our superior capital position, our high level of earnings, and our financial flexibility. Looking forward, we are aiming to maintain and improve our ratings as a reassurance for our policyholders through increased profitability and capital expansion.

*The above-mentioned ratings express the certainty of an insurance company's ability to pay benefit (the ratings are not guarantees for payment of benefits.)*

*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.*

*Nippon Life received the above-mentioned ratings from R&I, Fitch, and S&P after officially requesting them and providing detailed information for a more accurate evaluation.*

**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.
R&I Web site: http://www.r-i.co.jp

**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.
Fitch Web site: http://www.fitchratings.co.jp

**S&P's Definition of "A" Rating**
An insurer rated "A" has STRONG financial security characteristics to fulfill insurance policy obligations, 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.
S&P Web site: http://www.standardandpoors.co.jp

## 2. CORE OPERATING PROFIT:

¥550.1 billion (fiscal 2004)

### High Level of Core Operating Profit Covered Negative Spread in Fiscal 2004

Nippon Life recorded core operating profit of ¥550.1 billion in fiscal 2004. This was the amount after taking account of the negative spread for fiscal 2004, and it remained at a high level sufficient to pay dividends to policyholders and increase the contingency reserve against future risks.

We are developing products and services, expanding face-to-face channels, and reinforcing asset management to secure and expand core operating profit, strengthen the management foundation further and sustain dividend discounts from medium- and long-term perspectives.

**Core Operating Profit**
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.

**[Status of Core Operating Profit]**

(Unit: Billions of Yen, %)

| As of March 31 | 2005 | Amount of Increase | Rate of Increase | 2004 | 2003 |
|---|---|---|---|---|---|
| Core operating profit | ¥ 550.1 | ¥ (9.6) | (1.7)% | ¥ 559.8 | ¥ 545.1 |
| Net capital gains/losses | 67.6 | (19.0) | | 86.6 | (423.5) |
| Gains/losses on valuation of securities | (31.1) | (7.8) | | (23.3) | (524.3) |
| Extraordinary profits & losses | (260.4) | 19.9 | | (280.3) | (5.0) |
| Operating income | 357.4 | (8.7) | (2.4)% | 366.1 | 116.5 |

*Operating income = core operating profit + (net capital gains/losses + extraordinary profits & losses)*
*Net capital gains/losses includes gains/losses on sales of securities and valuation losses on securities. Extraordinary profits & losses includes transfer to contingency reserve.*

## 3. FOUNDATION FUNDS (KIKIN) AND RESERVES:

# ¥2,834.7 billion (as of March 31, 2005)

### Steadily Building the Foundation Funds (Kikin) and Reserves and the Reserve for Price Fluctuations

### ■ Building the Foundation Funds (Kikin) and Reserves

Nippon Life believes that improving its ability to deal with risk and lessening its dependency on unrealized gains in securities, which are easily affected by economic conditions, are essential for maintaining a firm management base. Accordingly, Nippon Life is steadily building up its funds foundation funds (kikin) and reserves, which include the foundation funds (kikin), reserve for redemption of foundation funds, contingency reserve, and reserve for price fluctuations of investments in securities.

While giving due consideration to maintaining a balance with dividends paid to policyholders, Nippon Life is increasing management efficiency and reoffering funds. Nippon Life has accumulated ¥2,834.7 billion in capital for its foundation funds (kikin) and reserves as of March 31, 2005. To deal with any type of risk including negative spreads and increase the certainty of payments to its policyholders, management is redoubling efforts to quickly achieve its target of ¥3 trillion in capital for its foundation funds (kikin) and reserves by March 31, 2006.

### ■ Increasing the Foundation Funds (Kikin)

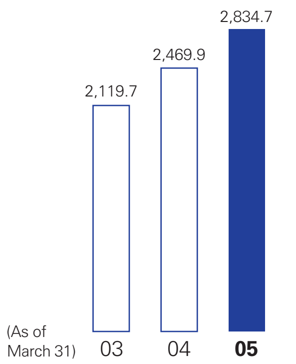
Nippon Life strives to increase its foundation funds (kikin) as a way of dealing better with risk. As a result of reoffering funds five times since revisions were made to the Insurance Business Law in 1996, our total foundation funds (kikin), including funds and the reserve for redemption of foundation funds, reached ¥750.0 billion as at the end of fiscal 2004. Since fiscal 2000, Nippon Life has aimed to expand the number of fund contributors by using securitization methods through a special purpose company (SPC). In fiscal 2002, Nippon Life made a public offering to a broad base of investors that included general individual investors for the first time in the industry.

In fiscal 2005, Nippon Life plans to raise an additional ¥150.0 billion in foundation funds (kikin) and increase its total foundation funds (kikin) to ¥900.0 billion.

**Foundation Funds (Kikin) and Reserves**
Foundation funds (kikin) and reserves include the foundation funds, the reserve for redemption of foundation funds under capital, and contingency reserve 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.

**[Trends in Foundation Funds (Kikin) and Reserves]**

(Unit: Billions of Yen)




**[Breakdown of Foundation Funds (Kikin) and Reserves]**

(Unit: Billions of Yen)

| As of March 31 | 2005 | 2004 | 2003 |
|---|---|---|---|
| Foundation funds (kikin) and reserves | ¥2,834.7 | ¥2,469.9 | ¥2,119.7 |
| Equity section | 915.2 | 912.6 | 910.2 |
| Total foundation funds (kikin) | 750.0 | 750.0 | 750.0 |
| Liability section | 1,919.4 | 1,557.3 | 1,209.4 |
| Contingency reserve | 1,274.3 | 1,013.9 | 733.9 |
| Reserve for price fluctuations of investments in securities | 390.2 | 255.2 | 150.2 |

## 4. UNREALIZED GAINS ON SECURITIES:

# ¥3,852.1 billion (as of March 31, 2005)

### Unrealized Gains on Securities Remained at a High Level.

Unrealized gains on securities remained at a high level of ¥3,852.1 billion as of March 31, 2005, and increased compared with the previous fiscal year owing to higher share prices.

**Unrealized Gains on Securities**
Unrealized gains on securities exist when there is a positive difference between the market value and book value of securities held.

**[Status of Unrealized Gains on Securities (General Account)]**

(Unit: Billions of Yen)

| As of March March 31 | 2005 | | | 2004 | 2003 |
|---|---|---|---|---|---|
| | | Gains | Losses | | |
| Unrealized gains on securities | ¥3,852.1 | ¥4,183.9 | ¥(331.7) | ¥3,306.3 | ¥2,067.1 |
| Domestic bonds | 471.1 | 594.7 | (123.5) | 348.7 | 1,027.9 |
| Domestic stocks | 2,967.0 | 3,068.6 | (101.6) | 2,631.1 | 669.0 |
| Foreign securities | 397.2 | 501.5 | (104.2) | 330.0 | 427.8 |

**Unrealized gains on securities apply to all securities with market value, and include negotiable deposits and other items that are handled as securities under the Securities and Exchange Act of Japan.*

**Unrealized gains on securities included amounts recorded on the balance sheets comprising ¥1,031.8 billion as of March 31, 2003, ¥2,920.0 billion as of March 31, 2004, and ¥3,342.7 billion as of March 31, 2005.*

Solvency Margin
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. Life insurance companies prepare policy reserves to cover risks within normally forecastable levels, such as future insurance benefit payments. The solvency margin is provided to cover risks that exceed these levels. For example, as shown in the table below, the total solvency margin reflects unrealized gains/losses on securities as well as the foundation funds (kikin) and reserves.

