

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
	2008	2007	2006	2008
ASSETS:				
Cash and deposits	¥ 595,333	¥ 948,672	¥ 1,048,805	\$ 5,942
Call loans	196,100	259,200	553,700	1,957
Monetary receivables purchased	1,379,371	1,334,680	1,391,624	13,768
Proprietary trading securities	—	2,099	2,099	—
Assets held in trust	170,507	195,593	177,038	1,702
Investments in securities (Notes 3, 10 and 11)	33,956,847	37,285,454	35,210,880	338,925
Loan receivables (Notes 12 and 13)	9,513,305	9,706,754	9,994,705	94,953
Real estate and movables (Notes 4, 10 and 15)	—	—	1,796,081	—
Tangible fixed assets (Notes 4, 10 and 15)	1,746,924	1,737,541	—	17,436
Intangible fixed assets	156,008	150,725	—	1,557
Reinsurance receivables	614	306	465	5
Other assets	694,195	559,315	691,456	6,929
Deferred tax assets (Note 16)	8,537	6,432	4,869	85
Customers' liability for acceptances and guarantees	8,554	9,176	3,222	85
Allowance for doubtful accounts	(39,300)	(35,980)	(43,744)	(392)
Total assets	¥48,386,999	¥52,159,972	¥50,831,204	\$482,952
LIABILITIES:				
Policy reserves and others:				
Reserve for outstanding claims	¥ 239,867	¥ 248,136	¥ 230,431	\$ 2,394
Policy reserve	40,741,366	40,384,315	39,419,816	406,641
Reserve for dividends to policyholders (Note 6)	1,233,268	1,259,846	1,312,057	12,309
Subtotal	42,214,502	41,892,298	40,962,304	421,344
Agency account payable	—	25	28	—
Reinsurance payables	339	265	490	3
Other liabilities	1,344,698	1,672,194	2,033,700	13,422
Accrued bonus for directors and corporate auditors	94	103	103	1
Accrued severance indemnities (Note 8)	435,358	428,628	412,068	4,346
Accrued retirement benefits for directors	5,930	5,805	—	59
Accrued loss from supporting closely related companies	515	552	603	5
Reserve for price fluctuations in security investments	487,263	467,263	441,263	4,864
Deferred tax liabilities (Note 16)	131,375	1,513,529	1,380,184	1,311
Deferred tax liabilities for revaluation reserve	177,283	179,535	181,525	1,769
Acceptances and guarantees	8,554	9,176	3,222	85
Total liabilities	¥44,805,916	¥46,169,377	¥45,415,496	\$447,209

As of March 31	Millions of Yen			Millions of
	2008	2007	2006	U.S. Dollars
MINORITY INTERESTS	¥ —	¥ —	¥ 10,305	\$ —
CAPITAL:				
Foundation funds (Note 9)	—	—	300,000	—
Reserve for redemption of foundation funds (Note 9)	—	—	600,000	—
Reserve for revaluation	—	—	651	—
Consolidated surplus	—	—	438,305	—
Revaluation reserve for land, net of tax	—	—	(93,688)	—
Net unrealized gain on securities, net of tax	—	—	4,171,825	—
Cumulative translation adjustments	—	—	(11,691)	—
Total capital	—	—	5,405,402	—
Total liabilities and capital	—	—	¥50,831,204	—
NET ASSETS:				
Foundation funds (Note 9)	200,000	250,000	—	1,996
Reserve for redemption of foundation funds (Note 9)	700,000	650,000	—	6,987
Reserve for revaluation	651	651	—	6
Consolidated surplus	473,978	501,357	—	4,731
Total equity	1,374,629	1,402,008	—	13,720
Net unrealized gain on securities, net of tax	2,301,439	4,670,620	—	22,971
Deferred gain on derivatives under hedge accounting	155	57	—	2
Land revaluation difference	(88,938)	(84,955)	—	(888)
Cumulative translation adjustments	(16,157)	(7,615)	—	(161)
Total valuations, conversions and others	2,196,499	4,578,106	—	21,924
Minority interests	9,954	10,479	—	99
Total net assets	3,581,082	5,990,595	—	35,743
Total liabilities and net assets	¥48,386,999	¥52,159,972	—	\$482,952

The accompanying notes are an integral part of the consolidated 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
	2008	2007	2006	2008
REVENUES:				
Income from insurance and reinsurance premiums	¥4,917,492	¥4,879,630	¥4,866,096	\$49,082
Investment income:				
Interest, dividends and other income	1,230,756	1,168,241	1,053,305	12,284
Gain from proprietary trading securities	7	83	—	0
Gain from assets held in trust	—	22,477	36,817	—
Gain on sales of securities	107,006	102,321	174,453	1,068
Gain from redemption of securities	10,405	46,455	6,528	104
Other investment income	329	1,704	25,397	3
Gain from separate accounts, net	—	82,180	388,277	—
	1,348,505	1,423,462	1,684,781	13,459
Other revenues	341,599	319,917	373,489	3,410
Total revenues	6,607,597	6,623,010	6,924,367	65,951
EXPENDITURES:				
Insurance claims and other payments:				
Death and other claims	1,395,485	1,218,441	1,410,107	13,928
Annuity payments	475,766	439,395	416,219	4,749
Health and other benefits	845,378	799,944	791,275	8,438
Surrender benefits	1,166,937	1,061,274	1,186,750	11,647
Other refunds	350,997	331,384	656,391	3,503
Reinsurance payment	1,588	1,434	1,275	16
	4,236,155	3,851,874	4,462,020	42,281
Provision for policy reserves:				
Provision of claims reserves	—	17,689	—	—
Provision for policy reserves	356,921	964,304	623,837	3,562
Interest on reserve for dividends to policyholders	35,170	37,156	39,066	351
	392,091	1,019,150	662,903	3,913
Investment expenses:				
Interest expense	7,506	5,985	2,667	75
Loss on proprietary trading securities	—	—	9	—
Loss from assets held in trust	20,866	—	—	208
Loss on sales of securities	93,466	102,492	114,910	933
Loss on valuation of securities	40,194	12,944	9,195	401
Loss from redemption of securities	2,950	1,806	209	29
Loss from derivative financial instruments, net	66,639	129,611	97,879	665
Foreign exchange loss, net	12,167	1,290	4,879	121
Allowance for doubtful accounts	5,672	—	15,065	57
Write-down of loans	172	314	656	2
Depreciation for rental real estate and other assets	27,331	26,249	27,861	273
Other investment expenses	20,868	19,998	36,776	208
Loss from separate accounts, net	265,274	—	—	2,648
	563,110	300,694	310,110	5,620
Operating expenses (Note 14)	579,641	566,770	551,745	5,786
Other expenditures	534,550	539,939	507,700	5,336
Total expenditures	6,305,548	6,278,429	6,494,480	62,936
Operating income	¥ 302,048	¥ 344,580	¥ 429,887	\$ 3,015

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Extraordinary profits:				
Gain on disposal of fixed assets	¥ 1,200	¥ 45,600	¥ 1,395	\$ 12
Reversal of allowance for doubtful accounts	—	7,724	—	—
Other extraordinary profits	—	—	64	—
	1,200	53,325	1,459	12
Extraordinary losses:				
Loss on disposal of fixed assets	7,242	20,104	36,121	72
Impairment loss (Note 15)	4,630	5,389	77,807	46
Provision for reserve for price fluctuations in security investments	20,000	26,000	51,000	200
Loss on reduction entry of real estate	128	95	279	1
Other extraordinary loss	1,053	1,398	1,252	11
	33,054	52,987	166,461	330
Surplus before income taxes	270,194	344,918	264,885	2,697
Income taxes (Note 16):				
Current	112,679	154,913	153,200	1,125
Deferred	(101,711)	(115,757)	(94,431)	(1,015)
Minority interests	649	382	904	6
Surplus in the current year	¥258,577	¥305,380	¥205,212	\$ 2,581

