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## Financial Results for the Six Months Ended September 30, 2011

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Nippon Life Insurance Company (the “Company” or the “Parent Company”; President: Yoshinobu Tsutsui) announces financial results for the six months ended September 30, 2011.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2011

## 1. Business Highlights

### (1) Amount of Policies in Force and New Policies

#### • Policies in Force

	As of September 30, 2011				As of March 31, 2011	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2011 (%)	(100 million yen)	As a percentage of March 31, 2011 (%)		
Individual insurance	11,414	99.2	1,662,552	97.3	11,510	1,707,917
Individual annuities	3,062	101.3	185,666	101.4	3,024	183,145
Group insurance	—	—	913,961	101.6	—	899,903
Group annuities	—	—	101,999	102.5	—	99,528

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, 2011						Six months ended September 30, 2010			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of six months ended September 30, 2010 (%)	(100 million yen)	As a percentage of six months ended September 30, 2010 (%)	New policies	Net increase by conversion		(100 million yen)	New policies	Net increase by conversion
Individual insurance	508	109.3	31,759	106.6	35,525	(3,766)	465	29,804	32,928	(3,124)
Individual annuities	104	97.6	6,494	103.7	6,659	(165)	106	6,263	6,410	(147)
Group insurance	—	—	4,119	72.3	4,119		—	5,700	5,700	
Group annuities	—	—	16	230.4	16		—	7	7	

Notes: 1. The number of policies includes policies that were converted into new policies.  
2. The amount of new policies and net increase in policies by conversion for individual annuities represents annuity resources at the start of annuity payments.  
3. 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, 2011		As of March 31, 2011
		As a percentage of March 31, 2011	
Individual insurance	23,455	99.8	23,507
Individual annuities	7,995	101.2	7,900
Total	31,450	100.1	31,408
Medical coverages, living benefits, etc.	5,898	100.1	5,891

- New Policies

(100 Million Yen, %)

	Six months ended September 30, 2011		Six months ended September 30, 2010
		As a percentage of six months ended September 30, 2010	
Individual insurance	986	122.6	804
Individual annuities	280	92.3	303
Total	1,266	114.3	1,107
Medical coverages, living benefits, etc.	177	100.4	176

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, etc. 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, 2011		Six months ended September 30, 2010
		As a percentage of six months ended September 30, 2010	
Insurance premiums	27,526	117.2	23,496
Investment income	7,119	85.8	8,301
Insurance claims and other payments	19,228	104.4	18,421
Investment expenses	2,849	91.3	3,120
Operating income	2,161	122.6	1,763

## (4) Total Assets

(100 Million Yen, %)

	As of September 30, 2011		As of March 31, 2011
		As a percentage of March 31, 2011	
Total assets	494,845	99.3	498,261

## 2. Overview of General Accounts Asset Management for the First Half of the Fiscal Year Ending March 31, 2012

### (1) Investment Environment

In the first half of the fiscal year ending March 31, 2012, the Japanese economy slowed down substantially for a brief time as a result of weakened production and exports due to the impact of the Great East Japan Earthquake. Following that, however, heightened reconstruction demand and the easing of supply chain problems caused production and the like to return close to pre-earthquake levels, helping the economy to recover over the summer.

- The Nikkei Stock Average's upside remained heavy, due in part to caution over supply chain problems following the earthquake. From the summer in particular, stock prices continued to perform weakly, mainly as a result of the US economic slowdown concerns, worsened debt problems in the eurozone, and ongoing yen appreciation. As a result, the Nikkei Stock Average temporarily fell below the ¥8,500 level, moving to the ¥8,700 at the end of September.
- The yield rate on 10-year government bonds declined because the tendency to avoid risk accelerated owing to the impact of the eurozone debt problem, in addition to the economic slowdown following the earthquake. The yield rate was 1.03% at the end of September due to the implementation of measures including additional monetary easing in August mainly in response to ongoing yen appreciation.
- In the foreign exchange rate for the yen against the US dollar, the yen's appreciation continued. The main factors included a fall in expectations of an early recovery in the US economy mainly because of a slowdown in the pace of recovery in the US employment, and a slowdown in the growth of developing countries in addition to the impact of the eurozone debt problem. In August, the government and the Bank of Japan intervened by buying the US dollars and selling yen, causing the yen to retreat temporarily from the ¥77 per the US dollar range to a level just above ¥80 per the US dollar. The yen appreciated again, however, reaching ¥76.65 per the US dollar at the end of September.

