
Financial Results for the Six Months Ended September 30, 2015

Nippon Life Insurance Company (the “Company”; President: Yoshinobu Tsutsui) announces financial results for the six months ended September 30, 2015.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2015

1. Business Highlights

(1) Amount of Policies in Force and New Policies

• Policies in Force

	As of September 30, 2015				As of March 31, 2015	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2015 (%)	(100 million yen)	As a percentage of March 31, 2015 (%)		
Individual insurance	21,886	106.1	1,453,938	99.1	20,635	1,466,493
Individual annuities	3,472	100.7	216,296	100.8	3,448	214,561
Group insurance	—	—	927,856	100.2	—	925,954
Group annuities	—	—	121,319	103.9	—	116,806

Notes: 1. The amount of individual annuities is the total of (a) annuity resources at the start of annuity payments for policies bound prior to the start of annuity payments and (b) policy reserves for policies bound 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, 2015						Six months ended September 30, 2014			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of six months ended September 30, 2014 (%)	(100 million yen)	As a percentage of six months ended September 30, 2014 (%)	New policies	Net (decrease) increase by conversion		(100 million yen)	New policies	Net (decrease) increase by conversion
Individual insurance	2,192	101.2	43,257	128.5	44,243	(986)	2,167	33,657	37,094	(3,436)
Individual annuities	97	94.4	6,231	88.4	6,137	93	102	7,046	6,947	99
Group insurance	—	—	1,318	25.9	1,318		—	5,093	5,093	
Group annuities	—	—	7	1.7	7		—	438	438	

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, 2015		As of March 31, 2015
		As a percentage of March 31, 2015	
Individual insurance	24,827	101.0	24,591
Individual annuities	8,668	100.4	8,632
Total	33,496	100.8	33,224
Medical coverages, living benefits, and others	6,055	100.9	6,002

• New Policies

(100 Million Yen, %)

	Six months ended September 30, 2015		Six months ended September 30, 2014
		As a percentage of six months ended September 30, 2014	
Individual insurance	1,131	112.4	1,006
Individual annuities	235	91.6	257
Total	1,367	108.1	1,264
Medical coverages, living benefits, and others	242	124.6	194

Notes: 1. The amount of annualized net premium is the annual premium amount calculated by multiplying factors according to the premium payment method to a single premium payment amount (for lump-sum payment, 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, 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, 2015		Six months ended September 30, 2014
		As a percentage of six months ended September 30, 2014	
Revenues from insurance and reinsurance	28,961	117.3	24,682
Investment income	7,940	86.9	9,142
Benefits and other payments	18,569	101.8	18,244
Investment expenses	1,102	156.8	703
Ordinary profit	2,589	91.6	2,828

(4) Total Assets

(100 Million Yen, %)

	As of September 30, 2015		As of March 31, 2015
		As a percentage of March 31, 2015	
Total assets	620,493	99.6	622,830

2. Overview of General Accounts Asset Management for the Six Months Ended September 30, 2015

(1) Investment Environment

In the six months ended September 30, 2015, the Japanese economy initially saw steady signs of a gradual pickup in employment and income conditions. From summer onward, however, the economy gradually declined due to concerns about the Chinese economy decelerating in the wake of the devaluation of the Chinese yuan and the resulting drop in exports.

- The Nikkei Stock Average started the fiscal year at ¥19,206. Thereafter, the index rose on the back of expectations for capital inflows associated with public pension investment reforms in Japan, as well as the further depreciation of the yen, improving corporate earnings and governance reforms, among other factors. From mid-August, the index declined sharply in line with concerns about the Chinese economy decelerating in the wake of the devaluation of the Chinese yuan and a deterioration in investor sentiment fueled by these concerns. The index finished at ¥17,388 at the end of September.
- The yield rate on 10-year government bonds started the fiscal year at 0.40%. It then declined through to the end of April under the continuing impact of monetary easing. In May, the rate began moving upward again, driven by a sense of caution over interest rate rises in the U.S. and Germany. However, the rate declined from mid-August due to concerns over the deceleration of the Chinese economy and a decline in expectations for an early interest rate hike by the Federal Reserve Board, finishing at 0.35% at the end of September.

The yen-U.S. dollar exchange rate started the fiscal year at the ¥120 level and continued to move in a narrow range. However, the U.S. dollar began to appreciate on growing expectations for an early interest rate hike by the Federal Reserve Board. From mid-August onward, the U.S. dollar depreciated due to concerns over the deceleration of the Chinese economy and a decline in expectations for an early interest rate hike by the Federal Reserve Board, finishing at the ¥119 level at the end of September.

The yen-euro exchange rate started the fiscal year at the ¥130 level. Subsequently, the euro was bought following an interest rate hike in Germany, but was partially sold back due to a sense of caution over the situation in Greece. At the start of August, the euro was being sold against the yen, finishing at the ¥134 level at the end of September.

(2) Investment Policy

Based on the Company's Asset Liability Management (ALM) 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 ¥794.0 billion, down from ¥850.2 billion in the six months ended September 30, 2014. The decrease mainly reflected a decline in gain on sales of securities, primarily domestic stocks.

Investment expenses amounted to ¥73.3 billion, up from ¥70.3 billion in the six months ended September 30, 2014. This increase mainly reflected an increase in loss on redemptions of securities.

As a result, the Company's net investment income balance decreased by ¥59.2 billion, compared to the same period of the previous fiscal year, to ¥720.6 billion.

3. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of September 30, 2015		As of March 31, 2015	
	Amount	%	Amount	%
Cash, deposits, and call loans	15,413	2.5	10,047	1.6
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	4,652	0.8	4,987	0.8
Proprietary trading securities	—	—	—	—
Assets held in trust	—	—	—	—
Investments in securities:	479,610	79.1	488,339	79.8
Domestic bonds	225,464	37.2	226,544	37.0
Domestic stocks	83,789	13.8	90,752	14.8
Foreign securities:	159,321	26.3	161,449	26.4
Foreign bonds	122,980	20.3	120,772	19.7
Foreign stocks and other securities	36,341	6.0	40,676	6.6
Other securities	11,034	1.8	9,593	1.6
Loans:	82,806	13.7	83,576	13.7
Policy loans	7,183	1.2	7,365	1.2
Industrial and consumer loans	75,622	12.5	76,210	12.5
Real estate:	16,921	2.8	16,965	2.8
Investment property	10,819	1.8	10,799	1.8
Deferred tax assets	—	—	—	—
Other assets	6,906	1.1	7,844	1.3
Allowance for doubtful accounts	(45)	(0.0)	(65)	(0.0)
Total assets (general account):	606,265	100.0	611,694	100.0
Foreign currency-denominated assets	139,786	23.1	139,787	22.9

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 (¥485.3 billion and ¥529.9 billion as of September 30, 2015, and March 31, 2015, respectively).

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

(2) Increases/Decreases in Assets

(100 Million Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2014
Cash, deposits, and call loans	5,366	219
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	(1,299)
Monetary receivables purchased	(335)	(460)
Proprietary trading securities	—	—
Assets held in trust	—	—
Investments in securities:	(8,729)	21,886
Domestic bonds	(1,080)	3,994
Domestic stocks	(6,963)	3,090
Foreign securities:	(2,127)	12,814
Foreign bonds	2,207	11,137
Foreign stocks and other securities	(4,334)	1,677
Other securities	1,440	1,987
Loans:	(769)	(1,634)
Policy loans	(181)	(233)
Industrial and consumer loans	(588)	(1,400)
Real estate:	(44)	92
Investment property	19	141
Deferred tax assets	—	—
Other assets	(937)	678
Allowance for doubtful accounts	20	1
Total assets (general account):	(5,429)	19,485
Foreign currency-denominated assets	(0)	13,063

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

¥(44.5 billion) and ¥(212.1 billion) for the six months ended September 30, 2015, and September 30, 2014, respectively.

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

(3) Investment Income

(100 Million Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2014
Interest, dividends, and other income:	7,410	6,653
Interest on deposits and savings	1	1
Interest on securities and dividends	6,142	5,361
Interest on loans	776	820
Real estate rental income	427	400
Other income	61	69
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	0
Gain on trading securities	—	—
Gain on sales of securities:	458	1,803
Gain on sales of domestic bonds, including national government bonds	68	64
Gain on sales of domestic stocks and other securities	372	1,703
Gain on sales of foreign securities	16	35
Other gains	—	—
Gain on redemptions of securities	69	40
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	—	—
Reversal of allowance for doubtful accounts	0	2
Other investment income	2	2
Total	7,940	8,502

(4) Investment Expenses

(100 Million Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2014
Interest expenses	68	36
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	—
Loss on trading securities	—	—
Loss on sales of securities:	15	106
Loss on sales of domestic bonds, including national government bonds	6	0
Loss on sales of domestic stocks and other securities	0	79
Loss on sales of foreign securities	8	27
Other losses	0	—
Loss on valuation of securities:	36	9
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	31	1
Loss on valuation of foreign securities	4	8
Other losses	—	—
Loss on redemptions of securities	148	90
Loss on derivative financial instruments, net	254	285
Foreign exchange losses, net	28	4
Provision for allowance for doubtful accounts	—	—
Write-offs of loans	0	—
Depreciation of rental real estate and other assets	77	75
Other investment expenses	104	94
Total	733	703

(5) Net Valuation Gains/Losses on Trading Securities

No net valuation gains/losses as of September 30, 2015, or March 31, 2015.