The accompanying notes are an integral part of the consolidated 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
	2008	2007	2006	2008
I Cash flows from operating activities:				
Surplus before income taxes	¥ 270,194	¥ 344,918	¥ 264,885	\$ 2,697
Depreciation for rental real estate and other assets	27,331	26,249	27,861	273
Depreciation	60,696	60,703	64,277	606
Impairment loss	4,630	5,389	77,807	46
Amortization of goodwill	(803)	—	(30)	(8)
Net (decrease) increase in reserve for outstanding claims	(8,140)	17,677	(11,161)	(81)
Net increase in policy reserve	357,127	964,481	623,031	3,565
Interest on reserve for dividends to policyholders	35,170	37,156	39,066	351
Net increase (decrease) in allowance for doubtful accounts	5,133	(7,892)	14,285	51
Net decrease in reserve for bonus for directors and corporate auditors	(9)	—	—	(0)
Net increase in accrued severance indemnities	6,729	16,559	18,235	67
Net increase in accrued retirement benefits for directors	125	5,805	—	1
Net increase in reserve for price fluctuations in security investments	20,000	26,000	51,000	200
Interest, dividends and other income	(1,230,756)	(1,168,241)	(1,053,305)	(12,284)
Net loss (gain) on securities investment	19,149	(31,524)	(56,667)	191
Interest expense	7,506	5,985	2,667	75
Foreign exchange loss, net	12,167	1,290	4,879	121
Net loss (gain) on tangible fixed assets investment	6,170	(25,400)	35,005	62
Equity in earnings of affiliates	(2,982)	(169)	(3,223)	(30)
Loss (gain) from separate accounts, net	265,274	(82,180)	(388,277)	2,648
Net decrease in proprietary trading securities	2,099	0	899	21
Net (increase) decrease in reinsurance receivables	(307)	159	32	(3)
Net (increase) decrease in other assets	(1,166)	(17,865)	17,168	(12)
Net decrease in agency account payable	(25)	(3)	(9)	0
Net increase (decrease) in reinsurance payables	74	(225)	(8)	1
Net increase (decrease) in other liabilities	3,273	(16,140)	(6,874)	33
Other, net	22,585	55,005	40,964	224
Subtotal	(118,751)	217,739	(237,489)	(1,185)
Interest, dividends and other income received	1,210,377	1,140,848	1,030,452	12,081
Interest paid	(8,252)	(4,835)	(2,679)	(82)
Dividends to policyholders paid	(232,402)	(214,083)	(217,950)	(2,320)
Other, net	27,487	28,323	51,600	274
Income taxes paid	(140,829)	(168,453)	(131,352)	(1,406)
Net cash provided by operating activities	¥ 737,629	¥ 999,540	¥ 492,580	\$ 7,362

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
II Cash flows from investing activities:				
Net increase (decrease) in deposits	¥ —	¥ 3,500	¥ (4,600)	\$ —
Purchases of monetary receivables purchased	(174,725)	(336,173)	(319,939)	(1,744)
Proceeds from sales and redemption of monetary receivables purchased	136,032	134,111	468,328	1,358
Purchases of assets held in trust	(23,283)	(24,893)	(20,043)	(232)
Proceeds from sales of assets held in trust	27,511	28,753	3,955	275
Purchases of securities	(10,582,710)	(9,348,013)	(8,473,227)	(105,626)
Proceeds from sales and redemption of securities	9,779,372	8,055,301	7,892,822	97,608
Investments in loans	(3,248,162)	(3,499,735)	(3,891,177)	(32,420)
Collections of loans	3,486,385	3,786,269	4,251,003	34,798
Settlement of financial derivative instruments, net	220,252	—	—	2,198
Cash received as collateral under security lending contracts	(351,953)	—	—	(3,513)
Other, net	(68)	(387,999)	53,068	(2)
II ① Subtotal	(731,349)	(1,588,876)	(39,812)	(7,300)
(I + II ①)	[6,279]	[(589,336)]	[452,768]	[63]
Purchases of tangible fixed assets	(64,568)	(53,153)	(83,929)	(644)
Proceeds from sales of tangible fixed assets	9,524	137,868	37,971	95
Other, net	(28,151)	(22,070)	—	(281)
Net cash used in investing activities	(814,546)	(1,526,232)	(85,769)	(8,130)
III Cash flows from financing activities:				
Proceeds from debt issuance	175,900	163,579	112,152	1,756
Repayment of debt	(185,476)	(158,671)	(88,411)	(1,851)
Raising of foundation funds	—	—	150,000	—
Redemption of foundation funds	(50,000)	(50,000)	(50,000)	(499)
Interest on foundation funds paid	(3,119)	(3,632)	(2,849)	(31)
Other, net	10,948	8,948	—	109
Net cash (used in) provided by financing activities	(51,746)	(39,775)	120,891	(516)
IV Effect of exchange rate changes on cash and cash equivalents	(16,020)	(244)	11,500	(160)
V Net (decrease) increase in cash and cash equivalents	(144,684)	(566,711)	539,202	(1,444)
VI Cash and cash equivalents at the beginning of the year	1,439,291	2,006,003	1,470,387	14,366
VII Decrease in cash and cash equivalents due to the exclusion of subsidiaries from the consolidation	—	—	(3,586)	—
VIII Cash and cash equivalents at the end of the year	¥ 1,294,607	¥ 1,439,291	¥ 2,006,003	\$ 12,922

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

4. Consolidated Statements of Changes in Net Assets

Nippon Life Insurance Company and Subsidiaries

	Millions of Yen											
	As of March 31, 2008											
	Foundation funds and others					Voluntary surplus reserve						
	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, 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
Increase/decrease												
Additions to reserve for dividends to policyholders				(239,686)	(239,686)							(239,686)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—							—
Interest on foundation funds				(3,119)	(3,119)							(3,119)
Net surplus				258,577	258,577							258,577
Redemption of foundation funds	(50,000)				(50,000)							(50,000)
Reversal of revaluation reserve for land				3,963	3,963							3,963
Decrease in number of companies under the equity method				2,885	2,885							2,885
Other				1	1							1
Net change, excluding foundation funds and others						(2,369,180)	98	(3,983)	(8,542)	(2,381,607)	(525)	(2,382,133)
Net change	(50,000)	50,000	—	(27,378)	(27,378)	(2,369,180)	98	(3,983)	(8,542)	(2,381,607)	(525)	(2,409,512)
Balance as of March 31, 2008	¥200,000	¥700,000	¥651	¥473,978	¥1,374,629	¥ 2,301,439	¥155	¥(88,938)	¥(16,157)	¥ 2,196,499	¥ 9,954	¥ 3,581,082

	Millions of Yen											
	As of March 31, 2007											
	Foundation funds and others					Voluntary surplus reserve						
	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											
	As of March 31, 2008											
	Foundation funds and others					Voluntary surplus reserve						
	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, 2007	\$2,495	\$6,488	\$6	\$ 5,004	\$13,993	\$ 46,618	\$1	\$(848)	\$ (76)	\$ 45,695	\$105	\$ 59,793
Increase/decrease												
Additions to reserve for dividends to policyholders				(2,393)	(2,393)							(2,393)
Additions to reserve for redemption of foundation funds		499		(499)	—							—
Interest on foundation funds				(31)	(31)							(31)
Net surplus				2,581	2,581							2,581
Redemption of foundation funds	(499)				(499)							(499)
Reversal of revaluation reserve for land				40	40							40
Decrease in number of companies under the equity method				29	29							29
Other				0	0							0
Net change, excluding foundation funds and others						(23,647)	1	(40)	(85)	(23,771)	(6)	(23,777)
Net change	(499)	499	—	(273)	(273)	(23,647)	1	(40)	(85)	(23,771)	(6)	(24,050)
Balance as of March 31, 2008	\$1,996	\$6,987	\$6	\$ 4,731	\$13,720	\$ 22,971	\$2	\$(888)	\$(161)	\$ 21,924	\$ 99	\$ 35,743

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 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 Nippon Life 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

Nippon Life 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 ¥100.19=US\$1, the effective rate of exchange at the balance sheet date of March 31, 2008. 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 ¥100.19=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 Nippon Life and its subsidiaries. Consolidated subsidiaries in the year ended March 31, 2008 are listed below:

Nissay Computer Co., Ltd. (Japan)
Nissay Asset Management Corporation (Japan)
Nissay Information Technology Co., Ltd. (Japan)
Nissay Capital Co., Ltd. (Japan)
Nissay Leasing Co., Ltd. (Japan)
Nissay Credit Guarantee Co., Ltd. (Japan)
Nippon Life Insurance Company of America (U.S.A.)
NLI Properties 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 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 Nissay

Tokyo Insurance Agency, 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 Nippon Life and its subsidiaries and the result of their operations.

ii) Affiliates

Affiliates accounted for under the equity method in the year ended March 31, 2008 are listed below:

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

Bangkok Life Assurance Public Company Limited (formerly Bangkok Life Assurance Limited), like its parent, is engaged in the life insurance business and, therefore, as a qualitatively important company, was accounted for under the equity method since fiscal year 2003. However, in recent years, as a result of the diversification of the overseas insurance business, the main objective of the parent's investments in Bangkok Life has been to obtain revenue. Because the parent is not directly involved in important decisions related to Bangkok Life's management policies, Bangkok Life has been deemed of no qualitative importance from fiscal year 2007, and is thus no longer accounted for under the equity method.

Nippon Life Insurance Company of Philippines, Inc., having transferred all of its investment equity, is no longer an equity-method affiliate.

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, 2008, 2007 and 2006 were as follows:

	2008	2007	2006
Consolidated subsidiaries	12	12	12
Subsidiaries not consolidated but accounted for under the equity method	0	0	0
Affiliates accounted for under the equity method	4	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.

(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 held as deposits, monetary receivables purchased and instruments treated as securities based on "Accounting Standards Concerning Financial Instruments" (Corporate Accounting Standard No. 10) 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.

Nippon Life applies the mark-to-market method of hedge accounting mainly for hedging activities against exposure to foreign exchange rate fluctuations on certain bonds denominated in foreign currencies. Nippon Life 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, Nippon Life matches forward foreign exchange contracts and currency swaps with certain financial assets denominated in foreign currencies.

Deferred gain on 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 gain outstanding as of March 31, 2006 amounted to ¥47 million. However, such adoption of this guidance was terminated during fiscal year 2006 (which ended March 31, 2007).

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 Nippon Life's internal risk management policies.