Regarding the foreign exchange rate for the yen against the euro, the yen's tendency towards appreciation strengthened because of the spread of the eurozone debt problem to Italy and Spain, despite some factors that temporarily contributed to yen depreciation as a result of heightened expectations of an interest rate rise. As a result, the yen came to ¥104.11 per euro 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 founded on mid- 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, to improve profit in the mid- to long-term from the viewpoint of paying out profits as dividends to policyholders, the Company has invested in stocks and foreign securities within the scope of acceptable risk while taking into account business stability. From the perspective of diversifying profit-making opportunities while paying attention to asset allocation and risks, the Company is steadily pursuing investment areas, such as corporate bonds and securitized products that can yield surplus income, private equities, and hedge funds.

(3) Status of Investment Income/Expense

Investment income amounted to ¥711.9 billion (compared to ¥830.1 billion in the first half of the fiscal year ended March 31, 2011). Contributing factors included a decrease in gain on sales of securities, mainly domestic stocks and foreign securities.

Investment expenses were ¥204.6 billion (compared to ¥233.1 billion in the first half of the fiscal year ended March 31, 2011). This was due to a decrease in loss on sales of securities, primarily foreign securities, despite an increase in loss on valuation of securities.

As a result, asset management income and expense balance was ¥507.2 billion, a ¥89.7 billion decrease from the same period of the previous year.

### 3. Investment Management Performance (General Account)

#### (1) Asset Composition

(100 Million Yen, %)

	As of September 30, 2011		As of March 31, 2011	
	Amount	%	Amount	%
Cash, deposits and call loans	5,046	1.0	7,053	1.5
Securities repurchased under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	3,461	0.7	3,925	0.8
Monetary receivables purchased	9,362	1.9	10,211	2.1
Proprietary trading securities	—	—	—	—
Assets held in trust	—	—	—	—
Investments in securities:	343,712	71.1	344,920	71.1
Domestic bonds	185,012	38.2	178,393	36.8
Domestic stocks	53,426	11.0	62,108	12.8
Foreign securities:	102,414	21.2	101,094	20.8
Foreign bonds	79,214	16.4	77,375	15.9
Foreign stocks and other securities	23,200	4.8	23,718	4.9
Other securities	2,859	0.6	3,324	0.7
Loans receivable:	88,258	18.2	87,433	18.0
Policy loans	9,354	1.9	9,657	2.0
Industrial and consumer loans	78,903	16.3	77,775	16.0
Real estate:	17,349	3.6	17,489	3.6
Investment property	10,964	2.3	11,057	2.3
Deferred tax assets	9,248	1.9	7,420	1.5
Other assets	7,470	1.5	6,927	1.4
Allowance for doubtful accounts	(215)	(0.0)	(234)	(0.0)
Total assets (General account)	483,694	100.0	485,147	100.0
Foreign currency denominated assets	84,586	17.5	84,549	17.4

Notes: 1. The above assets include cash received as collateral under securities lending contracts. Cash collateral received through these transactions is recorded in liabilities (¥927.7 billion and ¥1,297.2 billion as of September 30, 2011 and March 31, 2011, 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, 2011	Six months ended September 30, 2010
Cash, deposits and call loans	(2,007)	(729)
Securities repurchased under resale agreements	—	—
Receivables under securities borrowing transactions	(463)	(539)
Monetary receivables purchased	(849)	(464)
Proprietary trading securities	—	—
Assets held in trust	—	(4)
Investments in securities:	(1,208)	3,524
Domestic bonds	6,619	(1,233)
Domestic stocks	(8,682)	(7,522)
Foreign securities:	1,320	12,092
Foreign bonds	1,838	13,711
Foreign stocks and other securities	(517)	(1,619)
Other securities	(465)	187
Loans receivable:	824	(867)
Policy loans	(303)	(265)
Industrial and consumer loans	1,127	(601)
Real estate:	(139)	(61)
Investment property	(92)	(132)
Deferred tax assets	1,828	2,326
Other assets	542	513
Allowance for doubtful accounts	19	(45)
Total assets (General account)	(1,453)	3,651
Foreign currency denominated assets	37	12,356