Solvency Margin Ratio
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. When this ratio falls below 200%, the regulatory agency will issue an order to improve business performance.

## 5. SOLVENCY MARGIN RATIO:

975.2% (as of March 31, 2005)

### Sufficient to Fully Cover Risk

Our solvency margin ratio is considered sufficient enough to make payments to fully cover risks. Our solvency margin ratio rose to 975.2%, reflecting an increase in the foundation funds (kikin) and reserves, and an increase in valuation differences for other securities.

We are promoting steady accumulation in our foundation funds (kikin) and reserves, and are continuing to strive to maintain and improve our high solvency margin ratio.

**[Solvency Margin Ratio]**

(Unit: Billions of Yen, %)

| As of March 31 | 2005 | 2004 | 2003 |
|---|---|---|---|
| Total solvency margin (A) | ¥6,760.6 | ¥6,011.6 | ¥4,032.8 |
| Foundation funds (kikin) and reserves | 2,834.7 | 2,469.9 | 2,119.7 |
| Net unrealized gains/losses on securities X 90% | 3,008.4 | 2,628.0 | 928.6 |
| Total amount of risk (B) | 1,386.5 | 1,345.1 | 1,279.0 |
| Solvency margin ratio $\frac{(A)}{\frac{1}{2} \times (B)} \times 100$ | 975.2% | 893.8% | 630.6% |

Real Net Assets
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. A negative figure implies a net capital deficiency, and the regulatory agency may issue an order to cease business operations.

## 6. REAL NET ASSETS:

¥7,554.7 billion (as of March 31, 2005)

### A Persistently High Level

As of March 31, 2005, real net assets stood at ¥7,554.7 billion, and the ratio of real net assets to the general account stood at a high of 17.0%.

**[Real Net Assets]**

(Unit: Billions of Yen, %)

| As of March 31 | 2005 | 2004 | 2003 |
|---|---|---|---|
| Real net assets<br>[Ratio of real net assets to the general account] | ¥7,554.7<br>[17.0%] | ¥6,608.0<br>[15.4%] | ¥5,077.4<br>[12.3%] |

Policy Reserves
Policy reserves are accumulated through premiums and investment returns to ensure that life insurance companies have the ability to pay insurance benefits and other payments in the future within normally forecastable levels. The Insurance Business Law requires the accumulation of policy reserves. The standard policy reserve system was introduced when the new Insurance Business Law was enacted in April 1996. For insurance policies written after the enactment of the new Insurance Business Law, standard levels were set for policy reserves for policies (standard policy reserve policies) designated by the regulatory agency. Policy reserves are accumulated using the net level premium reserve method.

## 7. POLICY RESERVES:

¥38,794.3 billion (as of March 31, 2005)

### Computed with the Most Conservative Legal Method for Policy Reserves

We make additions to our standard policy reserves 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

**0.63%** (Total Coverage Ratio: 93.7%) (as of March 31, 2005)

### Appropriate Reserve and Sound Asset Levels Through Total Coverage

To maintain and improve our financial standing, we regularly reduce the outstanding amount of non-performing assets through efforts to collect and write off non-performing assets.

Non-performing assets according to borrower classification were reduced ¥34.1 billion from the previous fiscal year to ¥73.7 billion, representing 0.63% of total loans, and the total coverage ratio was 93.7%.

Risk-monitored exposure, another indicator of non-performing assets, was ¥73.7 billion, representing 0.71% of total loans and a reserve ratio of 63.1%.

Under the Insurance Business Law, non-performing assets must be disclosed in two categories, non-performing assets according to borrower classification and risk-monitored loans.

Total coverage ratio (%) = $\frac{\text{(Guarantees and pledges + allowance for doubtful accounts)}}{\text{Managed loans within non-performing assets according to borrower classification}} \times 100$

The allowance for doubtful accounts used to calculate the total coverage ratio is the total amount of general allowance for doubtful accounts recorded for individual allowances for doubtful accounts and managed loans.

Reserve ratio (%) = $\frac{\text{Allowance for doubtful accounts}}{\text{Risk-monitored loans}} \times 100$

**[Status of Non-Performing Assets According to Borrower Classification]**

(Unit: Billions of Yen, %)

| As of March 31 | 2005 | 2004 | 2003 |
|---|---|---|---|
| Bankrupt and quasi-bankrupt | ¥ 11.2 | ¥ 16.7 | ¥ 18.9 |
| Doubtful | 55.6 | 69.4 | 77.6 |
| Substandard | 6.7 | 21.6 | 34.5 |
| Subtotal | 73.7 | 107.9 | 131.1 |
| Percentage of total | 0.63% | 0.85% | 1.02% |
| Normal | 11,663.7 | 12,519.6 | 12,715.3 |
| Total | ¥11,737.4 | ¥12,627.5 | ¥12,846.5 |
| Total coverage ratio | 93.7% | 96.8% | 90.8% |

**[Status of Risk-Monitored Loans]**

(Unit: Billions of Yen, %)

| As of March 31 | 2005 | 2004 | 2003 |
|---|---|---|---|
| Risk-monitored loans | ¥73.7 | ¥107.8 | ¥130.3 |
| Ratio of risk-monitored loans to the total | 0.71% | 0.98% | 1.13% |
| Reserve ratio | 63.1% | 78.7% | 83.2% |

## Nippon Life's Response to Negative Spreads

Nippon Life covers negative spread amounts (approximately ¥270 billion), secures a high level of profits (core operating profit of ¥550.1 billion) and provides reserves for future negative spreads (as of March 31, 2005).

### Fiscal 2004 Results

Nippon Life was able to reduce negative spread amounts by approximately ¥20 billion in fiscal 2004 to approximately ¥270 billion, owing to efforts to build a more efficient portfolio.

#### Calculation of Negative Spreads

In the life insurance industry, negative spreads are calculated with the following formula.

$$\underset{\text{[approximately ¥270 billion]}}{\text{Negative spread}} = \left(\underset{[2.54\%]}{\text{Investment yield on core operating profit}} - \underset{[3.31\%]}{\text{Average anticipated return}}\right) \times \underset{\text{[¥34,831.3 billion]}}{\text{General account policy reserves}}$$

- *Investment yield on core operating profit is the yield on general account policy reserves after deducting provision for accumulated interest on policyholder dividends from general account investment revenues included in core operating profit.*
- *Average anticipated return is the yield of anticipated interest on general account policy reserves.*
- *The general account policy reserves are calculated as follows for policy reserves in the general account, excluding the contingency reserve.*
  *(Policy reserves at start of period + Policy reserves at end of period – Anticipated interest) / 2*

### Reserves for Future Negative Spreads

To provide reserves for future negative spreads, Nippon Life makes a conservative assumption that tough conditions with ultra-low interest rates will continue and has accumulated ¥2 trillion in its foundation funds (kikin) and reserves to cover insufficient amounts based on current revenues from negative spreads on policies.