(4) Policy-reserve-matching bonds

Securities that are held for the purpose of controlling periods outstanding of the liabilities within the sub-groups (insurance type, remaining period and investment policy) of security products such as individual insurance and annuities, workers' asset-formation insurance and annuities, and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Treatment of Accounting and Auditing for Policy-Reserve-Matching Bonds within the Insurance Industry," issued by the JICPA. The book value of policy-reserve-matching bonds as of March 31, 2008, 2007 and 2006 amounted to ¥17,145,681 million (US\$171,132 million), ¥17,252,402 million and ¥16,724,615 million, respectively. The market value of policy-reserve-matching bonds as of March 31, 2008, 2007 and 2006 amounted to, ¥17,752,748 million (US\$177,191 million), ¥17,515,888 million and ¥16,808,437 million, respectively.

Effective beginning in 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 Nippon Life, 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 statements of income from the above change.

(5) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen using "Accounting Standards of the Business Accounting Council."

(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.

Following tax revisions in fiscal 2007, from the current fiscal year, tangible fixed assets (assets acquired on or after April 1, 2007) are depreciated based on the declining-balance method and straight-line method as stipulated in the revised Corporate Tax Law. As a result, compared with past methods, operating income and surplus before income tax decreased ¥565 million (US\$6 million).

Moreover, following the same provision, among tangible fixed assets acquired before March 31, 2007, the residual value of those assets that have reached the previous allowable limit for depreciation are amortized equally over a five-year period. As a result, compared with past methods, operating income and surplus before income tax decreased ¥2,135 million (US\$21 million).

Under the Law for the Revaluation of Land, Nippon Life 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, 2006, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥40,605 million.

(7) Software

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

(8) Leases

Where financial leases of Nippon Life 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

1) The allowance for doubtful accounts is recognized in accordance with Nippon Life's internal Asset Valuation Regulations and Write-Off/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 collateral or execution of guarantees from the balance of loans receivable (as mentioned in (3) below).
 - ii) The allowance for credit of borrowers who are not currently legally bankrupt but have high possibility of bankruptcy is recognized in 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.
- 2) All credits are assessed by the sections concerned in accordance with Nippon Life'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.

- 3) The estimated uncollectible amount of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers is the balance of loans receivables from these borrowers less the amount of collateral value or the amount collectible by the execution of guarantees or other methods. The amounts recognized in the consolidated financial statements were ¥6,292 million (US\$63 million) (including ¥4,870 million (US\$49 million) and ¥6,921 million (including ¥4,561 million of credits secured and/or guaranteed) and ¥26,786 million (including ¥6,290 million of credits secured and/or guaranteed), of credits secured and/or guaranteed) as of March 31, 2008, 2007 and 2006, respectively.

(10) Impairment of fixed assets

Nippon Life 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, 2006.

Bonus for directors and corporate auditors were previously treated as an appropriation of surplus. Nippon Life 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 beginning in 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 Nippon Life 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 Nippon Life 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, operating income and surplus before income tax has decreased by ¥5,691 million in the year ended March 31, 2007.

(14) Accrued loss from supporting closely related companies

Accrued loss from supporting closely related companies is recognized based on an amount that is estimated to be required in the future for supporting the restructuring of those closely related companies.

(15) Reserve for price fluctuations in security investments

Reserve for price fluctuations in security investments of Nippon Life is computed based on Article 115 of the Insurance Business Law.

(16) Accounting for consumption taxes

Consumption taxes and local consumption taxes by Nippon Life 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 Nippon Life 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.

Beginning in the year ended March 31, 2007, additional amounts are to be paid into the policy reserve over a five-year period in proportion to the number of individual annuity policyholders. Such treatment is in accordance with Article 69, Paragraph 5 of the Enforcement Ordinance of the Insurance Business Law. As a result of the adoption of the treatment, the policy reserve is ¥226,074 million (US\$2,256 million) as of March 31, 2008.

(18) Presentation of net assets

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) is 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 was presented in line with this new accounting standard. The previous amount equivalent to total capital was ¥5,980,057 million.

(19) Presentation of fixed assets

In accordance with revisions to the Insurance Business Law, Nippon Life has made changes to the presentation of the Consolidated Balance Sheets and the Consolidated Statements of Income as of March 31, 2007. The primary content of the changes is as follows.

- a. The former line item “Real estate and movables, net of accumulated depreciation” is now presented as “Tangible fixed assets.”
- b. The former line item included under “Other assets” is now presented as “Intangible fixed assets.”
- c. The former line items “Gain 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.

3. Securities Loaned

The amount of securities loaned for consumption were ¥2,312,680 million (US\$23,083 million), ¥3,649,930 million and ¥3,057,231 million as of March 31, 2008, 2007 and 2006, respectively.

4. Accumulated Depreciation

Accumulated depreciation for tangible fixed assets amounted to ¥1,131,350 million (US\$11,292 million), ¥1,089,114 million and ¥1,039,441 million as of March 31, 2008, 2007 and 2006, respectively.

5. Separate Accounts

Total assets within the Separate Accounts as provided for in Article 118, Paragraph 1 of the Insurance Business Law were ¥1,860,271 million (US\$18,567 million), ¥2,279,213 million and ¥2,334,507 million as of March 31, 2008, 2007 and 2006, respectively. The total liabilities amounts are the same as the above.

6. Reserve for Dividends to Policyholders

Changes in the reserve for dividends to policyholders included in policy reserves for the periods ended March 31, 2008, 2007 and 2006 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Balance at the end of previous fiscal year	¥1,259,846	¥1,312,057	¥1,357,447	\$12,575
Transfer to reserves from surplus in previous fiscal year	239,686	179,929	146,977	2,392
Policyholder dividends paid out in the current period	(301,434)	(269,297)	(231,434)	(3,009)
Increase in interest	35,170	37,156	39,066	351
Balance at the end of fiscal year	¥1,233,268	¥1,259,846	¥1,312,057	\$12,309

7. 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 ¥4,113,235 million as of March 31, 2006.

8. Accrued Severance Indemnities

Accrued severance indemnities at March 31, 2008, 2007 and 2006 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Retirement benefit obligation	¥(789,182)	¥(779,072)	¥(791,126)	\$(7,877)
Pension plan assets	301,947	322,418	320,739	3,014
Accrued retirement benefit costs	(487,234)	(456,654)	(470,386)	(4,863)
Unrecognized actuarial differences	66,286	49,984	87,825	662
Unrecognized past service cost	(14,410)	(21,959)	(29,507)	(144)
Accrued severance indemnities	¥(435,358)	¥(428,628)	¥(412,068)	\$(4,346)

Components of net periodic benefit cost for the years ended March 31, 2008, 2007 and 2006 were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Service cost	¥26,385	¥26,866	¥24,207	\$263
Interest cost	12,452	12,647	17,924	124
Expected return on plan assets	(8,050)	(8,009)	(7,269)	(80)
Amortization of actuarial differences	18,486	31,955	27,798	185
Amortization of prior service cost	(7,548)	(7,548)	(7,135)	(75)
Others	1,848	286	284	18
Net periodic benefit costs	¥43,574	¥56,198	¥55,810	\$435

Assumptions used for the years ended March 31, 2008, 2007 and 2006 were set forth as follows:

	2008	2007	2006
Discount rate	1.6%	1.6%	1.6%
Expected rate of return on plan assets	2.5	2.5	2.5

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.

9. Foundation Funds

In the year ended March 31, 2008, Nippon Life redeemed ¥50,000 million (US\$499 million) of foundation funds, and credited the same amount to reserve for redemption of foundation funds as provided for in Article 56 of the Insurance Business Law.

In the year ended March 31, 2007, Nippon Life 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, 2006, Nippon Life 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.

10. Pledged Assets

The amount of assets pledged as collateral by securities, leasing receivables, land and buildings was ¥617,845 million (US\$6,167 million), ¥74,953 million (US\$748 million), ¥2,952 million (US\$29 million) and ¥335 million (US\$3 million), respectively as of March 31, 2008. The total amount of loans covered by the aforementioned assets is ¥644,843 million (US\$6,436 million) as of March 31, 2008.

The amount of assets pledged as collateral by securities, leasing receivables, land and buildings was ¥1,187,482 million, ¥85,297 million, ¥2,952 million, and ¥344 million, respectively as of March 31, 2007. The total amount of loans covered by the aforementioned assets was ¥1,002,797 million as of March 31, 2007.

Assets pledged as collateral amounted to ¥1,526,661 million as of March 31, 2006. Debts secured amounted to ¥1,204,533 million as of March 31, 2006.

These amounts included ¥566,028 million (US\$5,650 million), ¥1,018,513 million and ¥1,226,073 million of securities deposited and ¥580,977 million (US\$5,799 million), ¥928,128 million and ¥1,126,165 million, of cash received as collateral under securities lending contracts secured by cash as of March 31, 2008, 2007 and 2006, respectively.

11. Investments in Non-Consolidated Subsidiaries

The total amount of bonds and investments in non-consolidated subsidiaries was ¥130,339 million (US\$1,301 million) as of March 31, 2008.

12. Loan Receivables

The total amount of credit of bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and loans for restructuring, which were included in loan receivables, are ¥74,770 million (US\$746 million), ¥77,925 million and ¥90,238 million as of March 31, 2008, 2007 and 2006, respectively.

