

CHAPTER 5

Financial Data

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CONSOLIDATED FINANCIAL REVIEW

1. Consolidated Balance Sheets

Nippon Life Insurance Company and Subsidiaries

As of March 31	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
ASSETS:				
Cash and deposits	¥ 948,672	¥ 1,048,805	¥ 511,376	\$ 8,036
Call loans	259,200	553,700	363,100	2,196
Monetary receivables purchased	1,334,680	1,391,624	1,456,619	11,306
Proprietary trading securities	2,099	2,099	2,999	18
Assets held in trust	195,593	177,038	144,615	1,657
Investments in securities (Notes 3, 10 and 11)	37,285,454	35,210,880	31,213,322	315,845
Loan receivables (Notes 12 and 13)	9,706,754	9,994,705	10,298,415	82,226
Real estate and movables (Notes 4, 10 and 15)	—	1,796,081	1,880,583	—
Tangible fixed assets (Notes 4, 10 and 15)	1,737,541	—	—	14,719
Intangible fixed assets	150,725	—	—	1,277
Reinsurance receivables	306	465	497	2
Other assets	559,315	691,456	951,429	4,737
Deferred tax assets (Note 16)	6,432	4,869	4,499	54
Customers' liability for acceptances and guarantees	9,176	3,222	1,574	78
Allowance for doubtful accounts	(35,980)	(43,744)	(51,068)	(305)
Total assets	¥52,159,972	¥50,831,204	¥46,777,966	\$441,846
LIABILITIES:				
Policy reserves and others:				
Reserve for outstanding claims	¥ 248,136	¥ 230,431	¥ 241,262	\$ 2,102
Policy reserve	40,384,315	39,419,816	38,796,547	342,095
Reserve for dividends to policyholders (Note 6)	1,259,846	1,312,057	1,357,447	10,672
Subtotal	41,892,298	40,962,304	40,395,257	354,869
Agency account payable	25	28	37	0
Reinsurance payables	265	490	499	2
Other liabilities	1,672,194	2,033,700	1,841,026	14,165
Accrued bonus for directors and corporate auditors	103	103	—	1
Accrued severance indemnities (Note 8)	428,628	412,068	393,941	3,631
Accrued retirement benefits for directors	5,805	—	—	49
Accrued loss from supporting closely related companies	552	603	656	5
Reserve for price fluctuations in security investments	467,263	441,263	390,262	3,958
Deferred tax liabilities (Note 16)	1,513,529	1,380,184	355,207	12,821
Deferred tax liabilities for land revaluation reserve	179,535	181,525	34,962	1,521
Acceptances and guarantees	9,176	3,222	1,574	78
Total liabilities	¥46,169,377	¥45,415,496	¥43,413,426	\$391,100

As of March 31	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
MINORITY INTERESTS	¥ —	¥ 10,305	¥ 9,065	\$ —
CAPITAL:				
Foundation funds (Note 9)	—	300,000	200,000	—
Reserve for redemption of foundation funds (Note 9)	—	600,000	550,000	—
Reserve for revaluation	—	651	651	—
Surplus	—	438,305	428,234	—
Revaluation reserve for land, net of tax	—	(93,688)	61,881	—
Net unrealized gains on securities, net of tax	—	4,171,825	2,167,583	—
Cumulative translation adjustments	—	(11,691)	(52,876)	—
Total capital	—	5,405,402	3,355,475	—
Total liabilities and capital	—	¥50,831,204	¥46,777,966	—
NET ASSETS:				
Foundation funds (Note 9)	250,000	—	—	2,118
Reserve for redemption of foundation funds (Note 9)	650,000	—	—	5,506
Reserve for revaluation	651	—	—	6
Consolidated Surplus	501,357	—	—	4,247
Total equity	1,402,008	—	—	11,877
Net unrealized gains on securities, net of tax	4,670,620	—	—	39,565
Deferred gain on derivatives under hedge accounting	57	—	—	0
Land revaluation difference	(84,955)	—	—	(720)
Cumulative translation adjustments	(7,615)	—	—	(65)
Total valuations, conversions and others	4,578,106	—	—	38,780
Minority interests	10,479	—	—	89
Total net assets	5,990,595	—	—	50,746
Total liabilities and net assets	¥52,159,972	—	—	\$441,846

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

2. Consolidated Statements of Income

Nippon Life Insurance Company and Subsidiaries

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
REVENUES:				
Income from insurance and reinsurance premiums	¥4,879,630	¥4,866,096	¥4,852,854	\$41,335
Investment income:				
Interest, dividends and other income	1,168,241	1,053,305	992,769	9,896
Gain from proprietary trading securities	83	—	—	1
Gain from assets held in trust	22,477	36,817	18,869	190
Gain on sales of securities	102,321	174,453	201,805	867
Gains from redemption of securities	46,455	6,528	217	394
Other investment income	1,704	25,397	22,701	14
Gains from separate accounts, net	82,180	388,277	86,089	696
	1,423,462	1,684,781	1,322,452	12,058
Other revenues	319,917	373,489	329,024	2,710
Total revenues	6,623,010	6,924,367	6,504,331	56,103
EXPENDITURES:				
Insurance claims and other payments:				
Death and other claims	1,218,441	1,410,107	1,254,272	10,321
Annuity payments	439,395	416,219	410,990	3,722
Health and other benefits	799,944	791,275	828,828	6,776
Surrender benefits	1,061,274	1,186,750	1,228,264	8,990
Other refunds	332,818	657,666	944,312	2,820
	3,851,874	4,462,020	4,666,668	32,629
Provision for policy reserves:				
Provision of claims reserves	17,689	—	—	150
Provision for policy reserves	964,304	623,837	151,591	8,168
Interest on reserve for dividends to policyholders	37,156	39,066	41,000	315
	1,019,150	662,903	192,591	8,633
Investment expenses:				
Interest expenses	5,985	2,667	3,933	51
Loss on proprietary trading securities	—	9	3	—
Loss on sale of securities	102,492	114,910	53,123	868
Loss on valuation of securities	12,944	9,195	31,382	110
Loss from redemption of securities	1,806	209	—	15
Loss from derivative financial instruments, net	129,611	97,879	66,340	1,098
Foreign exchange loss, net	1,290	4,879	2,155	11
Allowance for doubtful accounts	—	15,065	—	—
Write-down of loans	314	656	506	3
Depreciation for rental real estate and other assets	26,249	27,861	31,636	222
Other investment expenses	19,998	36,776	34,678	169
	300,694	310,110	223,760	2,547
Operating expenses (Note 14)	566,770	551,745	564,994	4,801
Other expenditures	539,939	507,700	483,263	4,574
Total expenditures	6,278,429	6,494,480	6,131,279	53,184
Operating income	¥ 344,580	¥ 429,887	¥ 373,052	\$ 2,919

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Extraordinary profits:				
Gain on disposal of fixed assets	¥ 45,600	¥ 1,395	¥ 4,871	\$ 386
Reversal of allowance for doubtful accounts	7,724	—	36,701	66
Other extraordinary profits	—	64	295	—
	53,325	1,459	41,868	452
Extraordinary losses:				
Loss on disposal of fixed assets	20,104	36,121	47,709	170
Impairment loss (Note 15)	5,389	77,807	—	46
Provision for reserve of security price fluctuations	26,000	51,000	135,000	220
Losses on reduction entry of real estate	95	279	188	1
Losses on valuation of real estate	—	—	2,476	—
Other extraordinary losses	1,398	1,252	1,676	12
	52,987	166,461	187,050	449
Surplus before income tax	¥344,918	¥264,885	¥227,870	\$2,922
Income taxes (Note 16):				
Current	154,913	153,200	130,755	1,313
Deferred	(115,757)	(94,431)	(106,482)	(981)
Minority interests	382	904	866	3
Surplus in the current year	¥305,380	¥205,212	¥202,730	\$2,587

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

3. Consolidated Statements of Cash Flows

Nippon Life Insurance Company and Subsidiaries

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Cash flows from operating activities:				
Surplus before income taxes	¥ 344,918	¥ 264,885	¥ 227,870	\$ 2,922
Depreciation	86,952	92,138	90,593	737
Impairment loss	5,389	77,807	—	46
Amortization of goodwill	—	(30)	(454)	—
Net increase (decrease) in reserve for outstanding claims	17,677	(11,161)	(6,561)	150
Net increase in policy reserve	964,481	623,031	151,590	8,170
Interest on reserve for dividends to policyholders	37,156	39,066	41,000	315
Net increase (decrease) in allowance for doubtful accounts	(7,892)	14,285	(21,812)	(67)
Net increase (decrease) in accrued severance indemnities	16,559	18,235	(58,721)	140
Net increase in accrued retirement benefits for directors	5,805	—	—	49
Net increase in reserve for price fluctuations of investments in securities	26,000	51,000	135,000	220
Interest, dividend and other income	(1,168,241)	(1,053,305)	(992,769)	(9,896)
Net (gains) on securities investment	(31,524)	(56,667)	(117,550)	(267)
Interest expense	5,985	2,667	3,933	51
Foreign exchange gains, net	1,290	4,879	2,155	11
Net gains on tangible fixed assets investment	(25,400)	35,005	45,502	(215)
Equity in earnings of affiliates	(169)	(3,223)	(2,200)	(1)
Gains from separate accounts, net	(82,180)	(388,277)	(86,089)	(696)
Net decrease in proprietary trading securities	0	899	—	0
Net decrease (increase) in reinsurance receivables	159	32	(78)	1
Net decrease (increase) in other assets	(17,865)	17,168	(17,396)	(151)
Net decrease (increase) in agency account payable	(3)	(9)	10	0
Net decrease (increase) in reinsurance payables	(225)	(8)	90	(2)
Net decrease in other liabilities	(16,140)	(6,874)	(24,228)	(137)
Other, net	55,005	40,964	111,319	465
Subtotal	217,739	(237,489)	(518,795)	1,844
Interest, dividend and other income received	1,140,848	1,030,452	1,008,630	9,664
Interest paid	(4,835)	(2,679)	(3,988)	(41)
Dividends to policyholders paid	(214,083)	(217,950)	(221,325)	(1,813)
Other, net	28,323	51,600	39,947	240
Income taxes paid	(168,453)	(131,352)	(206,713)	(1,427)
Net cash provided by operating activities	¥ 999,540	¥ 492,580	¥ 97,755	\$ 8,467

