
Financial Results for the Six Months Ended September 30, 2017

Nippon Life Insurance Company (the “Company”; President: Yoshinobu Tsutsui) announces financial results for the six months ended September 30, 2017.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2017

1. Business Highlights

(1) Amount of Policies in Force and New Policies

• Policies in Force

	As of September 30, 2017				As of March 31, 2017	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2017 (%)	(100 million yen)	As a percentage of March 31, 2017 (%)		
Individual insurance	25,631	102.6	1,407,013	98.2	24,986	1,432,370
Individual annuities	3,850	101.2	234,882	101.1	3,805	232,306
Group insurance	—	—	956,143	101.4	—	943,263
Group annuities	—	—	128,444	101.7	—	126,254

Notes: 1. The amount of individual annuities is the total of (a) annuity resources at the start of annuity payments for policies prior to the start of annuity payments and (b) policy reserves for policies after the start of annuity payments.
2. The amount of group annuities is the amount of the policy reserves.

• New Policies

	Six months ended September 30, 2017						Six months ended September 30, 2016			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of six months ended September 30, 2016 (%)	(100 million yen)	As a percentage of six months ended September 30, 2016 (%)	New policies	Net increase (decrease) by conversion		(100 million yen)	New policies	Net increase (decrease) by conversion
Individual insurance	1,720	89.5	27,099	71.3	30,304	(3,205)	1,921	37,986	39,906	(1,919)
Individual annuities	111	78.4	6,734	79.9	6,679	55	142	8,432	8,387	44
Group insurance	—	—	2,296	70.0	2,296		—	3,278	3,278	
Group annuities	—	—	2	26.9	2		—	10	10	

Notes: 1. New policies include enrollment using the coverage enhancement system, and conversion indicates enrollment using the coverage revision system and partial coverage revision system.
2. The number of policies includes policies that were converted into new policies.
3. The amount of new policies and net increase in policies by conversion for individual annuities represents annuity resources at the start of annuity payments.
4. The amount of new policies for group annuities represents the first-time premium.

(2) Annualized Net Premium

- Policies in Force

(100 Million Yen, %)

	As of September 30, 2017		As of March 31, 2017
		As a percentage of March 31, 2017	
Individual insurance	26,496	101.6	26,089
Individual annuities	9,670	101.4	9,538
Total	36,167	101.5	35,627
Medical coverages, living benefits, and others	6,235	100.2	6,223

- New Policies

(100 Million Yen, %)

	Six months ended September 30, 2017		Six months ended September 30, 2016
		As a percentage of six months ended September 30, 2016	
Individual insurance	1,302	126.9	1,026
Individual annuities	296	72.7	407
Total	1,598	111.5	1,434
Medical coverages, living benefits, and others	198	89.9	220

Notes: 1. The amount of annualized net premium is the annualized premium amount calculated by multiplying factors according to the premium payment method to a single premium payment amount (for lump-sum payment policies, the amount is the total premium divided by the insured period).
2. The amount of medical coverages, living benefits, and others represents annualized premium related to medical benefits (hospitalization benefits and surgical benefits), living benefits (specified illness benefits and nursing care benefits), and waiver of premium benefits (excluding disability benefits alone, but including specified illness and nursing care benefits).
3. Annualized new policy net premium includes net increases due to conversions.

(3) Major Profit and Loss Items

(100 Million Yen, %)

	Six months ended September 30, 2017		Six months ended September 30, 2016
		As a percentage of six months ended September 30, 2016	
Revenues from insurance and reinsurance	23,354	98.8	23,627
Investment income	8,296	96.8	8,571
Benefits and other payments	17,617	98.1	17,960
Investment expenses	1,045	56.6	1,846
Ordinary profit	2,218	89.3	2,483

(4) Total Assets

(100 Million Yen, %)

	As of September 30, 2017		As of March 31, 2017
		As a percentage of March 31, 2017	
Total assets	664,930	102.6	648,140

2. Overview of General Accounts Asset Management for the Six Months Ended September 30, 2017

(1) Investment Environment

In the six months ended September 30, 2017, the Japanese economy tracked a steady recovery path, owing to solid production activity in line with a robust global economy, plus a rebound in domestic demand supported by a recovery in consumer spending.

- The Nikkei Stock Average started the fiscal year at ¥18,909. Subsequently, the index saw some unsteady movements due to the North Korea situation and the French presidential election. However, against the backdrop of favorable corporate earnings and other positive developments, the index finished higher at ¥20,356 at the end of September.
- The yield rate on 10-year government bonds started the fiscal year at 0.07%. It then fluctuated up and down within a narrow range, reflecting factors such as the North Korea situation and speculation about exit strategies for monetary policy in Europe and the U.S. Despite this, the Bank of Japan maintained its policy of quantitative and qualitative monetary easing with yield curve control. In this environment, the yield rate remained at a low level, finishing at 0.06% at the end of September.
- The yen-U.S. dollar exchange rate started the fiscal year at the ¥112 level. Thereafter, the rate moved up and down in response to speculation about exit strategies for monetary policy in Europe and the U.S. and heightened geopolitical risk, remaining bound to the range of ¥107 to ¥114. The yen-U.S. dollar exchange rate finished at ¥112.73 at the end of September.

The yen-euro rate started the fiscal year at the ¥119 level. Thereafter, the rate fell to the ¥114 level in April, reflecting a sense of caution about the French presidential election. However, political risk subsided following the defeat of the far right in the French election, and the euro appreciated against the yen. Subsequently, the euro gained further strength in line with stronger expectations for a tightening of monetary policy by the European Central Bank. The yen-euro rate finished at ¥132.85 at the end of September.

(2) Investment Policy

Based on the Company's Asset Liability Management philosophy of comprehensively controlling assets and liabilities, the Company has built a portfolio geared towards medium- to long-term investment and formulated an investment plan considering the outlook of the investment environment.

Specifically, to provide the stable rate of return that the Company promised to policyholders in the long term, the Company has positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the Company's core assets. Also, while focusing on its profitability and dividend situation from a medium- to long-term viewpoint and taking into account business stability, the Company has invested in stocks and foreign securities within the scope of acceptable risk. From the perspective of diversifying profit-making opportunities while continuously paying enough attention to asset allocation and risks, the Company is steadily pursuing investments that can yield surplus income such as corporate bonds and securitized products and investment areas such as private equities and hedge funds.

(3) Status of Investment Income/Expense

Investment income was ¥784.6 billion, a decrease from ¥857.1 billion in the six months ended September 30, 2016. The decrease mainly reflected decrease in gain on sales of domestic stocks.

Investment expenses amounted to ¥104.5 billion, down from ¥167.7 billion in the six months ended September 30, 2016. The main factors behind this decline were decreases in loss on valuation of securities and loss on derivative financial instruments, net.

As a result, the Company's net investment income balance decreased by ¥9.3 billion, compared to the same period of the previous fiscal year, to ¥680.1 billion.

3. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of September 30, 2017		As of March 31, 2017	
	Amount	%	Amount	%
Cash, deposits, and call loans	9,630	1.5	10,779	1.7
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	2,980	0.5	3,262	0.5
Proprietary trading securities	—	—	—	—
Assets held in trust	54	0.0	33	0.0
Investments in securities:	537,669	82.6	518,715	81.7
Domestic bonds	222,501	34.2	224,601	35.4
Domestic stocks	90,624	13.9	86,952	13.7
Foreign securities:	202,666	31.1	188,550	29.7
Foreign bonds	153,460	23.6	143,794	22.6
Foreign stocks and other securities	49,205	7.6	44,756	7.0
Other securities	21,877	3.4	18,610	2.9
Loans:	76,523	11.8	77,495	12.2
Policy loans	6,353	1.0	6,547	1.0
Industrial and consumer loans	70,169	10.8	70,948	11.2
Real estate:	15,985	2.5	16,192	2.6
Investment property	10,013	1.5	10,223	1.6
Deferred tax assets	—	—	—	—
Other assets	8,040	1.2	8,531	1.3
Allowance for doubtful accounts	(28)	(0.0)	(28)	(0.0)
Total assets (general account):	650,856	100.0	634,982	100.0
Foreign currency-denominated assets	185,345	28.5	170,361	26.8

Notes: 1. The above assets include cash received as collateral under securities lending transactions. Cash collateral received through these transactions is also recorded in liabilities as cash received as collateral under securities lending transactions (¥344.7 billion and ¥674.0 billion as of September 30, 2017 and March 31, 2017, respectively).

2. Real estate amount is the sum of land, buildings, and construction in progress.

(2) Increases/Decreases in Assets

(100 Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2016
Cash, deposits, and call loans	(1,148)	(12)
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	(282)	(632)
Proprietary trading securities	—	—
Assets held in trust	20	(8)
Investments in securities:	18,954	(3,256)
Domestic bonds	(2,100)	(5,933)
Domestic stocks	3,671	(4,282)
Foreign securities:	14,115	5,645
Foreign bonds	9,666	7,096
Foreign stocks and other securities	4,449	(1,451)
Other securities	3,267	1,314
Loans:	(972)	(126)
Policy loans	(193)	(209)
Industrial and consumer loans	(779)	82
Real estate:	(207)	(249)
Investment property	(209)	(233)
Deferred tax assets	—	—
Other assets	(490)	2,227
Allowance for doubtful accounts	0	4
Total assets (general account):	15,874	(2,055)
Foreign currency-denominated assets	14,983	8,883

Notes: 1. Increases/decreases in cash received as collateral under securities lending transactions are as follows:

¥(329.2 billion) and ¥(168.8 billion) for the six months ended September 30, 2017 and September 30, 2016, respectively.