- i) The balances of loans of bankrupt borrowers and delinquent loans are ¥3,401 million (US\$34 million) and ¥54,678 million (US\$546 million) as of March 31, 2008, ¥4,533 million and ¥57,247 million as of March 31, 2007 and ¥4,243 million and ¥69,575 million, as of March 31, 2006. 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 accruing, excluding the loans of bankrupt borrowers and the loans to which the postponement of interest payment is made with the objective of restructuring these loans and supporting the borrowers.
- ii) The balances of loans that are delinquent for over three months were ¥435 million (US\$4 million), ¥531 million and ¥540 million, as of March 31, 2008, 2007 and 2006, 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 ¥16,254 million (US\$162 million), ¥15,593 million and ¥15,880 million as of March 31, 2008, 2007 and 2006, 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 interest, postponing principal or interest payments, releasing credit 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-off of loan receivables decreased credit of bankrupt borrowers described above by ¥1,270 million (US\$13 million), ¥1,875 million and ¥2,669 million as of March 31, 2008, 2007 and 2006, respectively.

The direct write-off of loan receivables decreased delinquent loans described above by ¥5,022 million (US\$50 million), ¥5,046 million and ¥24,117 million as of March 31, 2008, 2007 and 2006, respectively.

13. Loan Commitments

The amount of commitments related to loan receivables and loans outstanding was ¥120,598 million (US\$1,204 million), ¥150,349 million and ¥199,970 million as of March 31, 2008, 2007 and 2006, respectively.

14. Contribution to the Policyholder Protection Fund and Organization

- 1) 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 ¥2,358 million and ¥7,178 million as of March 31, 2007 and 2006. This completes contributions for fiscal 2007. The contribution amount is recognized as an operating expense at the time of payment.
- 2) 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 to be ¥94,127 million (US\$939 million), ¥92,760 million and ¥97,366 million as of March 31, 2008, 2007 and 2006, respectively. The contribution amounts are recognized as operating expenses at the time of payment.

15. Loss on Impairment of Assets

- i) Method for grouping the assets
Leased buildings and idle property are classified as one group per structure. Assets utilized for insurance business operations are classified into one group.
- ii) Circumstances causing impairment loss
Nippon Life observed a marked decrease in the profitability and fair value of some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and an impairment loss was recognized as an extraordinary loss.

iii) Asset groups that recognized impairment loss by asset group and by fixed asset for the years ended March 31, 2008, 2007 and 2006 were as follows:

For the year ended March 31, 2008

Purpose of use	Millions of Yen			Total
	Land	Leasehold	Buildings	
Leased property	¥1,597	¥179	¥231	¥2,009
Idle property	1,978	—	642	2,620
Total	¥3,576	¥179	¥874	¥4,630

For the year ended March 31, 2007

Purpose of use	Millions of Yen			Total
	Land	Leasehold	Buildings	
Leased property	¥ 686	—	¥ 690	¥1,376
Idle property	2,767	—	1,245	4,012
Total	¥3,453	—	¥1,935	¥5,389

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
Idle property	5,251	51	2,469	7,772
Total	¥9,308	¥48,787	¥19,711	¥77,807

For the year ended March 31, 2008

Purpose of use	Millions of U.S. Dollars			Total
	Land	Leasehold	Buildings	
Leased property	\$16	\$2	\$2	\$20
Idle property	20	—	6	26
Total	\$36	\$2	\$9	\$46

iv) Calculation method of recoverable amount

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

16. Deferred Tax Assets and Liabilities

1) Deferred tax assets/liabilities consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Deferred tax assets	¥ 1,266,021	¥ 1,149,395	¥ 1,055,244	\$ 12,636
Valuation allowance for deferred tax assets	(54,445)	(42,114)	(65,684)	(543)
	1,211,576	1,107,281	989,560	12,093
Deferred tax liabilities	(1,334,414)	(2,614,378)	(2,364,875)	(13,319)
Net deferred tax liabilities	¥ (122,838)	¥(1,507,097)	¥(1,375,315)	\$ (1,226)

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

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Deferred tax assets:				
Policy reserves	¥ 830,660	¥ 741,170	¥ 622,519	\$ 8,291
Reserve for price fluctuations in security investments	175,936	168,696	159,304	1,756
Accrued severance indemnities	157,259	154,770	148,660	1,570
Allowance for doubtful accounts	15,298	9,738	18,757	153
Deferred tax liabilities:				
Net unrealized gain on securities	¥1,293,452	¥2,569,877	¥2,323,572	\$12,910

2) The statutory tax rate for the years ended March 31, 2008, 2007 and 2006 was 36.1%. The major differences between the statutory tax rate and the effective income tax rate were as follows:

	2008	2007	2006
Reserve for dividends to policyholders	(30.2)%	(25.1)%	(24.5)%
Loss on valuation of securities	—	—	8.5

Supplementary Note

In accordance with Article 110, Item 2 of the Japanese Insurance Business Law, Nippon Life Insurance Company's consolidated balance sheets as of March 31, 2008 and 2007, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended ("consolidated financial statements"), all expressed in Japanese yen, were audited by Deloitte Touche Tohmatsu.

Nippon Life Insurance Company, by its own judgment, has made certain reclassification and modifications to those audited consolidated financial statements referred to above to facilitate and enhance the readers' understanding of the financial information, and included them in this publication.

In addition, Nippon Life Insurance Company has translated Japanese yen amounts into U.S. dollar amounts solely for the convenience of readers outside Japan.

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
	2008	2007	2006	2008
ASSETS:				
Cash and deposits	¥ 500,625	¥ 806,112	¥ 915,044	\$ 4,997
Cash	3,053	3,655	3,955	30
Deposits	497,572	802,456	911,089	4,966
Call loans	196,100	259,200	553,700	1,957
Monetary receivables purchased	1,379,371	1,334,680	1,391,624	13,768
Proprietary trading securities	—	2,099	2,099	—
Assets held in trust	170,507	195,592	177,037	1,702
Investments in securities (Notes 3, 11 and 12):				
National government bonds	11,592,242	11,670,238	11,350,849	115,703
Local government bonds	1,654,734	1,828,531	1,673,874	16,516
Corporate bonds	3,514,354	3,460,230	3,401,802	35,077
Domestic stocks	8,762,375	12,025,649	11,250,725	87,458
Foreign securities	7,994,217	7,783,690	7,039,703	79,791
Other securities	485,842	561,903	566,511	4,849
	34,003,765	37,330,243	35,283,468	339,393
Loan receivables (Notes 13 and 14):				
Policy loans	1,139,246	1,209,475	1,263,464	11,371
Industrial and consumer loans	8,414,143	8,517,226	8,735,705	83,982
	9,553,389	9,726,702	9,999,170	95,353
Real estate and movables, net of accumulated depreciation (Notes 4 and 19):				
Land	—	—	1,088,376	—
Buildings	—	—	581,688	—
Movables	—	—	21,941	—
Construction in progress	—	—	16,499	—
	—	—	1,708,506	—
Tangible fixed assets (Notes 4, 11 and 19):				
Land	1,080,571	1,068,970	—	10,785
Buildings	560,924	568,518	—	5,599
Construction in progress	12,420	5,937	—	124
Other tangible fixed assets	21,376	20,246	—	213
	1,675,293	1,663,673	—	16,721
Intangible fixed assets:				
Software	55,376	46,742	—	553
Other intangible fixed assets	98,144	95,773	—	980
	153,520	142,515	—	1,532
Reinsurance receivables	614	306	465	6
Other assets:				
Accounts receivable	112,580	72,301	77,708	1,124
Prepaid expense	7,992	8,281	8,615	80
Accrued revenue	243,876	243,046	229,831	2,434
Money on deposit	46,070	46,353	47,016	460
Deposit for futures transactions	332	502	397	3
Futures transactions margin account	—	1	—	—
Financial derivative instrument	80,979	3,324	8,253	808
Deferred hedge loss	—	—	43	—
Suspense	15,524	9,694	15,536	155
Other assets	21,789	21,344	161,999	217
	529,146	404,850	549,401	5,281
Customers' liability for acceptances and guarantees	7,900	8,109	2,000	79
Allowance for doubtful accounts	(34,944)	(32,183)	(39,953)	(349)
Total assets	¥48,135,290	¥51,841,901	¥50,542,565	\$480,440