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Cash flows from investing activities:				
Net increase (decrease) in deposits	¥ 3,500	¥ (4,600)	¥ —	\$ 30
Purchases of monetary receivables purchased	(336,173)	(319,939)	(631,939)	(2,848)
Proceeds from sales and redemption of monetary receivables purchased	134,111	468,328	215,973	1,136
Purchases of monetary receivables	(24,893)	(20,043)	(13,632)	(211)
Proceeds from sales of assets held in trust	28,753	3,955	29,906	244
Purchases of securities	(9,348,013)	(8,473,227)	(6,980,723)	(79,187)
Proceeds from sales and redemption of securities	8,055,301	7,892,822	6,333,298	68,236
Investments in loans	(3,499,735)	(3,891,177)	(3,858,467)	(29,646)
Collections of loans	3,786,269	4,251,003	4,560,926	32,073
Other, net	(387,999)	53,068	460,468	(3,286)
Subtotal	(1,588,876)	(39,812)	115,810	(13,459)
Purchase of tangible fixed asset	(53,153)	(83,929)	(112,762)	(450)
Proceeds from sales of tangible fixed asset	137,868	37,971	55,390	1,168
Other, net	(22,070)	—	—	(188)
Net cash provided by (used in) investing activities	(1,526,232)	(85,769)	58,438	(12,929)
Cash flows from financing activities:				
Proceeds from debt issuance	163,579	112,152	190,758	1,386
Repayment of debt	(158,671)	(88,411)	(192,480)	(1,344)
Raising of foundation funds	—	150,000	—	—
Redemption of foundation funds	(50,000)	(50,000)	(50,000)	(424)
Interest on foundation funds paid	(3,632)	(2,849)	(3,645)	(31)
Other, net	8,948	—	864	76
Net cash provided by (used in) financing activities	(39,775)	120,891	(54,502)	(337)
Effect of exchange rate changes on cash and cash equivalents	(244)	11,500	(4,564)	(2)
Net increase (decrease) in cash and cash equivalents	(566,711)	539,202	97,127	(4,801)
Cash and cash equivalents at the beginning of the year	2,006,003	1,470,387	1,381,179	16,993
Decrease in cash and cash equivalents due to the exclusion of subsidiaries from the consolidation	—	(3,586)	(7,919)	—
Cash and cash equivalents at the end of the year	¥ 1,439,291	¥ 2,006,003	¥ 1,470,387	\$ 12,192

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

4. Consolidated Statement of Changes in Net Assets

Nippon Life Insurance Company and Subsidiaries

	Millions of Yen											
	Foundation funds and others					As of March 31, 2007						
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total equity	Net unrealized gain on securities, net of tax	Deferred gain on derivatives under hedge accounting	Land revaluation difference	Cumulative translation adjustments	Total valuations, conversions and others	Minority interests	Total net assets
Balance as of March 31, 2006	¥300,000	¥600,000	¥651	¥438,305	¥1,338,956	¥4,171,825	¥—	¥(93,688)	¥(11,691)	¥4,066,445	¥10,305	¥5,415,708
Increase/decrease												
Additions to reserve for dividends to policyholders				(179,929)	(179,929)							(179,929)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—							—
Interest on foundation funds				(3,632)	(3,632)							(3,632)
Bonus for directors and corporate auditors				(0)	(0)							(0)
Net surplus				305,380	305,380							305,380
Redemption of foundation funds	(50,000)				(50,000)							(50,000)
Reversal of revaluation reserve for land				(8,766)	(8,766)							(8,766)
Net change, excluding foundation funds and others						498,794	57	8,732	4,075	511,660	174	511,835
Net change	(50,000)	50,000	—	63,051	63,051	498,794	57	8,732	4,075	511,660	174	574,886
Balance as of March 31, 2007	¥250,000	¥650,000	¥651	¥501,357	¥1,402,008	¥4,670,620	¥57	¥(84,955)	¥(7,615)	¥4,578,106	¥10,479	¥5,990,595

	Millions of U.S. dollars											
	Foundation funds and others					As of March 31, 2007						
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total equity	Net unrealized gain on securities, net of tax	Deferred gain on derivatives under hedge accounting	Land revaluation difference	Cumulative translation adjustments	Total valuations, conversions and others	Minority interests	Total net assets
Balance as of March 31, 2006	\$2,541	\$5,083	\$6	\$ 3,712	\$11,342	\$35,339	\$—	\$(794)	\$(99)	\$34,446	\$88	\$45,876
Increase/decrease												
Additions to reserve for dividends to policyholders				(1,524)	(1,524)							(1,524)
Additions to reserve for redemption of foundation funds		423		(423)	—							—
Interest on foundation funds				(31)	(31)							(31)
Bonus for directors and corporate auditors				(0)	(0)							(0)
Net surplus				2,587	2,587							2,587
Redemption of foundation funds	(423)				(423)							(423)
Reversal of revaluation reserve for land				(74)	(74)							(74)
Net change, excluding foundation funds and others						4,226	0	74	34	4,334	1	4,335
Net change	(423)	423	—	535	535	4,226	0	74	34	4,334	1	4,870
Balance as of March 31, 2007	\$2,118	\$5,506	\$6	\$ 4,247	\$11,877	\$39,565	\$0	\$(720)	\$(65)	\$38,780	\$89	\$50,746

5. Notes to the Consolidated Financial Statements

Nippon Life Insurance Company and Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

(1) Accounting principles and presentation

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

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

(2) United States Dollar amounts

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 ¥118.05=US\$1, the effective rate of exchange at the balance sheet date of March 31, 2007. 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 ¥118.05=US\$1 or at any other rate.

2. Summary of Significant Accounting Policies

(1) Principles of consolidation

i) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and its subsidiaries. Consolidated subsidiaries in the year ended March 31, 2007 are listed below:

Nissay Computer Co., Ltd. (Japan)
Nissay Asset Management Corporation (Japan)
Nissay Information Technology Co., Ltd. (Japan)
Nissay Capital Co., Ltd. (Japan)
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.)
NLI Commercial Mortgage Fund II, LLC (U.S.A.)
Nissay Credit Guarantee Co., Ltd. (Japan)
Nissay Leasing Co., Ltd. (Japan)

NLI Properties UK Limited was excluded from consolidation due to its liquidation in the year ended March 31, 2005.

NLI Commercial Mortgage Fund II, LLC has been established and treated as a consolidated subsidiary in the year ended March 31, 2005.

Nissay Card Service Co., Ltd. was excluded from consolidation due to the transfer of its credit card business in the year ended March 31, 2006.

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

ii) Affiliates

Affiliates accounted for under the equity method in the year ended March 31, 2007 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)

The subsidiaries not consolidated, e.g., Nissay Card Service Co., Ltd., Nissay Tokyo Insurance Agency and others, and affiliates other than those listed above, e.g., SL Towers Co., Ltd., 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, 2005, 2006 and 2007 were as follows:

	2007	2006	2005
Consolidated subsidiaries	12	12	13
Subsidiaries not consolidated but accounted for under the equity method	0	0	0
Affiliates accounted for under the equity method	6	6	6

iii) Balance sheet date of subsidiaries

The financial statements of consolidated overseas subsidiaries, the fiscal year-ends of which are all 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 the 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 when incurred.

vi) *Treatment of appropriation of surplus*

For the years ended March, 2005 and 2006, consolidated statements of surplus are prepared based on the 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 a maturity of three months or less when purchased and which are readily convertible into cash and present insignificant risk of change in value.

(3) Securities and hedging activities

Proprietary trading securities and securities (including securities of deposits, monetary receivables purchased, and securities within assets held in trust) are valued as follows:

- i) Trading securities are stated at the market value prevailing as of the balance sheet date. (The moving average method is used for calculating cost of sales.)
- ii) Held-to-maturity debt securities are valued using the moving average method net of accumulated amortization (straight-line).
- iii) Policy-reserve-matching bonds are valued using the moving average method net of accumulated amortization (straight-line) in accordance with Industry Audit Committee Report No. 21, "Treatment of Accounting and Auditing for Policy-reserve-matching Bonds in the Insurance Industry," issued by the Japanese Institute of Certified Public Accountants (the "JICPA").
- iv) Investments in non-consolidated subsidiaries and affiliates that are not accounted for under the equity method are stated at cost, cost being determined by the moving average method.
- v) Available-for-sale Securities
 - 1) Of securities with market value, stocks (including foreign stocks) are valued by using the average market value during a period beginning one month before the balance sheet date (cost of sales is calculated by using the moving average method). Others are valued by using the market value on the balance sheet date (the cost of sales is calculated by using the moving average method).

- 2) Of securities without market value, public and corporate bonds (including foreign bonds), for which the difference between the purchase price and face value is due to interest rate adjustment, are valued using the moving average method net of accumulated amortization (straight-line). Others are valued at the gross moving average amount.

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

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. The Company also applies the special treatment prescribed under the Accounting Standards for Financial Instruments for interest swap agreements to manage cash flow volatility associated with interest rate changes on certain loans receivable. In addition, The Company matches forward foreign exchange contracts and currency swaps with certain financial assets denominated in foreign currencies.