Negative Spread

*Life insurance companies calculate discounts off insurance premiums based on expected earnings from asset management when policyholders pay premiums. This discount rate is called the anticipated rate, and is set at a level that takes into consideration prevailing market rates with allowance. As a consequence, life insurance companies must earn the annual discount. However, amid persistently low interest rates, a deficit is created by the difference in the anticipated rate of return on insurance premium investments for some policyholders and actual investment yields. This is called the negative spread.*

## Summary of Performance

The operating environment for the life insurance business did not improve much in fiscal 2004. Although the economy staged a modest recovery, personal consumption was stagnant and long-term interest rates and share prices advanced and retreated.

In this environment, Nippon Life Insurance Company focused on raising customer satisfaction and having the opinions of customers and frontline sales representatives reflected in management efforts. The Company also undertook a number of initiatives to achieve recovery in its performance in insurance and reinforce the foundation of its business activity. These included expanding our sales organization, building up our underwriting systems, and bolstering our financial condition while working to ensure complete compliance with relevant laws, particularly those covering personal information.

Summing up the fiscal year under review, as of year-end, the total value of individual insurance policies in force fell again year on year, but signs of a recovery were apparent in the improvement in policy cancellations and lapses, as well as the increase in policies in force for individual annuities and group insurance. In terms of earnings, core operating profit declined, but we took major steps to strengthen our balance sheet by steadily building up foundation funds (kikin) and reserves*.

** Foundation funds (kikin) and reserves refers to the foundation funds, which represents the capital of a mutual company, together with the contingency reserve and reserve for price fluctuations established to deal with various risks.*

**[Key Performance Financial Highlights (Non-Consolidated)]**

(Unit: Billions of Yen, Number, %)

| As of March 31 | 2005 | 2004 | 2003 |
|---|---|---|---|
| Total revenues | ¥ 6,398.0 | ¥ 7,101.9 | ¥ 7,351.6 |
| Operating income | 357.4 | 366.1 | 116.5 |
| Core operating profit[*1] | 550.1 | 559.8 | 545.1 |
| Surplus in the current year | 195.7 | 187.4 | 111.4 |
| Dividend reserves as a percentage of surplus available for disposition[*2] [%] | 98.7 | 98.7 | 99.1 |
| Total assets | 46,559.4 | 45,270.7 | 43,686.4 |
| of which, assets in separate account | 2,149.1 | 2,276.4 | 2,506.4 |
| Investments in securities | 31,331.8 | 29,999.6 | 27,515.2 |
| Loans receivable | 10,317.2 | 11,011.5 | 11,586.8 |
| Policy reserves | 38,794.3 | 38,642.6 | 38,613.5 |
| Foundation funds (kikin) and reserves[*3] | 2,834.7 | 2,469.9 | 2,119.7 |
| of which, total foundation funds[*4] | 750.0 | 750.0 | 750.0 |
| Solvency margin ratio [%] | 975.2 | 893.8 | 630.6 |
| Policies in force[*5] | 348,278.1 | 358,735.9 | 374,733.5 |
| Policies in force for group annuities[*6] | 8,797.1 | 9,425.5 | 9,760.8 |
| Number of members [policyholders][*7] | 11,055,886 | 11,444,910 | 12,019,464 |
| Number of employees | 67,116 | 68,048 | 70,786 |
| Negative spread [approximately] | 270.0 | 290.0 | 320.0 |

**1. Core operating profit mainly consists of income related to insurance operations, primarily from interest and dividend income.*

**2. Dividend reserves as a percentage of surplus available for disposition refers to the percentage of the amount calculated according to Article 27 of the Enforcement Ordinance of the Insurance Business Law accounted for by the total of provisions for reserve for dividends to policyholders and equalized reserve for dividends to policyholders. The percentage, according to Article 29 of the same Regulations is 20% or more. (The minimum was reduced from 80%, to 20% in the March 25, 2002 revision of the enforcement ordinance.) For purposes of this calculation, the surplus carried forward from the previous term less undisposed current term surplus is used as the denominator. The calculation for fiscal 2002 adds to the denominator the amount by which contingency reserve provided for under Article 11, Section 2 of the Enforcement Ordinance of the Insurance Business Law were reversed.*

**3. The foundation funds (kikin) and reserves include the foundation funds, which represents the capital of a mutual company, contingency reserve and reserve for price fluctuations established to deal with contingencies.*

**4. The foundation funds total includes the reserve for redemption of foundation funds.*

**5. Policies in force are the total of individual insurance, individual annuities, and group insurance policies in force. Individual annuities are the total of annuity resources at the start of annuities for policies prior to the start of annuity payments and policy reserves for policies after the start of annuity payments.*

**6. Policies in force for group annuities indicate the amount of policy reserves.*

**7. In the case of a mutual company, "members" refers to policyholders (excluding those not eligible for distribution of surplus).*

## ■ Individual Market Sales

On the product front, we also focused on sales of individual annuities products with a savings component, primarily *Ikiru Chikara Sky Select EX*, which enables each customer to choose coverage according to his or her needs. The number of new policies sold declined from the previous fiscal year, but large increases were recorded in individual retirement and pension plans. In our sales network, we made efforts to expand the sales organization, but the number of sales representatives* at period-end had declined by 1,180 to 51,206, compared to a decrease of 3,449 a period earlier.

In response, we strengthened education and training programs to build our ability to interact with clients face-to-face, including practical training and role-playing, and enhanced programs to improve the skills of new sales representatives, those who will take center stage in the future. We also redoubled our efforts to increase customer visits and improve customer satisfaction by allocating sales representatives with portable computers called *Duo* which are equipped with the latest package of consulting functions, in January 2005.

Bolstering life insurance agencies has been at the core of initiatives to strengthen the Company's sales network. We added 410, bringing the total at year-end to 6,364. Our efforts to improve training of agency sales staff and strengthen our relationship with agencies, and thereby offer our products and services to a wider range of customers, paid off in the form of a steady stream of new policies.

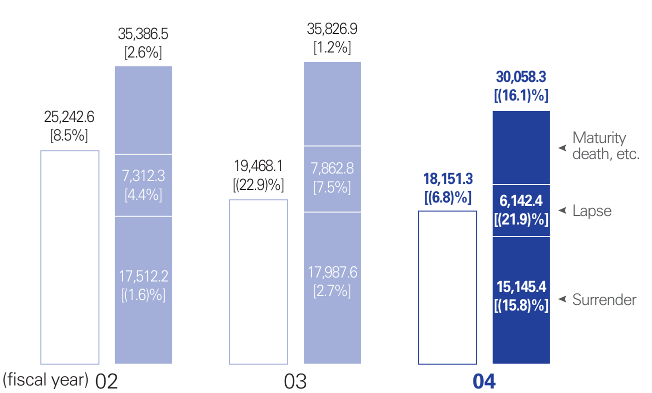
Through our branches and Life Plaza customer service counters, we have strived to provide fuller services by implementing various measures such as improving the consulting abilities of responsible sales representatives.

**The number of registered sales representatives does not include managers of sales representatives and part-time sales staff.*

The value of new policies, including individual insurance and individual annuities, decreased 6.8% year on year. However, the value of lapsed policies improved by 17.6% due to increased efforts to visit existing policyholders. As a result, the decrease in the value of policies at the end of year, calculated as the total of such items as coverage amount, improved 1.3 percentage points to a 4.3% decrease. The value of individual insurance policies increased for the first time in nine years.