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

As of March 31	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
LIABILITIES:				
Policy reserves and others:				
Reserve for outstanding claims	¥ 236,957	¥ 244,911	¥ 227,222	\$ 2,365
Policy reserve (Note15)	40,739,597	40,382,501	39,418,163	406,624
Reserve for dividends to policyholders (Note 7)	1,233,268	1,259,846	1,312,057	12,309
	42,209,823	41,887,258	40,957,442	421,298
Reinsurance payables	339	265	490	3
Other liabilities:				
Cash received as collateral under security lending contracts	573,106	925,059	1,111,155	5,720
Loans payable	422	129	150	4
Corporate tax payable	26,649	53,680	68,110	266
Accounts payable	259,578	198,693	384,387	2,591
Accrued expenses	56,366	59,872	57,561	563
Deferred income	21,341	20,256	21,626	213
Deposits received	103,636	107,427	111,131	1,034
Guarantee deposits received	103,059	99,434	98,167	1,029
Futures transactions margin account	906	549	1,352	9
Financial derivatives instruments	27,999	46,222	24,017	279
Deferred gain on hedge instruments, net	—	—	59	—
Suspense receipt	9,538	9,418	7,548	95
Other liabilities	7,870	3,069	15,009	79
	1,190,476	1,523,815	1,900,279	11,882
Accrued bonus for directors and corporate auditors	94	103	103	1
Accrued severance indemnities (Note 9)	433,771	427,256	410,874	4,329
Accrued retirement benefits for directors	5,801	5,691	—	58
Accrued loss from supporting closely related companies	515	552	603	5
Reserve for price fluctuations in security investments	487,263	467,263	441,263	4,864
Deferred tax liabilities (Note 20)	138,242	1,510,382	1,380,040	1,380
Deferred tax liabilities for revaluation reserve	177,283	179,535	181,525	1,769
Acceptances and guarantees	7,900	8,109	2,000	79
Total liabilities	44,651,511	46,010,233	45,274,623	445,668
CAPITAL:				
Foundation funds (Note 10)	—	—	300,000	—
Reserve for redemption of foundation funds (Note10)	—	—	600,000	—
Reserve for revaluation	—	—	651	—
Surplus:				
Legal reserve for deficiency	—	—	7,409	—
Voluntary surplus reserve	—	—	105,957	—
Contingency reserve	—	—	71,917	—
Reserve for retirement benefit	—	—	3,500	—
Reserve for assisting social public welfare	—	—	255	—
Reserve for condensed booking of fixed assets for tax purpose	—	—	30,115	—
Other reserves	—	—	170	—
Unappropriated surplus	—	—	236,830	—
[Net surplus in the current year]	—	—	[229,830]	—
	—	—	350,197	—
Revaluation reserve for land, net of tax	—	—	(93,688)	—
Net unrealized gain on securities, net of tax	—	—	4,110,781	—
Total capital	—	—	5,267,941	—
Total liabilities and capital	—	—	¥50,542,565	—
NET ASSETS:				
Foundation funds (Note 10)	200,000	250,000	—	1,996
Reserve for redemption of foundation funds (Note10)	700,000	650,000	—	6,987
Reserve for revaluation	651	651	—	6
Surplus:				
Legal reserve for deficiency	9,020	8,123	—	90
Voluntary surplus reserve	386,722	400,020	—	3,860
Contingency reserve	71,917	71,917	—	718
Reserve for retirement benefit	—	3,500	—	—
Reserve for assisting social public welfare	1,221	648	—	12
Reserve for condensed booking of fixed assets for tax purpose	32,082	29,261	—	320
Reserve for condensed booking of fixed assets to be purchased	—	1,908	—	—
Other reserves	170	170	—	2
Unappropriated surplus	281,332	292,615	—	2,808
Total surplus	395,742	408,143	—	3,950
Total equity	1,296,394	1,308,795	—	12,939
Net unrealized gain on securities, net of tax	2,276,167	4,607,770	—	22,719
Deferred gain on derivatives under hedge accounting	155	57	—	2
Land revaluation difference	(88,938)	(84,955)	—	(888)
Total valuations, conversions and others	2,187,384	4,522,873	—	21,833
Total net assets	3,483,778	5,831,668	—	34,772
Total liabilities and net assets	¥48,135,290	¥51,841,901	—	\$480,440

The accompanying notes are an integral part of the non-consolidated 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
	2008	2007	2006	2008
REVENUES:				
Income from insurance and reinsurance premiums:				
Insurance premiums	¥4,889,029	¥4,853,646	¥4,841,763	\$48,798
Reinsurance premiums	1,058	657	516	11
	¥4,890,087	¥4,854,303	¥4,842,280	\$48,808
Investment income (Note 17):				
Interest, dividends and other income	1,234,533	1,156,348	1,070,088	12,322
Interest on deposits and savings	2,592	1,201	102	26
Interest/dividends on securities	898,898	825,239	742,939	8,972
Interest on loan receivables	201,242	204,064	209,326	2,009
Rent on real estate	101,256	102,765	97,811	1,011
Other interest/dividends	30,542	23,077	19,909	305
Gain from proprietary trading securities	7	83	—	0
Gain from assets held in trust	—	22,108	36,414	—
Gain on sales of securities	106,977	101,722	174,290	1,068
Gain from redemption of securities	10,153	46,455	6,528	101
Other investment income	962	1,500	2,426	10
Gain from separate accounts, net	—	81,506	388,006	—
	1,352,633	1,409,724	1,677,754	13,501
Other revenues:				
Income from annuity riders	6,388	6,039	6,295	64
Income from deferred benefits	234,872	225,138	283,433	2,344
Reversal of policy reserve for outstanding claims	7,953	—	12,008	79
Other revenues	17,560	18,894	17,696	175
	266,776	250,071	319,432	2,662
Total revenues	6,509,497	6,514,099	6,839,468	64,971
EXPENDITURES:				
Insurance claims and other payments:				
Death and other claims	1,394,957	1,218,010	1,409,481	13,923
Annuity payments	475,766	439,395	416,219	4,749
Health and other benefits	822,921	779,972	772,494	8,214
Surrender benefits	1,166,937	1,061,274	1,186,750	11,647
Other refunds	350,997	331,384	656,391	3,503
Reinsurance premiums	1,356	1,113	964	14
	4,212,938	3,831,149	4,442,302	42,050
Provision for policy reserves:				
Provision of claims reserves	—	17,689	—	—
Provision for policy reserves	357,096	964,337	623,817	3,564
Interest on reserve for dividends to policyholders	35,170	37,156	39,066	351
	392,266	1,019,183	662,883	3,915
Investment expenses (Note 17):				
Interest expenses	6,007	5,333	1,421	60
Loss on proprietary trading securities	—	—	9	—
Loss from assets held in trust	21,483	—	—	214
Loss on sales of securities	93,274	102,305	114,735	931
Loss on valuation of securities	39,211	11,861	8,857	391
Loss from redemption of securities	2,950	1,802	209	29
Loss from derivative financial instruments, net	63,729	127,398	97,879	636
Foreign exchange loss, net	12,158	1,273	3,746	121
Allowance for doubtful accounts	4,814	—	15,136	48
Write-down of loans	—	3	160	—
Depreciation for rental real estate and other assets	27,331	26,249	27,468	273
Other investment expenses	18,909	20,114	22,091	190
Loss from separate account, net	265,975	—	—	2,655
	555,846	296,342	291,716	5,548
Operating expenses (Note 16)	552,888	547,501	536,324	5,518
Other expenditures:				
Deferred benefit payments	390,080	384,946	348,879	3,893
Tax	34,758	35,223	35,752	347
Depreciation	39,235	39,261	43,548	392
Provision for accrued severance indemnities	6,515	16,382	20,957	65
Other expenditures	13,252	13,500	13,310	132
	483,842	489,314	462,448	4,829
Total expenditures	6,197,782	6,183,492	6,395,674	61,860
Operating income	¥ 311,714	¥ 330,606	¥ 443,793	\$ 3,111

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

For the years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Extraordinary profits:				
Gain on disposal of fixed assets	¥ 1,200	¥ 38,398	¥ 1,394	\$ 12
Reversal of allowance for doubtful accounts	—	7,764	—	—
	1,200	46,162	1,394	12
Extraordinary losses:				
Loss on disposal of fixed assets	7,222	19,870	36,041	72
Impairment loss (Note 19)	4,630	5,389	77,807	46
Provision for reserve for price fluctuations in security investments	20,000	26,000	51,000	200
Loss on reduction entry of real estate	128	95	279	1
Contribution for assisting social public welfare	927	1,107	1,245	9
	32,907	52,461	166,374	328
Surplus before income taxes	280,007	324,307	278,813	2,795
Income taxes (Note 20):				
Current	103,331	141,201	142,969	1,032
Deferred	(99,765)	(117,168)	(93,985)	(996)
Surplus in the current year	¥ 276,441	¥ 300,274	¥229,830	\$2,759
Reversal of revaluation reserve for land	—	—	5,755	—
Reversal of reserve for assisting social public welfare	—	—	1,245	—
Unappropriated surplus	—	—	¥236,830	—

The accompanying notes are an integral part of the non-consolidated 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 for deficiency	Contingency reserve	Reserve for retirement 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, 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	
Increase/decrease														
Additions to reserve for dividends to policyholders											(239,686)	(239,686)	(239,686)	
Additions to legal reserve for deficiency				897							(897)	—	—	
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—	
Interest on foundation funds											(3,119)	(3,119)	(3,119)	
Surplus in the current year											276,441	276,441	276,441	
Redemption of foundation funds	(50,000)												(50,000)	
Reversal of reserve for retirement benefits						(3,500)					3,500	—	—	
Additions to reserve for assisting social public welfare							1,500				(1,500)	—	—	
Reversal of reserve for assisting social public welfare							(927)				927	—	—	
Additions to reserve for condensed booking of fixed assets for tax purpose								3,566			(3,566)	—	—	
Reversal of reserve for condensed booking of fixed assets for tax purpose								(745)			745	—	—	
Reversal of reserve for condensed booking of fixed assets to be purchased									(1,908)		1,908	—	—	
Reversal of revaluation reserve for land											3,963	3,963	3,963	
Net change, excluding foundation funds and others														
Net change	(50,000)	50,000	—	897	—	(3,500)	573	2,820	(1,908)	—	(11,283)	(12,400)	(12,400)	
Balance as of March 31, 2008	¥200,000	¥700,000	¥651	¥9,020	¥71,917	¥—	¥1,221	¥32,082	¥—	¥170	¥281,332	¥395,742	¥1,296,394	