Notes: 1. Increases/decreases in cash received as collateral under securities lending contracts are as follows:  
¥(369.5 billion) and ¥25.8 billion for the six months ended September 30, 2011 and 2010, 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, 2011	Six months ended September 30, 2010
Interest, dividends, and other income:	6,131	6,172
Interest on deposits and savings	1	1
Interest on securities and dividends	4,647	4,629
Interest on loans receivable	933	944
Rent on real estate	433	467
Other income	115	129
Gain from proprietary trading securities	—	—
Gain from assets held in trust, net	0	—
Gain on sales of securities:	948	2,119
Gain on sales of domestic bonds including national government bonds	221	78
Gain on sales of domestic stocks and other securities	372	961
Gain on sales of foreign securities	354	1,078
Other gains	—	—
Gain on redemption of securities	1	4
Gain from derivative financial instruments, net	—	—
Foreign exchange gain, net	—	—
Reversal of allowance for doubtful accounts	20	—
Other investment income	17	4
<b>Total</b>	<b>7,119</b>	<b>8,301</b>

### (4) Investment Expenses

(100 Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Interest expense	14	13
Loss from proprietary trading securities	—	—
Loss from assets held in trust, net	—	3
Loss on sales of securities:	652	1,557
Loss on sales of domestic bonds including national government bonds	0	0
Loss on sales of domestic stocks and other securities	38	6
Loss on sales of foreign securities	612	1,550
Other losses	0	—
Loss on valuation of securities:	1,005	339
Loss on valuation of domestic bonds including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	404	113
Loss on valuation of foreign securities	601	226
Other losses	—	—
Loss on redemption of securities	51	72
Loss from derivative financial instruments, net	37	15
Foreign exchange loss, net	68	64
Provision for allowance for doubtful accounts	—	45
Write-off of loans	0	—
Depreciation of rental real estate and other assets	124	128
Other investment expenses	91	90
<b>Total</b>	<b>2,046</b>	<b>2,331</b>

### (5) Net Valuation Gains/Losses on Trading Securities

(100 Million Yen)

	As of September 30, 2011		As of March 31, 2011	
	Balance sheet amount	Net valuation gains/losses	Balance sheet amount	Net valuation gains/losses
Trading securities	—	—	—	24

- Notes: 1. Assets held in trust included in trading securities recorded on the balance sheets and net valuation gains/losses included in profit/loss of the current period both include net gains/losses related to derivative transactions.  
2. Assets held in trust included in trading securities do not include cash, deposits and call loans.

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

(100 Million Yen)