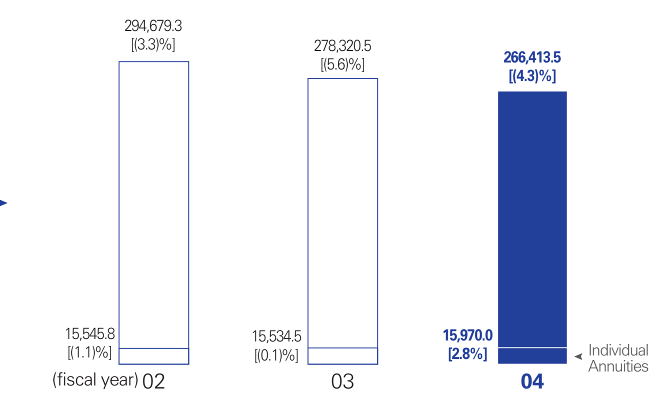
On the other hand, annualized premiums, calculated as premiums of policies in force, fell 1.7%. Of this, annualized premiums for medical coverage and living benefits were at approximately the same level as the previous term.

**[Trends in Value of New Individual Insurance and Individual Annuities Policies and Decrease in Value of Policies]**
(Left: value of new policies Right: decrease in value of policies)




•*Figures in brackets are year-on-year percent changes.*
*(Note: Value of new policies includes net increase due to conversions.)*

**[Policies in Force for Individual Insurance and Individual Annuities at Fiscal Year-End]**




•*Figures in brackets are year-on-year percent changes.*

**[Trends in Annualized Premiums for Policies in Force]**

(Unit: Billions of Yen, %)

| As of March 31 | 2005 | Rate of Increase | 2004 | Rate of Increase | 2003 |
|---|---|---|---|---|---|
| Total individual insurance and individual annuities | ¥3,330.4 | (1.7)% | ¥3,386.7 | —% | ¥ — |
| Medical coverage and living benefits | 548.5 | 0.0 | 548.5 | 1.5 | 540.6 |

*Notes: 1. Annualized premiums, the amount for an entire year, are calculated using coefficients based on the premium payment method. (The premium divided by the coverage period is used for lump-sump payments.)*
*2. Items such as medical coverage and living benefits, include the annualized premium of portions corresponding to the medical benefits (hospitalization benefits and surgery benefits), living benefits (limited illness benefits, nursing care benefits, etc.), including premium payment waiver (items due to disability are excluded, but items due to limited illness, nursing care, etc., are included).*
*3. Annualized premiums for total individual insurance and individual annuities have been calculated since fiscal 2003.*

## ■ Corporate Market Sales

In the field of group insurance, we offer advisory services for the creation of easy-to-use and attractive employee benefit plans based on corporations' and employees' needs and concerns. Furthermore, we are striving to expand our share in regional public organization market.

In the field of group annuities, the Company provides precise consulting and develops plans that correspond to corporations' needs and conditions, and is making progress with the transition to the new corporate retirement allowance and annuity system. Specific efforts to expand various features related to defined contribution pensions include providing information through our call centers and the Internet, and employee education. These efforts have been focused on the entrustment of management institutions that play a central role in systems administration.

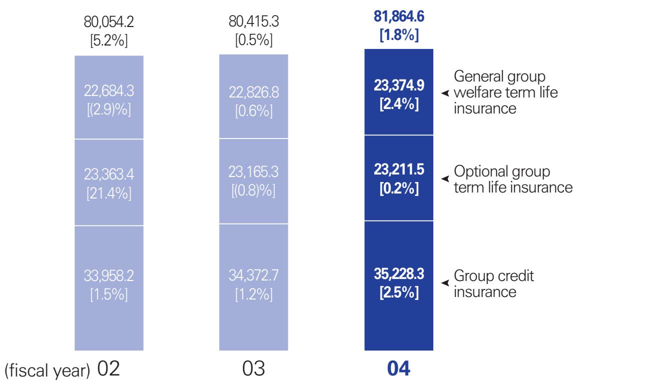
The value of group insurance policies at year-end was 1.8% higher year on year despite the fact that the overall market had shrunk due to such factors as lower employment.

Due to such trends as the return of employees' pension funds that had been managed for the government (*Daiko Henjo*), the year-end value of group annuities decreased by 6.7%.

Annuity assets managed by the Nippon Life Group, including Nissay Asset Management Corporation ("Nissay Asset"), decreased 4.2%. As an operation supervisory organization for defined contribution pensions, Nippon Life concluded 105 new agreements, bringing the total to 193 agreements, maintaining its leading performance among such organizations.

**[Year-End Value of Group Insurance Policies]**

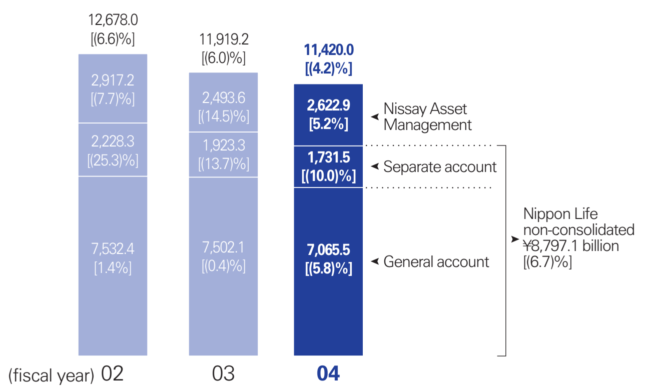
(Unit: Billions of Yen)




•*Figures in brackets are year-on-year percent changes.*

**[Nippon Life Group Total Annuity Assets]**

(Unit: Billions of Yen)




•*Figures in brackets are year-on-year percent changes.*

**[Performance as Administrative Management Organization for Defined Contribution Pensions]**

(Unit: Number)

| Fiscal years ended March 31 | 2005 | Number of Increase | 2004 | 2003 |
|---|---|---|---|---|
| Number of agreements | 193 | 105 | 88 | 29 |
| Number of corporations | 483 | 265 | 218 | 76 |

*Notes: 1. Number of agreements is the number of plans with defined contribution pensions.*
*2. Number of corporations is the number of companies in the plan. (Several companies can be in the same plan.)*

**[Performance of Nissay Dowa General Insurance Company, Limited]**

(Unit: Billions of Yen, %)

| Fiscal years ended March 31 | 2005 | Rate of Increase | 2004 | 2003 |
|---|---|---|---|---|
| Net insurance premium income | 321.8 | (0.2) | 322.3 | 308.3 |

### ○ Non-Life Insurance, International Operations

In individual and corporate market sales, we are working in cooperation with Nissay Dowa General Insurance to develop the corporate market to provide comprehensive insurance services, while continuing to promote sales of casualty insurance by sales representatives as agents of Nissay Dowa General Insurance.

In addition to the forementioned, we have expanded overseas into the U.S., the Philippines, Chinese, and Thai life insurance markets. Particular progress has been made in building an operating base in China, where Nissay-SVA Life Insurance Co., Ltd. is beginning to handle group insurance as it strengthens its sales system.