2. Real estate amount is the sum of land, buildings, and construction in progress.

(3) Investment Income

(100 Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2016
Interest, dividends, and other income:	6,998	6,738
Interest on deposits and savings	0	0
Interest on securities and dividends	5,882	5,530
Interest on loans	654	725
Real estate rental income	404	425
Other income	56	57
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	0
Gain on trading securities	—	—
Gain on sales of securities:	819	1,783
Gain on sales of domestic bonds, including national government bonds	71	209
Gain on sales of domestic stocks and other securities	613	1,364
Gain on sales of foreign securities	134	210
Other gains	—	—
Gain on redemptions of securities	14	40
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	10	—
Reversal of allowance for doubtful accounts	0	5
Reversal of allowance for investment loss	—	—
Other investment income	2	2
Total	7,846	8,571

(4) Investment Expenses

(100 Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2016
Interest expenses	103	92
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	22	—
Loss on trading securities	—	—
Loss on sales of securities:	323	442
Loss on sales of domestic bonds, including national government bonds	0	0
Loss on sales of domestic stocks and other securities	1	32
Loss on sales of foreign securities	322	409
Other losses	—	0
Loss on valuation of securities:	0	246
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	0	3
Loss on valuation of foreign securities	—	242
Other losses	—	—
Loss on redemptions of securities	117	149
Loss on derivative financial instruments, net	275	512
Foreign exchange losses, net	—	40
Provision for allowance for doubtful accounts	—	—
Provision for allowance for investment loss	—	—
Write-offs of loans	—	—
Depreciation of rental real estate and other assets	73	77
Other investment expenses	128	116
Total	1,045	1,677

(5) Net Valuation Gains/Losses on Trading Securities

(100 Million Yen)

	As of September 30, 2017		As of March 31, 2017	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Trading securities	50	(22)	28	(19)

Notes: 1. The balance sheet amounts of assets held in trust included in trading securities and valuation gains (losses) included in profit and loss include net gains/losses on derivative transactions.

2. Figures above do not include cash, deposits and call loans held within assets held in trust that are included in trading securities.

(6) Fair Value Information of Securities (With Fair Value, Other Than Trading Securities)

(100 Million Yen)

		As of September 30, 2017					As of March 31, 2017				
		Book value	Fair value	Net gains/losses			Book value	Fair value	Net gains/losses		
					Gains	Losses				Gains	Losses
	Policy-reserve-matching bonds*	193,670	229,851	36,180	36,261	(80)	196,592	233,314	36,721	36,823	(101)
	Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
	Investments in subsidiaries and affiliates	142	912	770	770	—	142	875	733	733	—
	Available-for-sale securities:	266,798	337,463	70,665	73,256	(2,591)	253,308	316,587	63,279	67,020	(3,741)
	Domestic bonds	29,812	31,768	1,956	2,004	(47)	29,547	31,428	1,881	1,945	(64)
	Domestic stocks	40,629	86,830	46,200	47,154	(953)	40,273	83,215	42,942	43,879	(937)
	Foreign securities:	169,505	190,416	20,911	22,337	(1,426)	159,325	176,343	17,018	19,524	(2,506)
	Foreign bonds	139,849	153,140	13,291	14,613	(1,321)	132,366	143,245	10,878	13,214	(2,336)
	Foreign stocks and other securities	29,655	37,276	7,620	7,724	(104)	26,958	33,098	6,140	6,310	(169)
	Other securities	19,834	21,430	1,595	1,759	(163)	16,794	18,231	1,436	1,669	(232)
	Monetary receivables purchased	362	362	0	0	(0)	391	392	0	0	(0)
	Negotiable certificates of deposit	6,654	6,654	0	0	(0)	6,976	6,976	0	0	(0)
Total		460,611	568,227	107,616	110,288	(2,672)	450,043	550,777	100,734	104,577	(3,842)
	Domestic bonds	220,544	258,420	37,875	38,004	(128)	222,720	261,025	38,304	38,470	(166)
	Domestic stocks	40,629	86,830	46,200	47,154	(953)	40,273	83,215	42,942	43,879	(937)
	Foreign securities:	169,958	191,658	21,699	23,126	(1,426)	160,008	177,781	17,773	20,279	(2,506)
	Foreign bonds	140,169	153,478	13,309	14,631	(1,321)	132,916	143,816	10,899	13,235	(2,336)
	Foreign stocks and other securities	29,789	38,179	8,390	8,495	(104)	27,091	33,965	6,873	7,043	(169)
	Other securities	19,844	21,440	1,596	1,759	(163)	16,803	18,240	1,436	1,669	(232)
	Monetary receivables purchased	2,979	3,224	244	244	(0)	3,261	3,539	277	277	(0)
	Negotiable certificates of deposit	6,654	6,654	0	0	(0)	6,976	6,976	0	0	(0)

Note: The above table includes securities that are deemed appropriate as securities under the Financial Instruments and Exchange Act in Japan.

* Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line).

Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups (classified by insurance type, maturity period, and investment policy) of insurance 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, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

[Book Value of Securities of which the Fair Value is extremely difficult to be determined]

(100 Million Yen)

	As of September 30, 2017	As of March 31, 2017
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	8,397	8,234
Available-for-sale securities:	7,406	7,243
Unlisted domestic stocks (excluding over-the-counter stocks)	549	551
Unlisted foreign stocks (excluding over-the-counter stocks)	4,170	4,282
Unlisted foreign bonds	—	—
Others	2,687	2,410
Total	15,804	15,478

Note: Of securities of which the fair value is extremely difficult to be determined, the net gains on currency exchange valuation of assets denominated in foreign currencies were as follows:

¥60.4 billion and ¥46.7 billion as of September 30, 2017 and March 31, 2017, respectively.

(7) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of September 30, 2017					As of March 31, 2017				
	Balance sheet amount	Fair value	Net gains/losses			Balance sheet amount	Fair value	Net gains/losses		
			Gains	Losses				Gains	Losses	
Assets held in trust	54	54	—	—	—	33	33	—	—	—

Notes: 1. Fair value is based on a reasonably calculated price by the trustee of the assets held in trust.

2. The balance sheet amount includes net gains/losses on derivative transactions within assets held in trust.

- Assets Held in Trust for Trading Purposes

(100 Million Yen)

	As of September 30, 2017		As of March 31, 2017	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Assets held in trust for trading purposes	54	(22)	33	(19)

Note: The balance sheet amounts and valuation gains (losses) included in profit and loss include net gains/losses on derivative transactions.

- Assets Held in Trust Classified as Policy-Reserve-Matching, Held-to-Maturity, and Available-for-Sale
No ending balance as of September 30, 2017, or March 31, 2017.

4. Nonconsolidated Balance Sheets

(Million Yen)

	As of September 30, 2017	As of March 31, 2017
Assets:		
Cash and deposits	1,030,122	917,055
Call loans	170,000	270,000
Monetary receivables purchased	298,030	326,256
Assets held in trust	5,495	3,397
Investments in securities:	54,891,347	53,025,060
National government bonds	19,651,981	19,724,839
Local government bonds	903,546	959,375
Corporate bonds	2,197,211	2,290,236
Domestic stocks	9,236,335	8,879,181
Foreign securities	20,634,417	19,201,698
Loans:	7,652,306	7,749,527
Policy loans	635,399	654,701
Industrial and consumer loans	7,016,906	7,094,826
Tangible fixed assets	1,621,192	1,641,001
Intangible fixed assets	176,701	173,302
Reinsurance receivables	284	523
Other assets	634,901	691,712
Customers' liability for acceptances and guarantees	40,673	44,267
Allowance for doubtful accounts	(2,808)	(2,882)
Allowance for investment loss	(25,219)	(25,219)
Total assets	66,493,026	64,814,005
Liabilities:		
Policy reserves and other reserves:	54,789,321	53,999,143
Reserve for outstanding claims	334,618	347,747
Policy reserves	53,375,269	52,650,294
Reserve for dividends to policyholders	1,079,433	1,001,102
Reinsurance payables	339	605
Corporate bonds	1,028,889	840,825
Other liabilities:	1,603,776	1,567,152
Cash received as collateral under securities lending transactions	344,770	674,067
Income taxes payable	39,399	8,020
Lease obligations	11,955	11,835
Asset retirement obligations	2,190	2,191
Other liabilities	1,205,459	871,037
Accrued bonuses for directors and audit and supervisory board members	26	79
Accrued retirement benefits	361,651	358,630
Accrued retirement benefits for directors and audit and supervisory board members	4,597	4,498
Reserve for program points	10,188	9,013
Reserve for price fluctuations in investments in securities	1,229,252	1,116,795
Deferred tax liabilities	687,625	563,323
Deferred tax liabilities for land revaluation	105,056	106,432
Acceptances and guarantees	40,673	44,267
Total liabilities	59,861,398	58,610,767

4. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2017	As of March 31, 2017
Net assets:		
Foundation funds	150,000	150,000
Reserve for redemption of foundation funds	1,200,000	1,150,000
Reserve for revaluation	651	651
Surplus:	323,105	440,635
Legal reserve for deficiencies	16,804	16,042
Other surplus reserves:	306,301	424,593
Equalized reserve for dividends to policyholders	40,000	50,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	2,651	328
Reserve for reduction entry of real estate	49,708	51,196
Reserve for reduction entry of real estate to be purchased	23,422	5,643
Other reserves	170	170
Unappropriated surplus	118,432	245,337
Total foundation funds and others	1,673,757	1,741,286
Net unrealized gains on available-for-sale securities	5,131,311	4,585,298
Deferred losses on derivatives under hedge accounting	(112,425)	(65,262)
Land revaluation losses	(61,015)	(58,084)
Total valuations, conversions, and others	4,957,871	4,461,951
Total net assets	6,631,628	6,203,237
Total liabilities and net assets	66,493,026	64,814,005

Notes to the Nonconsolidated Balance Sheet as of September 30, 2017

1. (1) Securities (including items such as deposits and monetary receivables purchased which are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ* Statement No. 10) and securities within assets held in trust) are valued as follows:
 - 1) Trading securities are stated at fair value on the balance sheet date. The moving average method is used for calculating cost basis.
 - 2) Held-to-maturity debt securities are valued using the moving average method, net of accumulated amortization (straight-line).
 - 3) Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line), in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA**.
 - 4) Investments in subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.
 - 5) Available-for-sale securities
 - a. Regarding securities with a fair value, stocks (including foreign stocks) are valued by using the average fair value during the period of one month before the balance sheet date (cost basis is calculated by using the moving average method). Other securities with a fair value are valued by using the fair value on the balance sheet date (cost basis is calculated by using the moving average method).
 - b. Regarding securities of which the fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are stated at cost using the moving average method, net of accumulated amortization (straight-line). Other securities without readily determinable fair values are stated at cost using the moving average method.