	As of September 30, 2011					As of March 31, 2011				
	Book value	Market value	Net gains/losses	Net gains/losses		Book value	Market value	Net gains/losses	Net gains/losses	
				Gains	Losses				Gains	Losses
Policy-reserve-matching bonds	178,000	189,689	11,689	11,940	(251)	174,154	181,064	6,909	7,197	(287)
Held-to-maturity debt securities	165	164	(0)	1	(1)	165	166	1	1	(0)
Investments in subsidiaries and affiliates	77	218	141	141	—	77	340	263	263	—
Available-for-sale securities:	158,251	164,677	6,425	15,123	(8,698)	159,472	171,443	11,971	18,276	(6,305)
Domestic bonds	15,790	16,268	477	543	(66)	14,471	14,815	344	380	(35)
Domestic stocks	47,227	51,012	3,785	9,591	(5,806)	47,184	59,059	11,875	15,398	(3,522)
Foreign securities:	89,438	91,864	2,425	4,956	(2,530)	89,998	89,913	(85)	2,423	(2,508)
Foreign bonds	75,428	78,309	2,881	4,035	(1,154)	76,899	75,998	(901)	1,388	(2,289)
Foreign stocks and other securities	14,010	13,554	(455)	920	(1,376)	13,099	13,914	815	1,034	(218)
Other securities	2,857	2,594	(262)	31	(294)	3,247	3,078	(168)	69	(238)
Monetary receivables purchased	765	765	(0)	0	(0)	341	345	4	4	(0)
Negotiable certificates of deposit	2,172	2,171	(0)	0	(0)	4,230	4,229	(0)	0	(0)
Total	336,494	354,750	18,256	27,207	(8,951)	333,869	353,015	19,145	25,739	(6,593)
Domestic bonds	184,535	196,228	11,693	12,002	(308)	178,048	184,931	6,883	7,194	(311)
Domestic stocks	47,227	51,012	3,785	9,591	(5,806)	47,184	59,059	11,875	15,398	(3,522)
Foreign securities:	90,340	92,932	2,591	5,128	(2,536)	90,952	91,157	204	2,713	(2,508)
Foreign bonds	76,252	79,158	2,905	4,066	(1,160)	77,776	76,902	(874)	1,415	(2,290)
Foreign stocks and other securities	14,087	13,773	(313)	1,062	(1,376)	13,176	14,255	1,079	1,297	(218)
Other securities	2,857	2,594	(262)	31	(294)	3,247	3,078	(168)	69	(238)
Monetary receivables purchased	9,362	9,810	448	453	(4)	10,206	10,557	350	363	(12)
Negotiable certificates of deposit	2,172	2,171	(0)	0	(0)	4,230	4,229	(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 Market Value]

(100 Million Yen)

	As of September 30, 2011	As of March 31, 2011
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	1,907	1,840
Available-for-sale securities:	10,473	11,801
Unlisted domestic stocks (excluding over-the-counter stocks)	2,036	2,670
Unlisted foreign stocks (excluding over-the-counter stocks)	6,977	6,975
Unlisted foreign bonds	80	539
Others	1,379	1,616
Total	12,380	13,642

Note: Of securities without market value, net (losses) on foreign exchange valuation of assets denominated in foreign currencies were as follows: ¥(52.1 billion) and ¥(50.9 billion) as of September 30, 2011 and March 31, 2011, respectively.

(7) Market Value Information of Assets Held in Trust

(100 Million Yen)

	As of September 30, 2011					As of March 31, 2011				
	Balance sheet amount	Market value	Net unrealized gains/losses	Gains	Losses	Balance sheet amount	Market value	Net unrealized gains/losses	Gains	Losses
Assets held in trust	—	—	—	—	—	—	—	—	—	—

Notes: 1. Market value calculations are based on prices rationally calculated by the trustees of assets held in trust.  
2. Balance sheet amount includes net gains/losses on derivative transactions.

• Assets held in trust for investment

(100 Million Yen)

	As of September 30, 2011		As of March 31, 2011	
	Balance sheet amount	Net valuation gains/losses	Balance sheet amount	Net valuation gains/losses
Assets held in trust for investment	—	—	—	24

Note: Balance sheet amount and net valuation gains/losses include net gains/losses on derivative transactions.

- Assets held in trust classified as held-to-maturity, policy-reserve-matching, and others  
No ending balance as of September 30, 2011 or March 31, 2011.

#### 4. Non-Consolidated Balance Sheets

(Million Yen)