Deferred gains of certain interest swap agreements had been previously recorded on the balance sheet by crediting 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, 2005 and 2006 amounted to ¥7,572 million and ¥47 million, respectively. However, such adoption of this guidance has been terminated during the current fiscal year.

The effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of market value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company's internal risk management policies.

(4) Policy-reserve-matching bonds

Securities that are held for the purpose of controlling the durations of liabilities within the sub-groups (insurance type, remaining period, and investment policy) of security products as individual insurance and annuities, workers' asset-formation insurance and annuities, and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Treatment of Accounting and Auditing for Policy-reserve-matching Bonds in the Insurance Industry," issued by the JICPA. The book value of policy-reserve-matching bonds as of March 31, 2006 and 2007 amounted to ¥16,724,615 million and ¥17,252,402 million (US\$146,145 million). The market value of policy-reserve-matching bonds as of March 31, 2006 and 2007 amounted to ¥16,808,437 and ¥17,515,888 million (US\$148,377 million).

Effective from the year ended March 31, 2007, the definition of the remaining period sub-category has been changed from the number of years until maturity date (the number of years until death, managed by the Company, was used for agreements without maturity dates) to the lesser of the number of years until maturity date or the average remaining life. Such change has been implemented in order to improve the specification of the sub-category in response to the December 2006 revision of the Standard Mortality Rate Table. There will be no impact on the consolidated balance sheets and the statements of income from the above change.

(5) Foreign currency translation

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

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.

Foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

(6) Real estate and movables

Tangible fixed assets (assets acquired before April 1, 1998) are depreciated based on the declining balance method. Tangible assets acquired on or after April 1, 1998 are depreciated based on the straight-line method.

Depreciation of tangible fixed assets held by consolidated subsidiaries is mainly computed based on the straight-line method.

Under the Law for the Revaluation of Land, the Company elected to undergo a one-time revaluation of its own-use land to a value based on an amount rationally calculated using the land value and road tax rating as prescribed in Article 2 Item 1 and Item 4 of the Enforcement Regulation of the Law for the Revaluation of Land, respectively, which are the laws regarding land revaluation as of March 31, 2002. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of net assets. There was no effect on the consolidated statements of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.

As at March 31, 2005 and 2006, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥98,446 million and ¥40,605 million, respectively. As at March 31, 2007, the carrying amount didn't exceed the market value, so the difference is not required to be disclosed in accordance with Article 10 of the Law of the Revaluation of Land.

(7) Software

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

(8) 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.

(9) Allowance for doubtful accounts

The allowance for doubtful accounts is recognized in accordance with the Company's internal asset valuation regulations and writing-down/provision rule:

- i) The amount of allowance to creditors, who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through disposal of collaterals or execution of guarantees from the balance of loans receivable (as mentioned below).
- ii) The allowance for credit of borrowers who are not currently legally bankrupt but have high possibility of bankruptcy is recognized 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 borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

All credits are assessed by the sections concerned in responsible sections in accordance with the Company's asset valuation regulations. The assessments are verified by an independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

The allowance for doubtful accounts of consolidated subsidiaries is mainly provided based on the asset assessment standard and writing-down/provision rule.

The amount of collateral value or the amount collectible by the execution of guarantees or other methods directly subtracted from the balance of loans receivable is the estimated uncollectible amount for loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers.

The amounts recognized in the consolidated financial statements were ¥15,889 million, including ¥10,881 million of credits secured and/or guaranteed, ¥26,786 million, including ¥6,290 million of credits secured and/or guaranteed and ¥6,921 million (US\$59 million), including ¥4,561 million (US\$39 million) of credits secured and/or guaranteed as of March 31, 2005, 2006 and 2007, respectively.

(10) Impairment of Fixed Asset

The Company and its consolidated subsidiaries adopted the “Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Council in Japan on August 2002 and Business Accounting Standard Adaptation Guideline No. 6 “Adaptation Guideline for Accounting Standard for Impairment of Fixed Assets” on October 2003 as of April 1, 2005. The effect of adoption of the new “Accounting Standard for Impairment of Fixed Assets” was to decrease surplus before income taxes for the year ended March 31, 2006 by ¥77,807 million compared to the former method.

(11) Accrued bonus for directors and corporate auditors

Accrued bonus for directors and corporate auditors are recognized based on the amount estimated to be paid, in accordance with Article 32-14 of the Enforcement Regulation of the Insurance Business Law for the year ended March 31, 2005 and 2006.

Bonus for directors and corporate auditors were previously treated as an appropriation of surplus. The Company adopted the Business Accounting Standard Committee Practice Report No. 13 “Temporary Treatment of Accounting for Bonus for Directors and Corporate Auditors” and recorded bonus for directors and corporate auditors as an expense on an accrual basis from the year ended March 31, 2006.

As a result, operating income and surplus before income taxes for the year ended March 31, 2006 decreased by ¥103 million compared to the former method.

(12) 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 as of the balance sheet date.

(13) Accrued retirement benefits for directors

Accrued retirement benefits for directors of the Company are recognized based on the estimated payment amount. The amount for directors’ and corporate auditors’ retirement pay had been recognized at the time of payment during the previous periods.

However, as of April, 2006, the reserve has been recognized based on the internal rules of the estimated payment amount, which is in accordance with “Treatment of Audit for Reserves under Special Taxation Measure Law” and “Allowance, Reserve, Retirement Benefits for Directors under Special Law” (JICPA, Auditing & Assurance Practice Committee, Issuance No.42). As a result of this treatment, the operating income and surplus before income tax has decreased by ¥5,691 million (US\$48 million) in the year ended March 31, 2007.

(14) Accrued losses from supporting closely related companies

Accrued losses from supporting closely related companies is recognized based on the amount that is estimated to be required in the future for supporting restructurings of the closely related companies, in accordance with Article 32-14 of the Enforcement Regulation of the Insurance Business Law for the year ended March 31, 2005 and 2006.

(15) 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.

(16) Accounting for consumption taxes

Consumption taxes and local consumption taxes by the Company and its domestic subsidiaries are accounted for by using the tax exclusion method. However, consumption taxes paid on certain real estate transactions, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Consumption Tax Law, are deferred as prepaid expenses and amortized to income over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are charged to income as incurred.

(17) Policy reserve

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

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

Effective from the year ended March 31, 2007, additional amounts to policy reserves will be made over the period of five years in an amount in proportion to the number of individual annuity policyholders. Such treatment is in accordance with Article 69-5 of the Enforcement Regulation of the Insurance Business Law. As a result of the adoption of the treatment, the policy reserve has increased by ¥280,481 million (US\$2,376 million) and operating income as well as surplus before income taxes has decreased by ¥280,481 million (US\$2,376 million) as of March 31, 2007.

(18) Presentation of net assets

Effective this year, the implementation guidance for accounting standards related to the equity section of the balance sheet (Accounting Standards Board of Japan, Accounting Standard No. 5 “Accounting Standard for Presentation of Net Assets in the Balance Sheet” and its Implementation Guidance No. 8) are being used. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of net assets. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard. The previous amount equivalent to total capital was ¥5,980,057 million (US\$50,657 million).

(19) Presentation of Fixed assets

In accordance with revisions to the Insurance Business Law, the Company has made changes to the presentation of the Consolidated Balance Sheets and the Consolidated Statements of Income. The primary content of the changes is as follows.

- The former line item "Real estate and movables, net of accumulated depreciation" is now presented as "Tangible fixed assets."
- The former line item included under "Other assets" is now presented as "Intangible fixed assets."
- The former line items "Gains on disposal of assets" and "Loss on disposal of assets" are now presented as "Gain on disposal of fixed assets" and "Loss on disposal of fixed assets", respectively.

(20) Deferred income taxes

The provision for income taxes is computed based on the pretax income included in the statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

3. Securities Loaned

The balances of securities loaned for consumption were ¥2,185,972 million, ¥3,057,231 million, and ¥3,649,930 million (US\$30,919 million) as of March 31, 2005, 2006 and 2007, respectively.

4. Accumulated Depreciation

Accumulated depreciation for tangible fixed assets amounted to ¥1,058,241 million, ¥1,039,441 million and ¥1,089,114 (US\$9,226 million) as of March 31, 2005, 2006 and 2007, respectively.

5. Separate Accounts

Total assets in the Separate Accounts provided for in Article 118-1 of the Insurance Business Law were ¥2,149,186 million, ¥2,334,507 million and ¥2,279,213 million (US\$19,307 million) as of March 31, 2005, 2006 and 2007, 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, 2005, 2006 and 2007 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Balance at the end of previous fiscal year	¥1,312,057	¥1,357,447	¥1,415,625	\$11,114
Transfer to reserves from surplus in previous fiscal year	179,929	146,977	135,123	1,524
Policyholders dividends paid out in fiscal year	(269,297)	(231,434)	(234,302)	2,281
Increase in interest	37,156	39,066	41,000	315
Balance at the end of fiscal year	¥1,259,846	¥1,312,057	¥1,357,447	\$10,672

7. Net Assets Provided for in 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, were ¥2,126,453 million and ¥4,113,235 million as of March 31, 2005 and 2006, respectively.