* ASBJ: The Accounting Standards Board of Japan

** JICPA: Japanese Institute of Certified Public Accountants

- (2) Unrealized gains/losses, net of applicable taxes for available-for-sale securities, are recorded as a separate component of net assets.
2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups (classified by insurance type, maturity period, and investment policy) of insurance 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, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.
3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value.
4. (1) Tangible fixed assets are depreciated based on the following methods:
 - a. Tangible fixed assets (except for lease assets)
 - (i) Buildings
Straight-line method.
 - (ii) Assets other than the above
Declining-balance method.
Certain other tangible fixed assets with an acquisition price of less than ¥200,000 are depreciated over a 3 year period on a straight-line basis.
 - b. Lease assets
 - (i) Lease assets related to financial leases where ownership is transferred
The same depreciation method applied to fixed assets owned by the Company.
 - (ii) Lease assets related to financial leases where ownership is not transferred
Straight-line method based on lease period.
- (2) Software, which is included within intangible fixed assets, is amortized using the straight-line method.
5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).
Foreign currency-denominated available-for-sale securities of the Company, with exchange rates which have significantly fluctuated and where recovery is not expected, are converted to Japanese yen using either the rate on the balance sheet date or the average one-month rate prior to the balance sheet date, whichever indicates a weaker yen. This translation difference is recorded as a loss on valuation of securities.
6. (1) An allowance for doubtful accounts is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.

- 1) An allowance for loans to borrowers 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 the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (3) below).
 - 2) An allowance for loans to borrowers who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - 3) An allowance for loans to 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 responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the 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 calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥156 million (including ¥103 million of credits secured and/or guaranteed) as of September 30, 2017.
7. To provide for losses on investments, an allowance for investment loss is recognized for the securities of which the fair value is extremely difficult to be determined but expected to have loss in future, and measured at the amount of the estimated losses that could arise in the future in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.
8. Accrued bonuses for directors and audit and supervisory board members are recognized based on amounts estimated to be paid.
9. (1) Accrued retirement benefits are recognized in the amount of the deemed obligations on September 30, 2017 based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets for future severance payments to employee on the balance sheet date of the current fiscal year.
- (2) The accounting methods used for retirement benefit obligations and benefit costs are as follows:
- 1) Attribution method for estimated retirement benefits: Benefit formula basis
 - 2) Period of amortizing actuarial gains/losses: 5 years
 - 3) Period of amortizing prior service costs: 5 years

10. Accrued retirement benefits for directors and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.
11. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.
12. Reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.
13. Hedge accounting is applied based on the following methods:
 - 1) The Company mainly applies the following hedge accounting methods: The exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, “Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry” issued by the JICPA; deferred hedge accounting and designated hedge accounting (“*Furiate-shori*”) for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company; fair value hedge accounting for foreign exchange forward contracts are applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and fair value hedge accounting for equity forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks.
 - 2) Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments
Equity forward contracts	Domestic stocks
 - 3) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedged items taken, which is in accordance with the Company’s internal risk management policies.

14. Consumption taxes and local consumption taxes are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred as of September 30, 2017.
15. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premiums reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies.
 - 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.
16. The corporate tax, inhabitant tax, and income tax adjustments for the six months ended September 30, 2017, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders due to the appropriation of surplus in the current fiscal year.

17. (1) Balance sheet amounts and fair values of major financial instruments and their differences are as follows:

(Million Yen)

	Balance sheet amount (*1)	Fair value (*2)	Difference
Cash and deposits (negotiable certificates of deposit):	665,401	665,401	—
Available-for-sale securities	665,401	665,401	—
Monetary receivables purchased:	298,030	322,404	24,374
Policy-reserve-matching bonds	261,763	286,137	24,374
Available-for-sale securities	36,267	36,267	—
Assets held in trust:	5,495	5,495	—
Trading securities	5,495	5,495	—
Investments in securities:	53,288,571	56,959,331	3,670,760
Trading securities	1,124,385	1,124,385	—
Policy-reserve-matching bonds	19,105,266	22,698,982	3,593,716
Investments in subsidiaries and affiliates	14,251	91,295	77,043
Available-for-sale securities	33,044,667	33,044,667	—
Loans (*3):	7,650,584	7,928,223	277,639
Policy loans	635,240	635,240	—
Industrial and consumer loans	7,015,343	7,292,982	277,639
Derivative financial instruments (*4):	(453,640)	(453,640)	—
Hedge accounting not applied	7,841	7,841	—
Hedge accounting applied	(461,482)	(461,482)	—
Corporate bonds (*3,*5)	(1,028,889)	(1,079,633)	(50,744)
Cash received as collateral under securities lending transactions (*5)	(344,770)	(344,770)	—

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.

(*2) For securities for which impairment losses were recognized in the six months ended September 30, 2017, the fair value is the balance sheet amount after the impairment losses are deducted.

(*3) The fair values of derivative financial instruments that are interest rate swaps under exceptional accounting treatment (“*Tokurei-shori*”) or currency swaps under designated hedge accounting (“*Furiate-shori*”) are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.

(*4) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

(*5) Corporate bonds and cash received as collateral under securities lending transactions are recorded in liabilities and presented in parentheses.

- (2) Fair value measurement methods for major financial instruments are as follows:
- 1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)
 - a. Items with a market price

Fair value is measured based on the closing market price on the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.
 - b. Items without a market price

Fair value is measured mainly by discounting future cash flows to present value.
 - 2) Loans
 - a. Policy loans

Fair value is deemed to approximate book value, due to expected repayment periods, interest rate requirements, and other characteristics. These loans have no repayment date either in form or in substance because stated due dates can be extended if the loan amount is within a certain range of its surrender benefit. Thus, the book value is used as the fair value of the policy loans.
 - b. Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans.

Fair value of fixed interest rate loans is measured mainly by discounting future cash flows to present value.

Fair value of loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectible amount from the book value prior to direct write-offs.
 - 3) Derivative financial instruments
 - a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price on the balance sheet date.
 - b. Fair value of equity options is measured mainly based on liquidation value or closing market price at the end of September or valuations obtained from external information vendors.
 - c. Fair value of foreign exchange contracts and currency options is measured mainly based on valuations obtained from external information vendors.
 - d. Fair value of interest rate swaps and currency swaps is measured mainly based on valuations obtained from external information vendors.
 - e. Fair value of forward contracts is measured mainly based on valuations obtained from external information vendors.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust, in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

Corporate bonds are stated at fair value on the balance sheet date.

6) Cash received as collateral under securities lending transactions

The book value is used as fair value due to their short-term settlement.

- (3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1).

Balance sheet amounts by holding purpose were ¥839,783 million for stocks of subsidiaries and affiliates, and ¥762,992 million for available-for-sale securities as of September 30, 2017.

- (4) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Derivative financial instruments within assets held in trust and investments in securities for separate accounts are classified as trading securities as of September 30, 2017.

Valuation gains/losses included in profit and loss were gains of ¥94,243 million for derivative financial instruments within assets held in trust and investments in securities related to separate accounts for the six months ended September 30, 2017.

2) Held-to-maturity debt securities

No ending balance as of September 30, 2017.

3) Policy-reserve-matching bonds

Balance sheet amounts, fair values, and their differences by type are as follows:

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	258,079	282,485	24,406
	Domestic bonds	18,677,154	22,277,125	3,599,970
	Foreign securities	32,009	33,809	1,800
	Subtotal	18,967,243	22,593,421	3,626,177
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	3,684	3,651	(32)
	Domestic bonds	396,102	388,047	(8,054)
	Subtotal	399,786	391,699	(8,086)
Total		19,367,029	22,985,120	3,618,090

4) Available-for-sale securities

Acquisition cost or amortized cost, balance sheet amounts, and their differences by type are as follows:

(Million Yen)

	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	555,400	555,401	1
	Monetary receivables purchased	2,837	2,886	48
	Domestic bonds	2,671,309	2,871,767	200,458
	Domestic stocks	3,447,783	8,163,226	4,715,443
	Foreign securities	11,811,804	14,045,604	2,233,799
	Other securities	1,332,404	1,508,315	175,910
	Subtotal	19,821,539	27,147,201	7,325,661
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	110,000	109,999	(0)
	Monetary receivables purchased	33,383	33,381	(1)
	Domestic bonds	309,899	305,102	(4,796)
	Domestic stocks	615,213	519,832	(95,381)
	Foreign securities	5,138,728	4,996,070	(142,658)
	Other securities	651,069	634,749	(16,319)
	Subtotal	6,858,294	6,599,135	(259,159)
Total		26,679,833	33,746,336	7,066,502

* Securities totaling ¥762,992 million, whose fair value is extremely difficult to determine are not included.

18. As of September 30, 2017, there were no significant changes in the balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.
19. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥31,605 million as of September 30, 2017.
- 1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,630 million and ¥27,669 million, respectively, as of September 30, 2017.
- Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.
- Delinquent loans are loans for which interest is not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.
- 2) There were no loans delinquent for over three months as of September 30, 2017.
- 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. These loans exclude loans classified as loans to bankrupt borrowers and delinquent loans.
- 3) The balance of restructured loans was ¥2,305 million as of September 30, 2017.
- Restructured loans 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 credits, or providing other benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.
- (2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥19 million and ¥136 million, respectively, as of September 30, 2017.
20. The amount of accumulated depreciation of tangible fixed assets was ¥1,120,214 million as of September 30, 2017.
21. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,407,365 million as of September 30, 2017, and a corresponding liability is recorded in the same amount.

22. Changes in the reserve for dividends to policyholders for the six months ended September 30, 2017, were as follows:

	Million Yen
	Six months ended
	September 30, 2017
a. Balance at the beginning of the current fiscal year	¥1,001,102
b. Transfer to reserve from surplus in the previous fiscal year	¥184,086
c. Dividends paid to policyholders	¥116,894
d. Increase in interest	¥11,139
e. Balance at the end of the current six-month period (a+b-c+d)	¥1,079,433

23. Corporate bonds within liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The corporate bonds are callable at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

Issue date	Callable date
October 2012	Each interest payment date on or after October 2022
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
April 2015	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
April 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter
November 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter
April 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

24. Assets pledged as collateral in the form of investments in securities, land, and buildings as of September 30, 2017, were ¥1,400,274 million, ¥252 million, and ¥48 million, respectively. The total amount of liabilities covered by the aforementioned assets was ¥344,776 million as of September 30, 2017. These amounts included ¥512,105 million of investments in securities deposited and ¥344,770 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2017.
25. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the six months ended September 30, 2017.
26. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act as of September 30, 2017.
27. The total amount of stocks and investments in subsidiaries and affiliates was ¥854,035 million as of September 30, 2017. Reliance Nippon Life Asset Management Limited, an affiliate of Nippon Life (Nippon Life held 287,884,800 shares, or 49% of all shares of Reliance Nippon Life Asset Management Limited (“RNAM”) as of September 30, 2017), completed its initial public offering (the “Offer”) and listing on the National Stock Exchange of India Limited and BSE Limited on November 6, 2017. In conjunction with the listing, RNAM has issued 24,480,000 equity shares (i.e., 4% of the total post-Offer paid-up equity share capital), to raise capital. Meanwhile, Nippon Life has offered and sold 25,489,800 RNAM

common equity shares in the IPO (i.e., 4.17% of the total post-Offer paid-up equity share capital). After the successful transaction, Nippon Life's ownership of RNAM has been reduced from 49% to 42.88%.