	Millions of Yen				
	Valuations, conversions and others				Total net assets
	Net unrealized gain on securities, net of tax	Deferred gain on derivatives under hedge accounting	Land revaluation difference	Total valuations, conversions and others	
Balance as of March 31, 2007	¥4,607,770	¥57	¥(84,955)	¥4,522,873	
Increase/decrease					
Additions to reserve for dividends to policyholders					(239,686)
Additions to legal reserve for deficiency					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(3,119)
Surplus in the current year					276,441
Redemption of foundation funds					(50,000)
Reversal of reserve for retirement benefits					—
Additions to reserve for assisting social public welfare					—
Reversal of reserve for assisting social public welfare					—
Additions to reserve for condensed booking of fixed assets for tax purpose					—
Reversal of reserve for condensed booking of fixed assets for tax purpose					—
Reversal of reserve for condensed booking of fixed assets to be purchased					—
Reversal of revaluation reserve for land					3,963
Net change, excluding foundation funds and others	(2,331,603)	98	(3,983)	(2,335,488)	(2,335,488)
Net change	(2,331,603)	98	(3,983)	(2,335,488)	(2,347,889)
Balance as of March 31, 2008	¥2,276,167	¥155	¥(88,938)	¥2,187,384	¥3,483,778

8. Statements of Changes in Net Assets, continued

Nippon Life Insurance Company

	Millions of Yen												
	Foundation funds and others											Total equity	
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus							Unappropriated surplus		Total surplus
				Legal reserve of deficiency	Contingency reserve	Reserve for retirement benefit	Reserve for assisting social public welfare	Voluntary surplus reserve		Other reserves			
Reserve for condensed booking of fixed assets for tax purpose								Reserve for condensed booking of fixed assets to be purchased					
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)
Surplus in the current year											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 to be purchased									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

	Millions of Yen				
	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	¥4,110,781	¥—	¥(93,688)	¥4,017,093	
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)
Surplus in the current year					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 to be purchased					—
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														
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiency	Contingency reserve	Reserve for retirement benefit	Reserve for assisting social public welfare	Surplus					Total surplus	Total equity
								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, 2007	\$2,495	\$6,488	\$6	\$81	\$718	\$ 35	\$ 6	\$292	\$ 19	\$2	\$ 2,921	\$ 4,074	\$13,063	
Increase/decrease														
Additions to reserve for dividends to policyholders											(2,392)	(2,392)	(2,392)	
Additions to legal reserve for deficiency				9							(9)	—	—	
Additions to reserve for redemption of foundation funds		499									(499)	(499)	—	
Interest on foundation funds											(31)	(31)	(31)	
Surplus in the current year											2,759	2,759	2,759	
Redemption of foundation funds	(499)												(499)	
Reversal of reserve for retirement benefits						(35)					35	—	—	
Additions to reserve for assisting social public welfare							15				(15)	—	—	
Reversal of reserve for assisting social public welfare							(9)				9	—	—	
Additions to reserve for condensed booking of fixed assets for tax purpose								36			(36)	—	—	
Reversal of reserve for condensed booking of fixed assets for tax purpose								(8)			8	—	—	
Reversal of reserve for condensed booking of fixed assets to be purchased									(19)		19	—	—	
Reversal of revaluation reserve for land											39	39	39	
Net change, excluding foundation funds and others														
Net change	(499)	499	—	9	—	(35)	6	28	(19)	—	(113)	(124)	(124)	
Balance as of March 31, 2008	\$1,996	\$6,987	\$6	\$90	\$718	\$ —	\$12	\$320	\$ —	\$2	\$ 2,808	\$ 3,950	\$12,939	

Millions of U.S. Dollars					
Valuations, conversions and others					
	Net unrealized gain on securities, net of tax	Deferred gain on derivatives under hedge accounting	Land revaluation difference	Total valuations, conversions and others	Total net assets
Balance as of March 31, 2007	\$ 45,990	\$1	\$(848)	\$ 45,143	\$ 58,206
Increase/decrease					
Additions to reserve for dividends to policyholders					(2,392)
Additions to legal reserve for deficiency					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(31)
Surplus in the current year					2,759
Redemption of foundation funds					(499)
Reversal of reserve for retirement benefits					—
Additions to reserve for assisting social public welfare					—
Reversal of reserve for assisting social public welfare					—
Additions to reserve for condensed booking of fixed assets for tax purpose					—
Reversal of reserve for condensed booking of fixed assets for tax purpose					—
Reversal of reserve for condensed booking of fixed assets to be purchased					—
Reversal of revaluation reserve for land					39
Net change, excluding foundation funds and others	(23,271)	1	(40)	(23,310)	(23,310)
Net change	(23,271)	1	(40)	(23,310)	(23,434)
Balance as of March 31, 2008	\$ 22,719	\$2	\$(888)	\$ 21,833	\$ 34,772

9. Statements of Surplus

Nippon Life Insurance Company

For the years ended March 31	Thousands of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Unappropriated surplus for the current year (1)	¥281,332,008	¥292,615,159	¥236,830,435	\$2,808
Reversal from voluntary surplus reserve	742,180	6,154,294	853,573	7
Reversal of reserve for retirement benefits	—	3,500,000	—	—
Reversal of reserve for condensed booking of fixed assets for tax purposes	742,180	745,833	853,573	—
Reversal of reserve for condensed booking of fixed assets to be purchased	—	1,908,460	—	—
Total	¥282,074,189	¥298,769,454	¥237,684,009	\$2,815
Appropriations	¥282,074,189	¥298,769,454	¥237,684,009	\$2,815
Reserve for policyholder dividends	226,284,047	239,686,709	179,929,298	2,259
Net surplus (2)	55,790,142	59,082,745	57,754,710	556
Transfer to legal reserve for deficiency	847,000	897,000	714,000	8
Transfer to reserve for redemption of foundation funds (3)	50,000,000	50,000,000	50,000,000	499
Interest on foundation funds (4)	2,501,750	3,119,250	3,632,250	25
Transfer to voluntary reserve (5)	2,441,392	5,066,495	3,408,460	24
Reserve for assisting social public welfare	1,500,000	1,500,000	1,500,000	15
Reserve for condensed booking of fixed assets for tax purpose	941,392	3,566,495	—	9
Reserve for condensed booking of fixed assets to be purchased	—	—	1,908,460	—

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

Provision of Reserve for Dividends to Policyholders

Of the surplus available for disposition, a minimum ratio (see formula below) for the provision of reserve for dividends to policyholders needs to be established in the Articles of Incorporation.

Nippon Life applies mutatis mutandis Article 30-6 of the Enforcement Regulations of the Insurance Business Law in the Articles of Incorporation and has established the ratio (20/100) stipulated in said Article 30-6 as the minimum ratio in the Articles of Incorporation. The ratio of provision of the appropriation of surplus in fiscal 2007 was 99.7%.

[Fiscal 2007]

$$\frac{\text{Reserve for dividends to policyholders [(2)]}}{\text{Surplus available for distribution [(1) - (Reversal of reserve for assisting social public welfare of ¥900 million + (3)+(4)+(5))]} \times 100 = 99.7\%$$

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 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 Nippon Life are in compliance with such requirements. However, while the business report and supporting schedules have been prepared by the management of Nippon Life 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

Nippon Life 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 ¥100.19=US\$1, the effective rate of exchange at the balance sheet date of March 31, 2008. 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 ¥100.19=US\$1 or at any other rate.

2. Summary of Significant Accounting Policies

(1) Securities and hedging activities

Proprietary trading securities and securities (including items treated as securities based on “Accounting Standards Concerning Financial Instruments” (Corporate Accounting Standard No. 10) and securities within assets held in trust of deposits and monetary receivables purchased) 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 Within 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, Paragraph 12 of the Insurance Business Law excluding

subsidiaries prescribed in Article 2-3, Paragraph 2 of the Ordinance of the Insurance Business Law, and stocks issued by affiliates prescribed in Article 2-3, Paragraph 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 the period of 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 (cost of sales is calculated by using the moving average method).
- 2) Of securities without market value, public and corporate bonds (including foreign bonds), of which the difference between the purchase price and face value is due to interest rate adjustment, are valued using the moving average method net of accumulated amortization (straight-line). 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 asset.

Derivative financial instruments are stated at market value.

Hedge accounting is calculated by following method.

Nippon Life applies the mark-to-market method of hedge accounting mainly for hedging activities against exposure to foreign exchange rate fluctuations on certain bonds denominated in foreign currencies. Nippon Life 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, Nippon Life matches forward foreign exchange contracts and currency swaps with certain financial assets denominated in foreign currencies.

Deferred gain on 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 gain outstanding as of March 31, 2006 amounted to ¥47 million. However, such adoption of this guidance was terminated during fiscal year 2006 (which ended March 31, 2007).