8. Accrued Severance Indemnities

Accrued severance indemnities at March 31, 2005, 2006 and 2007 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Projected benefit obligations	¥(779,072)	¥(791,126)	¥(717,874)	\$(6,600)
Fair value of pension plan assets	322,418	320,739	291,132	2,731
Funded status	(456,654)	(470,386)	(426,741)	(3,868)
Unrecognized actuarial differences	49,984	87,825	70,625	423
Unrecognized prior service cost	(21,959)	(29,507)	(37,824)	(186)
Accrued severance indemnities	¥(428,628)	¥(412,068)	¥(393,941)	\$(3,631)

Components of net periodic benefit cost for the years ended March 31, 2005, 2006 and 2007 were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Service cost	¥26,866	¥24,207	¥29,059	\$228
Interest cost	12,647	17,924	19,216	107
Expected return on plan assets	(8,009)	(7,269)	(7,636)	(68)
Amortization of actuarial differences	31,955	27,798	21,593	271
Amortization of prior service cost	(7,548)	(7,135)	(559)	(64)
Others	286	284	(435)	2
Net periodic benefit cost	¥56,198	¥55,810	¥61,252	\$476

Assumptions used for the years ended March 31, 2005, 2006 and 2007 were set forth as follows:

	2007	2006	2005
Discount rate	1.6%	1.6%	2.5%
Expected rate of return on plan assets	2.5	2.5	3.0

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

In the year ended March 31, 2005 the Company amended a part of its severance indemnities regulation, shifting from a tax qualified pension plan to a defined contribution pension plan and a new corporate defined benefit pension plan. As a result, additional prior service cost amounting to ¥35,634 million was incurred. Such prior service cost is amortized over five years, beginning the year ended March 31, 2006.

9. Foundation Funds

In the year ended March 31, 2005, the Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law.

In the year ended March 31, 2006, the Company raised ¥150,000 million of foundation funds in accordance with Article 60 of the Insurance Business Law, redeemed ¥50,000 million of foundation funds and credited the same amount to the reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law.

In the year ended March 31, 2007, the Company redeemed ¥50,000 million (US\$424 million) of foundation funds, and credited the same amount to the reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law.

10. Pledged Assets

Assets pledged as collateral amounted to ¥1,066,967 million, and ¥1,526,661 million as of March 31, 2005 and 2006, respectively. Debts secured amounted to ¥876,046 million and ¥1,204,533 million as of March 31, 2005 and 2006, respectively.

The amount of assets pledged as collateral by securities, leasing receivables, land, and buildings was ¥1,187,482 million (US\$10,059 million), ¥85,297 million (US\$723 million), ¥2,952 million (US\$25 million), and ¥344 million (US\$3 million), as of March 31, 2007, respectively. The total amount of loans covered by the aforementioned assets was ¥928,258 million as of March 31, 2007.

These amounts included ¥822,609 million, ¥1,226,073 million and ¥1,018,513 million (US\$8,628 million) of securities deposited and ¥819,077 million, ¥1,126,165 million and ¥928,128 million (US\$7,862 million) of cash received as collateral under securities lending contracts secured by cash, as of March 31, 2005, 2006 and 2007, respectively.

11. Investments in Non-Consolidated Subsidiaries

The total amount of bonds and investments in non-consolidated subsidiaries are ¥163,708 million (US\$1,387 million) as of March 31, 2007.

12. Loans Receivable

The total amounts of credits of bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and loans for restructuring, which were included in loans receivable, are ¥86,213, ¥90,238 million and ¥77,925 million (US\$660 million) as of March 31, 2005, 2006 and 2007, respectively.

i) The balances of loans of bankrupt borrowers and delinquent loans are ¥5,229 million and ¥64,372 million, as of March 31, 2005, ¥4,243 million and ¥69,575 million, as of March 31, 2006 and ¥4,533 million (US\$39 million) and ¥57,247 million (US\$485 million) as of March 31, 2007.

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

Delinquent loans are loans with interest not accrued, excluding the loans of bankrupt borrowers and the loans to which postponement of interest payment is made with the object of reconstructing and supporting the borrowers.

ii) The balances of loans that are delinquent for over three months were ¥572 million, ¥540 million and ¥531 million (US\$4 million), as of March 31, 2005, 2006 and 2007, respectively.

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

iii) The balances of loans for restructuring were ¥16,038 million, ¥15,880 million and ¥15,593 million (US\$132 million) as of March 31, 2005, 2006 and 2007, respectively. Loans for restructuring are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers restructuring, such as by reducing or exempting interests, postponing principal or interest payments, releasing credits, and providing benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

The direct write-down of loans receivable decreased credits of bankrupt borrowers described above by ¥4,340 million, ¥2,669 million and ¥1,875 million (US\$16 million) as of March 31, 2005, 2006 and 2007, respectively.

The direct write-down of loans receivable decreased delinquent loans described above by ¥11,549 million, ¥24,117 million and ¥5,046 million (US\$43 million) as of March 31, 2005, 2006 and 2007, respectively.

13. Loan Commitments

The amount of commitments related to loan receivables and loans outstanding were ¥193,786 million, ¥199,970 million and ¥150,349 million (US\$1,274 million) as of March 31, 2005, 2006 and 2007, respectively.

14. Contribution to the Policyholder Protection Fund and Organization

The amounts of future contributions to the Policyholder Protection Fund, which has been taken over by the Life Insurance Policyholder Protection Corporation of Japan in accordance with Supplementary Article 140 Paragraph 5 of the Enactment Law of Financial System Reform Legislation, were estimated to be ¥11,921 million, ¥7,178 million and ¥2,358 million (US\$20 million), as of March 31, 2005, 2006 and 2007, respectively. The contribution amounts are recognized as operating expenses at the time of payment.

The amounts of future contributions to the Life Insurance Policyholder Protection Corporation of Japan, in accordance with Article 259 of the Insurance Business Law, were estimated at ¥67,889 million, ¥97,366 million and ¥92,760 million (US\$786 million) as of March 31, 2005, 2006 and 2007, respectively. The contributions are also recognized as an operating expense at the time of payment.

15. Losses on Impaired Assets

i) Method of grouping the assets

The Company groups its fixed assets by purpose of use and measures impairment loss for each of the groups. Lease buildings and idle property are classified as one group per structure. Assets utilized for insurance business operations are classified into one group.

ii) The circumstances causing the impairment losses

Due to the unfavorable performance of the real estate market, the Company observed a marked decrease in the profitability and fair value of some fixed asset groups. The Book value of fixed assets was thus reduced to the recoverable amount and an impairment loss was recognized as extraordinary loss.

iii) Asset groups recognized impairment losses by asset group and by fixed asset for the years ended March 31, 2006 and 2007 were as follows:

For the year ended March 31, 2006

Purpose of use	Millions of Yen			
	Land	Leasehold	Buildings	Total
Lease	¥4,056	¥48,736	¥17,242	¥70,034
Unused	5,251	51	2,469	7,772
Total	¥9,308	¥48,787	¥19,711	¥77,807

For the year ended March 31, 2007

Purpose of use	Millions of Yen			Millions of U.S. Dollars
	Land	Buildings	Total	Total
Leased property	¥ 686	¥ 690	¥1,376	\$12
Idle property	2,767	1,245	4,012	34
Total	¥3,453	¥1,935	¥5,389	\$46

iv) Method of calculation of recoverable amount

The recoverable amount used for the measurement of impairment loss on leased assets is determined at net realizable value on the sale of the asset or future cash flows.

The recoverable amount for unused assets is determined at net realizable value on the sale of the asset. The discount rate used for the calculation of future cash flows is 4%. Net realizable values are determined based on real estate appraisal or posted land price.

16. Income Taxes

Deferred tax assets/liabilities consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Deferred tax assets	¥ 1,149,395	¥ 1,055,244	¥ 936,395	\$ 9,737
Valuation allowance for deferred tax assets	(42,114)	(65,684)	(43,096)	(357)
	1,107,281	989,560	893,298	9,380
Deferred tax liabilities	(2,614,378)	(2,364,875)	(1,244,006)	(22,146)
Net deferred tax assets (liabilities)	¥(1,507,097)	¥(1,375,315)	¥ (350,707)	\$(12,767)

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

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Deferred tax assets:				
Policy reserves	¥ 741,170	¥ 622,519	¥ 568,751	\$ 6,278
Accrued severance indemnities	154,770	148,660	138,763	1,311
Allowance for doubtful accounts	9,738	18,757	15,356	82
Reserve for price fluctuations of investments in securities	168,696	159,304	140,892	1,429
Deferred tax liabilities:				
Net unrealized gains on securities	¥2,569,877	¥2,323,572	¥1,207,625	\$21,769

The statutory tax rate for the years ended March 31, 2005, 2006 and 2007 was 36.1%. The major differences between the statutory tax rate and the effective income tax rate were as follows:

	2007	2006	2005
Reserve for dividends to policyholders	(25.1)%	(24.5)%	(23.3)%
Losses on valuation of securities	—	8.5	—

NON-CONSOLIDATED FINANCIAL REVIEW

6. Non-Consolidated Balance Sheets

Nippon Life Insurance Company

As of March 31	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
ASSETS:				
Cash and deposits	¥ 806,112	¥ 915,044	¥ 364,059	\$ 6,829
Call loans	259,200	553,700	363,100	2,196
Monetary receivables purchased	1,334,680	1,391,624	1,456,619	11,306
Proprietary trading securities	2,099	2,099	2,999	18
Assets held in trust	195,592	177,037	144,614	1,657
Investments in securities (Notes 3, 11 and 12):				
Domestic bonds	16,959,000	16,426,527	16,078,795	143,659
Domestic stocks	12,025,649	11,250,725	8,176,676	101,869
Foreign securities	7,783,690	7,039,703	6,372,121	65,936
Other securities	561,903	566,511	704,231	4,760
	37,330,243	35,283,468	31,331,825	316,224
Loan receivables (Notes 13 and 14):				
Policy loans	1,209,475	1,263,464	1,325,898	10,246
Industrial and consumer loans	8,517,226	8,735,705	8,991,365	72,149
	9,726,702	9,999,170	10,317,263	82,395
Real estate and movables, net of accumulated depreciation (Notes 4 and 19):				
Land	—	1,088,376	1,111,781	—
Buildings	—	581,688	650,887	—
Other	—	38,440	38,060	—
	—	1,708,506	1,800,729	—
Tangible fixed assets (Notes 4, 11 and 19)	1,663,673	—	—	14,093
Intangible fixed assets	142,515	—	—	1,207
Reinsurance receivables	306	465	497	3
Other assets	404,850	549,401	824,286	3,428
Customers' liabilities for acceptances and guarantees	8,109	2,000	—	69
Allowance for doubtful accounts	(32,183)	(39,953)	(46,537)	(273)
Total assets	¥51,841,901	¥50,542,565	¥46,559,458	\$439,152