	As of September 30, 2011	As of March 31, 2011
<b>Assets:</b>		
Cash and deposits	420,012	644,654
Call loans	114,700	119,800
Receivables under securities borrowing transactions	346,131	392,526
Monetary receivables purchased	936,211	1,021,145
Investments in securities:	35,392,442	35,674,745
National government bonds	13,956,331	13,360,956
Local government bonds	1,634,867	1,667,879
Corporate bonds	3,270,006	3,228,114
Domestic stocks	5,572,009	6,497,618
Foreign securities	10,554,783	10,452,770
Loans receivable:	8,825,848	8,743,389
Policy loans	935,492	965,794
Industrial and consumer loans	7,890,356	7,777,595
Tangible fixed assets	1,752,335	1,767,242
Intangible fixed assets	200,580	196,783
Reinsurance receivables	104	319
Other assets	570,356	525,916
Deferred tax assets	924,867	742,040
Customers' liability for acceptances and guarantees	22,487	21,038
Allowance for doubtful accounts	(21,563)	(23,484)
<b>Total assets</b>	<b>49,484,515</b>	<b>49,826,117</b>
<b>Liabilities:</b>		
Policy reserves and other reserves:	45,218,315	44,499,795
Reserve for outstanding claims	199,927	248,568
Policy reserves	43,807,002	43,106,896
Reserve for dividends to policyholders	1,211,386	1,144,330
Reinsurance payables	168	326
Other liabilities:	1,466,780	2,224,448
Cash received as collateral under securities lending contracts	927,703	1,297,252
Income taxes payable	20,431	102,181
Lease obligations	4,832	4,974
Asset retirement obligations	2,050	1,802
Other liabilities	511,761	818,238
Accrued bonuses for directors and corporate auditors	17	57
Accrued severance indemnities	441,579	440,503
Accrued retirement benefits for directors and corporate auditors	4,393	5,118
Reserve for point cards	6,478	4,652
Accrued losses from supporting closely related companies	424	424
Reserve for losses on disaster	1,490	1,826
Reserve for price fluctuations in investments in securities	451,845	347,003
Deferred tax liabilities for land revaluation	171,529	171,952
Acceptances and guarantees	22,487	21,038
<b>Total liabilities</b>	<b>47,785,510</b>	<b>47,717,146</b>

#### 4. Non-Consolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2011	As of March 31, 2011
Net assets:		
Foundation funds	300,000	250,000
Reserve for redemption of foundation funds	900,000	850,000
Reserve for revaluation	651	651
Surplus:	216,390	346,435
Legal reserve for deficiencies	11,889	11,193
Voluntary surplus reserves:	204,501	335,242
Contingency reserves	71,917	71,917
Reserve for assisting social public welfare	502	190
Reserve for condensed booking of fixed assets for tax purposes	31,746	31,701
Other reserves	170	170
Unappropriated surplus	100,164	231,264
Total equity	1,417,041	1,447,086
Net unrealized gains on available-for-sale securities, net of tax	361,237	745,036
Deferred gains on derivatives under hedge accounting	10,452	6,832
Land revaluation differences	(89,726)	(89,985)
Total valuations, conversions and others	281,963	661,884
Total net assets	1,699,004	2,108,971
Total liabilities and net assets	49,484,515	49,826,117

## Basis of Presenting the Non-Consolidated Balance Sheet as of September 30, 2011

1. Securities (including items such as deposits and monetary receivables purchased treated as securities based on the “Accounting Standards for Financial Instruments” (ASBJ\* Statement No. 10) and securities within assets held in trust) are valued as follows:
  - (1) Trading securities are stated at market value on the balance sheet date. 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 using the moving average method.
  - (5) Available-for-sale securities
    - 1) For securities with a market value, stocks (including foreign stocks) are valued by using the average market value during the period of one month before the balance sheet date (cost of sales is calculated by using the moving average method). Other securities with a market value are valued by using the market value on the balance sheet date (cost of sales is calculated by using the moving average method).
    - 2) For securities of which the market value is extremely difficult to determine, public and corporate bonds (including foreign bonds) for which the difference between the purchase price and face value is due to interest rate adjustment are valued using the moving average method, net of accumulated amortization (straight-line). The others are valued at the gross moving average amount.

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

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\* ASBJ: The Accounting Standards Board of Japan

\*\* JICPA: Japanese Institute of Certified Public Accountants



2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the sub-groups (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 market value.
4. (1) 1) Tangible fixed assets (except for lease assets related to trading financial leases where ownership is not transferred and buildings acquired on or after April 1, 1998) are depreciated based on the declining balance method. Buildings acquired on or after April 1, 1998 are depreciated based on the straight-line method.
  - 2) Software, which is included within intangible fixed assets, is depreciated based on the straight-line method.
  - 3) The straight-line method based on lease period is used to calculate the depreciation of lease assets related to trading financial leases where ownership is not transferred.
- (2) The amount of accumulated depreciation of tangible fixed assets was ¥1,120,285 million as of September 30, 2011.
5. Revaluation of land used for operations is performed based on the Act on Revaluation of Land. The amount related to the valuation difference between the previous and the revalued amount is tax effected and recognized as deferred tax liabilities for land revaluation within the liability section. The valuation differences, excluding tax, are recognized as land revaluation differences within the net assets section.