28. The amount of securities lent under lending agreements was ¥4,684,811 million as of September 30, 2017.
29. Assets that can be sold or resecured are marketable securities borrowed under lending agreements. These assets were held without being sold or resecured and totaled ¥732,886 million at fair value as of September 30, 2017.
30. The amount of commitments related to loans and loans outstanding was ¥354,961 million as of September 30, 2017.
31. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company was estimated to be ¥80,139 million as of September 30, 2017.
The amount contributed to the aforementioned corporation was recorded within operating expenses.
32. Revaluation of land used in the operations is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences, excluding tax, are recognized as land revaluation losses within the net assets section.

Revaluation date	March 31, 2002
Revaluation methodology	The amount is calculated by using the listed value of the land and road rate as prescribed by Article 2, Items 1 and 4, respectively, of the Order for Enforcement of the Act on Revaluation of Land.
33. The amount of policy reserves provided for the portion of reinsurance (hereafter referred to as “policy reserves for ceded reinsurance”) as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥250 million as of September 30, 2017.

5. Nonconsolidated Statements of Income

(Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2016
Ordinary income:	3,233,129	3,291,673
Revenues from insurance and reinsurance:	2,335,447	2,362,726
Insurance premiums	2,335,264	2,362,431
Investment income:	829,679	857,168
Interest, dividends, and other income	699,829	673,845
Gain from assets held in trust, net	—	52
Gain on sales of securities	81,942	178,398
Gain from separate accounts, net	45,049	—
Other ordinary income	68,002	71,778
Ordinary expenses:	3,011,316	3,043,345
Benefits and other payments:	1,761,779	1,796,062
Death and other claims	513,094	499,193
Annuity payments	378,545	395,947
Health and other benefits	332,706	339,280
Surrender benefits	448,307	424,510
Other refunds	88,719	136,690
Provision for policy reserves:	736,114	659,178
Provision for policy reserves	724,975	647,890
Provision for interest on reserve for dividends to policyholders	11,139	11,288
Investment expenses:	104,502	184,618
Interest expenses	10,330	9,252
Loss from assets held in trust, net	2,202	—
Loss on sales of securities	32,380	44,242
Loss on valuation of securities	85	24,645
Loss on derivative financial instruments, net	27,508	51,207
Loss from separate accounts, net	—	16,889
Operating expenses	298,840	286,884
Other ordinary expenses	110,078	116,601
Ordinary profit	221,813	248,328
Extraordinary gains:	16,128	7,285
Gain on disposals of fixed assets	16,128	7,285
Extraordinary losses:	117,373	136,835
Loss on disposals of fixed assets	3,213	4,592
Impairment losses	1,026	3,054
Provision for reserve for price fluctuations in investments in securities	112,457	126,500
Contributions for assisting social public welfare	677	2,688
Surplus before income taxes	120,567	118,778
Income taxes - current	64,179	78,557
Income taxes - deferred	(58,435)	(71,348)
Total income taxes	5,743	7,208
Net surplus	114,824	111,569

Notes to the Nonconsolidated Statement of Income for the Six Months Ended September 30, 2017

1. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥7,146 million, ¥61,354 million, and ¥13,441 million, respectively, for the six months ended September 30, 2017.
2. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥14 million, ¥112 million, and ¥32,253 million, respectively, for the six months ended September 30, 2017.
3. Loss on valuation of securities includes losses on the valuation of domestic stocks of ¥85 million, for the six months ended September 30, 2017.
4. Reversal of policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥24 million for the six months ended September 30, 2017.
5. Breakdown of interest, dividends, and other income for the six months ended September 30, 2017, is as follows:

	Million Yen
	Six months ended
	September 30, 2017
Interest on deposits and savings	¥47
Interest on securities and dividends	¥588,296
Interest on loans	¥65,422
Real estate rental income	¥40,446
Other income	¥5,616
Total	¥699,829

6. Impairment losses are as follows:
 - 1) Method for grouping the assets
Leased property and idle property are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.
 - 2) Circumstances causing impairment losses
The Company observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses for the six months ended September 30, 2017.

- 3) Breakdown of asset groups that recognized impairment losses for the six months ended September 30, 2017, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Idle property	¥750	¥275	¥1,026
Total	¥750	¥275	¥1,026

- 4) Calculation method of recoverable amount

The recoverable amount used for the measurement of impairment losses is based on the net realizable value upon sales of the assets or the discounted future cash flows.

The discount rate used in the calculation of future cash flows is 3.0%. Net realizable values are determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or posted land prices.

6. Nonconsolidated Statements of Changes in Net Assets

Six months ended September 30, 2016

(Million Yen)

	Foundation funds and others												
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus								Total surplus	Total foundation funds and others
				Legal reserve for deficiencies	Other surplus reserves								
					Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus		
Beginning balance	200,000	1,100,000	651	15,163	50,000	71,917	305	50,187	—	170	292,087	479,830	1,780,481
Cumulative effect of change in accounting policies											1,873	1,873	1,873
Beginning balance after reflecting accounting policy changes	200,000	1,100,000	651	15,163	50,000	71,917	305	50,187	—	170	293,960	481,703	1,782,355
Increase/decrease:													
Additions to reserve for dividends to policyholders											(229,857)	(229,857)	(229,857)
Additions to legal reserve for deficiencies				879							(879)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(1,698)	(1,698)	(1,698)
Net surplus											111,569	111,569	111,569
Redemption of foundation funds	(50,000)												(50,000)
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(2,688)				2,688	—	—
Additions to reserve for reduction entry of real estate								1,614			(1,614)	—	—
Reversal of reserve for reduction entry of real estate								(606)			606	—	—
Additions to reserve for reduction entry of real estate to be purchased									5,643		(5,643)	—	—
Reversal of land revaluation losses											(5,509)	(5,509)	(5,509)
Net change, excluding foundation funds and others													
Net change	(50,000)	50,000	—	879	—	—	312	1,008	5,643	—	(183,338)	(175,495)	(175,495)
Ending balance	150,000	1,150,000	651	16,042	50,000	71,917	617	51,196	5,643	170	110,621	306,208	1,606,859

6. Nonconsolidated Statements of Changes in Net Assets (Continued)

Six months ended September 30, 2016

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	4,722,733	(123,923)	(86,202)	4,512,608	6,293,089
Cumulative effect of change in accounting policies					1,873
Beginning balance after reflecting accounting policy changes	4,722,733	(123,923)	(86,202)	4,512,608	6,294,963
Increase/decrease:					
Additions to reserve for dividends to policyholders					(229,857)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(1,698)
Net surplus					111,569
Redemption of foundation funds					(50,000)
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					(5,509)
Net change, excluding foundation funds and others	(604,748)	116,331	5,509	(482,906)	(482,906)
Net change	(604,748)	116,331	5,509	(482,906)	(658,402)
Ending balance	4,117,985	(7,591)	(80,692)	4,029,701	5,636,561

6. Nonconsolidated Statements of Changes in Net Assets (Continued)

Six months ended September 30, 2017

(Million Yen)

	Foundation funds and others												
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus									Total foundation funds and others
				Legal reserve for deficiencies	Other surplus reserves							Total surplus	
					Equalized reserve for dividends to policyholders	Contin-gency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappro-priated surplus		
Beginning balance	150,000	1,150,000	651	16,042	50,000	71,917	328	51,196	5,643	170	245,337	440,635	1,741,286
Increase/decrease:													
Issuance of foundation funds	50,000												50,000
Additions to reserve for dividends to policyholders											(184,086)	(184,086)	(184,086)
Additions to legal reserve for deficiencies				762							(762)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(1,198)	(1,198)	(1,198)
Net surplus											114,824	114,824	114,824
Redemption of foundation funds	(50,000)												(50,000)
Reversal of equalized reserve for dividends to policyholders					(10,000)						10,000	—	—
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(677)				677	—	—
Additions to reserve for reduction entry of real estate								1,453			(1,453)	—	—
Reversal of reserve for reduction entry of real estate								(2,942)			2,942	—	—
Additions to reserve for reduction entry of real estate to be purchased									23,415		(23,415)	—	—
Reversal of reserve for reduction entry of real estate to be purchased									(5,636)		5,636	—	—
Reversal of land revaluation losses											2,931	2,931	2,931
Net change, excluding foundation funds and others													
Net change	—	50,000	—	762	(10,000)	—	2,323	(1,488)	17,778	—	(126,904)	(117,529)	(67,529)
Ending balance	150,000	1,200,000	651	16,804	40,000	71,917	2,651	49,708	23,422	170	118,432	323,105	1,673,757

6. Nonconsolidated Statements of Changes in Net Assets (Continued)

Six months ended September 30, 2017

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	4,585,298	(65,262)	(58,084)	4,461,951	6,203,237
Increase/decrease:					
Issuance of foundation funds					50,000
Additions to reserve for dividends to policyholders					(184,086)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(1,198)
Net surplus					114,824
Redemption of foundation funds					(50,000)
Reversal of equalized reserve for dividends to policyholders					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					2,931
Net change, excluding foundation funds and others	546,013	(47,162)	(2,931)	495,919	495,919
Net change	546,013	(47,162)	(2,931)	495,919	428,390
Ending balance	5,131,311	(112,425)	(61,015)	4,957,871	6,631,628

7. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2016
Core operating profit (A)	317,782	324,140
Capital gains:	84,460	189,007
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	52
Gain on trading securities	—	—
Gain on sales of securities	81,942	178,398
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	1,098	—
Other capital gains	1,419	10,556
Capital losses:	85,753	124,124
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	2,202	—
Loss on trading securities	—	—
Loss on sales of securities	32,380	44,242
Loss on valuation of securities	85	24,645
Loss on derivative financial instruments, net	27,508	51,207
Foreign exchange losses, net	—	4,029
Other capital losses	23,576	—
Net capital (losses) gains (B)	(1,293)	64,882
Core operating profit, including net capital (losses) gains (A+B)	316,489	389,023
Nonrecurring gains:	93	400
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	93	400
Other nonrecurring gains	—	—
Nonrecurring losses:	94,770	141,095
Reinsurance premiums	—	—
Provision for contingency reserve	94,770	141,095
Provision for specific allowance for doubtful accounts	—	—
Provision for allowance for specific overseas debts	—	—
Write-offs of loans	—	—
Other nonrecurring losses	—	—
Net nonrecurring losses (C)	(94,676)	(140,694)
Ordinary profit (A+B+C)	221,813	248,328