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

(100 Million Yen)

		As of September 30, 2015					As of March 31, 2015				
		Book value	Fair value	Net gains/losses			Book value	Fair value	Net gains/losses		
					Gains	Losses				Gains	Losses
	Policy-reserve-matching bonds	204,223	230,046	25,823	25,825	(2)	206,738	232,924	26,185	26,189	(4)
	Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
	Investments in subsidiaries and affiliates	77	350	273	273	—	77	374	297	297	—
	Available-for-sale securities:	200,113	270,606	70,493	71,384	(891)	193,376	277,227	83,850	84,192	(342)
	Domestic bonds	24,618	26,134	1,516	1,517	(1)	23,553	25,123	1,569	1,577	(8)
	Domestic stocks	39,752	82,343	42,590	42,982	(392)	39,445	89,364	49,919	50,152	(233)
	Foreign securities:	122,875	148,280	25,404	25,853	(449)	118,896	150,095	31,198	31,295	(96)
	Foreign bonds	102,759	122,262	19,502	19,725	(222)	97,520	120,054	22,534	22,550	(16)
	Foreign stocks and other securities	20,116	26,018	5,901	6,128	(226)	21,376	30,041	8,664	8,744	(79)
	Other securities	9,689	10,671	982	1,030	(48)	8,062	9,224	1,162	1,167	(4)
	Monetary receivables purchased	477	477	0	0	(0)	388	388	0	0	(0)
	Negotiable certificates of deposit	2,700	2,699	(0)	0	(0)	3,030	3,029	(0)	0	(0)
Total		404,413	501,003	96,589	97,483	(893)	400,192	510,526	110,333	110,680	(347)
	Domestic bonds	223,948	250,910	26,962	26,965	(2)	224,975	252,330	27,354	27,366	(11)
	Domestic stocks	39,752	82,343	42,590	42,982	(392)	39,445	89,364	49,919	50,152	(233)
	Foreign securities:	123,671	149,384	25,713	26,162	(449)	119,692	151,229	31,537	31,633	(96)
	Foreign bonds	103,477	123,016	19,539	19,761	(222)	98,238	120,813	22,574	22,591	(16)
	Foreign stocks and other securities	20,193	26,368	6,174	6,401	(226)	21,453	30,415	8,962	9,041	(79)
	Other securities	9,689	10,671	982	1,030	(48)	8,062	9,224	1,162	1,167	(4)
	Monetary receivables purchased	4,652	4,993	341	341	(0)	4,987	5,347	359	360	(0)
	Negotiable certificates of deposit	2,700	2,699	(0)	0	(0)	3,030	3,029	(0)	0	(0)

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

[Book Value of Securities without Fair Value]

(100 Million Yen)

	As of September 30, 2015	As of March 31, 2015
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	3,021	2,928
Available-for-sale securities:	8,638	8,997
Unlisted domestic stocks (excluding over-the-counter stocks)	1,057	1,010
Unlisted foreign stocks (excluding over-the-counter stocks)	5,274	5,874
Unlisted foreign bonds	—	—
Others	2,306	2,113
Total	11,660	11,926

Note: Of securities without fair value, the net gains (losses) on currency valuation of assets denominated in foreign currencies were as follows:
¥71.2 billion and ¥82.1 billion as of September 30, 2015, and March 31, 2015, respectively.

(7) Fair Value Information of Assets Held in Trust

No ending balance as of September 30, 2015, or March 31, 2015.

- Assets Held in Trust for Investment

No ending balance as of September 30, 2015, or March 31, 2015.

- Assets Held in Trust Classified as Policy-reserve-matching, Held-to-maturity, and Others

No ending balance as of September 30, 2015, or March 31, 2015.

4. Nonconsolidated Balance Sheets

(Million Yen)

	As of September 30, 2015	As of March 31, 2015
Assets:		
Cash and deposits	524,217	492,198
Call loans	1,121,300	572,600
Monetary receivables purchased	465,243	498,758
Investments in securities:	49,230,389	49,839,240
National government bonds	19,214,766	18,760,470
Local government bonds	1,391,312	1,441,843
Corporate bonds	2,617,209	2,783,481
Domestic stocks	8,580,845	9,311,147
Foreign securities	16,207,807	16,450,680
Loans:	8,280,623	8,357,620
Policy loans	718,382	736,564
Industrial and consumer loans	7,562,240	7,621,055
Tangible fixed assets	1,708,741	1,713,248
Intangible fixed assets	167,186	170,395
Reinsurance receivables	247	445
Other assets	520,942	606,397
Customers' liability for acceptances and guarantees	35,002	38,686
Allowance for doubtful accounts	(4,576)	(6,585)
Total assets	62,049,317	62,283,004
Liabilities:		
Policy reserves and other reserves:	51,624,752	50,436,716
Reserve for outstanding claims	192,728	197,929
Policy reserves	50,307,843	49,201,314
Reserve for dividends to policyholders	1,124,180	1,037,472
Reinsurance payables	262	523
Corporate bonds	474,590	399,590
Other liabilities:	1,355,061	1,451,427
Cash received as collateral under securities lending transactions	485,390	529,989
Income taxes payable	56,953	78,462
Lease obligations	5,322	5,512
Asset retirement obligations	2,116	1,966
Other liabilities	805,278	835,496
Accrued bonuses for directors and audit and supervisory board members	24	74
Accrued retirement benefits	363,534	365,302
Accrued retirement benefits for directors and audit and supervisory board members	4,193	4,274
Reserve for program points	13,155	13,171
Reserve for price fluctuations in investments in securities	880,267	778,723
Deferred tax liabilities	786,780	1,231,729
Deferred tax liabilities for land revaluation	115,213	115,440
Acceptances and guarantees	35,002	38,686
Total liabilities	55,652,839	54,835,660

4. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2015	As of March 31, 2015
Net assets:		
Foundation funds	200,000	200,000
Reserve for redemption of foundation funds	1,100,000	1,050,000
Reserve for revaluation	651	651
Surplus:	329,012	499,954
Legal reserve for deficiencies	15,163	14,208
Other surplus reserves:	313,849	485,746
Equalized reserve for dividends to policyholders	50,000	50,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	594	282
Reserve for reduction entry of real estate	50,187	45,882
Reserve for reduction entry of real estate to be purchased	—	34
Other reserves	170	170
Unappropriated surplus	140,980	317,459
Total foundation funds and others	1,629,663	1,750,605
Net unrealized gains on available-for-sale securities, net of tax	5,070,892	6,016,469
Deferred losses on derivatives under hedge accounting, net of tax	(215,283)	(231,060)
Land revaluation losses	(88,795)	(88,670)
Total valuations, conversions, and others	4,766,813	5,696,737
Total net assets	6,396,477	7,447,343
Total liabilities and net assets	62,049,317	62,283,004

Basis of Presenting the Nonconsolidated Balance Sheet as of September 30, 2015

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 of sales.
 - 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 excluding 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 valued 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 of sales 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 of sales is calculated by using the moving-average method).
 - b. Regarding securities of which the fair value is extremely difficult to be determined, and public and corporate bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are valued at cost using the moving-average method, net of accumulated amortization (straight-line). Other securities without readily determinable fair values are valued 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 sub-groups (classified by insurance type, remaining 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 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 from 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 from 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 from 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 Dept. 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 ¥2,169 million (including ¥145 million of credits secured and/or guaranteed) as of September 30, 2015.

7. Accrued bonuses for directors and audit and supervisory board members are recognized based on amounts estimated to be paid.

8. (1) Accrued retirement benefits are recognized in the amount of the deemed obligations on September 30, 2015, based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets for future severance payments to employees 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

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. Financial leases where ownership is not transferred are capitalized based on the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13).
13. Hedge accounting is applied based on the following method:
 - 1) The Company mainly applies fair value hedge accounting and deferred hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds denominated in foreign currencies. The Company also applies the exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps to hedge the cash flow volatility of certain loans and applies designated hedge accounting (“*Furiate-shori*”) for foreign exchange forward contracts and currency swaps for certain financial assets denominated in foreign currencies. The Company also applies designated hedge accounting (“*Furiate-shori*”) for currency swaps for the foreign currency-denominated subordinated corporate bonds issued by the Company. The Company applies deferred hedge accounting 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.
 - 2) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedging methods 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 that are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred as of September 30, 2015.
15. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy 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 a portion of the individual annuity policyholders.
 - 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, 2015, 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):	269,999	269,999	—
Available-for-sale securities	269,999	269,999	—
Monetary receivables purchased:	465,243	499,350	34,107
Policy-reserve-matching bonds	417,478	451,586	34,107
Available-for-sale securities	47,764	47,764	—
Securities:	48,024,849	50,600,384	2,575,535
Trading securities	1,269,385	1,269,385	—
Policy-reserve-matching bonds	20,004,866	22,553,091	2,548,224
Investments in subsidiaries and affiliates	7,711	35,021	27,310
Available-for-sale securities	26,742,885	26,742,885	—
Loans (*3):	8,277,280	8,575,011	297,731
Policy loans	718,224	718,224	—
Industrial and consumer loans	7,559,056	7,856,787	297,731
Derivative financial instruments (*4):	(299,991)	(299,991)	—
Hedge accounting not applied	812	812	—
Hedge accounting applied	(300,804)	(300,804)	—
Corporate bonds (*3,*5)	(474,590)	(474,183)	406
Cash received as collateral under securities lending transactions (*5)	(485,390)	(485,390)	—

(*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, 2015, 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 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 the 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, the book value is used as the fair value of the variable interest rate loans.