Revaluation Date	March 31, 2002
Revaluation Methodology	The amount is rationally 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.

6. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council). Available-for-sale securities of the Company, denominated in foreign currencies, exchange rates of which have significantly fluctuated and recovery in which 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.

7. (1) An allowance for doubtful accounts is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.
  - 1) The allowance for loans receivable 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 disposal of collateral or execution of guarantees from the balance of loans receivable (as mentioned at (3) below).
  - 2) The allowance for loans receivable 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) The allowance for loans receivable 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 Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.
- (3) The amount of collateral value or the amount collectible by the execution of guarantees or other methods directly subtracted from the balance of loans receivable is the estimated uncollectible amount for loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥2,482 million (including ¥1,410 million of credits secured and/or guaranteed) as of September 30, 2011.
8. Accrued bonuses for directors and corporate auditors are recognized based on the amount estimated to be paid.
9. Accrued severance indemnities are recognized in the amount of the deemed obligations on September 30, 2011 based on the estimated amount of projected benefit obligations in excess of the market value of pension plan assets for future severance payments to employees on the balance sheet date of the current fiscal year.
10. Accrued retirement benefits for directors and corporate auditors are recognized based on estimated payment amounts under internal rules.
11. Reserve for point cards is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.
12. Accrued losses from supporting closely related companies are recognized based on amounts that are estimated to be required in the future for supporting the restructurings of the closely related companies.

13. Reserve for losses on disaster is recognized based on the amount that is estimated to be required in order to prepare for expenditures associated with the Great East Japan Earthquake, such as expenditures for the repair of tangible fixed assets.
14. Reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.
15. Accounting treatment for financial leases other than from the transfer of ownership is based on the “Accounting Standards of Lease Transactions” (ASBJ Statement No. 13). For financial leases where the Company is the lessee, and ownership is not transferred and the lease start date is March 31, 2008 or prior, the accounting treatment applied is based on the method related to ordinary lease transactions.
16. Hedge accounting is applied based on the following method:
  - 1) The Company applies the mark-to-market method of hedge accounting and deferred hedge accounting for hedging activities against exposures to foreign exchange rate fluctuations on certain bonds denominated in foreign currencies. The Company also applies exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps to hedge cash flow volatility of certain loans receivable, and applies designated hedge accounting (“*Furiate-shori*”) for foreign exchange forward contracts and currency swaps for certain financial assets denominated in foreign currencies.
  - 2) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of market value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company’s internal risk management policies.
17. Consumption taxes and local consumption taxes are accounted for by using 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 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are recorded to expense as incurred as of September 30, 2011.
18. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized by performing a calculation based on the following methodology:
  - 1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (Ordinance No. 48 issued by the Ministry of Finance in 1996).
  - 2) Reserves for other contracts are computed based on the net level premium method.

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.

19. The “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24), the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24) and the “Practical Guidelines on Accounting Standards for Financial Instruments” (JICPA Accounting Practice Committee Statement No. 14), which was amended to respond to the Accounting Standard and the Guidance, have been applied from the six months ended September 30, 2011.
- Owing to the resulting revisions to the Ordinance for Enforcement of the Insurance Business Act, the following changes were made.
- Reversal of allowance for doubtful accounts, which had previously been presented under extraordinary gains on the non-consolidated statement of income, was included in investment income.
- Operating income increased by ¥2,012 million but there was no impact on net surplus.
20. The corporate tax, inhabitant tax and income tax adjustments for the six months ended September 30, 2011 are calculated based on the assumption of accumulations and reversals of reserve for condensed booking of fixed assets for tax purposes and reserve for dividends to policyholders due to appropriation of unappropriated surplus in the current fiscal year.