(Reference) Breakdown of “Other” items

(Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2016
Core operating profit	22,157	(10,556)
Foreign exchange gains and losses related to foreign currency-denominated insurance products	—	(10,556)
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	5,442	—
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	18,133	—
Impact of movements in surrender benefits related to market value adjustment	(1,419)	—
Other capital gains	1,419	10,556
Foreign exchange gains related to foreign currency-denominated insurance products	—	10,556
Interest income related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	—	—
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	—	—
Impact of movements in surrender benefits related to market value adjustment	1,419	—
Other capital losses	23,576	—
Foreign exchange losses related to foreign currency-denominated insurance products	—	—
Interest expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	5,442	—
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	18,133	—
Impact of movements in surrender benefits related to market value adjustment	—	—
Other nonrecurring gains	—	—
Reversal of allowance for investment loss	—	—
Other nonrecurring losses	—	—
Provision for allowance for investment loss	—	—

8. Status of Nonperforming Assets According to Borrower's Classification

(Million Yen, %)

	As of September 30, 2017	As of March 31, 2017
Bankrupt and quasi-bankrupt loans	11,559	10,095
Doubtful loans	17,742	18,796
Substandard loans	2,305	3,171
Subtotal	31,608	32,063
[Percentage of total, %]	[0.25]	[0.31]
Normal loans	12,374,903	10,214,183
Total	12,406,511	10,246,246

- Notes:
1. Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans that have fallen into bankruptcy due to reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.
 2. Doubtful loans are nonperforming assets with a strong likelihood that loan principal cannot be recovered or interest cannot be received according to the contract because of difficulties in the financial condition and business performance of the debtor who has not yet entered into bankruptcy.
 3. Substandard loans include loans that are delinquent for over three months or restructured loans. Loans that are delinquent for over three months are loans with principal or interest being unpaid for over three months counting from the day after the due date based on the loan agreement (excluding 1. and 2. in the above notes). Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers (excluding 1. and 2. in the above notes and loans that are delinquent for over three months).
 4. Normal loans are loans that do not fall under the classifications for 1. to 3. in the above notes and where the debtor has no financial or business performance problems.

Supplemental information for borrower's classification

- Classifications and calculation methods used in this table are based on the Ordinance for Enforcement of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customer's liability for acceptances and guarantees.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of September 30, 2017 and March 31, 2017, were ¥156 million and ¥531 million, respectively.

9. Status of Risk-Monitored Loans

(Million Yen, %)

	As of September 30, 2017	As of March 31, 2017
Loans to bankrupt borrowers	1,630	1,764
Delinquent loans	27,669	27,122
Loans that are delinquent for over three months	—	—
Restructured loans	2,305	3,171
Total	31,605	32,058
[Percentage of total loans, %]	[0.41]	[0.41]

- Notes:
1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), an estimated uncollectible amount (calculated by subtracting estimated collectible amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount.
The amount directly deducted from loans to bankrupt borrowers and delinquent loans were ¥19 million and ¥136 million, respectively, as of September 30, 2017 and ¥399 million and ¥132 million, respectively, as of March 31, 2017.
 2. Loans to bankrupt borrowers are loans with principal or interest payments being overdue for a significant period of time and interest not being accrued, including the following: (a) loans to borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act; (b) loans to borrowers that have notes suspended from being traded; and (c) loans to borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.
 3. Delinquent loans are loans with interest not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.
 4. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months counting from the day after the due date based on the loan agreement. Note that the account does not include loans to bankrupt borrowers and delinquent loans.

5. Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers (excluding loans to bankrupt borrowers, delinquent loans, and loans that are delinquent for over three months from above).
6. Interest that is not accrued for loans of borrowers who are deemed to be bankrupt, quasi-bankrupt, or doubtful based on the results of asset self-assessment is not recorded as income.

10. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Six months ended September 30, 2017	Year ended March 31, 2017	Change
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	1,527	1,503	24
(B) Specific allowance for doubtful accounts	1,281	1,379	(98)
(C) Allowance for specific overseas debts	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	1,437	1,911	(473)
(B) Reversal	1,531	2,405	(873)
[excluding reversals with write-offs]			
(C) Net provision	(93)	(494)	400
(3) Allowance for specific overseas debts			
(A) Number of debtor countries	—	—	—
(B) Amounts of credit	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-offs of loans	—	—	—

(Reference)

Status of Borrower Classification

(100 Million Yen, %)

	As of September 30, 2017		As of March 31, 2017	
	Money available	Percentage of whole	Money available	Percentage of whole
Loan balances	76,523	100.0	77,495	100.0
(After direct write-offs of category IV)				
Noncategorized	75,950	99.3	76,878	99.2
Category II	569	0.7	611	0.8
Category III	3	0.0	4	0.0
Category IV	—	—	—	—

- Notes: 1. Specific allowances for doubtful accounts of Category III were as follows: ¥0.2 billion and ¥0.3 billion as of September 30, 2017, and March 31, 2017, respectively.
2. The amounts of direct write-offs of Category IV were as follows: ¥0.1 billion and ¥0.5 billion as of September 30, 2017, and March 31, 2017, respectively.

11. Solvency Margin Ratio

(Million Yen)

	As of September 30, 2017	As of March 31, 2017
Solvency margin gross amount (A):	13,603,639	12,596,032
Foundation funds (<i>kikin</i>) and other reserve funds:	4,779,282	4,454,276
Foundation funds and others	1,673,757	1,556,001
Reserve for price fluctuations in investments in securities	1,229,252	1,116,795
Contingency reserve	1,618,201	1,523,431
General allowance for doubtful accounts	1,527	1,503
Others	256,544	256,544
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	6,243,240	5,630,908
Net unrealized gains on real estate × 85%	205,607	210,229
Excess of continued Zillmerized reserve	1,399,328	1,415,384
Qualifying subordinated debt	1,028,889	840,825
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(754)	(252)
Others	(51,953)	44,661
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2 + R_4}$	2,998,970	2,811,478
Underwriting risk (R_1)	121,745	122,718
Underwriting risk of third-sector insurance (R_8)	78,536	78,064
Anticipated yield risk (R_2)	386,259	386,043
Minimum guarantee risk (R_7)	5,622	5,708
Investment risk (R_3)	2,537,653	2,353,474
Business management risk (R_4)	62,596	58,920
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	907.2%	896.0%

Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50 of 1996.

2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

12. Status of Separate Accounts for the Six Months Ended September 30, 2017

(1) Balance of Separate Account Assets

(Million Yen)

	As of September 30, 2017	As of March 31, 2017
Individual variable insurance	116,879	116,005
Individual variable annuities	44,161	41,905
Group annuities	1,246,324	1,157,881
Separate account total	1,407,365	1,315,792

(2) Policies in Force

- Individual Variable Insurance

	As of September 30, 2017		As of March 31, 2017	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	510	2,358	1,195	5,570
Variable insurance (whole life type)	32,979	471,961	33,300	479,050
Total	33,489	474,319	34,495	484,621

- Individual Variable Annuities

	As of September 30, 2017		As of March 31, 2017	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	16,615	44,159	11,497	41,903

13. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2016
Ordinary income	38,426	37,268
Ordinary profit	2,448	2,696
Net surplus attributable to the parent company	1,185	1,184
Comprehensive income (loss)	6,507	(3,990)

	As of September 30, 2017	As of March 31, 2017
Total assets	743,677	724,642
Solvency margin ratio	945.3%	933.9%

(2) Scope of Consolidation and Application of the Equity Method

	As of September 30, 2017
Number of consolidated subsidiaries	11
Number of subsidiaries not consolidated but accounted for under the equity method	0
Number of affiliates accounted for under the equity method	10
Changes in significant subsidiaries and affiliates during the period	None

(3) Policies of Presenting the Consolidated Financial Statements for the Six Months Ended September 30, 2017

1) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and the Company's subsidiaries. Consolidated subsidiaries as of September 30, 2017, are listed as follows:

Nissay Credit Guarantee Co., Ltd. (Japan)
Nissay Leasing Co., Ltd. (Japan)
Nissay Capital Co., Ltd. (Japan)
Nissay Asset Management Corporation (Japan)
Nissay Information Technology Co., Ltd. (Japan)
Mitsui Life Insurance Company Limited (Japan)
Nippon Life Insurance Company of America (U.S.A.)
NLI Commercial Mortgage Fund, LLC (U.S.A.)
NLI Commercial Mortgage Fund II, LLC (U.S.A.)
NLI US Investments, Inc. (U.S.A.)
MLC Limited (Australia)

The major subsidiaries excluded from consolidation are Nippon Life Global Investors Americas, Inc., Nissay Trading Corporation, and Nissay Card Service Co., Ltd.

The respective and aggregate effects of the companies which are excluded from consolidation, based on total assets, revenues, net income and surplus for the six months ended September 30, 2017, are immaterial.

This exclusion from consolidation does not prevent a reasonable assessment of the financial position of the Company and the Company's subsidiaries and the result of their operations.

2) Affiliates

Affiliates accounted for under the equity method as of September 30, 2017, are listed as follows:

The Master Trust Bank of Japan, Ltd. (Japan)
Corporate-Pension Business Service Co., Ltd. (Japan)
PanAgora Asset Management, Inc. (U.S.A.)
Great Wall Changsheng Life Insurance Co., Ltd. (China)
Bangkok Life Assurance Public Company Limited (Thailand)
Reliance Nippon Life Insurance Company Limited (India)
Reliance Nippon Life Asset Management Limited (India)
Post Advisory Group, LLC (U.S.A.)
PT Sequis (Indonesia)
PT Asuransi Jiwa Sequis Life (Indonesia)

The subsidiaries not consolidated, such as Nippon Life Global Investors Americas, Inc. and Nissay Trading Corporation, along with affiliates other than those listed above, such as SL Towers Co., Ltd., are not accounted for under the equity method. The respective and aggregate effects of such companies on consolidated net income and surplus for the six months ended September 30, 2017, are immaterial.