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

As of March 31	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
LIABILITIES:				
Policy reserves and others:				
Reserve for outstanding claims	¥ 244,911	¥ 227,222	¥ 239,230	\$ 2,075
Policy reserve (Note15)	40,382,501	39,418,163	38,794,345	342,080
Reserve for dividends to policyholders (Note 7)	1,259,846	1,312,057	1,357,447	10,671
	41,887,258	40,957,442	40,391,023	354,826
Reinsurance payables	265	490	499	2
Other liabilities	1,523,815	1,900,279	1,731,450	12,909
Accrued bonus for directors and corporate auditors	103	103	—	1
Accrued severance indemnities (Note 9)	427,256	410,874	392,937	3,619
Accrued retirement benefits for directors	5,691	—	—	48
Accrued loss from supporting closely related companies	552	603	656	5
Reserve for price fluctuations in security investments	467,263	441,263	390,262	3,958
Deferred tax liabilities (Note 20)	1,510,382	1,380,040	354,911	12,794
Deferred tax liabilities for land revaluation reserve	179,535	181,525	34,962	1,521
Acceptances and guarantees	8,109	2,000	—	69
Total liabilities	46,010,233	45,274,623	43,296,703	389,752
CAPITAL:				
Foundation funds (Note 10)	—	300,000	200,000	—
Reserve for redemption of foundation funds (Note10)	—	600,000	550,000	—
Reserve for revaluation	—	651	651	—
Surplus:				
Legal reserve for deficiency	—	7,409	6,783	—
Voluntary surplus reserve	—	105,957	103,704	—
Unappropriated surplus	—	236,830	203,951	—
(Net surplus in the current year)	—	(229,830)	(195,713)	—
	—	350,197	314,438	—
Revaluation reserve for land, net of tax	—	(93,688)	61,881	—
Net unrealized gains on securities, net of tax	—	4,110,781	2,135,782	—
Total capital	—	5,267,941	3,262,754	—
Total liabilities and capital	¥ —	¥50,542,565	¥46,559,458	\$ —
NET ASSETS:				
Foundation funds (Note 10)	¥ 250,000	—	—	\$ 2,118
Reserve for redemption of foundation funds (Note10)	650,000	—	—	5,506
Reserve for revaluation	651	—	—	6
Surplus:				
Legal reserve for deficiency	8,123	—	—	69
Voluntary surplus reserve	400,020	—	—	3,388
Total surplus	408,143	—	—	3,457
Total equity	1,308,795	—	—	11,087
Net unrealized gains on securities, net tax	4,607,770	—	—	39,033
Deferred gain on derivatives under hedge accounting	57	—	—	0
Land revaluation difference	(84,955)	—	—	(720)
Total valuations, conversions and others	4,522,873	—	—	38,313
Total net assets	5,831,668	—	—	49,400
Total liabilities and net assets	¥51,841,901	—	—	\$439,152

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

7. Non-Consolidated Statements of Income

Nippon Life Insurance Company

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
REVENUES:				
Income from insurance and reinsurance premiums	¥4,854,303	¥4,842,280	¥4,829,784	\$41,121
Investment income (Note 17):				
Interest, dividends and other income	1,156,348	1,070,088	980,473	9,795
Gain from proprietary trading securities	83	—	—	1
Gain from assets held in trust	22,108	36,414	18,409	187
Gain on sales of securities	101,722	174,290	201,749	862
Gain from redemption of securities	46,455	6,528	217	394
Other investment income	1,500	2,426	1,597	13
Gain from separate accounts, net	81,506	388,006	85,909	690
	1,409,724	1,677,754	1,288,357	11,942
Other revenues	250,071	319,432	279,878	2,118
Total revenues	6,514,099	6,839,468	6,398,020	\$55,181
EXPENDITURES:				
Insurance claims and other payments:				
Death and other claims	1,218,010	1,409,481	1,253,711	10,318
Annuity payments	439,395	416,219	410,990	3,722
Health and other benefits	779,972	772,494	810,849	6,607
Surrender benefits	1,061,274	1,186,750	1,228,264	8,990
Other refunds	331,384	656,391	943,099	2,808
Reinsurance premiums	1,113	964	934	9
	3,831,149	4,442,302	4,647,849	32,454
Provision for policy reserves:				
Provision of claims reserves	17,689	—	—	150
Provision for policy reserves	964,337	623,817	151,673	8,169
Interest on reserve for dividends to policyholders	37,156	39,066	41,000	314
	1,019,183	662,883	192,673	8,633
Investment expenses (Note 17):				
Interest expenses	5,333	1,421	1,339	45
Loss on proprietary trading securities	—	9	3	—
Loss on sales of securities	102,305	114,735	52,814	867
Loss on valuation of securities	11,861	8,857	31,175	100
Loss from redemption of securities	1,802	209	—	15
Loss from derivative financial instruments, net	127,398	97,879	66,340	1,079
Foreign exchange loss, net	1,273	3,746	2,183	11
Allowance for doubtful accounts	—	15,136	—	—
Write-down of loans	3	160	20	0
Depreciation for rental real estate and other assets	26,249	27,468	31,250	222
Other investment expenses	20,114	22,091	25,683	171
	296,342	291,716	210,811	2,510
Operating expenses (Note 16)	547,501	536,324	545,234	4,638
Other expenditures	489,314	462,448	444,029	4,145
Total expenditures	6,183,492	6,395,674	6,040,598	52,380
Operating income	¥ 330,606	¥ 443,793	¥ 357,421	\$ 2,801

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

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Extraordinary profits:				
Gain on disposal of fixed assets	¥ 38,398	¥ 1,394	¥ 4,692	\$ 325
Reversal of allowance for doubtful accounts	7,764	—	37,312	66
	46,162	1,394	42,004	391
Extraordinary loss:				
Loss on disposal of fixed assets	19,870	36,041	47,629	168
Impairment loss (Note 19)	5,389	77,807	—	46
Provision for reserve of security price fluctuations	26,000	51,000	135,000	220
Losses on reduction entry of real estate	95	279	188	2
Losses on valuation of real estate	—	—	2,476	—
Contribution for assisting social public welfare	1,107	1,245	1,500	9
	52,461	166,374	186,794	445
Surplus before income tax	324,307	278,813	212,631	2,747
Income tax (Note 20):				
Current	141,201	142,969	124,050	1,196
Deferred	(117,168)	(93,985)	(107,132)	(993)
Surplus in the current year	¥ 300,274	¥229,830	¥195,713	\$2,544
Reversal of revaluation reserve for land	—	5,755	6,738	—
Reversal of reserve for assisting social public welfare	—	1,245	1,500	—
Unappropriated surplus	—	¥236,830	¥203,951	—

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

8. Statements of Changes in Net Assets

Nippon Life Insurance Company

Millions of Yen

	Foundation funds and others												Total equity	
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve of deficiency	Contingency reserve	Reserve for severance benefit	Reserve for assisting social public welfare	Surplus						Total surplus
								Voluntary surplus reserve						
								Reserve for condensed booking of fixed assets for tax purpose	Reserve for condensed booking of fixed assets to be purchased	Other reserves	Unappropriated surplus			
Balance as of March 31, 2006	¥300,000	¥600,000	¥651	¥7,409	¥71,917	¥3,500	¥255	¥30,115	¥ —	¥170	¥236,830	¥350,197	¥1,250,848	
Increase/decrease														
Additions to reserve for dividends to policyholders											(179,929)	(179,929)	(179,929)	
Additions to legal reserve for deficiency				714							(714)	—	—	
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—	
Interest on foundation funds											(3,632)	(3,632)	(3,632)	
Net surplus											300,274	300,274	300,274	
Redemption of foundation funds	(50,000)												(50,000)	
Additions to reserve for assisting social public welfare							1,500					(1,500)	—	
Reversal of reserve for assisting social public welfare							(1,107)					1,107	—	
Reversal of reserve for condensed booking of fixed assets for tax purpose								(853)				853	—	
Additions to reserve for condensed booking of fixed assets, not purchased yet									1,908			(1,908)	—	
Reversal of revaluation reserve for land											(8,766)	(8,766)	(8,766)	
Net change, excluding foundation funds and others														
Net change	(50,000)	50,000	—	714	—	—	393	(853)	1,908	—	55,784	57,946	57,946	
Balance as of March 31, 2007	¥250,000	¥650,000	¥651	¥8,123	¥71,917	¥3,500	¥648	¥29,261	¥1,908	¥170	¥292,615	¥408,143	¥1,308,795	