## ■ Asset Management

In the general account, along with accumulating public and corporate bonds expected to provide stable interest income as investment assets, we are adjusting the composition of our portfolio of domestic and foreign stocks with a focus on stocks with growth potential and the ability to provide stockholder returns such as dividends. More foreign bonds were purchased in the second half of the year due to the appreciation of the yen.

Within investment income, interest and dividend income was about the same as in the previous term because, although interest income from loans decreased due to continuing low interest rates, dividend income from domestic stocks and interest and dividends from foreign securities increased. Furthermore, gains on the sales of securities increased 6.9% from the previous year.

In the separate account, as share prices advanced and then retreated, we booked ¥85.9 billion in investment profit; this was a substantial decrease of 75.3% from the previous term, when prices grew substantially.

In expenses for investment, valuation losses increased, although losses on the sales of securities shrank. As a result, the surplus from asset management decreased 20.6% to ¥1,077.5 billion.

The return on investment for the general account was 2.42% (2.48% in the previous year), and the return on investment for the first treaty comprehensive account (separate account for group annuities), which is a large portion of separate account investment assets, was 4.44% (17.25% for the previous year).

**[Main Asset Management-Related Revenue and Expenditure Items]**

(Unit: Billions of Yen, %)

| Fiscal years ended March 31 | 2005 | Rate of Increase (Decrease) | 2004 | 2003 |
|---|---|---|---|---|
| Investment income | ¥1,288.3 | (16.6) | ¥1,545.0 | ¥1,302.8 |
| Interest, dividend, and other income | 980.4 | 0.0 | 980.0 | 999.2 |
| Gains on sales of securities | 201.7 | 6.9 | 188.7 | 301.3 |
| Gains from separate account | 85.9 | (75.3) | 348.4 | — |
| Investment expenses | 210.8 | 11.8 | 188.5 | 1,131.8 |
| Losses on sales of securities | 52.8 | (7.8) | 57.2 | 126.3 |
| Losses on valuation of securities | 31.1 | 33.5 | 23.3 | 524.3 |
| Losses from separate account | — | — | — | 339.8 |
| Net proceeds from investments | 1,077.5 | (20.6) | 1,356.5 | 171.0 |
| Proceeds from investment in the general account | 991.6 | (1.6) | 1,008.1 | 510.8 |

*Note: Net investment income/expenses for the separate account is shown either as gains from separate account or losses from separate account.*

**[Investment Return (General Account)]**

(Unit: %)

| Fiscal years ended March 31 | 2005 | 2004 | 2003 |
|---|---|---|---|
| Investment return<br>[Basic return] | 2.42<br>[2.26] | 2.48<br>[2.27] | 1.27<br>[2.32] |

*Notes: 1. Investment return is calculated as follows:*

$$\frac{\text{Investment income minus investment expenses, plus valuation gains (under Insurance Business Law Article 112)}}{\text{Average daily asset balance for the year (calculated using daily average balance method)}}$$

*2. Basic return is calculated as follows:*

$$\frac{\text{Amount included in core operating profit within asset management income (with main contribution from interest, dividend, and other income)}}{\text{Average daily asset balance for the year (using daily average balance method)}}$$

**[First Treaty Comprehensive Account (Separate Account for Group Annuities)]**

(Unit: %)

| Fiscal years ended March 31 | 2005 | 2004 | 2003 |
|---|---|---|---|
| Investment return | 4.44 | 17.25 | (11.39) |

| | Average performance for past three years | Average performance for past five years | Average performance for past seven years |
|---|---|---|---|
| (Reference) | 2.76 | (2.17) | 1.02 |

## ■ Underwriting and Customer Service

In the underwriting field, we worked to strengthen our underwriting system to respond to the increase in the growing number and greater complexity of assessments for payments, which is due to the greater variety of products. At the same time the Company continues to promote the training of specialists in policy underwriting and benefit payments. Along with this, to strengthen our ability to develop products, particularly with medical coverage, and raise the level of our underwriting capabilities through the analysis of insurance revenue and expenses, in March 2005, we established a new Medical Information Department that conducts studies and engages in research in such areas as medical technology and the environment.

Nippon Life is striving to raise customer satisfaction by ensuring that management reflects customer opinions heard at call centers, branch customer service counters, and Life Plazas nationwide. To this end, we implemented an improvement plan covering 270 items. This included creating easier-to-understand forms. The Company also bolstered its complaint management system to more precisely address issues that are sources of customer dissatisfaction. Furthermore, to provide quicker and more complete responses to customers, we finished an upgrade of our basic system in January 2005 and began full operation of our Web-based "E-system."

**[Number of Improvement Initiatives Based on Customer Opinions]**

(Unit: Number of Initiatives)

| Fiscal years ended March 31 | 2005 | Number of Increase | 2004 | 2003 |
|---|---|---|---|---|
| Number of improvement initiatives | 270 | 129 | 141 | 114 |

In addition to the improvements made in the above areas, the measures summarized below were also taken.

Environmental protection activity included progress in ISO14001 efforts. The certification, which was acquired three years ago, was renewed in December 2004.

Our contributions to society included ongoing efforts to protect forests through the "Planting Forests for the Future of Nissay" campaign, and during the year around 200,000 children were invited to the Nissay Masterpiece Theater Series, which raised the total number of children that have taken part in the program since 1964 to around 6.24 million.

# Revenues and Expenditures

## ■ Operating Income

Total revenues were ¥6,398.0 billion, a year-on-year decrease of 9.9%. This revenue came mainly from income from insurance and reinsurance premiums, which fell 6.1% to ¥4,829.7 billion (1). Although combined income from premiums for individual insurance and individual annuities insurance dipped by only 1.3%, the significant decrease was due to the impact of such factors as a large drop in the inflow of group annuities assets.

Total expenditures were ¥6,040.5 billion, a year-on-year decrease of 10.3% (2). The main sources of expenses were insurance claims and other payments, which dropped 14.3% to ¥4,647.8 billion, and operating expenses, which declined 2.5% to ¥545.2 billion.

As a result, operating income was ¥357.4 billion, a year-on-year decrease of 2.4% (3).

Core operating profit, which indicates cash flows minus capital gains/losses and one-time gains/losses, was ¥550.1 billion, a decrease of 1.7%.

## ■ Extraordinary Profits and Losses

Extraordinary profits totaled ¥42.0 billion, an increase of 81.3%, and extraordinary losses were ¥186.7 billion, up 36.7%, due to an increase of ¥135.0 billion in provision for reserve for price fluctuations of investments in securities (4).

## ■ Surplus in the Current Year

The surplus in the current year, which reflects operating income after such adjustments as extraordinary profits and losses, and income taxes, was ¥195.7 billion, an increase of 4.4% (5).

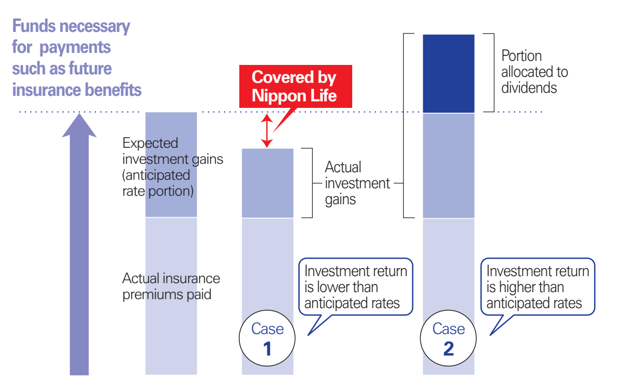
## About Insurance Dividends

Life insurance premiums are calculated based on three anticipated rates, namely the anticipated rate of return, expected mortality rate and assumed rate of expense.