The numbers of consolidated subsidiaries and affiliates as of September 30, 2017, were as follows:

Consolidated subsidiaries	11
Subsidiaries not consolidated but accounted for under the equity method	0
Affiliates accounted for under the equity method	10

3) The six months end dates of consolidated subsidiaries

The six months end date of consolidated overseas subsidiaries is March 31 and June 30. In preparing the consolidated financial statements, consolidated overseas subsidiaries with the six months end date of March 31 are consolidated using financial statements based on a provisional closing of accounts as of June 30. Consolidated overseas subsidiaries with the six months end date of June 30 are consolidated using financial statements based on the six months end of accounts as of June 30.

Necessary adjustments are made to reflect significant transactions that occurred between the Company's six months end date of March 31 and June 30.

(4) Consolidated Balance Sheets

(Million Yen)

	As of September 30, 2017	As of March 31, 2017
Assets:		
Cash and deposits	1,580,000	1,337,969
Call loans	170,000	270,000
Monetary receivables purchased	309,077	337,913
Assets held in trust	5,695	3,597
Investments in securities	60,276,240	58,262,185
Loans	8,828,524	8,990,370
Tangible fixed assets	1,847,651	1,868,153
Intangible fixed assets	244,345	236,530
Reinsurance receivables	10,352	12,513
Other assets	1,053,117	1,104,003
Deferred tax assets	5,488	5,604
Customers' liability for acceptances and guarantees	41,647	39,935
Allowance for doubtful accounts	(4,354)	(4,483)
Total assets	74,367,787	72,464,294
Liabilities:		
Policy reserves and other reserves:	61,175,815	60,394,071
Reserve for outstanding claims	379,245	394,243
Policy reserves	59,649,728	58,930,878
Reserve for dividends to policyholders (mutual company)	1,079,433	1,001,102
Reserve for dividends to policyholders (limited company)	67,408	67,847
Reinsurance payables	7,650	9,590
Corporate bonds	1,108,889	920,825
Other liabilities	2,465,880	2,243,231
Accrued bonuses for directors and audit and supervisory board members	26	79
Net defined benefit liability	447,726	450,558
Accrued retirement benefits for directors and audit and supervisory board members	5,302	5,246
Reserve for program points	10,188	9,013
Reserve for price fluctuations in investments in securities	1,249,572	1,135,765
Deferred tax liabilities	756,946	620,563
Deferred tax liabilities for land revaluation	105,056	106,432
Acceptances and guarantees	41,647	39,935
Total liabilities	67,374,703	65,935,313

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2017	As of March 31, 2017
Net assets:		
Foundation funds	150,000	150,000
Reserve for redemption of foundation funds	1,200,000	1,150,000
Reserve for revaluation	651	651
Consolidated surplus	508,549	622,388
Total foundation funds and others	1,859,200	1,923,039
Net unrealized gains on available-for-sale securities	5,158,195	4,588,092
Deferred losses on derivatives under hedge accounting	(112,425)	(65,262)
Land revaluation losses	(61,015)	(58,084)
Foreign currency translation adjustments	27,971	30,549
Remeasurement of defined benefit plans	(21,252)	(24,556)
Total accumulated other comprehensive income	4,991,474	4,470,738
Noncontrolling interests	142,408	135,203
Total net assets	6,993,083	6,528,981
Total liabilities and net assets	74,367,787	72,464,294

Notes to the Consolidated Balance Sheets as of September 30, 2017

1. (1) Securities of the Company and certain consolidated subsidiaries (including items such as deposits and monetary receivables purchased which are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10) and securities within assets held in trust) are valued as follows:
 - 1) Trading securities are stated at fair value on the balance sheet date. The moving average method is used for calculating cost basis.
 - 2) Held-to-maturity debt securities are valued using the moving average method, net of accumulated amortization (straight-line).
 - 3) Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line), in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA.
 - 4) Investments in subsidiaries and affiliates that are not consolidated nor accounted for under the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.
 - 5) Available-for-sale securities
 - a. Regarding securities with a fair value, stocks (including foreign stocks) are valued by using the average fair value during the period of one month before the balance sheet date (cost basis is calculated by using the moving average method). Other securities with a fair value are valued by using the fair value on the balance sheet date (cost basis is calculated by using the moving average method).
 - b. Regarding securities of which the fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are stated at cost using the moving average method, net of accumulated amortization (straight-line). Other securities without readily determinable fair values are stated at cost using the moving average method.
- (2) Unrealized gains/losses, net of applicable taxes for available-for-sale securities, are recorded as a separate component of net assets.

2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups (classified by insurance type, maturity period, and investment policy) of insurance 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, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.
3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value.
4. (1) Tangible fixed assets are depreciated based on the following methods:
 - a. Tangible fixed assets (except for lease assets)
 - (i) Buildings
Straight-line method.
 - (ii) Assets other than the above
Primarily the declining-balance method.
Certain other tangible fixed assets with an acquisition price of less than ¥200,000 of the Company and certain consolidated subsidiaries are depreciated over a 3 year period on a straight-line basis.
 - b. Lease assets
 - (i) Lease assets related to financial leases where ownership is transferred
The same depreciation method applied to self-owned fixed assets.
 - (ii) Lease assets related to financial leases where ownership is not transferred
Straight-line method based on lease period.
- (2) Software, which is included within intangible fixed assets, is amortized using the straight-line method.
5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).
Foreign currency-denominated available-for-sale securities of the Company, with exchange rates which have significantly fluctuated and where recovery is not expected, are converted to Japanese yen using either the rate on the balance sheet date or the average one-month rate prior to the balance sheet date, whichever indicates a weaker yen. This translation difference is recorded as a loss on valuation of securities.
Moreover, translation differences related to bonds included in translation differences of foreign currency-denominated available-for-sale securities held by certain consolidated subsidiaries are recorded as foreign exchange gains/losses, net, while translation differences related to other foreign currency-denominated available-for-sale securities are recorded as a separate component of net assets.

6. (1) An allowance for doubtful accounts for the Company is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.
 - 1) An allowance for loans to borrowers 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 the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (4) below).
 - 2) An allowance for loans to borrowers who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - 3) An allowance for loans to 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 extended by the Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.
 - (3) For consolidated subsidiaries, the Company records allowance amounts deemed necessary in accordance mainly with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.
 - (4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥344 million (including ¥145 million of credits secured and/or guaranteed) as of September 30, 2017.
7. Accrued bonuses for directors and audit and supervisory board members are recognized based on amounts estimated to be paid.
8. (1) Net defined benefit liability is the amount of retirement benefit obligations prepared for payment of employee retirement benefits less pension plan assets, based on the projected deemed amount as of September 30, 2017 defined from amounts as of the current fiscal year.
 - (2) The accounting methods of the Company and certain consolidated subsidiaries used for retirement benefits are as follows:
 - 1) Attribution method for estimated retirement benefits: Benefit formula basis
 - 2) Period of amortizing actuarial gains/ losses: 5 years

3) Period of amortizing prior service costs: 5 years

9. Accrued retirement benefits for directors and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.
10. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.
11. Reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.
12. Regarding financial leases where the Company or a consolidated subsidiary is the lessor, and ownership is not transferred, if any, the Company recognizes income and expense at the time of receiving the lease fee as other ordinary income and other ordinary expenses, respectively.
13. Hedge accounting is applied by the Company and certain consolidated subsidiaries based on the following methods:
 - 1) The Company and certain consolidated subsidiaries mainly apply the following hedge accounting methods: The exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, “Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry” issued by the JICPA; deferred hedge accounting and designated hedge accounting (“*Furiate-shori*”) for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company and certain consolidated subsidiaries; fair value hedge accounting for foreign exchange forward contracts are applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and fair value hedge accounting for equity forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks.
 - 2) Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds

Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments
Equity forward contracts	Domestic stocks

- 3) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedged items taken, which is in accordance with the internal risk management policies of the Company and certain consolidated subsidiaries.
14. Consumption taxes and local consumption taxes of the Company and certain consolidated subsidiaries are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.
 15. Policy reserves of the Company and certain consolidated subsidiaries are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premiums reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies.
 - 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.
Policy reserves of consolidated overseas life insurance companies are recorded as the amounts computed in accordance with the accounting standards of each country, such as Australian accounting standards.
 16. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the six months ended September 30, 2016, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders (mutual company) due to the appropriation of surplus in the current fiscal year.

17. (1) Balance sheet amounts and fair values of major financial instruments and their differences are as follows:

(Million Yen)

	Balance sheet amount (*1)	Fair value (*2)	Difference
Cash and deposits (negotiable certificates of deposit):	723,401	723,401	—
Available-for-sale securities	723,401	723,401	—
Monetary receivables purchased:	309,077	334,103	25,025
Held-to-maturity debt securities	3,114	3,766	651
Policy-reserve-matching bonds	261,763	286,137	24,374
Available-for-sale securities	44,199	44,199	—
Assets held in trust:	5,695	5,695	—
Trading securities	5,495	5,495	—
Available-for-sale securities	200	200	—
Investments in securities:	59,118,908	63,150,824	4,031,916
Trading securities	1,809,040	1,809,040	—
Held-to-maturity debt securities	41,688	42,031	342
Policy-reserve-matching bonds	21,083,693	25,057,901	3,974,208
Investments in subsidiaries and affiliates	33,930	91,295	57,365
Available-for-sale securities	36,150,556	36,150,556	—
Loans (*3):	8,825,996	9,123,060	297,063
Policy loans	687,704	687,704	—
Industrial and consumer loans	8,138,292	8,435,355	297,063
Derivative financial instruments (*4):	(472,738)	(472,738)	—
Hedge accounting not applied	(11,258)	(11,258)	—
Hedge accounting applied	(461,480)	(461,480)	—
Corporate bonds (*3,*5)	(1,108,889)	(1,158,582)	(49,693)
Cash received as collateral under securities lending transactions (*5)	(681,682)	(681,682)	—
Loans payable (*3,*5)	(210,984)	(213,717)	(2,733)

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.

(*2) For securities for which impairment losses were recognized in the six months ended September 30, 2017, the fair value is the balance sheet amount after the impairment losses are deducted.

- (*3) The fair values of derivative financial instruments that are interest rate swaps under exceptional accounting treatment (“*Tokurei-shori*”) or currency swaps under designated hedge accounting (“*Furiate-shori*”) are included in the fair values of loans, corporate bonds, and loans payable because they are accounted for as an integral part of the loans, corporate bonds, and loans payable that are the hedged items.
- (*4) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.
- (*5) Corporate bonds, cash received as collateral under securities lending transactions, and loans payable are recorded in liabilities and presented in parentheses.