	Valuations, conversions and others				
	Net unrealized gain on securities, net of tax	Deferred gain derivatives under hedge accounting	Land revaluation difference	Total valuations, conversions and others	Total net assets
Balance as of March 31, 2006	¥4,110,781	¥—	¥(93,688)	¥4,017,093	¥5,267,941
Increase/decrease					
Additions to reserve for dividends to policyholders					(179,929)
Additions to legal reserve for deficiency					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(3,632)
Net surplus					300,274
Redemption of foundation funds					(50,000)
Additions to reserve for assisting social public welfare					—
Reversal of reserve for assisting social public welfare					—
Reversal of reserve for condensed booking of fixed assets for tax purpose					—
Additions to reserve for condensed booking of fixed assets, not purchased yet					—
Reversal of revaluation reserve for land					(8,766)
Net change, excluding foundation funds and others	496,989	57	8,732	505,780	505,780
Net change	496,989	57	8,732	505,780	563,726
Balance as of March 31, 2007	¥4,607,770	¥57	¥(84,955)	¥4,522,873	¥5,831,668

8. Statements of Changes in Net Assets, continued

Nippon Life Insurance Company

Millions of U.S. Dollars

	Foundation funds and others											Total equity	
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve of deficiency	Contingency reserve	Reserve for severance benefit	Reserve for assisting social public welfare	Surplus					Total surplus
								Reserve for condensed booking of fixed assets for tax purpose	Reserve for condensed booking of fixed assets to be purchased	Other reserves	Unappropriated surplus		
Balance as of March 31, 2006	\$2,541	\$5,083	\$6	\$63	\$608	\$30	\$2	\$255		\$1	\$2,006	\$2,965	\$10,595
Increase/decrease												0	0
Additions to reserve for dividends to policyholders											(1,524)	(1,524)	(1,524)
Additions to legal reserve for deficiency				6							(6)	0	0
Additions to reserve for redemption of foundation funds		423									(423)	(423)	0
Interest on foundation funds											(31)	(31)	(31)
Net surplus											2,544	2,544	2,544
Redemption of foundation funds	(423)											0	(423)
Additions to reserve for assisting social public welfare							13					(13)	0
Reversal of reserve for assisting social public welfare							(9)					9	0
Reversal of reserve for condensed booking of fixed assets for tax purpose								(7)				7	0
Additions to reserve for condensed booking of fixed assets, not purchased yet										16		(16)	0
Reversal of revaluation reserve for land											(74)	(74)	(74)
Net change, excluding foundation funds and others												0	0
Net change	(423)	423	0	6	0	0	4	(7)	16	0	473	492	492
Balance as of March 31, 2007	\$2,118	\$5,506	\$6	\$69	\$608	\$30	\$6	\$248	\$16	\$1	\$2,479	\$3,457	\$11,087

	Valuations, conversions and others				Total net assets
	Net unrealized gain on securities, net of tax	Deferred gain derivatives under hedge accounting	Land revaluation difference	Total valuations, conversions and others	
Balance as of March 31, 2006	\$34,822		\$(794)	\$34,028	\$44,623
Increase/decrease				0	0
Additions to reserve for dividends to policyholders				0	(1,524)
Additions to legal reserve for deficiency				0	0
Additions to reserve for redemption of foundation funds				0	0
Interest on foundation funds				0	(31)
Net surplus				0	2,544
Redemption of foundation funds				0	(423)
Additions to reserve for assisting social public welfare				0	0
Reversal of reserve for assisting social public welfare					
Reversal of reserve for condensed booking of fixed assets for tax purpose				0	0
Additions to reserve for condensed booking of fixed assets, not purchased yet				0	0
Reversal of revaluation reserve for land				0	(74)
Net change, excluding foundation funds and others	4,211	0	74	4,285	4,285
Net change	4,211	0	74	4,285	4,777
Balance as of March 31, 2007	\$39,033	\$0	\$(720)	\$38,313	\$49,400

9. Statements of Surplus

Nippon Life Insurance Company

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Unappropriated surplus for the current year	¥292,615	¥236,830	¥203,951	\$2,479
Reversal from voluntary surplus reserve	6,154	853	4,500	52
Reversal of reserve for retirement benefits	3,500	—	—	30
Reversal of reserve for condensed booking of fixed assets for tax purposes	745	853	751	6
Reversal of reserve for condensed booking of fixed assets to be purchased	1,908	—	3,748	16
Total	298,769	237,684	208,452	2,531
Appropriations	298,769	237,684	208,452	2,531
Reserve for policyholder dividends	239,686	179,929	146,977	2,030
Net surplus	59,082	57,754	61,474	501
Transfer to legal reserve for deficiency	897	714	626	8
Transfer to reserve for redemption of foundation funds	50,000	50,000	50,000	424
Interest on foundation funds	3,119	3,632	2,849	26
Transfer to voluntary reserve	5,066	3,408	7,999	43
Reserve for assisting social public welfare	1,500	1,500	1,500	13
Reserve for condensed booking of fixed assets for tax purposes	3,566	—	6,499	30
Reserve for condensed booking of fixed assets to be purchased	—	1,908	—	—

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

10. Notes to the Non-Consolidated Financial Statements

Nippon Life Insurance Company

1. Basis of Presenting the Non-Consolidated Financial Statements

(1) Accounting principles and presentation

The accompanying non-consolidated financial statements have been prepared from the accounts and records maintained by NIPPON LIFE INSURANCE COMPANY (the “Company”) in accordance with the provisions set forth in the Japanese Commercial Code, the Insurance Business Law and the related rules and regulations applicable to the mutual life insurance industry in general and in conformity with accounting principles generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards. Certain accounting and reporting practices required to be followed by the industry are regulated by the Financial Services Agency and the related ministry by means of ministry ordinances and guidances. The accompanying non-consolidated financial statements of the Company are in compliance with such requirements. However, while the business report and supporting schedules have been prepared by the management of the Company as a part of the whole disclosure required by the Japanese Commercial Code and the Insurance Business Law, they have not been provided herein. Amounts of less than one million have been eliminated. As a result, totals may not add up exactly.

(2) United States Dollar amounts

The Company prepares its non-consolidated financial statements in yen. The dollar amounts included in the non-consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥118.05=US\$1, the effective rate of exchange at the balance sheet date of March 31, 2007. 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 ¥118.05=US\$1 or at any other rate.

2. Summary of Significant Accounting Policies

(1) Securities and hedging activities

Proprietary trading securities and securities (including securities of deposits, monetary receivables purchased, and securities within assets held in trust) are valued as follows:

- i) Trading securities are stated at the market value prevailing as of the balance sheet date. (The moving average method is used for calculating cost of sales.)
- ii) Held-to-maturity debt securities are valued using the moving average method net of accumulated amortization (straight-line).
- iii) Policy-reserve-matching bonds are valued using the moving average method net of accumulated amortization (straight-line) in accordance with Industry Audit Committee Report No. 21, “Treatment of Accounting and Auditing for Policy-reserve-matching Bonds in the Insurance Industry,” issued by the Japanese Institute of Certified Public Accountants (the “JICPA”).

iv) Stocks of subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2 Item 12 of the Insurance Business Law, excluding subsidiaries prescribed in Article 2-3 Item 2 of the Ordinance of the Insurance Business Law, and stocks issued by affiliates prescribed in Article 2-3 Item 3 of the Ordinance of the Insurance Business Law) are valued using the moving average method.

v) Available-for-sale securities

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

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

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. The Company also applies the special treatment prescribed under the Accounting Standards for Financial Instruments for interest swap agreements to manage cash flow volatility associated with interest rate changes on certain loans receivable. In addition, The Company matches forward foreign exchange contracts and currency swaps with certain financial assets denominated in foreign currencies.

Deferred gains of certain interest swap agreements had been previously recorded on the balance sheet by crediting 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, 2005 and 2006 amounted to ¥7,572 million and ¥47 million, respectively. However, such adoption of this guidance has been terminated during the current fiscal year.

The effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of market value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company’s internal risk management policies.

(2) Policy-reserve-matching bonds

Securities that are held for the purpose of controlling the durations of liabilities within the sub-groups (insurance type, remaining period, and investment policy) of security products as individual insurance and annuities, workers' asset-formation insurance and annuities, and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Treatment of Accounting and Auditing for Policy-reserve-matching Bonds in the Insurance Industry," issued by the JICPA. The book value of policy-reserve-matching bonds as of March 31, 2007 and 2006 amounted to ¥17,252,402 million (US\$146,145 million) and ¥16,724,615 million, respectively. The market value of policy-reserve-matching bonds as of March 31, 2007 and 2006 amounted to ¥17,515,888 million (US\$148,377 million) and ¥16,808,437 million, respectively.

Effective from the year ended March 31, 2007, the definition of the remaining period sub-category has been changed from the number of years until maturity date (the number of years until death, managed by the Company, was used for agreements without maturity dates) to the lesser of the number of years until maturity date or the average remaining life. Such change has been implemented in order to improve the specification of the sub-category in response to the December 2006 revision of the Standard Mortality Rate Table. There will be no impact on the balance sheets and the non-consolidated statements of income from the above change.

(3) Foreign currency translation

Assets and liabilities denominated in foreign currencies, except for investments in subsidiaries and affiliates, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Investments in subsidiaries and affiliates are translated into Japanese yen at the historical exchange rates prevailing at the transaction dates.

Foreign exchange gains and losses from translation are recognized in the non-consolidated statements of income.

(4) Real estate and movables

The disclosure methodology has been changed from the current fiscal year due to a revision in the Enforcement Regulation of the Insurance Business Law. The major changes were as follows:

- 1) The classification of "real estates and movables" has changed to "tangible assets."
- 2) Intangible fixed assets which were grouped with other assets in the prior year have been separated out.
- 3) "Gain and loss on sales of real estate" has been changed to "gain and loss on sales of fixed assets".

Tangible fixed assets (assets acquired before April 1, 1998) are depreciated based on the declining balance method. Tangible assets acquired on or after April 1, 1998 are depreciated based on the straight-line method.