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

Loans from 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 uncollectable amount from the book value directly prior to the decrease.

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 stock options is measured by the price calculated by the Company based on volatility and other data obtained mainly from external information vendors.

c. Fair value of exchange contracts and currency options is measured based on theoretical values calculated by the Company using Telegraphic Transfer Middle rates (TTM) and discount rates obtained from financial institutions that are the counterparties in such transactions.

d. Fair value of interest rate swaps and currency swaps is measured based on theoretical present values calculated by discounting future cash flows using published market interest rates and other data.

4) Corporate bonds

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

5) 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 without fair value are not included in securities in table (1).

Balance sheet amounts by holding purpose were ¥302,188 million for stocks of subsidiaries and affiliates, and ¥903,352 million for available-for-sale securities as of September 30, 2015.

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

1) Trading securities

Investments in securities for separate accounts are classified as trading securities.

Valuation gains (losses) included in profit were gains of ¥78,148 million for securities related to separate accounts.

2) Held-to-maturity debt securities

No ending balance as of September 30, 2015.

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	415,604	449,760	34,156
	Domestic bonds	19,919,155	22,463,938	2,544,782
	Foreign securities	71,686	75,304	3,618
	Subtotal	20,406,446	22,989,004	2,582,557
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	1,874	1,825	(49)
	Domestic bonds	13,900	13,723	(176)
	Foreign securities	124	124	(0)
	Subtotal	15,899	15,673	(225)
Total		20,422,345	23,004,677	2,582,331

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)	65,000	65,000	0
	Monetary receivables purchased	1,000	1,020	20
	Domestic bonds	2,375,154	2,526,882	151,728
	Domestic stocks	3,527,822	7,826,076	4,298,254
	Foreign securities	11,062,663	13,648,022	2,585,358
	Other securities	670,592	773,681	103,088
	Subtotal	17,702,232	24,840,682	7,138,449
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	205,000	204,999	(0)
	Monetary receivables purchased	46,747	46,744	(3)
	Domestic bonds	86,647	86,531	(116)
	Domestic stocks	447,466	408,242	(39,223)
	Foreign securities	1,224,918	1,180,012	(44,906)
	Other securities	298,314	293,437	(4,877)
	Subtotal	2,309,094	2,219,967	(89,127)
Total		20,011,327	27,060,649	7,049,322

* Securities totaling ¥903,352 million whose fair value is extremely difficult to determine are not included.

¥3,380 million in impairment losses was recognized for securities with a fair value during the six months ended September 30, 2015.

Regarding stocks (including foreign stocks) with fair value, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition price based on the average fair value in the month preceding the balance sheet date, in principle. However, in the case of a security that meets certain criteria, such as a security for which the fair value declines substantially and the decline in the fair value in the month preceding the balance sheet date is substantial, impairment losses are recognized based on the fair value on the balance sheet date.

The criteria by which the fair value of a stock is deemed to have declined significantly is as follows:

- a. A security for which the ratio of the average fair value in the month preceding the balance sheet date to the acquisition cost is 50% or less.
- b. A security that meets both of the following criteria:
 1. Average fair value in the month preceding the balance sheet date is between 50% and 70% of its acquisition cost.

2. The historical fair value, the business conditions of the issuing company, and other aspects are subject to certain requirements.

18. As of September 30, 2015, 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 ¥38,309 million as of September 30, 2015.

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥2,077 million and ¥31,745 million, respectively, as of September 30, 2015.

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 and interest payments are overdue for a significant period of time or for other reasons.

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.

2) There were no loans that were delinquent for over three months as of September 30, 2015.

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 ¥4,486 million as of September 30, 2015.

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 that are delinquent for over three months.

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥1,951 million and ¥217 million, respectively, as of September 30, 2015.

20. The amount of accumulated depreciation of tangible fixed assets was ¥1,159,157 million as of September 30, 2015.

21. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,422,812 million as of September 30, 2015, and a corresponding liability was recorded in the same amount.

22. Changes in the reserve for dividends to policyholders included in policy reserves for the six months ended September 30, 2015, were as follows:

	Million Yen
	Six months ended September 30, 2015
a. Balance at the beginning of the current fiscal year	¥1,037,472
b. Transfer to reserve from surplus in the previous fiscal year	¥257,299
c. Dividends to policyholders paid out in the current six-month period	¥182,177
d. Increase in interest	¥11,585
e. Balance at the end of the current six-month period (a+b-c+d)	¥1,124,180

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

The subordinated corporate bonds issued in October 2012 are callable on each interest payment date on or after October 2022, and the subordinated corporate bonds issued in October 2014 and April 2015 are callable on the tenth anniversary date after the issue date, and on each fifth anniversary date thereafter at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

24. Assets pledged as collateral in the form of securities, land, and buildings as of September 30, 2015, were ¥1,222,866 million, ¥252 million, and ¥52 million, respectively. The total amount of loans covered by the aforementioned assets as of September 30, 2015, was ¥485,443 million.

These amounts included ¥475,488 million of securities deposited and ¥485,434 million of cash received as collateral under the securities lending transactions secured by cash as of September 30, 2015.

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, 2015.

26. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act as of September 30, 2015.

27. The total amount of stocks and investments in subsidiaries and affiliates was ¥309,899 million as of September 30, 2015.

Matters concerning the acquisition of the subsidiaries and affiliates that were decided or agreed subsequently to the end of the six months ended September 30, 2015, are as follows:

(1) Mitsui Life Insurance Company Limited

The Company resolved at a Board of Directors' meeting held on November 4, 2015, to conduct a tender offer (the "Tender Offer") for all of the outstanding ordinary shares, class A shares and class B shares of Mitsui Life Insurance Company Limited ("Mitsui Life"), excluding treasury shares owned by Mitsui Life (collectively referred to as the "Shares").

1) Purpose of acquiring the Shares

On November 6, 2015, the Company and Mitsui Life signed a management integration agreement relating to the management integration of both companies (the "Transaction") and the policy for the Transaction. As part of the Transaction, the Company will conduct the Tender Offer. The purpose of the Transaction is as follows:

- a. Further strengthen and develop the Company's competitive sales representative channels through mutual cooperation.
- b. In order to meet diversified customer needs in a flexible manner, establish channels and foundations through mutual cooperation, which allow to provide appropriate products through the bancassurance and agency areas, on the premise that adequate underwriting systems are established and maintained.
- c. In addition to a. and b. above, mutually cooperate, share knowledge, and leverage synergies to grow as a group.

2) Overview of Mitsui Life

- a. Company name Mitsui Life Insurance Company
- b. Business Life insurance business
- c. Location Chiyoda-ku, Tokyo
- d. Revenues from insurance and reinsurance ¥545.1 billion (Fiscal year ended March 31, 2015)
- e. Total assets ¥7,433.6 billion (As of March 31, 2015)

3) Period of the Tender Offer

The planned period is from November 9, 2015, to December 21, 2015 (30 business days).

4) Acquisition cost

The acquisition cost of the Shares is expected to be approximately ¥334.5 billion, and will be funded by the Company's cash on hand.

5) Ownership ratio after the acquisition

If the Tender Offer is successful, based on the result of the Tender Offer, the Company plans to implement procedures to acquire all of the Shares and make Mitsui Life a wholly-owned subsidiary.

After Mitsui Life becomes a wholly-owned subsidiary of the Company, the Company plans to transfer around 17% of Mitsui Life's ordinary shares to Mitsui group companies for the purpose of preserving and developing business relationships between Mitsui Life and Mitsui group companies.

6) Other

The acquisition of Mitsui Life ordinary shares through the Tender Offer requires approvals of the Commissioner of the Financial Services Agency pursuant to Article 271-10, Paragraph 1 and Article 106, Paragraph 7 of the Insurance Business Act.

(2) MLC Limited

On October 27, 2015, the Company entered an agreement with National Australia Bank ("NAB") to commence procedures for acquiring 80% of the shares of the life insurance business of MLC Limited ("MLC"), a subsidiary of NAB.

1) Purpose of acquiring the shares

The Australian life insurance market is forecast to realize high rates of growth over the long term. By entering this market, the Company aims to sustainably expand policyholders' benefits through enhancing steady and sustainable operating profit bases of overseas insurance businesses.