Dividends are paid based on policy terms and conditions when actual returns are greater than the anticipated rates.

The figure on the right shows the framework for dividends based on anticipated rates. Insurance premiums are calculated while discounting investment gains based on anticipated rates of return. Even if investment gains are lower than expected, as in case number one in the figure, this discount to insurance premiums is guaranteed to stay the same.

**Dividend Framework (Portion Related to Anticipated Rates)**




## Insurance Dividend Policy Based on Fiscal 2004 Results

Nippon Life pays dividends on policies that contribute substantially more to revenues while balancing the steady accumulation of foundation funds (kikin) and reserves to increase responsiveness to risk.

Our policies are as follows:

- With regard to individual insurance and individual annuities, Nippon Life will increase dividends and regular health points on approximately 4.7 million policies, correlating to about 85% of *EX* series policies written after April 2, 1999.
- With regard to group annuities, Nippon Life will pay higher dividends than the previous fiscal year in light of the high levels of risk buffer reserves.

## Transfers to Reserve for Dividends to Policyholders

The minimum percentage of the surplus for distribution that is transferred to the reserve for dividends to policyholders (calculation method is given on the right) is stipulated in the Company's Articles of Association.

Applying Article 29 of the Enforcement Ordinance of the Insurance Business Law, Nippon Life has set the minimum amount in the Articles of Association to 20.0%. In fiscal 2004, 98.7% of the surplus for distribution was transferred.

**[Fiscal 2004 Surplus for Distribution]**

$$\frac{\text{The reserves for dividends to policy holder } \mathbf{c}}{\text{The surplus for distribution } [\mathbf{b}-(\mathbf{a}+\mathbf{d}+\mathbf{e}+\mathbf{f})]} \times 100 = 98.7\%$$

## [Main Items in Statements of Operations]

(Unit: Billions of Yen)

| Fiscal years ended March 31 | | 2005 | 2004 | 2003 |
|---|---|---|---|---|
| **Total income** | | | | |
| + **Total revenues** | (1) | **¥6,398.0** | **¥7,101.9** | **¥7,351.6** |
| of which, income from insurance and reinsurance premiums | | 4,829.7 | 5,142.8 | 5,420.7 |
| Investment income | | 1,288.3 | 1,545.0 | 1,302.8 |
| Interest, dividend, and other income | | 980.4 | 980.0 | 999.2 |
| Gains on sales of securities | | 201.7 | 188.7 | 301.3 |
| Gains from separate account, net | | 85.9 | 348.4 | — |
| Other revenues | | 279.8 | 413.9 | 628.0 |
| Reversal to policy reserves | | — | — | 247.6 |
| — **Total expenditures** | (2) | **6,040.5** | **6,735.7** | **7,235.1** |
| of which, insurance claims and other payments | | 4,647.8 | 5,422.8 | 4,954.5 |
| Provision for policy reserves and others | | 192.6 | 72.5 | 89.7 |
| Provision for policy reserves | | 151.6 | 29.1 | — |
| Expenses for investment | | 210.8 | 188.5 | 1,131.8 |
| Losses on sales of securities | | 52.8 | 57.2 | 126.3 |
| Losses on valuation of securities | | 31.1 | 23.3 | 524.3 |
| Losses from separate account, net | | — | — | 339.8 |
| Operating expenses | | 545.2 | 558.9 | 608.2 |
| = **Operating income** | (3) | **357.4** | **366.1** | **116.5** |
| **Extraordinary profits** | | | | |
| + **Extraordinary profits** | (4) | **42.0** | **23.1** | **75.3** |
| of which, reversal of allowance for doubtful accounts | | 37.3 | 16.5 | 34.0 |
| — **Extraordinary losses** | (4) | **186.7** | **136.6** | **79.0** |
| of which, losses on disposal of assets | | 47.6 | 23.0 | 17.0 |
| Provision for reserve for price fluctuations of investments in securities | | 135.0 | 105.0 | 17.0 |
| Losses on valuation of real estate | | 2.4 | 1.6 | 0.5 |
| Provision for accrued severance indemnities | | — | — | 39.4 |
| = **Extraordinary profits (losses)** | | **(144.7)** | **(113.5)** | **(3.7)** |
| = **Net surplus before income taxes** | | **212.6** | **252.6** | **112.8** |
| — Income taxes | | 124.0 | 140.0 | 19.2 |
| — Adjustments for income taxes, etc. | | (107.1) | (74.9) | (17.9) |
| = **Net surplus in the current year** | (5) | **195.7** | **187.4** | **111.4** |
| + Reversal of revaluation reserve for land | | 6.7 | 3.6 | 5.5 |
| + Reversal of reserve for assisting social public welfare | a | 1.5 | 2.7 | 1.2 |
| = **Unappropriated surplus** | | **203.9** | **193.8** | **118.2** |

*Note: Under revision of the Enforcement Ordinance of the Insurance Business Law, amounts previously indicated as surplus before income taxes and surplus for the year under review are now indicated as net surplus before income taxes and net surplus in the current year from fiscal 2003.*

## [Resolutions on Distribution of Surplus]

(Unit: Billions of Yen)

| Fiscal years ended March 31 | | 2005 | 2004 | 2003 |
|---|---|---|---|---|
| **Unappropriated surplus** | b | **¥203.9** | **¥193.8** | **¥118.2** |
| **Reversal of voluntary reserves** | | **4.5** | **0.7** | **55.8** |
| Reversal of contingency reserves | | — | — | 55.0 |
| Reversal of reserves for condensed booking of real estate for tax purpose | | 0.7 | 0.7 | 0.8 |
| Reversal of special account reserve for condensed booking of real estate for tax purpose | | 3.7 | — | — |
| **Surplus for distribution** | | **208.4** | **194.6** | **174.0** |
| Reserve for dividends to policyholders | c | 146.9 | 135.1 | 116.1 |
| Net surplus after deduction | | 61.4 | 59.4 | 57.9 |
| Legal reserve for deficiency | d | 0.6 | 0.5 | 0.5 |
| Transfer to reserve for redemption of foundation funds | e | 50.0 | 50.0 | 50.0 |
| Foundation funds interest | f | 2.8 | 3.6 | 4.2 |
| Transfer to voluntary surplus reserve | | 7.9 | 5.2 | 3.1 |
| Social welfare business subsidy funds | | 1.5 | 1.5 | 1.5 |
| Reserve for condensed booking of real estate for tax purpose | | 6.4 | — | 1.6 |
| Special account reserve for condensed booking of real estate for tax purpose | | — | 3.7 | — |

# Balance Sheets

## ■ Assets

General account assets were ¥44,410.2 billion, an increase of ¥1,415.9 billion from the previous fiscal year (1); and separate account assets totaled ¥2,149.1 billion, ¥127.2 billion less than the previous fiscal year (2). As a result, total assets at the end of the year were ¥46,559.4 billion, an increase of ¥1,288.6 billion from the previous fiscal year (3).