Under the Law for the Revaluation of Land, the Company elected to undergo a one-time revaluation of its own-use land to a value based on an amount rationally calculated using the land value and road tax rating as pre-

scribed in Article 2 Item 1 and Item 4 of the Enforcement Regulation of the Law for the Revaluation of Land, respectively, which are the laws regarding land revaluation as of March 31, 2002. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of net assets. There was no effect on the non-consolidated statements of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.

As at March 31, 2005 and 2006, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥98,446 million and ¥40,605 million, respectively. As at March 31, 2007, the carrying amount didn't exceed the market value, so the difference is not required to be disclosed in accordance with Article 10 of the Law of the Revaluation of Land.

(5) Software

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

(6) 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.

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is recognized in accordance with the Company's internal asset valuation regulations and writing-down/provision rule:

- i) The amount of allowance to creditors, who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through disposal of collaterals or execution of guarantees from the balance of loans receivable (as mentioned below).
- ii) The allowance for credit of borrowers who are not currently legally bankrupt but have high possibility of bankruptcy is recognized 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 borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

All credits are assessed by the sections concerned in responsible sections in accordance with the Company's asset valuation regulations. The assessments are verified by an independent Asset Auditing Department. The

results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

The amount of collateral value or the amount collectible by the execution of guarantees or other methods directly subtracted from the balance of loans receivable is the estimated uncollectible amount for loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers.

The amounts recognized in the financial statements were ¥11,474 million, including ¥9,013 million of credits secured and/or guaranteed, ¥22,586 million, including ¥4,380 million of credits secured and/or guaranteed, and ¥4,163 million (US\$35 million) including ¥2,785 million (US\$24 million) of credits secured and/or guaranteed, as of March 31, 2005, 2006 and 2007, respectively.

(8) Impairment of Fixed Asset

The Company adopted the “Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Council in Japan on August 2002 and Business Accounting Standard Adaptation Guideline No. 6 “Adaptation Guideline for Accounting Standard for Impairment of Fixed Assets” on October 2003 as of April 1, 2005. The effect of adoption of the new “Accounting Standard for Impairment of Fixed Assets” was to decrease surplus before income taxes for the year ended March 31, 2006 by ¥77,807 million compared to the former method.

(9) Accrued bonus for directors and corporate auditors

Accrued bonus for directors and corporate auditors are recognized based on the amount estimated to be paid, in accordance with Article 32-14 of the Enforcement Regulation of the Insurance Business Law for the year ended March 31, 2005 and 2006.

Bonus for directors and corporate auditors were previously treated as an appropriation of surplus. The Company adopted the Business Accounting Standard Committee Practice Report No. 13 “Temporary Treatment of Accounting for Bonus for Directors and Corporate Auditors” and recorded bonus for directors and corporate auditors as an expense on an accrual basis from the year ended March 31, 2006.

As a result, operating income and surplus before income taxes for the year ended March 31, 2006 decreased by ¥103 million compared to the former method.

(10) Accrued severance indemnities

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

(11) Accrued retirement benefits for directors

Accrued retirement benefits for directors are recognized based on the estimated payment amount. The amount for directors’ and corporate auditors’ retirement pay had been recognized at the time of payment during the previ-

ous periods. However, as of April, 2006 the reserve has been recognized based on the internal rules of the estimated payment amount, which is in accordance with “Treatment of Audit for Reserves under Special Taxation Measures Law” and “Allowance, Reserve, Retirement Benefits for Directors under Special Law” (JICPA, Auditing & Assurance Practice Committee, Issuance No. 42). As a result of this treatment, the operating income and surplus before income tax has decreased by ¥5,691 million (US\$48 million) in the year ended March 31, 2007.

(12) Accrued losses from supporting closely related companies

Accrued losses from supporting closely related companies is recognized based on the amount that is estimated to be required in the future for supporting restructurings of the closely related companies, in accordance with Article 32-14 of the Enforcement Regulation of the Insurance Business Law for the year ended March 31, 2005 and 2006.

(13) Reserve for price fluctuations of investments in securities

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

(14) Accounting for consumption taxes

Consumption taxes and local consumption taxes are accounted for by using the tax exclusion method. However, as of April 2006, consumption taxes paid on certain real estate transactions, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Consumption Tax Law, are deferred as prepaid expenses and amortized to income over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are charged to income as incurred.

(15) Policy reserve

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

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

Effective beginning the year ended March 31, 2007, additional amounts to policy reserves will be made over the period of five years in an amount in proportion to the number of the individual annuity policyholders. Such treatment is in accordance with Article 69-5 of the Enforcement Regulation of the Insurance Business Law. As a result of the adoption of the treatment, the policy reserve has increased by ¥280,481 million (US\$2,376 million) and operating income as well as surplus before income taxes has decreased by ¥280,481 million (US\$2,376 million) as of March 31, 2007.

(16) Deferred income taxes

The provision for income taxes is computed based on the pretax income included in the statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

3. Securities Loaned

The balances of securities loaned for consumption were, ¥2,185,972 million, ¥3,057,231 million and ¥3,646,930 million (US\$30,893 million) as of March 31, 2005, 2006 and 2007, respectively.

4. Accumulated Depreciation

Accumulated depreciation for tangible fixed assets amounted to ¥946,247 million, ¥926,549 million, and ¥985,637 million (US\$8,349 million) as of March 31, 2005, 2006 and 2007, respectively.

5. Separate Accounts

Total assets in the Separate Accounts as provided for in Article 118-1 of the Insurance Business Law were ¥2,149,186 million, ¥2,334,507 million and ¥2,279,213 million (US\$19,307 million) as of March 31, 2005, 2006 and 2007, respectively. The amounts of liabilities were the same as these figures.

6. Receivables from/Payables to Subsidiaries

The total amount of credits and debits to subsidiaries as of March 31, 2005, 2006 and 2007 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Monetary receivables	¥149,366	¥123,329	¥108,327	\$1,265
Monetary liabilities	12,774	5,782	3,356	108

7. Reserve for Dividends to Policyholders

Changes in the reserve for dividends to policyholders included in policy reserves for the periods ended March 31, 2005, 2006 and 2007 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Balance at the end of previous fiscal year	¥1,312,057	¥1,357,447	¥1,415,625	\$11,114
Transfer to reserves from surplus in previous fiscal year	179,929	146,977	135,123	1,524
Policyholders dividends paid out in fiscal year	(269,297)	(231,434)	(234,302)	(2,281)
Increase in interest	37,156	39,066	41,000	315
Balance at the end of fiscal year	¥1,259,846	¥1,312,057	¥1,357,447	\$10,672

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

Net assets provided for in Article 24-2 Paragraph 2 Item 2 of the Enforcement Regulation of the Insurance Business Law, were ¥2,126,453 million and ¥4,113,235 million as of March 31, 2005 and 2006, respectively.

Net assets provided for in Article 30, Paragraph 2 Item 2 of the Enforcement Ordinance of the Insurance Business Law was ¥4,608,479 million (US\$39,038 million) as of March 31, 2007.

Effective this year, the implementation guidance for accounting standards related to the equity section of the balance sheet (Accounting Standards Board of Japan, Accounting Standard No. 5 "Accounting Standard for Presentation of Net Assets in the Balance Sheet" and its Implementation Guidance No. 8) are being used. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of net assets. Such items include stock acquisition rights and any deferred gain or loss on derivatives accounted for under hedge accounting. The non-consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard. The previous amount equivalent to total capital was ¥5,831,610 million (US\$49,399 million).

9. Accrued Severance Indemnities

Accrued severance indemnities at March 31, 2005, 2006 and 2007 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Projected benefit obligations	¥(777,065)	¥(789,325)	¥(716,283)	\$(6,583)
Fair value of pension plan assets	321,777	320,127	290,544	2,726
Funded status	(455,288)	(469,197)	(425,739)	(3,857)
Unrecognized actuarial differences	49,991	87,831	70,627	423
Unrecognized prior service cost	(21,959)	(29,507)	(37,824)	(186)
Accrued severance indemnities	¥(427,256)	¥(410,874)	¥(392,937)	\$(3,619)

Components of net periodic benefit cost for the years ended March 31, 2005, 2006 and 2007 were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Service cost	¥26,831	¥24,168	¥28,838	\$227
Interest cost	12,629	17,907	19,188	107
Expected return on plan assets	(8,003)	(7,263)	(7,628)	(68)
Amortization of actuarial differences	31,956	27,798	21,584	271
Amortization of prior service cost	(7,548)	(7,135)	(559)	(64)
Others	—	—	(576)	—
Net periodic benefit cost	¥55,864	¥55,475	¥60,846	\$473

Assumptions used for the years ended March 31, 2005, 2006 and 2007 were set forth as follows:

	2007	2006	2005
Discount rate	1.6%	1.6%	2.5%
Expected rate of return on plan assets	2.5	2.5	3.0

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

In the year ended March 31, 2005 the Company amended a part of its severance indemnities regulation, shifting from a tax qualified pension plan to a defined contribution pension plan and a new corporate defined benefit pension plan. As a result, additional prior service cost amounting to ¥35,634 million was incurred. Such prior service cost is amortized over five years, beginning the year ended March 31, 2006.

10. Foundation Funds

In the year ended March 31, 2005, the Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law.

In the year ended March 31, 2006, the Company raised ¥150,000 million of foundation funds in accordance with Article 60 of the Insurance Business Law, redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law.

In the year ended March 31, 2007, the Company redeemed ¥50,000 million (US\$424 million) of foundation funds and credited the same amount to the reserve for redemption of foundation funds provided for in Article 56 of the Insurance Business Law.