2) Overview of MLC

a. Company name MLC Limited

b. Business Life insurance business (*)

(*) MLC is currently conducting investment-related business in addition to life insurance business.

The Company plans to acquire shares of the company specialized in life insurance business where the investment-related business is to be carved out from current MLC.

c. Location Sydney, Australia

d. Premium revenue A\$1,780 million (approximately ¥151.0 billion)
(Fiscal year ended September 30, 2015)

3) Timing of the share acquisition

The share acquisition is anticipated to close between September 2016 to December 2016.

4) Acquisition cost

The acquisition cost of the shares is expected to be approximately A\$2,400 million (approximately ¥204.0 billion), and will be funded by the Company's cash on hand.

5) Ownership ratio after the acquisition

80%

6) Other

The acquisition is subject to approval of the regulatory authorities in Japan and Australia.

* Yen denominated amounts in parentheses are calculated at an exchange rate of A\$1 = ¥85.

(3) Reliance Capital Asset Management Limited

On October 13, 2015, the Company reached an agreement with Reliance Capital Limited, the parent company of Reliance Capital Asset Management Limited ("Reliance Asset") for additionally acquiring up to 14% of the shares of Reliance Asset (currently 35% of shares were owned by the Company).

With this additional acquirement, Reliance Asset will be renamed Reliance Nippon Life Asset Management Limited.

28. The amount of securities lent under lending agreements was ¥2,640,283 million as of September 30, 2015.
29. Assets that can be sold or resecured are marketable securities lent under lending agreements. These assets were being held without disposal totaling ¥100,031 million at fair value as of September 30, 2015.
30. The amount of commitments related to loans and loans outstanding was ¥191,925 million as of September 30, 2015.
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 is estimated to be ¥85,754 million as of September 30, 2015.
The amount contributed to the aforementioned corporation is 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 deferred tax liabilities 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 land listed value 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 ¥190 million as of September 30, 2015.

5. Nonconsolidated Statements of Income

(Million Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2014
Ordinary income:	3,763,142	3,472,850
Revenues from insurance and reinsurance:	2,896,127	2,468,210
Insurance premiums	2,895,866	2,467,980
Investment income:	794,051	914,231
Interest, dividends, and other income	741,021	665,392
Gain from assets held in trust, net	—	2
Gain on sales of securities	45,803	180,353
Gain from separate accounts, net	—	64,004
Other ordinary income	72,964	90,407
Ordinary expenses:	3,504,159	3,189,993
Benefits and other payments:	1,856,972	1,824,446
Death and other claims	480,629	518,294
Annuity payments	382,417	398,977
Health and other benefits	350,118	364,549
Surrender benefits	451,661	392,809
Other refunds	191,729	149,437
Provision for policy reserves:	1,118,114	865,145
Provision for policy reserves	1,106,528	853,224
Provision for interest on reserve for dividends to policyholders	11,585	11,920
Investment expenses:	110,250	70,324
Interest expenses	6,829	3,621
Loss on sales of securities	1,514	10,655
Loss on valuation of securities	3,636	997
Loss on derivative financial instruments, net	25,426	28,519
Loss from separate accounts, net	36,872	—
Operating expenses	283,864	282,434
Other ordinary expenses	134,957	147,641
Ordinary profit	258,983	282,857
Extraordinary gains:	116	336
Gain on disposals of fixed assets	116	336
Extraordinary losses:	108,274	127,103
Loss on disposals of fixed assets	2,903	990
Impairment losses	1,138	4,841
Provision for reserve for price fluctuations in investments in securities	101,544	118,584
Contributions for assisting social public welfare	2,688	2,688
Surplus before income taxes	150,824	156,089
Income taxes - current	74,834	96,330
Income taxes - deferred	(62,176)	(85,291)
Total income taxes	12,657	11,038
Net surplus	138,167	145,051

Notes to the Nonconsolidated Statement of Income for the Six Months Ended September 30, 2015

1. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥6,860 million, ¥37,243 million, and ¥1,699 million, respectively, for the six months ended September 30, 2015.
2. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥609 million, ¥54 million, and ¥841 million, respectively, for the six months ended September 30, 2015.
3. Loss on valuation of securities includes losses on the valuation of domestic stocks and foreign securities of ¥3,140 million and ¥495 million, respectively, for the six months ended September 30, 2015.
4. Reversal of policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥2 million for the six months ended September 30, 2015.
5. Breakdown of interest, dividends, and other income for the six months ended September 30, 2015, is as follows:

	Million Yen
	Six months ended
	September 30, 2015
Interest on deposits and savings	¥133
Interest on securities and dividends	¥614,289
Interest on loans	¥77,657
Real estate rental income	¥42,754
Other income	¥6,185
Total	¥741,021

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.

- 3) Breakdown of asset groups that recognized impairment losses for the six months ended September 30, 2015, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Leased property	¥131	¥339	¥470
Idle property	¥562	¥105	¥667
Total	¥693	¥444	¥1,138

- 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 4.0%. 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, 2014

(Million Yen)

	Foundation funds and others												
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Surplus								Total foundation funds and others
					Other surplus reserves							Total surplus	
					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	250,000	1,000,000	651	13,270	—	71,917	259	42,693	33	170	311,679	440,022	1,690,674
Increase/decrease:													
Additions to reserve for dividends to policyholders											(201,765)	(201,765)	(201,765)
Additions to reserve for legal reserve for deficiencies				938							(938)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(2,785)	(2,785)	(2,785)
Net surplus											145,051	145,051	145,051
Redemption of foundation funds	(50,000)												(50,000)
Additions to equalized reserve for dividends to policyholders					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								3,866			(3,866)	—	—
Reversal of reserve for reduction entry of real estate								(677)			677	—	—
Additions to reserve for reduction entry of real estate to be purchased									1		(1)	—	—
Reversal of land revaluation losses											(16)	(16)	(16)
Net change, excluding foundation funds and others													
Net change	(50,000)	50,000	—	938	50,000	—	312	3,189	1	—	(163,956)	(109,515)	(109,515)
Ending balance	200,000	1,050,000	651	14,208	50,000	71,917	571	45,882	34	170	147,723	330,507	1,581,158

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

Six months ended September 30, 2014

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	3,256,652	(134,156)	(85,561)	3,036,934	4,727,608
Increase/decrease:					
Additions to reserve for dividends to policyholders					(201,765)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(2,785)
Net surplus					145,051
Redemption of foundation funds					(50,000)
Additions to 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 land revaluation losses					(16)
Net change, excluding foundation funds and others	865,844	(32,988)	16	832,872	832,872
Net change	865,844	(32,988)	16	832,872	723,356
Ending balance	4,122,496	(167,144)	(85,545)	3,869,806	5,450,965

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

Six months ended September 30, 2015

(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	200,000	1,050,000	651	14,208	50,000	71,917	282	45,882	34	170	317,459	499,954	1,750,605
Increase/decrease:													
Issuance of foundation funds	50,000												50,000
Additions to reserve for dividends to policyholders											(257,299)	(257,299)	(257,299)
Additions to legal reserve for deficiencies				955							(955)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(1,935)	(1,935)	(1,935)
Net surplus											138,167	138,167	138,167
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								4,906			(4,906)	—	—
Reversal of reserve for reduction entry of real estate								(601)			601	—	—
Reversal of reserve for reduction entry of real estate to be purchased									(34)		34	—	—
Reversal of land revaluation losses											125	125	125
Net change, excluding foundation funds and others													
Net change	—	50,000	—	955	—	—	312	4,304	(34)	—	(176,479)	(170,941)	(120,941)
Ending balance	200,000	1,100,000	651	15,163	50,000	71,917	594	50,187	—	170	140,980	329,012	1,629,663

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

Six months ended September 30, 2015

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	6,016,469	(231,060)	(88,670)	5,696,737	7,447,343
Increase/decrease:					
Issuance of foundation funds					50,000
Additions to reserve for dividends to policyholders					(257,299)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(1,935)
Net surplus					138,167
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					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					125
Net change, excluding foundation funds and others	(945,576)	15,777	(125)	(929,924)	(929,924)
Net change	(945,576)	15,777	(125)	(929,924)	(1,050,866)
Ending balance	5,070,892	(215,283)	(88,795)	4,766,813	6,396,477

7. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2014
Core operating profit (A)	393,319	322,114
Capital gains:	46,316	180,356
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	2
Gain on trading securities	—	—
Gain on sales of securities	45,803	180,353
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	—	—
Other capital gains	512	—
Capital losses:	33,473	40,652
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	—
Loss on trading securities	—	—
Loss on sales of securities	1,514	10,655
Loss on valuation of securities	3,636	997
Loss on derivative financial instruments, net	25,426	28,519
Foreign exchange losses, net	2,896	480
Other capital losses	—	—
Net capital gains (B)	12,842	139,703
Core operating profit including net capital gains (A+B)	406,162	461,817
Nonrecurring gains:	133	—
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	133	—
Other nonrecurring gains	—	—
Nonrecurring losses:	147,312	178,960
Reinsurance premiums	—	—
Provision for contingency reserve	147,291	178,138
Provision for specific allowance for doubtful accounts	—	822
Provision for allowance for specific overseas debts	—	—
Write-offs of loans	21	—
Other nonrecurring losses	—	—
Net nonrecurring losses (C)	(147,178)	(178,960)
Ordinary profit (A+B+C)	258,983	282,857

Note: During the six months ended September 30, 2015, the Company recorded the amount of foreign exchange gains and losses related to foreign currency-denominated insurance products as ¥(512) million in core operating profit and ¥512 million in other capital gains.