(2) Fair value measurement methods for the major financial instruments of the Company and certain consolidated subsidiaries are as follows:

- 1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)
 - a. Items with a market price

Fair value is measured based on the closing market price on the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.
 - b. Items without a market price

Fair value is measured mainly by discounting future cash flows to present value.
- 2) Loans
 - a. Policy loans

Fair value is deemed to approximate book value, due to expected repayment periods, interest rate requirements, and other characteristics. These loans have no repayment date either in form or in substance because stated due dates can be extended if the loan amount is within a certain range of its surrender benefit. Thus, the book value is used as the fair value of the policy loans.
 - b. Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans.

Fair value of fixed interest rate loans is measured mainly by discounting future cash flows to present value.

Fair value of loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectible amount from the book value prior to direct write-offs.
- 3) Derivative financial instruments

- a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price on the balance sheet date.
- b. Fair value of equity options is measured mainly based on liquidation value or closing market price at the end of September or valuations obtained from external information vendors.
- c. Fair value of foreign exchange contracts and currency options is measured mainly based on valuations obtained from external information vendors.
- d. Fair value of interest rate swaps and currency swaps is measured mainly based on valuations obtained from external information vendors.
- e. Fair value of forward contracts is measured mainly based on valuations obtained from external information vendors.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust, in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

Corporate bonds are stated at fair value on the balance sheet date.

6) Cash received as collateral under securities lending transactions

The book value is used as fair value due to their short-term settlement.

7) Loans payable

Fair value of variable interest rate loans payable is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured mainly by discounting future cash flows to present value.

- (3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1).

Balance sheet amounts by holding purpose were ¥291,350 million for stocks of subsidiaries and affiliates, and ¥865,981 million for available-for-sale securities as of September 30, 2017.

- (4) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Derivative financial instruments within assets held in trust, investments in securities for separate accounts, and certain other securities are classified as trading securities as of September 30, 2017.

Valuation gains/losses included in profit and loss were gains of ¥96,379 million for derivative financial instruments within assets held in trust and investments in securities related to separate accounts for the six months ended September 30, 2017.

2) Held-to-maturity debt securities

Balance sheet amounts, fair values, and their differences by type are as follows:

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	3,114	3,766	651
	Domestic bonds	23,761	24,129	367
	Foreign securities	4,594	4,610	15
	Subtotal	31,470	32,506	1,035
Fair value does not exceed the balance sheet amount	Domestic bonds	2,450	2,442	(7)
	Foreign securities	10,882	10,848	(33)
	Subtotal	13,332	13,291	(41)
Total		44,803	45,797	994

3) Policy-reserve-matching bonds

Balance sheet amounts, fair values, and their differences by type are as follows:

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	258,079	282,485	24,406
	Domestic bonds	20,612,570	24,595,051	3,982,480
	Foreign securities	32,009	33,809	1,800
	Subtotal	20,902,659	24,911,346	4,008,687
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	3,684	3,651	(32)
	Domestic bonds	439,113	429,040	(10,072)
	Subtotal	442,797	432,692	(10,104)
Total		21,345,456	25,344,039	3,998,582

4) Available-for-sale securities

Acquisition cost or amortized cost, balance sheet amounts, and their differences by type are as follows:

(Million Yen)

	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	555,400	555,401	1
	Monetary receivables purchased	9,809	10,818	1,008
	Domestic bonds	3,652,190	3,881,036	228,846
	Domestic stocks	3,612,222	8,367,012	4,754,790
	Foreign securities	12,823,716	15,104,755	2,281,038
	Other securities	1,385,479	1,566,999	181,519
	Subtotal	22,038,818	29,486,023	7,447,205
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	168,000	167,999	(0)
	Monetary receivables purchased	33,383	33,381	(1)
	Assets held in trust	200	200	—
	Domestic bonds	383,212	377,365	(5,847)
	Domestic stocks	827,430	700,364	(127,065)
	Foreign securities	5,633,132	5,465,440	(167,691)
	Other securities	705,966	687,581	(18,384)
	Subtotal	7,751,324	7,432,333	(318,991)
Total		29,790,143	36,918,356	7,128,213

* Securities totaling ¥865,981 million, whose fair value is extremely difficult to determine are not included.

18. As of September 30, 2017, there were no significant changes in the balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

19. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥31,778 million as of September 30, 2017.

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,635 million and ¥27,837 million, respectively, as of September 30, 2017.

Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.

Delinquent loans are loans for which interest is not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.

- 2) There were no loans delinquent for over three months as of September 30, 2017.

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. These loans exclude loans classified as loans to bankrupt borrowers and delinquent loans.

- 3) The balance of restructured loans was ¥2,305 million as of September 30, 2017.

Restructured loans 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 credits, or providing other benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

- (2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥46 million and ¥297 million, respectively, as of September 30, 2017.

20. The amount of accumulated depreciation of tangible fixed assets was ¥1,147,714 million as of September 30, 2017.

21. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,664,424 million as of September 30, 2017, and a corresponding liability is recorded in the same amount.

22. Changes in the reserve for dividends to policyholders (mutual company) for the six months ended September 30, 2017, were as follows:

	Million Yen
	Six months ended
	September 30, 2017
a. Balance at the beginning of the current fiscal year	¥1,001,102
b. Transfer to reserve from surplus in the previous fiscal year	¥184,086
c. Dividends paid to policyholders (mutual company)	¥116,894
d. Increase in interest	¥11,139
e. Balance at the end of the current six-month period (a+b-c+d)	¥1,079,433

23. Changes in the reserve for dividends to policyholders (limited company) for the six months ended September 30, 2017, were as follows:

	Million Yen
	Six months ended
	September 30, 2017
a. Balance at the beginning of the current fiscal year	¥67,847
b. Dividends paid to policyholders (limited company)	¥8,855
c. Increase in interest	¥6
d. Provision for reserve for dividends to policyholders (limited company)	¥8,409
e. Balance at the end of the current six-month period (a-b+c+d)	¥67,408

24. Corporate bonds within liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The corporate bonds are callable at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

Issue date	Callable date
October 2012	Each interest payment date on or after October 2022
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
April 2015	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
April 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter
July 2016	Each interest payment date on or after July 2021.
	Each interest payment date on or after July 2026.
November 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter
April 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

25. Other liabilities include subordinated loans payable of ¥100,000 million, which is subordinate to the fulfillment of all other debt obligations.
26. Assets pledged as collateral in the form of investments in securities, lease receivables, land, and buildings as of September 30, 2017, were ¥1,749,990 million, ¥26,413 million, ¥252 million, and ¥48 million, respectively. The total amount of liabilities covered by the aforementioned assets was ¥707,016 million as of September 30, 2017. These amounts included ¥796,730 million of investments in securities deposited and ¥681,682 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2017.
27. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the six months ended September 30, 2017.
28. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act for the six months ended September 30, 2017.
29. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥325,280 million as of September 30, 2017.

Reliance Nippon Life Asset Management Limited, an affiliate of Nippon Life (Nippon Life held 287,884,800 shares, or 49% of all shares of Reliance Nippon Life Asset Management Limited (“RNAM”) as of September 30, 2017), completed its initial public offering (the “Offer”) and listing on the National Stock Exchange of India Limited and BSE Limited on November 6, 2017.

In conjunction with the listing, RNAM has issued 24,480,000 equity shares (i.e., 4% of the total post-Offer paid-up equity share capital), to raise capital. Meanwhile, Nippon Life has offered and sold 25,489,800 RNAM common equity shares in the IPO (i.e., 4.17% of the total post-Offer paid-up equity share capital). After the successful transaction, Nippon Life’s ownership of RNAM has been reduced from 49% to 42.88%.

30. The amount of securities lent under lending agreements was ¥5,062,893 million as of September 30, 2017.
31. Assets that can be sold or resecured are marketable securities borrowed under lending agreements. These assets were held without being sold or resecured and totaled ¥732,886 million at fair value as of September 30, 2017.
32. The amount of commitments related to loans and loans outstanding was ¥286,039 million as of September 30, 2017.
33. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company and certain consolidated subsidiaries was estimated to be ¥91,262 million as of September 30, 2017.
The amount contributed to the aforementioned corporation was recorded within operating expenses.
34. Revaluation of land used in the operations of the Company is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences, excluding tax, are recognized as land revaluation losses within the net assets section.

Revaluation date	March 31, 2002
Revaluation methodology	The amount is calculated by using the listed value of the land and road rate as prescribed by Article 2, Items 1 and 4, respectively, of the Order for Enforcement of the Act on Revaluation of Land.

(5) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
[Consolidated Statements of Income]

(Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2016
Ordinary income:	3,842,650	3,726,877
Revenues from insurance and reinsurance	2,732,476	2,629,345
Investment income:	979,876	965,964
Interest, dividends, and other income	739,101	716,623
Gain from assets held in trust, net	—	52
Gain on trading securities	11,589	—
Gain on sales of securities	91,799	193,806
Gain on derivative financial instruments, net	—	49,698
Foreign exchange gains, net	75,928	—
Gain from separate accounts, net	59,074	—
Other ordinary income	130,298	131,567
Ordinary expenses:	3,597,835	3,457,194
Benefits and other payments:	2,136,894	2,082,517
Death and other claims	645,483	591,623
Annuity payments	430,141	443,937
Health and other benefits	417,528	419,512
Surrender benefits	528,343	486,981
Other refunds	95,434	139,214
Provision for policy reserves:	733,241	606,101
Provision for policy reserves	722,096	594,795
Provision for interest on reserve for dividends to policyholders (mutual company)	11,139	11,288
Provision for interest on reserve for dividends to policyholders (limited company)	6	17
Investment expenses:	181,842	264,015
Interest expenses	11,530	11,505
Loss from assets held in trust, net	2,202	—
Loss on sales of securities	38,432	46,832
Loss on valuation of securities	126	24,645
Loss on derivative financial instruments, net	94,819	—
Foreign exchange losses, net	—	121,382
Loss from separate accounts, net	—	22,159
Operating expenses	391,702	346,364
Other ordinary expenses	154,154	158,196
Ordinary profit	244,815	269,683

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2016
Extraordinary gains:	16,379	8,203
Gain on disposals of fixed assets	16,379	8,203
Extraordinary losses:	118,937	138,700
Loss on disposals of fixed assets	3,415	4,974
Impairment losses	1,037	3,301
Provision for reserve for price fluctuations in investments in securities	113,807	127,736
Contributions for assisting social public welfare	677	2,688
Provision for reserve for dividends to policyholders (limited company)	8,409	8,516
Surplus before income taxes	133,846	130,671
Income taxes - current	70,700	83,231
Income taxes - deferred	(58,353)	(73,005)
Total income taxes	12,347	10,226
Net surplus	121,498	120,444
Net surplus attributable to noncontrolling interests	2,984	1,995
Net surplus attributable to the parent company	118,514	118,449

Notes to the Consolidated Statement of Income for the Six Months Ended September 30, 2017

1. Impairment losses are as follows:

1) Method for grouping the assets

Leased property and idle property of the Company and certain consolidated subsidiaries are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.