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

(Million Yen)

	Balance sheet amount (*1)	Market value (*2)	Difference
Cash and deposits (negotiable certificates of deposit)	217,197	217,197	—
Available-for-sale securities	217,197	217,197	—
Monetary receivables purchased	936,211	981,091	44,879
Policy-reserve-matching bonds	859,656	904,536	44,879
Available-for-sale securities	76,554	76,554	—
Securities	34,159,760	35,297,937	1,138,176
Trading securities	1,021,168	1,021,168	—
Held-to-maturity debt securities	16,505	16,494	(11)
Policy-reserve-matching bonds	16,940,382	18,064,415	1,124,032
Investments in subsidiaries and affiliates	7,711	21,867	14,156
Available-for-sale securities	16,173,992	16,173,992	—
Loans receivable (*3)	8,814,947	9,062,764	247,817
Policy loans	935,317	935,317	—
Industrial and consumer loans	7,879,629	8,127,446	247,817
Derivative financial instruments (*4)	149,250	149,250	—
Hedge accounting not applied	14,016	14,016	—
Hedge accounting applied	135,233	135,233	—
Cash received as collateral under securities lending contracts (*5)	[927,703]	[927,703]	—

(\*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, 2011, the market value is the balance sheet amount after the impairment loss is deducted.

(\*3) The market 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 market values of loans receivable because they are accounted for as an integral part of loans receivable which are hedged items.

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

(\*5) Cash received as collateral under securities lending contracts is recorded in liabilities and presented in brackets.

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

Market value is measured based on the closing market price on the balance sheet date. However, the market 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

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

Market value is deemed to approximate book value, due to no repayment deadlines based on characteristics such as limiting loans to the surrender benefit range, and expected reimbursement period and interest rate requirements, etc. Thus, the book value is used as the market value of the policy loans.
    - b. Industrial and consumer loans

Market 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 market value of the variable interest rate loans.

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

Loans receivable 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. Market value of futures and other market transactions is measured by the liquidation value or closing market price on the balance sheet date.
    - b. Market 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 brokers.
    - c. Market 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, etc.
  - 4) Cash received as collateral under securities lending contracts

The book value is used as market 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 market value are not included in the securities in the table (1). Balance sheet amounts as of September 30, 2011 by holding purpose are ¥190,721 million and ¥1,033,960 million, respectively, for stocks of subsidiaries and affiliates and for available-for-sale securities.

(4) Matters regarding securities, etc. by purpose of possession are as follows:

1) Trading securities

Securities in the separate accounts are classified as trading securities.

Valuation differences included in the current period income were losses of ¥109,991 million for securities related to separate accounts.

2) Held-to-maturity debt securities

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

(Million Yen)

	Type	Balance sheet amount	Market value	Difference
Market value exceeds the balance sheet amount	Domestic bonds	14,006	14,130	123
Market value does not exceed the balance sheet amount	Domestic bonds	2,499	2,363	(135)
Total		16,505	16,494	(11)

3) Policy-reserve-matching bonds

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

(Million Yen)

	Type	Balance sheet amount	Market value	Difference
Market value exceeds the balance sheet amount	Monetary receivables purchased	810,794	856,090	45,296
	Domestic bonds	16,633,280	17,778,996	1,145,715
	Foreign securities	55,943	59,023	3,079
	Subtotal	17,500,018	18,694,109	1,194,091
Market value does not exceed the balance sheet amount	Monetary receivables purchased	48,862	48,446	(416)
	Domestic bonds	224,653	200,514	(24,139)
	Foreign securities	26,504	25,882	(622)
	Subtotal	300,021	274,842	(25,178)
Total		17,800,039	18,968,952	1,168,912

4) Available-for-sale securities

Acquisition cost or amortized cost and 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)	12,000	12,000	0
	Monetary receivables purchased	2,893	2,901	7
	Domestic bonds	1,501,712	1,556,100	54,387
	Domestic stocks	2,417,257	3,376,434	959,177
	Foreign securities	6,530,708	7,026,340	495,631
	Other securities	135,456	138,637	3,180
	Subtotal	10,600,028	12,112,414	1,512,386
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	205,200	205,196	(3)
	Monetary receivables purchased	73,680	73,653	(26)
	Domestic bonds	77,357	70,752	(6,605)
	Domestic stocks	2,305,445	1,724,782	(580,663)
	Foreign securities	2,413,144	2,160,098	(253,045)
	Other securities	150,324	120,845	(29,478)
	Subtotal	5,225,152	4,355,329	(869,823)
Total		15,825,181	16,467,743	642,562

\* Items totaling ¥1,033,960 million whose market value is extremely difficult to determine are not included.