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

(Million Yen, %)

	As of September 30, 2015	As of March 31, 2015
Bankrupt and quasi-bankrupt loans	12,473	10,598
Doubtful loans	21,377	23,610
Substandard loans	4,486	4,107
Subtotal	38,337	38,316
[Percent of total, %]	[0.35]	[0.35]
Normal loans	10,951,651	11,000,199
Total	10,989,988	11,038,516

- 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, 2015, and March 31, 2015, were ¥2,169 million and ¥501 million, respectively.

9. Status of Risk-Monitored Loans

(Million Yen, %)

	As of September 30, 2015	As of March 31, 2015
Loans to bankrupt borrowers	2,077	2,179
Delinquent loans	31,745	32,009
Loans that are delinquent for over three months	—	—
Restructured loans	4,486	4,107
Total	38,309	38,297
[Percent of total loans, %]	[0.46]	[0.46]

- Notes:
1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), the estimated uncollectible amount (calculated by subtracting estimated collectable 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 ¥1,951 million and ¥217 million, respectively, as of September 30, 2015, and ¥277 million and ¥224 million, respectively, as of March 31, 2015.

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, 2015	Year ended March 31, 2015	Change
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	2,554	2,507	47
(B) Specific allowance for doubtful accounts	2,021	4,078	(2,057)
(C) Allowance for specific overseas debts	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	4,190	4,580	(389)
(B) Reversal	4,324	3,567	756
[excluding reversals with write-offs]			
(C) Net provision	(133)	1,012	(1,146)
(3) Allowance for specific overseas debts			
(A) Number of debtor countries	—	—	—
(B) Amounts of credit	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-offs of loans	21	0	20

(Reference)

Status of Borrower Classification

(100 Million Yen, %)

	As of September 30, 2015		As of March 31, 2015	
	Money available	Percentage of whole	Money available	Percentage of whole
Loan balances	82,806	100.0	83,576	100.0
(After direct write-offs of category IV)				
Noncategorized	82,159	99.2	82,911	99.2
Category II	634	0.8	631	0.8
Category III	12	0.0	33	0.0
Category IV	—	—	—	—

- Notes: 1. Specific allowances for doubtful accounts of Category III were as follows:
¥0.9 billion and ¥2.9 billion as of September 30, 2015, and March 31, 2015, respectively.
2. The amounts of direct write-offs of Category IV were as follows:
¥2.1 billion and ¥0.5 billion as of September 30, 2015, and March 31, 2015, respectively.

11. Solvency Margin Ratio

(Million Yen)

	As of September 30, 2015	As of March 31, 2015
Solvency margin gross amount (A):	12,515,520	13,421,043
Foundation funds (<i>kikin</i>) and other reserve funds:	4,193,707	3,806,532
Foundation funds and others	1,629,663	1,491,371
Reserve for price fluctuations in investments in securities	880,267	778,723
Contingency reserve	1,397,539	1,250,248
General allowance for doubtful accounts	2,554	2,507
Others	283,681	283,681
Net unrealized gains on available-for-sale securities × 90%	6,379,970	7,581,433
Net unrealized gains on real estate × 85%	73,526	73,163
Excess of continued Zillmerized reserve	1,484,260	1,509,979
Qualifying subordinated debt	474,590	399,590
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(958)	(366)
Others	(89,576)	50,711
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2 + R_4}$	2,719,533	2,883,641
Underwriting risk (R_1)	126,168	127,656
Underwriting risk of third-sector insurance (R_8)	76,177	75,389
Anticipated yield risk (R_2)	385,899	386,107
Minimum guarantee risk (R_7)	5,780	5,820
Investment risk (R_3)	2,263,012	2,424,023
Business management risk (R_4)	57,140	60,379
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	920.4%	930.8%

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

(1) Balance of Separate Account Assets

(Million Yen)

	As of September 30, 2015	As of March 31, 2015
Individual variable insurance	119,407	131,518
Individual variable annuities	61,249	77,605
Group annuities	1,242,155	904,386
Separate account total	1,422,812	1,113,510

(2) Policies in Force

- Individual Variable Insurance

	As of September 30, 2015		As of March 31, 2015	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	1,664	8,070	1,724	8,382
Variable insurance (whole life type)	34,314	503,156	34,665	513,177
Total	35,978	511,226	36,389	521,560

- Individual Variable Annuities

	As of September 30, 2015		As of March 31, 2015	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	8,801	61,248	10,443	77,604

13. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2014
Ordinary income	38,277	35,266
Ordinary profit	2,682	2,866
Net surplus attributable to the Parent Company	1,432	1,463
Comprehensive income	(7,948)	9,736

Note: From the six months ended September 30, 2015, "net surplus (net loss)" has been presented as "net surplus (net loss) attributable to the Parent Company."

	As of September 30, 2015	As of March 31, 2015
Total assets	624,132	626,486
Solvency margin ratio	934.5%	943.3%

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

	As of September 30, 2015
Number of consolidated subsidiaries	9
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	Additions: 6 NLI US Investments, Inc. PanAgora Asset Management, Inc. Reliance Capital Asset Management Limited Post Advisory Group, LLC PT Sequis PT Asuransi Jiwa Sequis Life Removals: 1 Nissay Computer Co., Ltd.

(3) Policies of Presenting the Consolidated Financial Statements for the Six Months Ended September 30, 2015

1) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and the Company's subsidiaries. Consolidated subsidiaries as of September 30, 2015, 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)
 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.)

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

Nissay Computer Co., Ltd. has been removed from the scope of consolidation due to being merged with the Company's subsidiary Nissay Information Technology Co., Ltd.

NLI US Investments, Inc. has become more important to the Company, and has therefore been included within the scope of consolidation from the six months ended September 30, 2015.

The respective and aggregate effects of the companies that are excluded from consolidation, based on total assets, revenues, net income, and surplus for the six months ended September 30, 2015, are immaterial.

This exclusion from consolidation does not prevent a reasonable judgment of the consolidated 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, 2015, are listed as follows:

The Master Trust Bank of Japan, Ltd. (Japan)

Corporate-Pension Business Service Co., Ltd. (Japan)

PanAgora Asset Management, Inc.

Nissay-Greatwall Life Insurance Co., Ltd. (China)

Bangkok Life Assurance Public Company Limited (Thailand)

Reliance Life Insurance Company Limited (India)

Reliance Capital Asset Management Limited

Post Advisory Group, LLC

PT Sequis

PT Asuransi Jiwa Sequis Life

PanAgora Asset Management, Inc., Reliance Capital Asset Management Limited, Post Advisory Group, LLC, PT Sequis, and PT Asuransi Jiwa Sequis Life have become more important to the Company, and have therefore been included within the scope of consolidation as affiliates under the equity method from the six months ended September 30, 2015.

The subsidiaries not consolidated, e.g., Nippon Life Global Investors Americas, Inc., Nissay Trading Corporation, and others, and affiliates other than those listed above, e.g., SL Towers Co., Ltd. and others, 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, 2015, are immaterial.

The numbers of consolidated subsidiaries and affiliates as of September 30, 2015, were as follows:

Consolidated subsidiaries	9
Subsidiaries not consolidated but accounted for under the equity method	0
Affiliates accounted for under the equity method	10

3) Closing dates of consolidated subsidiaries

The closing date of consolidated overseas subsidiaries is June 30. The consolidated financial statements are prepared using data as of the closing date, and necessary adjustments are made to reflect important transactions that occurred between the closing date and the consolidated balance sheet date.