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 Nippon Life’s internal risk management policies.

(2) Policy-reserve-matching bonds

Securities that are held for the purpose of controlling periods outstanding of the liabilities within the sub-groups (insurance type, remaining period, and investment policy) of security products such as individual insurance and annuities, workers’ asset-formation insurance and annuities, and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, “Treatment of

Accounting and Auditing for Policy-Reserve-Matching Bonds within Insurance Industry,” issued by the JICPA. The book value of policy-reserve-matching bonds as of March 31, 2008, 2007 and 2006 amounted to, ¥17,145,681 million (US\$171,132 million), ¥17,252,402 million and ¥16,724,615 million, respectively. The market value of policy-reserve-matching bonds as of March 31, 2008, 2007 and 2006 amounted to, ¥17,752,748 million (US\$177,191 million), ¥17,515,888 million and ¥16,808,437 million, respectively.

Effective beginning in 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 Nippon Life, 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 non-consolidated balance sheets and the non-consolidated statements of income from the above change.

(3) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen using “Accounting Standards of the Business Accounting Council.” Investments in subsidiaries and affiliates are translated into Japanese yen at the historical exchange rates prevailing at the transaction dates.

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

(4) Real estate and movables

The disclosure methodology has been changed beginning in the fiscal year 2006 due to a revision in the Enforcement Regulation of the Insurance Business Law. The major changes were as follows:

- i) The classification of “real estates and movables” has changed to “tangible assets.”
 - ii) Intangible fixed assets which were grouped with other assets in the fiscal year 2005 have been separated out.
 - iii) “Gain and loss on sales of real estate” has been changed to “gain and loss on sales of fixed assets.”
- 1) Tangible fixed assets (except for buildings acquired on or after April 1, 1998) are depreciated based on the declining balance method. Buildings acquired on or after April 1, 1998 are depreciated based on the straight-line method.

Accompanying the tax reforms of year 2007, from this fiscal year, tangible fixed assets acquired on or after April 1, 2007 are depreciated after adjustment based on the declining-balance method and straight-line method set forth in corporate tax law. As a result, compared to the past method, ordinary income and pre-tax net surplus decreased by ¥543 million (US\$5 million).

Also, in accordance with the tax reforms, described above, the residual balances of the tangible assets acquired prior to April 1, 2007, which are fully depreciated under the former tax regulation, are depreciated over five years using the straight-line method. As a result, the compared to the past method, ordinary income and pre-tax net surplus decreased by ¥2,131 million (US\$21 million).

- 2) The amount of accumulated depreciation for tangible fixed assets is ¥1,020,746 million (US\$10,188 million) as of March 31, 2008.

Revaluation of the land for operation is performed based on the law related to land revaluation. The amount related to the valuation difference between the previous and the revalued amount is tax effected and recognized as “deferred tax liabilities for revaluation reserve” within the liability section. The Valuation difference excluding tax is recognized as “land revaluation difference” within the net assets section.

As at March 31, 2006 the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥40,605 million.

Revaluation Date	March 31, 2002
Revaluation Methodology	The amount is rationally calculated by using the land listed value and road rate as prescribed by the Ordinance clauses 2-1 and 2-4, respectively, which are the laws regarding land revaluation.

(5) Software

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

(6) Leases

Where financial leases which 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

- 1) Allowance for doubtful accounts is recognized in accordance with Nippon Life’s internal Asset Valuation Regulations and Write-Off/Provision Rule:
 - i) The amount of allowance for loans receivable from creditors who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through disposal of collateral or execution of guarantees from the balance of loans receivable (as mentioned in (3) below).
 - ii) The allowance for loans receivable from creditors who are not currently legally bankrupt but have high possibility of bankruptcy is recognized in 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 loans receivable from creditors other than the above is provided based on the borrowers’ balance multiplied by the historical average (of a certain period) percentage of bad debt.
- 2) All credits are assessed by the sections concerned in accordance with Nippon Life’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.

3) The estimated uncollectible amount of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers is the balance of loans receivables from these borrowers less the amount of collateral value or the amount collectible by the execution of guarantees or other methods. The amounts recognized in the financial statements were ¥4,863 million (US\$49 million) (including ¥4,165 million (US\$42 million) of credits secured and/or guaranteed), and ¥4,163 million (including ¥2,785 million of credits secured and/or guaranteed), and ¥22,586 million, (including ¥4,380 million of credits secured and/or guaranteed), as of March 31, 2008, 2007 and 2006, respectively.

(8) Impairment of fixed assets

Nippon Life 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, 2006.

Bonus for directors and corporate auditors were previously treated as an appropriation of surplus. Nippon Life 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 beginning in 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 is an estimated payment amount based on internal rules. 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 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, operating income and surplus before income tax has decreased by ¥5,691 million in the year ended March 31, 2007.

(12) Accrued loss from supporting closely related companies

Accrued loss from supporting closely related companies is in accordance with Article 32-14 of the Enforcement Regulation of the Insurance Business Law recognized based on the amount that is estimated to be required in the future for supporting restructurings of the closely related companies.

(13) Reserve for price fluctuations in security investments

Reserve for price fluctuations in security investments 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.

Since the last period, additional amounts to policy reserves were to be paid over five years to a portion of the individual annuity policyholders. Such treatment is in accordance with Article 69, Paragraph 5 of the Enforcement Ordinance of the Insurance Business Law. As a result of the adoption of the treatment, the policy reserve is ¥226,074 million (US\$2,256 million) as of March 31, 2008.

(16) Presentation of net assets

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) is 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.

3. Securities Loaned

The amount of securities loaned for consumption were, ¥2,312,680 million (US\$23,083 million), ¥3,646,930 million and ¥3,057,231 million, as of March 31, 2008, 2007 and 2006 respectively.

4. Accumulated Depreciation

The amount of accumulated depreciation for tangible fixed assets amounted to ¥1,020,746 million (US\$10,188 million), ¥985,637 million and ¥926,549 million as of March 31, 2008, 2007 and 2006, respectively.

5. Separate Accounts

Total assets within the Separate Accounts as provided for in Article 118, Paragraph 1 of the Insurance Business Law were ¥1,860,271 million (US\$18,567 million), ¥2,279,213 million and ¥2,334,507 million as of March 31, 2008, 2007 and 2006, respectively. The total liabilities amounts are the same as the above.

6. Receivables from/Payables to Subsidiaries

The total amount of credits and debits to subsidiaries as of March 31, 2008, 2007 and 2006 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Monetary receivables	¥190,253	¥149,366	¥123,329	\$1,899
Monetary liabilities	12,465	12,774	5,782	124

7. Reserve for Dividends to Policyholders

Changes in the reserve for dividends to policyholders included in policy reserves for the periods ended ended March 31, 2008, 2007 and 2006 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Balance at the end of previous fiscal year	¥1,259,846	¥1,312,057	¥1,357,447	\$12,575
Transfer to reserves from surplus in previous fiscal year	239,686	179,929	146,977	2,392
Policyholder dividends paid out in the current period	(301,434)	(269,297)	(231,434)	(3,009)
Increase in interest	35,170	37,156	39,066	351
Balance at the end of fiscal year	¥1,233,268	¥1,259,846	¥1,312,057	\$12,309

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

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

The amount provided for in Article 30, Paragraph 2 of the Enforcement Ordinance of the Insurance Business Law was ¥2,276,974 million (US\$22,727 million) and ¥4,608,479 million as of March 31, 2008 and 2007, respectively.

9. Accrued Severance Indemnities

Accrued severance indemnities at March 31, 2008, 2007 and 2006 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Retirement benefit obligation	¥(786,927)	¥(777,065)	¥(789,325)	\$(7,854)
Pension plan assets	301,272	321,777	320,127	3,007
Accrued retirement benefit costs	(485,654)	(455,288)	(469,197)	(4,847)
Unrecognized actuarial differences	66,293	49,991	87,831	662
Unrecognized past service cost	(14,410)	(21,959)	(29,507)	(144)
Accrued severance indemnities	¥(433,771)	¥(427,256)	¥(410,874)	\$(4,329)

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

Components of net periodic benefit cost for the years ended March 31, 2008, 2007 and 2006 were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Service cost	¥26,344	¥26,831	¥24,168	\$263
Interest cost	12,433	12,629	17,907	124
Expected return on plan assets	(8,044)	(8,003)	(7,263)	(80)
Amortization of actuarial differences	18,487	31,956	27,798	185
Amortization of prior service cost	(7,548)	(7,548)	(7,135)	(75)
Others	1,328	—	—	13
Net periodic benefit costs	¥43,000	¥55,864	¥55,475	\$429

10. Foundation Funds

In the year ended March 31, 2008, Nippon Life redeemed ¥50,000 million (US\$499 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, Nippon Life 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, 2006, Nippon Life 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.

11. Pledged Assets

The amount of assets pledged as collateral by securities, land, and buildings was ¥17,845 million (US\$6,167 million), ¥2,952 million (US\$29 million), and ¥335 million (US\$3 million), respectively as of March 31, 2008. The total amount of loans covered by the aforementioned assets is ¥581,064 million (US\$5,800 million) as of March 31, 2008.