The following were the main balance sheet items.

## ■ Liabilities and Capital

Policy reserves totaled ¥38,794.3 billion, a ¥151.6 billion increase from the previous fiscal year (4).

In the foundation funds, as initially planned, of the portion collected in fiscal 2000, ¥50.0 billion was amortized and repaid (5).

Net unrealized gains on securities, net of tax were ¥2,135.7 billion, an increase of ¥270.0 billion from the previous fiscal year (6).

**[Main Balance Sheet Items]**

(Unit: Billions of Yen)

| As of March 31 | | 2005 | 2004 | 2003 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Cash and deposits** | | **¥ 364.0** | **¥ 233.8** | **¥ 209.6** |
| **Call loans** | | **363.1** | **437.4** | **478.3** |
| **Monetary receivables purchased** | | **1,456.6** | **901.9** | **687.5** |
| **Trading securities** | | **2.9** | **2.9** | **5.9** |
| **Money held in trust** | | **144.6** | **155.0** | **248.3** |
| **Investments in securities** | | **31,331.8** | **29,999.6** | **27,515.2** |
| Domestic bonds | | 16,078.7 | 15,069.3 | 14,245.1 |
| Domestic stocks | | 8,176.6 | 7,943.3 | 6,185.6 |
| Foreign securities | | 6,372.1 | 6,186.8 | 6,054.7 |
| **Loans receivable** | | **10,317.2** | **11,011.5** | **11,586.8** |
| Policy loans | | 1,325.8 | 1,371.7 | 1,423.8 |
| Industrial and consumer loans | | 8,991.3 | 9,639.8 | 10,163.0 |
| **Real estate and movables, net of accumulated depreciation** | | **1,800.7** | **1,838.7** | **1,881.9** |
| **Reinsurance receivable** | | **0.4** | **0.4** | **0.4** |
| **Other assets** | | **824.2** | **773.2** | **873.5** |
| **Deferred tax assets** | | **—** | **—** | **303.1** |
| **Customers' liabilities for acceptances and guarantees** | | **—** | **0.7** | **3.8** |
| **Allowance for doubtful accounts** | | **(46.5)** | **(84.8)** | **(108.4)** |
| [General account] | (1) | [44,410.2] | [42,994.3] | [41,180.0] |
| [Separate account] | (2) | [2,149.1] | [2,276.4] | [2,506.4] |
| **Total assets** | **(3)** | **¥46,559.4** | **¥45,270.7** | **¥43,686.4** |

*Note: Total separate account assets consist of the assets in the separate account for individual variable insurance, separate account for individual variable annuities, and separate account for group annuities, separate account for defined contribution pension.*

(Unit: Billions of Yen)

| As of March 31 | | 2005 | 2004 | 2003 |
|---|---|---|---|---|
| **Liabilities** | | | | |
| **Policy reserves and others** | | **¥40,391.0** | **¥40,304.0** | **¥40,393.2** |
| Reserve for outstanding claims | | 239.2 | 245.7 | 279.4 |
| Policy reserves | (4) | 38,794.3 | 38,642.6 | 38,613.5 |
| Reserve for dividends to policyholders | | 1,357.4 | 1,415.6 | 1,500.1 |
| **Reinsurance payables** | | **0.4** | **0.4** | **0.4** |
| **Other liabilities** | | **1,731.4** | **927.8** | **908.4** |
| **Accrued severance indemnities** | | **392.9** | **451.6** | **426.4** |
| **Accrued losses from supporting closely related companies** | | **0.6** | **0.7** | **0.7** |
| **Reserve for price fluctuations of investments in securities** | | **390.2** | **255.2** | **150.2** |
| **Deferred tax liabilities** | | **354.9** | **305.5** | **—** |
| **Deferred tax liabilities for revaluation reserve for land** | | **34.9** | **38.7** | **40.8** |
| **Acceptances and guarantees** | | **—** | **0.7** | **3.8** |
| **Total liabilities** | | **43,296.7** | **42,285.0** | **41,924.1** |
| **Foundation funds** | **(5)** | **200.0** | **250.0** | **300.0** |
| **Reserve for redemption of foundation funds** | | **550.0** | **500.0** | **450.0** |
| **Reserve for revaluation** | | **0.6** | **0.6** | **0.6** |
| **Surplus** | | **314.4** | **300.7** | **280.0** |
| Legal reserve for deficiency | | 6.7 | 6.1 | 5.6 |
| Voluntary surplus reserve | | 103.7 | 100.6 | 156.1 |
| Unappropriated surplus | | 203.9 | 193.8 | 118.2 |
| **Revaluation reserve for land, net of taxes** | | **61.8** | **68.6** | **72.2** |
| **Net unrealized gains on securities, net of taxes** | **(6)** | **2,135.7** | **1,865.7** | **659.3** |
| **Total capital** | | **3,262.7** | **2,985.7** | **1,762.3** |
| **Total liabilities and capital** | | **¥46,559.4** | **¥45,270.7** | **¥43,686.4** |

## ■ Indicators of Soundness and Solvency

The foundation funds (kikin) and all reserves for unexpected risks totaled ¥2,834.7 billion, an increase of ¥364.7 billion compared to the previous year, due to the building up of the contingency reserve and reserve for price fluctuations.

Nippon Life's solvency margin ratio was 975.2%, an 81.4 percentage-point increase, and real net assets were ¥7,554.7 billion, an increase of ¥946.6 billion over the previous year.

Non-performing loans (loans classified as requiring special attention or lower), totaled ¥73.7 billion (down ¥34.1 billion from the previous term), which is 0.63% (0.85% in fiscal 2003) of total loans.

## Efforts to Raise Management Efficiency

We have aggressively worked to increase the efficiency of management, and will continue to make such efforts to build a stronger and more efficient system.

### Efforts to Reduce Expenses

The Company has steadily reduced expenses since they peaked at ¥906.4 billion in fiscal 1992. In the term under review, expenses were ¥545.2 billion, a decrease of 39.8% from the peak value.

To increase management efficiency, we are continuing to reform our operating cost structure in various ways such as increasing the connection between expenditures and revenue.

Furthermore, we are moving forward with activities and education related to environmental issues such as reducing the use of paper, electricity, and water by becoming ISO14001 certified at our Osaka head office and Tokyo headquarters. All employees and executives participate in these efforts.

### Reducing Personnel Costs

By concentrating insurance policy work at our headquarters and raising the efficiency of indirectly related work such as headquarters staff activity, we were able to reduce the number of non-sales personnel to 10,647 in fiscal 2004, a 24.0% reduction from the peak number in fiscal 1994. At the beginning of the current term, personnel of indirectly related departments at headquarters were further reduced, and around 100 members of the corporate sales representatives were added to branches throughout Japan to strengthen our consulting for mid- and small-size corporations. At the same time, we have concentrated personnel in areas related to improving compliance and strengthening our underwriting business.