(4) Consolidated Balance Sheets

(Million Yen)

	As of September 30, 2015	As of March 31, 2015
Assets:		
Cash and deposits	562,291	529,509
Call loans	1,121,300	572,600
Monetary receivables purchased	465,243	498,758
Investments in securities	49,287,754	49,898,791
Loans	8,266,706	8,333,838
Tangible fixed assets	1,721,009	1,725,822
Intangible fixed assets	164,107	167,618
Reinsurance receivables	419	636
Other assets	791,088	890,988
Deferred tax assets	4,211	4,648
Customers' liability for acceptances and guarantees	35,098	33,801
Allowance for doubtful accounts	(6,003)	(8,372)
Total assets	62,413,226	62,648,641
Liabilities:		
Policy reserves and other reserves:	51,629,655	50,442,520
Reserve for outstanding claims	196,311	202,171
Policy reserves	50,309,163	49,202,876
Reserve for dividends to policyholders	1,124,180	1,037,472
Reinsurance payables	292	557
Corporate bonds	474,590	399,590
Other liabilities	1,603,558	1,707,220
Accrued bonuses for directors and audit and supervisory board members	24	74
Net defined benefit liability	408,010	411,416
Accrued retirement benefits for directors and audit and supervisory board members	4,302	4,397
Reserve for program points	13,155	13,171
Reserve for price fluctuations in investments in securities	880,267	778,723
Deferred tax liabilities	779,602	1,223,642
Deferred tax liabilities for land revaluation	115,213	115,440
Acceptances and guarantees	35,098	33,801
Total liabilities	55,943,771	55,130,557
Net assets:		
Foundation funds	200,000	200,000
Reserve for redemption of foundation funds	1,100,000	1,050,000
Reserve for revaluation	651	651
Consolidated surplus	369,266	541,573
Total foundation funds and others	1,669,917	1,792,225
Net unrealized gains on available-for-sale securities, net of tax	5,076,993	6,023,903
Deferred losses on derivatives under hedge accounting, net of tax	(215,283)	(231,060)
Land revaluation losses	(88,795)	(88,670)
Foreign currency translation adjustments	39,186	36,330
Remeasurement of defined benefit plans	(29,063)	(30,381)
Total accumulated other comprehensive income	4,783,038	5,710,121
Non-controlling interests	16,498	15,736
Total net assets	6,469,454	7,518,084
Total liabilities and net assets	62,413,226	62,648,641

Basis of Presenting the Consolidated Balance Sheet as of September 30, 2015

1. (1) Securities of the Company (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 of sales.
 - 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 by the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act excluding 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 valued 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 of sales 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 of sales is calculated by using the moving-average method).
 - b. Regarding securities of which the fair value is extremely difficult to be determined, and public and corporate bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are valued at cost using the moving-average method, net of accumulated amortization (straight-line). Other securities without readily determinable fair values are valued 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 sub-groups (classified by insurance type, remaining 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 are stated at fair value.
4. (1) Tangible fixed assets are depreciated based on the following methods.
 - a. Tangible fixed assets of the Company (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 of the Company
 - (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.
 - c. Tangible fixed assets of consolidated subsidiaries
Depreciated based mainly on the straight-line method.
- (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 of the Company is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.
 - 1) An allowance for loans from 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 from 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 from 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 of 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 Dept. 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 ¥2,483 million (including ¥173 million of credits secured and/or guaranteed) as of September 30, 2015.

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 deemed amount as of September 30, 2015 defined from the projected amounts of the current fiscal year.

(2) The accounting methods of the Company 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. Financial leases where ownership is not transferred are capitalized based on the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13).
For financial leases where the Company or a consolidated subsidiary is the lessor, and ownership is not transferred, if any, the Company recognizes the sales amount and cost of sales at the time of receiving the lease fee.
13. Hedge accounting of the Company is applied based on the following method:
- 1) The Company mainly applies fair value hedge accounting and deferred hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds denominated in foreign currencies. The Company also applies the exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps to hedge the cash flow volatility of certain loans and applies designated hedge accounting (“*Furiate-shori*”) for foreign exchange forward contracts and currency swaps for certain financial assets denominated in foreign currencies. The Company also applies designated hedge accounting (“*Furiate-shori*”) for currency swaps for the foreign currency-denominated subordinated corporate bonds issued by the Company. The Company applies deferred hedge accounting 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.
 - 2) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company’s internal risk management policies.
14. Consumption taxes and local consumption taxes of the Company 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 that are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred as of September 30, 2015.
15. Policy reserves of the Company are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy 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 a portion of the individual annuity policyholders.

- 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 of the Company for the six months ended September 30, 2015, 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. From the six months ended September 30, 2015, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, September 13, 2013), and the “Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013),” and other standards. As a result, the Company has changed its accounting treatment so that the difference due to changes in the Company’s equity interest in the subsidiaries over which the Company continues to exercise control are recorded as consolidated surplus, and expenses related to acquisitions are recorded as expenses for the fiscal year in which they are incurred. In addition, the method of presentation of net surplus has been changed, along with a change in presentation from minority interests to non-controlling interests.
- In the Consolidated Statement of Cash Flows for the six months ended September 30, 2015, the following change in the method of recording cash flows has been applied. Cash flows relating to the acquisition or sales of shares of the subsidiaries that do not result in change in scope of consolidation are classified under “Cash flows from financing activities.” Moreover, cash flows relating to expenses for the acquisition of shares of the subsidiaries that result in change in scope of consolidation and expenses for the acquisition or sales of shares of the subsidiaries that do not result in change in scope of consolidation are classified under “Cash flows from operating activities.”
- In applying the Accounting Standard for Business Combinations and other standards, the Company has adopted the transitional treatments provided in Paragraph 58-2 (4) of the "Accounting Standard for Business Combinations", Paragraph 44-5 (4) of the "Accounting Standard for Consolidated Financial Statements", and Paragraph 57-4 (4) of the "Accounting Standard for Business Divestitures", and will apply these treatments prospectively from the beginning of the six months ended September 30, 2015.
- Furthermore, the adoption of these standards and transitional treatments had no impact on the amounts of the Consolidated Balance Sheet and the Consolidated Statement of Income as of September 30, 2015, and for the six months ended September 30, 2015.

18. (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):	280,999	280,999	—
Available-for-sale securities	280,999	280,999	—
Monetary receivables purchased:	465,243	499,350	34,107
Policy-reserve-matching bonds	417,478	451,586	34,107
Available-for-sale securities	47,764	47,764	—
Securities:	48,138,167	50,697,986	2,559,818
Trading securities	1,269,385	1,269,385	—
Held-to-maturity debt securities	50,623	50,756	133
Policy-reserve-matching bonds	20,004,866	22,553,091	2,548,224
Investments in subsidiaries and affiliates	23,561	35,021	11,460
Available-for-sale securities	26,789,731	26,789,731	—
Loans (*3):	8,262,268	8,560,442	298,173
Policy loans	718,224	718,224	—
Industrial and consumer loans	7,544,044	7,842,218	298,173
Derivative financial instruments (*4):	(299,991)	(299,991)	—
Hedge accounting not applied	812	812	—
Hedge accounting applied	(300,804)	(300,804)	—
Corporate bonds (*3,*5)	(474,590)	(474,183)	406
Cash received as collateral under securities lending transactions (*5)	(485,390)	(485,390)	—

(*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, 2015, 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 the Company's major financial instruments are as follows:

1) Securities, deposits, and monetary receivables purchased 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 the 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 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, the book value is used as the fair value of the variable interest rate loans.

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

Loans from 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 uncollectable amount from the book value directly prior to the decrease.

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 stock options is measured by the price calculated by the Company based on volatility and other data obtained mainly from external information vendors.

c. Fair value of exchange contracts and currency options is measured based on theoretical values calculated by the Company using TTM and discount rates obtained from financial institutions that are the counterparties in such transactions.

d. Fair value of interest rate swaps and currency swaps is measured based on theoretical present values calculated by discounting future cash flows using published market interest rates and other data.

4) Corporate bonds

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

5) 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 without fair value are not included in securities in table (1) .

Balance sheet amounts by holding purpose were ¥246,032 million for stocks of subsidiaries and affiliates, and ¥903,553 million for available-for-sale securities as of September 30, 2015.

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

1) Trading securities

Investments in securities for separate accounts are classified as trading securities.

Valuation gains (losses) included in profit were gains of ¥78,148 million for securities related to separate accounts.

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	Domestic bonds	31,833	31,973	140
	Foreign securities	6,242	6,279	36
	Subtotal	38,076	38,252	176
Fair value does not exceed the balance sheet amount	Domestic bonds	2,003	2,003	(0)
	Foreign securities	10,542	10,500	(42)
	Subtotal	12,546	12,503	(42)
Total		50,623	50,756	133

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	415,604	449,760	34,156
	Domestic bonds	19,919,155	22,463,938	2,544,782
	Foreign securities	71,686	75,304	3,618
	Subtotal	20,406,446	22,989,004	2,582,557
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	1,874	1,825	(49)
	Domestic bonds	13,900	13,723	(176)
	Foreign securities	124	124	(0)
	Subtotal	15,899	15,673	(225)
Total		20,422,345	23,004,677	2,582,331

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)	65,000	65,000	0
	Monetary receivables purchased	1,000	1,020	20
	Domestic bonds	2,381,972	2,533,724	151,752
	Domestic stocks	3,527,991	7,826,583	4,298,591
	Foreign securities	11,076,888	13,662,833	2,585,944
	Other securities	674,905	779,819	104,914
	Subtotal	17,727,758	24,868,981	7,141,223
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	216,000	215,999	(0)
	Monetary receivables purchased	46,747	46,744	(3)
	Domestic bonds	86,647	86,531	(116)
	Domestic stocks	447,466	408,242	(39,223)
	Foreign securities	1,242,818	1,197,735	(45,083)
	Other securities	299,256	294,260	(4,995)
	Subtotal	2,338,936	2,249,514	(89,422)
Total		20,066,695	27,118,495	7,051,800

* Securities totaling ¥903,553 million whose fair value is extremely difficult to determine are not included.