2) Circumstances causing impairment losses

The Company and certain consolidated subsidiaries observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses for the six months ended September 30, 2017.

3) Breakdown of asset groups that recognized impairment losses for the six months ended September 30, 2017, is as follows:

Purpose of use	Million Yen		
	Land	Buildings and others	Total
Leased property	¥7	¥0	¥8
Idle property	¥753	¥275	¥1,029
Total	¥761	¥276	¥1,037

4) Calculation method of recoverable amount

The recoverable amount used for the measurement of impairment losses is based on the net realizable value upon sales of the assets or the discounted future cash flows.

The discount rate used in the calculation of future cash flows is 3.0%-3.9%. Net realizable values are determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or posted land prices.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2016
Net surplus	121,498	120,444
Other comprehensive income (loss):	529,251	(519,489)
Net unrealized gains (losses) on available-for-sale securities	574,447	(600,394)
Deferred (losses) gains on derivatives under hedge accounting	(47,162)	116,332
Foreign currency translation adjustments	227	(17,680)
Remeasurement of defined benefit plans	3,344	3,090
Share of other comprehensive income (loss) of associates accounted for under the equity method	(1,605)	(20,836)
Comprehensive income (loss):	650,750	(399,045)
Comprehensive income (loss) attributable to the parent company	642,182	(401,736)
Comprehensive income attributable to noncontrolling interests	8,567	2,691

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2016
I. Cash flows from operating activities:		
Surplus before income taxes	133,846	130,671
Depreciation of rental real estate and other assets	8,666	8,955
Depreciation	23,146	26,465
Impairment losses	1,037	3,301
Amortization of goodwill	1,350	—
Net decrease in reserve for outstanding claims	(15,132)	(15,490)
Net increase in policy reserve	712,392	594,929
Provision for interest on reserve for dividends to policyholders (mutual company)	11,139	11,288
Provision for interest on reserve for dividends to policyholders (limited company)	6	17
Provision for reserve for dividends to policyholders (limited company)	8,409	8,516
Net decrease in allowance for doubtful accounts	(104)	(662)
Net decrease in accrued bonuses for directors and audit and supervisory board members	(52)	(58)
Net increase (decrease) in net defined benefit liability	1,814	(768)
Net increase (decrease) in accrued retirement benefits for directors and audit and supervisory board members	56	(139)
Net increase in reserve for price fluctuations in investments in securities	113,807	127,736
Interest, dividends and other income	(739,101)	(716,623)
Net gains on investments in securities	(42,925)	(111,645)
Interest expenses	11,530	11,505
Net gains on tangible fixed assets	(12,778)	(2,766)
(Gains) losses from separate accounts	(59,074)	22,159
Others, net	56,963	46,540
Subtotal	215,000	143,932
Interest, dividends, and other income received	783,663	773,316
Interest paid	(10,493)	(11,054)
Dividends paid to policyholders (mutual company)	(95,108)	(95,206)
Dividends paid to policyholders (limited company)	(8,855)	(8,997)
Others, net	9,994	(1,382)
Income taxes paid	(40,931)	(37,117)
Net cash provided by operating activities	853,269	763,491

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2016
II. Cash flows from investing activities:		
Net decrease in deposits	500	0
Purchases of monetary receivables purchased	(4,700)	—
Proceeds from sales and redemptions of monetary receivables purchased	30,395	70,553
Purchases of assets held in trust	(4,300)	—
Proceeds from decrease in assets held in trust	0	952
Purchases of securities	(3,823,547)	(5,567,280)
Proceeds from sales and redemptions of securities	3,270,657	4,043,518
Disbursements for loans	(740,558)	(718,635)
Proceeds from collections of loans	855,201	707,137
Others, net	(478,929)	788,324
① Total of investing activities	(895,280)	(675,428)
[I + II①]	(42,011)	(88,063)
Purchases of tangible fixed assets	(19,501)	(23,895)
Proceeds from sales of tangible fixed assets	41,055	36,234
Others, net	(23,690)	(17,519)
Net cash used in investing activities	(897,416)	(680,608)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	74,600	183,230
Repayments of debt	(73,024)	(223,694)
Proceeds from issuance of corporate bonds	188,064	180,000
Proceeds from issuance of foundation funds	50,000	—
Redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(1,198)	(1,698)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	—	58,198
Others, net	(1,909)	6,363
Net cash provided by financing activities	186,532	152,398
IV. Effect of exchange rate changes on cash and cash equivalents	(2,854)	(8,017)
V. Net increase in cash and cash equivalents	139,530	227,264
VI. Cash and cash equivalents at the beginning of the year	1,541,468	1,410,595
VII. Cash and cash equivalents at the end of the period	1,680,999	1,637,860

Note to the Consolidated Statement of Cash Flows for the Six Months Ended September 30, 2017

1. Cash and cash equivalents

Cash and cash equivalents, for the purpose of reporting consolidated 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, which are readily convertible into cash and present insignificant risk of change in value.

(7) Consolidated Statements of Changes in Net Assets

Six months ended September 30, 2016

(Million Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	200,000	1,100,000	651	630,790	1,931,441
Cumulative effect of change in accounting policies				1,880	1,880
Beginning balance after reflecting accounting policy changes	200,000	1,100,000	651	632,671	1,933,322
Increase/decrease:					
Additions to reserve for dividends to policyholders (mutual company)				(229,857)	(229,857)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(1,698)	(1,698)
Net surplus attributable to the parent company				118,449	118,449
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				(5,509)	(5,509)
Change in the parent's ownership interest due to transactions with noncontrolling interests				(2,580)	(2,580)
Net change, excluding foundation funds and others					
Net change	(50,000)	50,000	—	(171,196)	(171,196)
Ending balance	150,000	1,150,000	651	461,475	1,762,126

(7) Consolidated Statements of Changes in Net Assets (Continued)

Six months ended September 30, 2016

(Million Yen)

	Accumulated other comprehensive income						Noncontrolling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	4,721,039	(123,921)	(86,202)	24,893	(29,637)	4,506,171	16,440	6,454,053
Cumulative effect of change in accounting policies							0	1,881
Beginning balance after reflecting accounting policy changes	4,721,039	(123,921)	(86,202)	24,893	(29,637)	4,506,171	16,441	6,455,935
Increase/decrease:								
Additions to reserve for dividends to policyholders (mutual company)								(229,857)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(1,698)
Net surplus attributable to the parent company								118,449
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								(5,509)
Change in the parent's ownership interest due to transactions with noncontrolling interests								(2,580)
Net change, excluding foundation funds and others	(597,480)	116,331	5,509	(41,010)	3,335	(513,314)	81,657	(431,657)
Net change	(597,480)	116,331	5,509	(41,010)	3,335	(513,314)	81,657	(602,853)
Ending balance	4,123,559	(7,589)	(80,692)	(16,117)	(26,301)	3,992,856	98,098	5,853,081

(7) Consolidated Statements of Changes in Net Assets (Continued)

Six months ended September 30, 2017

(Million Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	150,000	1,150,000	651	622,388	1,923,039
Increase/decrease:					
Issuance of foundation funds	50,000				50,000
Additions to reserve for dividends to policyholders (mutual company)				(184,086)	(184,086)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(1,198)	(1,198)
Net surplus attributable to the parent company				118,514	118,514
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				2,931	2,931
Net change, excluding foundation funds and others					
Net change	—	50,000	—	(113,838)	(63,838)
Ending balance	150,000	1,200,000	651	508,549	1,859,200

(7) Consolidated Statements of Changes in Net Assets (Continued)

Six months ended September 30, 2017

(Million Yen)

	Accumulated other comprehensive income						Noncontrolling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	4,588,092	(65,262)	(58,084)	30,549	(24,556)	4,470,738	135,203	6,528,981
Increase/decrease:								
Issuance of foundation funds								50,000
Additions to reserve for dividends to policyholders (mutual company)								(184,086)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(1,198)
Net surplus attributable to the parent company								118,514
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								2,931
Net change, excluding foundation funds and others	570,103	(47,162)	(2,931)	(2,577)	3,304	520,736	7,204	527,940
Net change	570,103	(47,162)	(2,931)	(2,577)	3,304	520,736	7,204	464,101
Ending balance	5,158,195	(112,425)	(61,015)	27,971	(21,252)	4,991,474	142,408	6,993,083

(8) Consolidated Solvency Margin Ratio

(Million Yen)

	As of September 30, 2017	As of March 31, 2017
Solvency margin gross amount (A):	14,120,343	13,078,231
Foundation funds (<i>kikin</i>) and other reserve funds:	5,106,712	4,778,735
Foundation funds and others	1,957,852	1,838,692
Reserve for price fluctuations in investments in securities	1,249,572	1,135,765
Contingency reserve	1,638,738	1,544,254
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	2,611	2,624
Others	257,937	257,398
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	6,286,298	5,644,495
Net unrealized gains on real estate × 85%	215,043	217,473
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(29,481)	(34,071)
Excess of continued Zillmerized reserve	1,548,162	1,565,220
Qualifying subordinated debt	1,208,889	1,020,825
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(200,711)	(190,878)
Others	(14,569)	76,431
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$	2,987,317	2,800,770
Underwriting risk (R_1)	165,920	165,787
General underwriting risk (R_5)	—	—
Huge disaster risk (R_6)	—	—
Underwriting risk of third-sector insurance (R_8)	89,276	88,743
Underwriting risk related to small amount and short-term insurance providers (R_9)	—	—
Anticipated yield risk (R_2)	443,556	444,139
Minimum guarantee risk (R_7)	11,901	13,765
Investment risk (R_3)	2,457,341	2,271,347
Business management risk (R_4)	63,359	59,675
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	945.3%	933.9%

- Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and the Financial Services Agency Public Notice No.23 of 2011.
2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

(9) Segment Information

For the six months ended September 30, 2017, the Company and its consolidated subsidiaries engaged in insurance business and insurance-related businesses (including asset management-related business and general administration-related business) in Japan and overseas. Segment information and its related information are omitted because there are no other significant segments to report.