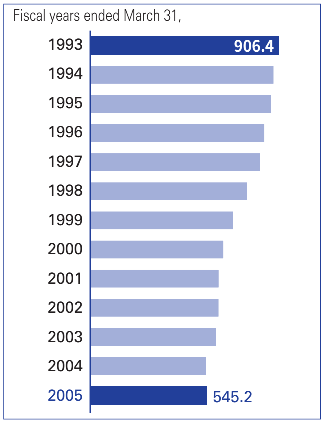
### Organizational Efforts

The Company is restructuring its sales system to reflect market size and raise efficiency. As a result of this ongoing effort, the number of branches was reduced to 118 by the beginning of fiscal 2005, a decrease of 19.2% from the peak of 146 in fiscal 1995.

Nippon Life established a Corporate & Worksite Sales Headquarters at the beginning of fiscal 2005, and concentrated the work of sales representatives specializing in worksites in the Tokyo metropolitan area. This has allowed us to integrate businesses ranging from corporate insurance/non-life insurance to individual insurance for each corporation, and to offer more complete and attentive services.

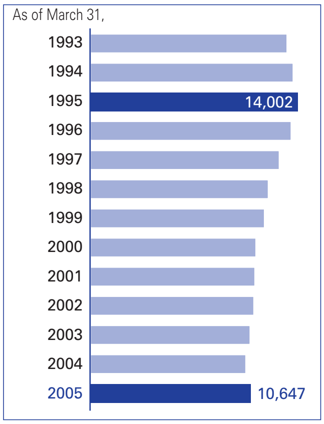
**[Trends in Operating Expenses]**

(Unit: Billions of Yen)




**[Trends in Non-Sales Personnel]**

(Unit: Number)




## Fair Value Accounting

### Valuation Method

- Investment in securities is classified into various categories based on the intent of the company for such investment as stipulated in the Accounting Standards for Financial Securities developed by the Business Accounting Council of FSA. One such category is other securities under which they are reported at fair value and any unrealized gains and losses will be reported in the capital section of the balance sheets (and not in earnings section). This practice has been in place since its introduction in 2001.

### Stance on Mark-to-Market Accounting

- In recent years, the International Accounting Standards Board has considered whether to introduce the fair value accounting for insurance contracts and recording of unrealized gains and losses as earnings. We, at Nippon Life, have always been active in disclosing market value information on our asset portfolio. However, when such fair value accounting on liabilities is introduced the earning figures on financial statements become extremely volatile thereby making the trend on core earnings rather unclear and, as it also makes long-term management more difficult, it may also adversely encourage the management to focus on achieving short-term goals. Furthermore, as there is no active secondary market for liabilities, such evaluation is heavily dependent on the underlying assumptions and hence it would inevitably render such evaluation extremely subjective.
- In the light of such issues, we will continue to consider what the most appropriate accounting standards are for the insurance business and to actively participate in the accounting standard setting process.

## In 2004

### January

***Additional Investment in Bangkok Life Assurance Limited***

Nippon Life has held a stake in Thailand's Bangkok Life Assurance (the fourth-ranked life insurance company in Thailand) since 1997. The Company decided to strengthen the relationship through joint investment with Mitsui Sumitomo Insurance Co., Ltd. In addition to the revenue opportunities in the Thai life insurance market, where continued growth is expected, we are also aiming to contribute to the development of Bangkok Life through both our and Mitsui Sumitomo Insurance's management know-how.

### March

***Nursing Care Term Rider and New Hospitalization Medical Rider α on Sale***

In addition to its traditional recurrence dread disease term rider, Nippon Life began sales of a nursing care term rider which provides coverage for nursing care required due to injury or illness. The introduction of this product expands our *Ikiru Chikara EX* lineup providing living benefits. Furthermore, in response to the aging of the population, we have increased the total number of days that hospitalization benefits are paid to 1,095, the greatest number of days in the industry, and are striving to improve medical coverage features.

### September

***Whole Life Insurance Seicho-Nikki EX on Sale***

We have commenced sales of *Seicho-Nikki EX* that offers scheduled asset formation and whole life medical coverage for children. Whole life insurance offers assurances during the lifetime of the policyholder while providing long-term asset formation. It is also possible to add medical coverage for hospitalization and surgery due to injury and illness from the first night of hospitalization during the lifetime of the policyholder.

### October

***Tokyo Headquarters Moves to Marunouchi***

The Nippon Life Marunouchi Building was completed on the site of the old national railway headquarters, and headquarters moved into the new building. We opened the Life Plaza Marunouchi in Marunouchi Oazo.

### December

***Commencement of Sales of Annuity with Variable Accumulation Rate My Dream***

Nissay annuity with variable accumulation rate goes on sale; the product meets customer needs for stable and high-yield returns. The product helps customers prepare for a full post-retirement life through steady asset formation by providing a return that reflects market interest rates and guaranteeing a set return and annuity resources.

***Nissay-SVA Life Insurance Initiates Sales of Group Insurance***

Nissay-SVA Life Insurance became the first Japanese life insurance company to receive permission from the Chinese insurance regulatory authority to handle group insurance products. After completing the registration process, the company has begun handling group insurance in Shanghai.

## In 2005

### January

***New Duo Portable Terminals Introduced***

Since January 2005, Nippon Life has been allocating to each sales representatives a new *Duo* portable terminal, which features cutting-edge technologies such as a color printer and wireless LANs. The *Duo* has sophisticated marketing support software installed and robust security features based on special keys in order to protect personal information.

***Cashless and Paperless Premium Receipt System Introduced in Some Regions***

Nippon Life introduced a cashless and paperless premium receipt system that has made it possible to reduce the amount of paperwork required for the first cash payment of insurance premiums and for financial institution account transfers for the payment of the second and successive insurance premiums. (Available in some regions: Nihonbashi Branch, Metropolitan Area Corporate & Worksite Sales Branch, Metropolitan Area LP Office, Life Plaza Marunouchi, and Life Plaza Shibuya)

### March

***Established Corporate & Worksite Sales Headquarters***

Nippon Life established the Corporate & Worksite Sales Headquarters as an organization to provide comprehensive services to each company in the Tokyo metropolitan area, where there is a large concentration of major business offices. This move combines our sales representative organizations that specialize in visiting companies, which had previously been split into retail and corporate marketing fields, enabling us to meet various needs for corporate insurance, non-life insurance and individual insurance for employees.

***Established Medical Information Department***

Nippon Life established the Medical Information Department to further advance analysis and research into living benefit products such as medical and nursing insurance, which have gained widespread attention recently, in addition to traditional death protection, to gather more sophisticated data and information on medical risks. Based on analysis of accumulated data and research into changes and conditions in modern medicine, Nippon Life aims to steadily advance the development of new products tailored to customer needs while reinforcing underwriting capabilities.

### April

***Kunie Okamoto Appointed President of Nippon Life Insurance Company***

President Ikuo Uno was appointed chairman and Senior Managing Director Kunie Okamoto was appointed president in April 2005.

***Tie-Up with the Bank of Kyoto, Ltd. in Defined Contribution Pension 401(k)-Style Defined Contribution Pension Plan Market***

Nippon Life formed a partnership with the Bank of Kyoto in defined contribution pensions, and from April 1, 2005, began offering the Kyogin Nissay Comprehensive 401(k)-style defined contribution pension plan, a defined contribution pension plan for small- and medium-size companies. This marks our first partnership with a regional bank in the defined contribution pension business.