¥3,380 million in impairment losses was recognized for securities with a fair value during the six months ended September 30, 2015.

Regarding stocks (including foreign stocks) with fair value of the Company, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition price based on the average fair value in the month preceding the balance sheet date, in principle. However, in the case of a security that meets certain criteria, such as a security for which the fair value declines substantially and the decline in the fair value in the month preceding the balance sheet date is substantial, impairment losses are recognized based on the fair value on the balance sheet date.

The criteria by which the fair value of a stock is deemed to have declined significantly is as follows:

- a. A security for which the ratio of the average fair value in the month preceding the balance sheet date to the acquisition cost is 50% or less.
- b. A security that meets both of the following criteria:
 1. Average fair value in the month preceding the balance sheet date is between 50% and 70% of its acquisition cost.
 2. The historical fair value, the business conditions of the issuing company, and other aspects are subject to certain requirements.

19. As of September 30, 2015, 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.

20. (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 ¥38,340 million as of September 30, 2015.

- 1) The balances of loans to bankrupt borrowers and delinquent loans were ¥2,085 million and ¥31,768 million, respectively, as of September 30, 2015.

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 and interest payments are overdue for a significant period of time or for other reasons.

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.

- 2) There were no loans that were delinquent for over three months as of September 30, 2015.

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 ¥4,486 million as of September 30, 2015.

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 that are delinquent for over three months.

- (2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥1,990 million and ¥492 million, respectively, as of September 30, 2015.

21. The amount of accumulated depreciation of tangible fixed assets was ¥1,180,450 million as of September 30, 2015.

22. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,422,812 million as of September 30, 2015, and a corresponding liability was recorded in the same amount.

23. Changes in the reserve for dividends to policyholders included in policy reserves for the six months ended September 30, 2015, were as follows:

	Million Yen
	Six months ended
	September 30, 2015
a. Balance at the beginning of the current fiscal year	¥1,037,472
b. Transfer to reserve from surplus in the previous fiscal year	¥257,299
c. Dividends to policyholders paid out in the current six-month period	¥182,177
d. Increase in interest	¥11,585
e. Balance at the end of the current six-month period (a+b-c+d)	¥1,124,180

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

The subordinated corporate bonds issued in October 2012 are callable on each interest payment date on or after October 2022, and the subordinated corporate bonds issued in October 2014 and April 2015 are callable on the tenth anniversary date after the issue date, and on each fifth anniversary date thereafter at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

25. Assets pledged as collateral in the form of securities, lease receivables and investments in lease, land, and buildings as of September 30, 2015, were ¥1,222,866 million, ¥16,568 million, ¥252 million, and ¥52 million, respectively. The total amount of loans covered by the aforementioned assets as of September 30, 2015, was ¥499,633 million.

These amounts included ¥475,488 million of securities deposited and ¥485,434 million of cash received as collateral under the securities lending transactions secured by cash as of September 30, 2015.

26. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the six months ended September 30, 2015.
27. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act as of September 30, 2015.
28. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥269,593 million as of September 30, 2015.

Matters concerning the acquisition of the subsidiaries and affiliates that were decided or agreed subsequently to the end of the six months ended September 30, 2015, are as follows:

(1) Mitsui Life Insurance Company Limited

The Company resolved at a Board of Directors' meeting held on November 4, 2015, to conduct a tender offer (the "Tender Offer") for all of the outstanding ordinary shares, class A shares and class B shares of Mitsui Life Insurance Company Limited ("Mitsui Life"), excluding treasury shares owned by Mitsui Life (collectively referred to as the "Shares").

1) Purpose of acquiring the Shares

On November 6, 2015, the Company and Mitsui Life signed a management integration agreement relating to the management integration of both companies (the "Transaction") and the policy for the Transaction. As part of the Transaction, the Company will conduct the Tender Offer. The purpose of the Transaction is as follows:

- a. Further strengthen and develop the Company's competitive sales representative channels through mutual cooperation.
- b. In order to meet diversified customer needs in a flexible manner, establish channels and foundations through mutual cooperation, which allow to provide appropriate products through the bancassurance and agency areas, on the premise that adequate underwriting systems are established and maintained.
- c. In addition to a. and b. above, mutually cooperate, share knowledge, and leverage synergies to grow as a group.

2) Overview of Mitsui Life

- a. Company name Mitsui Life Insurance Company
- b. Business Life insurance business
- c. Location Chiyoda-ku, Tokyo
- d. Revenues from insurance and reinsurance ¥545.1 billion (Fiscal year ended March 31, 2015)
- e. Total assets ¥7,433.6 billion (As of March 31, 2015)

3) Period of the Tender Offer

The planned period is from November 9, 2015, to December 21, 2015 (30 business days).

4) Acquisition cost

The acquisition cost of the Shares is expected to be approximately ¥334.5 billion, and will be funded by the Company's cash on hand.

5) Ownership ratio after the acquisition

If the Tender Offer is successful, based on the result of the Tender Offer, the Company plans to implement procedures to acquire all of the Shares and make Mitsui Life a wholly-owned subsidiary. After Mitsui Life becomes a wholly-owned subsidiary of the Company, the Company plans to transfer around 17% of Mitsui Life's ordinary shares to Mitsui group companies for the purpose of preserving and developing business relationships between Mitsui Life and Mitsui group companies.

6) Other

The acquisition of Mitsui Life ordinary shares through the Tender Offer requires approvals of the Commissioner of the Financial Services Agency pursuant to Article 271-10, Paragraph 1 and Article 106, Paragraph 7 of the Insurance Business Act.

(2) MLC Limited

On October 27, 2015, the Company entered an agreement with National Australia Bank ("NAB") to commence procedures for acquiring 80% of the shares of the life insurance business of MLC Limited ("MLC"), a subsidiary of NAB.

1) Purpose of acquiring the shares

The Australian life insurance market is forecast to realize high rates of growth over the long term. By entering this market, the Company aims to sustainably expand policyholders' benefits through enhancing steady and sustainable operating profit bases of overseas insurance businesses.

2) Overview of MLC

a. Company name MLC Limited

b. Business Life insurance business (*)

(*) MLC is currently conducting investment-related business in addition to life insurance business.

The Company plans to acquire shares of the company specialized in life insurance business where the investment-related business is to be carved out from current MLC.

c. Location Sydney, Australia

d. Premium revenue A\$1,780 million (approximately ¥151.0 billion)
(Fiscal year ended September 30, 2015)

3) Timing of the share acquisition

The share acquisition is anticipated to close between September 2016 to December 2016.

4) Acquisition cost

The acquisition cost of the shares is expected to be approximately A\$2,400 million (approximately ¥204.0 billion), and will be funded by the Company's cash on hand.

- 5) Ownership ratio after the acquisition

80%

- 6) Other

The acquisition is subject to approval of the regulatory authorities in Japan and Australia.

* Yen denominated amounts in parentheses are calculated at an exchange rate of A\$1 = ¥85.

(3) Reliance Capital Asset Management Limited

On October 13, 2015, the Company reached an agreement with Reliance Capital Limited, the parent company of Reliance Capital Asset Management Limited (“Reliance Asset”) for additionally acquiring up to 14% of the shares of Reliance Asset (currently 35% of shares were owned by the Company).

With this additional acquirement, Reliance Asset will be renamed Reliance Nippon Life Asset Management Limited.

29. The amount of securities lent under lending agreements was ¥2,640,283 million as of September 30, 2015.
30. Assets that can be sold or resecured are marketable securities lent under lending agreements. These assets were being held without disposal totaling ¥100,031 million at fair value as of September 30, 2015.
31. The amount of commitments related to loans and loans outstanding was ¥115,425 million as of September 30, 2015.
32. 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 is estimated to be ¥85,754 million as of September 30, 2015.
The amount contributed to the aforementioned corporation is recorded within operating expenses.
33. 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 deferred tax liabilities 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 land listed value 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, 2015	Six months ended September 30, 2014
Ordinary income:	3,827,779	3,526,645
Revenues from insurance and reinsurance	2,912,683	2,485,352
Investment income:	792,002	914,768
Interest, dividends, and other income	738,562	665,957
Gain from assets held in trust, net	—	2
Gain on sales of securities	45,936	180,484
Gain from separate accounts, net	—	64,004
Other ordinary income	123,094	126,524
Ordinary expenses:	3,559,546	3,240,014
Benefits and other payments:	1,870,755	1,838,791
Death and other claims	480,781	518,472
Annuity payments	382,417	398,977
Health and other benefits	363,653	378,610
Surrender benefits	451,661	392,809
Other refunds	191,729	149,437
Provision for policy reserves:	1,117,199	864,258
Provision for policy reserves	1,105,613	852,337
Provision for interest on reserve for dividends to policyholders	11,585	11,920
Investment expenses:	111,715	71,737
Interest expenses	6,948	3,864
Loss on sales of securities	1,515	10,675
Loss on valuation of securities	3,636	997
Loss on derivative financial instruments, net	26,991	29,804
Loss from separate accounts, net	36,872	—
Operating expenses	295,378	293,067
Other ordinary expenses	164,497	172,161
Ordinary profit	268,233	286,630
Extraordinary gains:	116	368
Gain on disposals of fixed assets	116	368
Extraordinary losses:	108,290	127,110
Loss on disposals of fixed assets	2,919	997
Impairment losses	1,138	4,841
Provision for reserve for price fluctuations in investments in securities	101,544	118,584
Contributions for assisting social public welfare	2,688	2,688
Surplus before income taxes	160,059	159,888
Income taxes - current	77,495	97,858
Income taxes - deferred	(61,579)	(84,869)
Total income taxes	15,915	12,988
Net surplus	144,144	146,899
Net surplus attributable to non-controlling interests	856	554
Net surplus attributable to the Parent Company	143,287	146,345

Notes to the Consolidated Statement of Income for the Six Months Ended September 30, 2015

1. 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.