11. Pledged Assets

The amount of assets pledged as collateral by securities, land, and buildings was ¥1,187,482 million (US\$10,059 million), ¥2,952 million (US\$25 million), and ¥344 million (US\$3 million), as of March 31, 2007, respectively. The total amount of loans covered by the aforementioned assets was ¥928,258 million (US\$7,863 million) as of March 31, 2007.

These amounts included ¥1,018,513 million (US\$8,628 million) of securities deposited and ¥928,128 million (US\$7,862 million) of cash received as collateral under the securities lending contracts secured by cash as of March 31, 2007.

Assets pledged as collateral amounted to ¥1,000,908 million and ¥1,436,505 million as of March 31, 2005 and 2006, respectively. Debts secured amounted to ¥819,301 million and ¥1,126,316 million as of March 31, 2005 and 2006, respectively.

These amounts included ¥822,609 million and ¥1,226,073 million of securities deposited, and ¥819,077 million and ¥1,126,165 million of cash received as collateral under securities lending contracts secured by cash as of March 31, 2005 and 2006, respectively.

12. Investments in Subsidiaries

The total amount of bonds and investments in subsidiaries were ¥269,064 million, ¥269,184 million and ¥350,232 million (US\$2,967 million) as of March 31, 2005, 2006 and 2007, respectively.

13. Loans Receivable

The total amounts of credits of bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and loans for restructuring, which were included in loans receivable, were ¥73,703 million, ¥76,537 million and ¥64,153 million (US\$543 million) as of March 31, 2005, 2006 and 2007, respectively.

- i) The balances of loans of bankrupt borrowers and delinquent loans were ¥5,164 million and ¥61,756 million, as of March 31, 2005, ¥4,177 million and ¥67,075 million, as of March 31, 2006 and ¥4,491 million (US\$38 million) and ¥54,771 million (US\$464 million) as of March 31, 2007.

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

Delinquent loans are loans with interest not accrued, excluding the loans of bankrupt borrowers and the loans to which postponement of interest payment is made with the object of reconstructing and supporting the borrowers.

- ii) The balances of loans that were delinquent for over three months were ¥572 million, ¥540 million and ¥531 million (US\$4 million), as of March 31, 2005, 2006 and 2007, respectively.

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

- iii) The balances of loans for restructuring were ¥6,210 million, ¥4,744 million and ¥4,359 million (US\$37 million) as of March 31, 2005, 2006 and 2007, respectively. Loans for restructuring are loans that provide certain concessions favorable to borrowers with the intent of supporting the

borrowers restructuring, such as by reducing or exempting interests, postponing principal or interest payments, releasing credits, and providing benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

The Direct write-down of loans receivable decreased the balances of loans of bankrupt borrowers and delinquent loans by ¥4,021 million and ¥7,453 million as of March 31, 2005, ¥2,489 million and ¥20,097 million as of March 31, 2006 and ¥1,711 million (US\$14 million) and ¥2,451 million (US\$21 million) as of March 31 2007.

14. Loan Commitments

The amount of commitments related to loan receivables and loans outstanding were ¥222,698 million, ¥234,185 million and ¥166,826 million (US\$1,413 million) as of March 31, 2005, 2006 and 2007, respectively.

15. Policy Reserves for Reinsurance Contracts Provided in Accordance with Article 71 Item 1 of the Enforcement Regulation of the Insurance Business Law.

The amount of policy reserves provided for the portion of reinsurance as defined in Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Law as of March 31, 2005, 2006 and 2007 was ¥169 million, ¥151 million and ¥173 million (US\$1 million), respectively.

16. Contribution to the Policyholder Protection Fund and Organization

The amounts of future contributions to the Policyholder Protection Fund, which has been taken over by the Life Insurance Policyholder Protection Corporation of Japan in accordance with Supplementary Article 140 Paragraph 5 of the Enactment Law of Financial System Reform Legislation, were estimated to be ¥11,921 million, ¥7,178 million and ¥2,358 million (US\$20 million), as of March 31, 2005, 2006 and 2007, respectively. The contribution amounts are recognized as operating expenses at the time of payment.

The amounts of future contributions to the Life Insurance Policyholder Protection Corporation of Japan, in accordance with Article 259 of the Insurance Business Law, were estimated at ¥67,889 million, ¥97,366 million and ¥92,760 million (US\$786 million) as of March 31, 2005, 2006 and 2007, respectively. The contributions are also recognized as an operating expense at the time of payment.

17. Investment Income and Expenses

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

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Domestic bonds	¥ 1,532	¥ 9,963	¥ 2,669	\$ 13
Domestic stocks and other	74,069	144,482	181,768	627
Foreign securities	26,120	19,752	17,311	221

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

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Domestic bonds	¥77,686	¥71,329	¥ 7,034	\$658
Domestic stocks and other	4,676	9,147	5,855	40
Foreign securities	19,942	34,006	39,343	169

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

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Domestic stocks and other	¥11,423	¥4,861	¥ 3,568	\$97
Foreign securities	438	3,995	27,607	4

Major items of gains/losses from proprietary trading securities, net were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Interest, dividend and other income	¥77	¥ 0	¥ 1	\$1
Gains (losses) on sales of proprietary trading securities	1	(60)	(87)	0
Gains (losses) on valuation of proprietary trading securities	6	0	0	0

Gains from assets held in trust included a valuation gains of ¥5,833 million and ¥16,333 million and a valuation loss of ¥2,821 million (US\$24 million) for the years ended March 31, 2005, 2006 and 2007, respectively.

Losses from derivative financial instruments included valuation gains of ¥2,107 million for the year ended March 31, 2006 and valuation losses of ¥16,231 million and ¥7,424 million (US\$63 million) for the years ended March 31, 2005 and 2007, respectively.

18. Policy Reserve for Reinsurance

Reversal of the policy reserve for ceded reinsurance used for the calculation of policy reserves was ¥17 million for the year ended March 31, 2006.

Provision of the policy reserve for ceded reinsurance used for the calculation of policy reserves was ¥21 million (US\$0 million) for the year ended March 31, 2007.

19. Losses on Impaired Asset

i) Method of grouping the assets

The Company groups its fixed assets by purpose of use and measures impairment loss for each of the groups. Lease buildings and idle property are classified as one group per structure. Assets utilized for insurance business operations are classified into one group.

ii) The circumstances causing the impairment losses

Due to the unfavorable performance of the real estate market, the Company observed a marked decrease in the profitability and fair value of some fixed asset groups. The Book value of fixed assets was thus reduced to the recoverable amount and an impairment loss was recognized as extraordinary loss.

iii) Asset groups recognized impairment losses by asset group and by fixed asset for the years ended March 31, 2006 and 2007 were as follows:

For the year ended March 31, 2006

Purpose of use	Millions of Yen			Total
	Land	Leasehold	Buildings	
Lease	¥4,056	¥48,736	¥17,242	¥70,034
Unused	5,251	51	2,469	7,772
Total	¥9,308	¥48,787	¥19,711	¥77,807

For the year ended March 31, 2007

Purpose of use	Millions of Yen			Millions of U.S. Dollars
	Land	Buildings	Total	Total
Leased property	¥ 686	¥ 690	¥1,376	\$12
Idle property	2,767	1,245	4,012	34
Total	¥3,453	¥1,935	¥5,389	\$46

iv) Method of calculation of recoverable amount

The recoverable amount used for the measurement of impairment loss on leased assets is determined at net realizable value on the sale of the asset or future cash flows.

The recoverable amount for unused assets is determined at net realizable value on the sale of the asset. The discount rate used for the calculation of future cash flows is 4%. Net realizable values are determined based on real estate appraisal or posted land price.

20. Income Taxes

Deferred tax assets/liabilities consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Deferred tax assets	¥ 1,157,674	¥ 1,061,939	¥ 943,478	\$ 9,807
Valuation allowance for deferred tax assets	(55,380)	(78,949)	(56,362)	(469)
	1,102,294	982,989	887,116	9,338
Deferred tax liabilities	(2,612,676)	(2,363,030)	(1,242,027)	(22,132)
Net deferred tax liabilities	¥(1,510,382)	¥(1,380,040)	¥ (354,911)	(12,794)

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

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Deferred tax assets:				
Policy reserves	¥ 741,159	¥ 622,476	¥ 568,717	\$ 6,278
Accrued severance indemnities	154,252	148,333	138,517	1,307
Allowance for doubtful accounts	8,961	17,720	13,935	76
Reserve for price fluctuations of investments in securities	168,696	159,304	140,892	1,429
Deferred tax liabilities:				
Net unrealized gains on securities	¥2,569,099	¥2,322,650	¥1,206,787	\$21,763

The statutory tax rate for the years ended March 31, 2005, 2006 and 2007 was 36.1%. The major differences between the statutory tax rate and the effective income tax rate were as follows:

	2007	2006	2005
Reserve for dividends to policyholders	(26.7)%	(23.3)%	(25.0)%

21. Transactions with Subsidiaries

Total transactions with subsidiaries for the years ended March 31, 2005, 2006 and 2007 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Total revenues	¥29,776	¥43,520	¥ 9,846	\$252
Total expenses	38,539	30,275	30,237	326

22. Transactions between Related Parties

Subsidiaries

Attribute:	Subsidiary
Company Name:	Nissay Credit Guarantee Co., Ltd.
Location:	Osaka City, Osaka Prefecture
Capital:	¥200 million
Business:	Debt guarantee services

Percentage of Shareholder Voting Rights: Direct 18.0%

Indirect 18.0%

Nature of Relationship between Parties: Debt guarantee, etc.

Interlocking directors, etc.

Transactions: Debt guarantee of Nippon Life's loans*

Balance as of March 31: ¥609,299 million (US\$5,161 million)

*Guarantees Nippon Life's loans based on guarantee agreement between debtor and Nissay Credit Guarantee Co., Ltd.