These amounts included ¥566,028 million (US\$5,650 million) of securities deposited and ¥580,977 million (US\$ 5,799 million) of cash received as collateral, under the securities lending contracts secured by cash, as of March 31, 2008.

The amount of assets pledged as collateral by securities, land, and buildings was ¥1,187,482 million, ¥2,952 million, and ¥344 million, respectively as of March 31, 2007. The total amount of loans covered by the aforementioned assets was ¥928,258 million as of March 31, 2007.

These amounts included ¥1,018,513 million of securities deposited and ¥928,128 million of cash received as collateral under the securities lending contracts secured by cash as of March 31, 2007.

The amount of assets pledged as collateral amounted to ¥1,436,505 million as of March 31, 2006. Debts secured amounted to ¥1,126,316 million as of March 31, 2006.

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

12. Investments in Subsidiaries

The total amount of stocks and investments in subsidiaries was ¥348,555 million (US\$3,479 million) and ¥350,232 million and ¥269,184 million as of March 31, 2008, 2007 and 2006, respectively.

13. Loan Receivables

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 loan receivables, were ¥62,444 million (US\$623 million) and ¥64,153 million and ¥76,537 million as of March 31, 2008, 2007 and 2006, respectively.

i) The balances of loans of bankrupt borrowers and delinquent loans were ¥3,372 million (US\$34 million) and ¥53,148 million (US\$530 million) as of March 31, 2008 and ¥4,491 million and ¥54,771 million as of March 31, 2007 and ¥4,177 million and ¥67,075 million as of March 31, 2006.

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 accruing, excluding the loans of bankrupt borrowers and the loans to which the postponement of interest payment is made with the objective of restructuring these loans and supporting the borrowers.

ii) The balances of loans that were delinquent for over three months were ¥435 million (US\$4 million) and ¥531 million and ¥540 million as of March 31, 2008, 2007 and 2006, 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 ¥5,488 million (US\$55 million) and ¥4,359 million and ¥4,744 million as of March 31, 2008, 2007 and 2006, 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 interest, postponing principal or interest payments, releasing credit 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-off of loan receivables decreased the balances of loans of bankrupt borrowers and delinquent loans by ¥1,112 million (US\$11 million) and ¥3,750 million (US\$37 million) as of March 31, 2008 and ¥1,711 million and ¥2,451 million as of March 31 2007 and ¥2,489 million and ¥20,097 million as of March 31, 2006.

14. Loan Commitments

The amount of commitments related to loan receivables and loans outstanding was ¥131,343 million (US\$1,311 million), ¥166,826 million and ¥234,185 million as of March 31, 2008, 2007 and 2006, 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, 2008, 2007 and 2006 were ¥188 million (US\$2 million), ¥173 million and ¥151 million, respectively.

16. Contribution to the Policyholder Protection Fund and Organization

- (1) 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 ¥2,358 million and ¥7,178 million as of March 31, 2007 and 2006 respectively. The obligation to contribute to the Policyholder Protection Fund, which has been taken over by the Life Insurance Policyholder Protection Corporation of Japan, ended with the fiscal 2008 contribution. The contribution amount is recognized as an operating expense at the time of payment.
- (2) 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 ¥94,127 million (US\$939 million), ¥92,760 million and ¥97,366 million as of March 31, 2008, 2007 and 2006, respectively. The contributions are also recognized as an operating expense at the time of payment.

17. Investment Income and Expenses

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

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Domestic bonds	¥ 6,650	¥ 1,532	¥ 9,963	\$ 66
Domestic stocks and other	28,070	74,069	144,482	280
Foreign securities	72,256	26,120	19,752	721

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

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Domestic bonds	¥26,513	¥77,686	¥71,329	\$265
Domestic stocks and other	2,250	4,676	9,147	22
Foreign securities	64,510	19,942	34,006	644

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

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Domestic stocks and other	¥12,400	¥11,423	¥4,861	\$124
Foreign securities	26,807	438	3,995	268

Major items of gain/loss from proprietary trading securities, net were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Interest, dividend and other income	¥ 6	¥77	¥ 0	\$0
Gain (loss) on sales of proprietary trading securities	7	1	(60)	0
Gain (loss) on valuation of proprietary trading securities	(6)	6	0	(0)

Loss from assets held in trust included a valuation loss of ¥44,744 million (US\$447 million), a valuation loss of ¥2,821 million and a valuation gain of ¥16,333 million, for the years ended March 31, 2008, 2007 and 2006, respectively.

Loss from derivative financial instruments included a valuation loss of ¥5,654 million (US\$56 million) and ¥7,424 million for the years ended March 31, 2008 and 2007, respectively, a valuation gain of ¥2,107 million for the year ended March 31, 2006.

18. Policy Reserve for Reinsurance

Provision of the policy reserve for ceded reinsurance used for the calculation of policy reserves is ¥14 million (US\$0 million) for the year ended March 31, 2008.

Provision of the policy reserve for ceded reinsurance used for the calculation of policy reserves was ¥21 million for the year ended March 31, 2007.

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.

19. Loss on Impairment of Assets

i) Method for grouping the assets

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

ii) Circumstances causing impairment loss

Nippon Life observed a marked decrease of profitability and fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and an impairment loss was recognized as an extraordinary loss.

iii) Asset groups that recognized impairment loss by asset group and by fixed asset for the years ended March 31, 2008, 2007 and 2006 were as follows:

For the year ended March 31, 2008

Purpose of use	Millions of Yen			
	Land	Leasehold	Buildings	Total
Leased property	¥1,597	¥179	¥231	¥2,009
Idle property	1,978	—	642	2,620
Total	¥3,576	¥179	¥874	¥4,630

For the year ended March 31, 2007

Purpose of use	Millions of Yen			Total
	Land	Leasehold	Buildings	
Leased property	¥ 686	—	¥ 690	¥1,376
Idle property	2,767	—	1,245	4,012
Total	¥3,453	—	¥1,935	¥5,389

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
Idle property	5,251	51	2,469	7,772
Total	¥9,308	¥48,787	¥19,711	¥77,807

For the year ended March 31, 2008

Purpose of use	Millions of US dollars			Total
	Land	Leasehold	Buildings	
Leased property	\$16	\$2	\$2	\$20
Idle property	20	—	6	26
Total	\$36	\$2	\$9	\$46

iv) Calculation method of recoverable amount

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

20. Deferred Tax Assets and liabilities

(1) Deferred tax assets/liabilities consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Deferred tax assets	¥ 1,275,192	¥ 1,157,674	¥ 1,061,939	\$12,728
Valuation allowance for deferred tax assets	(72,078)	(55,380)	(78,949)	(719)
	1,203,114	1,102,294	982,990	12,008
Deferred tax liabilities	(1,341,357)	(2,612,676)	(2,363,030)	(13,388)
Net deferred tax liabilities	¥ (138,243)	¥(1,510,382)	¥(1,380,040)	\$(1,380)

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

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Deferred tax assets:				
Policy reserves	¥ 830,636	¥ 741,159	¥ 622,476	\$ 8,291
Reserve for price fluctuations in security investments	175,936	168,696	159,304	1,756
Accrued severance indemnities	156,622	154,252	148,333	1,563
Allowance for doubtful accounts	13,426	8,961	17,720	134
Deferred tax liabilities:				
Net unrealized gain on securities	¥1,293,482	¥2,569,099	¥2,322,650	\$12,910

(2) The statutory tax rate for the years ended March 31, 2008, 2007 and 2006 was 36.1%. The major differences between the statutory tax rate and the effective income tax rate were as follows:

	2008	2007	2006
Reserve for dividends to policyholders	(29.2)%	(26.7)%	(23.3)%
Indirect foreign tax credit	(4)	—	—

21. Transactions with Subsidiaries

Total transactions with subsidiaries for the years ended March 31, 2008, 2007 and 2006 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Total revenues	¥50,280	¥29,776	¥43,520	\$502
Total expenses	41,116	38,539	30,275	410

22. Transactions with Affiliates

Subsidiaries, etc:

Type:	Subsidiaries
Company Name:	Nissay Credit Guarantee Co., Ltd.
Location:	Osaka City, Osaka Prefecture
Capital:	¥950 million
Main Business:	Debt guarantee services
Percentage of Shareholder Voting Rights:	Direct 78.7% Indirect 6.3%
Nature of Relationship between Parties:	Debt guarantee, etc. Interlocking directors, etc.
Detail of Transaction:	Debt guarantees of a loan held by Nippon Life*
Balance as of March 31, 2008:	¥598,213 million (US\$5,971 million)

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

Supplementary Note

In accordance with Article 54, Paragraph 4, Item 2 of the Japanese Insurance Business Law, Nippon Life Insurance Company's non-consolidated balance sheets as of March 31, 2008 and 2007, and the related non-consolidated statements of operations and changes in net assets for the years then ended ("non-consolidated financial statements"), all expressed in Japanese yen, were audited by Deloitte Touche Tohmatsu.

Nippon Life Insurance Company, by its own judgment, has made certain reclassifications and modifications to those audited non-consolidated financial statements referred to above to facilitate and enhance the readers' understanding of the financial information, and included them in this publication.

In addition, Nippon Life Insurance Company has translated Japanese yen amounts into U.S. dollar amounts solely for the convenience of readers outside Japan.