3) Breakdown of asset groups that recognized impairment losses for the six months ended September 30, 2015, is as follows:

Purpose of use	Million Yen		Total
	Land	Buildings	
Leased property	¥131	¥339	¥470
Idle property	¥562	¥105	¥667
Total	¥693	¥444	¥1,138

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 4.0%. 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, 2015	Six months ended September 30, 2014
Net surplus	144,144	146,899
Other comprehensive income:	(938,966)	826,742
Net unrealized gains on available-for-sale securities, net of tax	(946,020)	866,167
Deferred losses on derivatives under hedge accounting, net of tax	15,777	(32,988)
Foreign currency translation adjustments	457	(5,543)
Remeasurement of defined benefit plans	1,317	(3,756)
Share of other comprehensive income of associates accounted for under the equity method	(10,499)	2,861
Comprehensive income:	(794,822)	973,641
Comprehensive income attributable to the Parent Company	(795,642)	973,095
Comprehensive income attributable to non-controlling interests	820	545

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2014
I. Cash flows from operating activities:		
Surplus before income taxes	160,059	159,888
Depreciation of rental real estate and other assets	7,525	7,351
Depreciation	22,807	23,217
Impairment losses	1,138	4,841
Net decrease in reserve for outstanding claims	(5,914)	(18,931)
Net increase in policy reserves	1,106,266	853,035
Provision for interest on reserve for dividends to policyholders	11,585	11,920
Net (decrease) increase in allowance for doubtful accounts	(384)	55
Net decrease in accrued bonuses for directors and audit and supervisory board members	(49)	(33)
Net decrease in net defined benefit liability	(2,088)	(8,115)
Net decrease in accrued retirement benefits for directors and audit and supervisory board members	(95)	(287)
Net increase in reserve for price fluctuations in investments in securities	101,544	118,584
Interest, dividends, and other income	(738,562)	(665,957)
Net gains on investments in securities	(36,148)	(163,774)
Interest expenses	6,948	3,864
Net losses on tangible fixed assets	3,118	1,163
Losses (gains) from separate accounts, net	36,872	(64,004)
Others, net	18,249	(23,247)
Subtotal	692,874	239,567
Interest, dividends, and other income received	757,110	690,361
Interest paid	(6,007)	(3,393)
Dividends to policyholders paid	(97,862)	(101,755)
Others, net	(4,489)	(2,721)
Income taxes paid	(99,485)	(121,185)
Net cash provided by operating activities	1,242,141	700,871

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2014
II. Cash flows from investing activities:		
Net decrease in deposits	0	300
Purchases of monetary receivables purchased	(8,400)	(8,900)
Proceeds from sales and redemptions of monetary receivables purchased	50,815	53,832
Purchases of securities	(4,219,202)	(4,363,288)
Proceeds from sales and redemptions of securities	3,468,208	3,821,755
Disbursements for loans	(521,549)	(488,371)
Proceeds from collections of loans	533,947	596,179
Others, net	(18,222)	(263,941)
①Total of investment activities	(714,403)	(652,434)
[I + II①]	[527,738]	[48,437]
Purchases of tangible fixed assets	(13,837)	(31,424)
Proceeds from sales of tangible fixed assets	443	1,508
Others, net	(11,679)	(12,272)
Net cash used in investing activities	(739,477)	(694,623)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	113,980	97,390
Repayments of debt	(100,054)	(99,742)
Proceeds from issuance of corporate bonds	75,000	—
Proceeds from issuance of foundation funds	50,000	—
Redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(1,935)	(2,785)
Others, net	3,626	(1,296)
Net cash provided by (used in) financing activities	90,617	(56,433)
IV. Effect of exchange rate changes on cash and cash equivalents	(3,044)	(2,252)
V. Net increase (decrease) in cash and cash equivalents	590,236	(52,437)
VI. Cash and cash equivalents at the beginning of the year	1,086,504	872,018
VII. Net increase in cash and cash equivalents resulting in change in scope of consolidation	513	—
VIII. Cash and cash equivalents at the end of the period	1,677,254	819,581

Basis of Presenting the Consolidated Statement of Cash Flows for the Six Months Ended September 30, 2015

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, 2014

(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	250,000	1,000,000	651	477,329	1,727,980
Increase/decrease:					
Additions to reserve for dividends to policyholders				(201,765)	(201,765)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(2,785)	(2,785)
Net surplus attributable to the Parent Company				146,345	146,345
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				(16)	(16)
Net change, excluding foundation funds and others					
Net change	(50,000)	50,000	—	(108,222)	(108,222)
Ending balance	200,000	1,050,000	651	369,107	1,619,758

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	3,261,140	(134,156)	(85,561)	10,162	20,085	3,071,671	14,399	4,814,051
Increase/decrease:								
Additions to reserve for dividends to policyholders								(201,765)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(2,785)
Net surplus attributable to the Parent Company								146,345
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								(16)
Net change, excluding foundation funds and others	867,760	(32,988)	16	(4,265)	(3,756)	826,767	494	827,261
Net change	867,760	(32,988)	16	(4,265)	(3,756)	826,767	494	719,039
Ending balance	4,128,901	(167,144)	(85,545)	5,896	16,329	3,898,438	14,893	5,533,091

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

Six months ended September 30, 2015

(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	1,050,000	651	541,573	1,792,225
Increase/decrease:					
Issuance of foundation funds	50,000				50,000
Additions to reserve for dividends to policyholders				(257,299)	(257,299)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(1,935)	(1,935)
Net surplus attributable to the Parent Company				143,287	143,287
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				125	125
Change in scope of consolidation and equity method				(6,486)	(6,486)
Net change, excluding foundation funds and others					
Net change	—	50,000	—	(172,307)	(122,307)
Ending balance	200,000	1,100,000	651	369,266	1,669,917

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	6,023,903	(231,060)	(88,670)	36,330	(30,381)	5,710,121	15,736	7,518,084
Increase/decrease:								
Issuance of foundation funds								50,000
Additions to reserve for dividends to policyholders								(257,299)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(1,935)
Net surplus attributable to the Parent Company								143,287
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								125
Change in scope of consolidation and equity method								(6,486)
Net change, excluding foundation funds and others	(946,909)	15,777	(125)	2,856	1,317	(927,083)	761	(926,321)
Net change	(946,909)	15,777	(125)	2,856	1,317	(927,083)	761	(1,048,629)
Ending balance	5,076,993	(215,283)	(88,795)	39,186	(29,063)	4,783,038	16,498	6,469,454

(8) Consolidated Solvency Margin Ratio

(Million Yen)

	As of September 30, 2015	As of March 31, 2015
Solvency margin gross amount (A):	12,406,367	13,303,975
Foundation funds (<i>kikin</i>) and other reserve funds:	4,262,720	3,876,544
Foundation funds and others	1,697,377	1,559,750
Reserve for price fluctuations in investments in securities	880,267	778,723
Contingency reserve	1,397,539	1,250,248
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	3,854	4,139
Others	283,681	283,681
Net unrealized gains on available-for-sale securities × 90%	6,394,653	7,594,244
Net unrealized gains on real estate × 85%	73,604	73,241
Total amount of net unrecognized actuarial losses and unrecognized prior service costs	(40,818)	(42,670)
Excess of continued Zillmerized reserve	1,484,260	1,509,979
Qualifying subordinated debt	474,590	399,590
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(153,000)	(157,665)
Others	(89,641)	50,711
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_6 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_8}$	2,654,934	2,820,475
Underwriting risk (R_1)	126,168	127,656
General underwriting risk (R_5)	—	—
Huge disaster risk (R_6)	—	—
Underwriting risk of third-sector insurance (R_8)	79,048	78,260
Underwriting risk related to small amount and short-term insurance providers (R_9)	—	—
Anticipated yield risk (R_2)	385,899	386,107
Minimum guarantee risk (R_7)	5,780	5,820
Investment risk (R_3)	2,199,217	2,361,668
Business management risk (R_4)	55,922	59,190
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	934.5%	943.3%

- 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.

(11) Segment Information

For the six months ended September 30, 2015, 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.