During the six months ended September 30, 2011, ¥40,100 million in impairment losses was recognized for items with market value.

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

22. As of September 30, 2011, there were no significant changes in the balance sheet amounts and market values of investment and rental properties from the end of the previous fiscal year.

23. (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 receivable, was ¥45,805 million as of

September 30, 2011.

- 1) The balances of loans to bankrupt borrowers and delinquent loans were ¥3,072 million and ¥36,805 million, respectively, as of September 30, 2011.

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 delinquent for over three months as of September 30, 2011.

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 ¥5,927 million as of September 30, 2011.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers.

These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

- (2) Direct write-offs of loans receivable decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥1,003 million and ¥1,478 million, respectively, as of September 30, 2011.

24. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,115,071 million as of September 30, 2011 and are presented with a corresponding liability recorded for the same amount.

25. Changes in the reserve for dividends to policyholders included in policy reserves for the six months ended September 30, 2011 were as follows:

	Million Yen
	<u>As of September 30, 2011</u>
a. Balance at the beginning of the current fiscal year	¥1,144,330
b. Transfer to reserve from surplus in the previous fiscal year	¥175,513
c. Dividends to policyholders paid out in the current six month period	¥122,138
d. Increase in interest	¥13,680
e. Balance at the end of the current six month period (a+b-c+d)	<u>¥1,211,386</u>

26. Assets pledged as collateral by securities, land, and buildings as of September 30, 2011 were ¥1,119,766 million, ¥2,952 million, and ¥283 million, respectively. The total amount of loans covered by the aforementioned assets as of September 30, 2011 was ¥927,765 million.

These amounts included ¥1,028,540 million of securities deposited and ¥927,728 million of cash received as collateral under the securities lending contracts secured by cash as of September 30, 2011.

27. ¥100,000 million of foundation funds were offered according to Article 60 of Insurance Business Act.

28. 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, 2011.

29. The total amount of stocks and investments in subsidiaries was ¥198,432 million as of September 30, 2011. On March 14, 2011, the Company agreed to acquire 26% of the shares of Reliance Life Insurance Company Limited. Following this, the Company made an investment of 30,616 million Indian rupees (¥48,373 million) on October 7, 2011 after completing all relevant procedures, including obtaining formal approval from the Insurance Regulatory and Development Authority, India's insurance supervisory agency.

30. The amount of securities lent under lending agreements was ¥2,394,513 million as of September 30, 2011.

31. Assets that can be sold or re-secured are marketable securities lent under lending agreements. These assets were being held without disposal totaling ¥1,151,773 million at market value as of September 30, 2011.

32. The amount of commitments related to loans receivable and loans outstanding was ¥155,011 million as of September 30, 2011.

33. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company is estimated to be ¥84,947 million as of September 30, 2011.  
The amount contributed to the Life Insurance Policyholders Protection Corporation of Japan is recorded within operating expenses.
34. The amount of policy reserves provided for the portion of reinsurance as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥160 million as of September 30, 2011.

## 5. Non-Consolidated Statements of Income

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Revenues:	3,588,423	3,273,113
Revenues from insurance and reinsurance premiums:	2,752,665	2,349,690
Insurance premiums	2,752,330	2,349,448
Investment income:	711,911	830,193
Interest, dividends, and other income	613,151	617,295
Gain from assets held in trust, net	9	—
Gain on sales of securities	94,874	211,930
Other revenues	123,846	93,229
Expenditures:	3,372,275	3,096,760
Insurance claims and other payments:	1,922,846	1,842,195
Death and other claims	586,731	578,570
Annuity payments	304,942	269,989
Health and other benefits	390,873	402,582
Surrender benefits	506,388	502,399
Other refunds	133,498	88,211
Provision for policy reserves:	713,786	486,852
Provision for policy reserves	700,105	471,980
Interest on reserve for dividends to policyholders	13,680	14,872
Investment expenses:	284,974	312,063
Interest expense	1,456	1,383
Loss from assets held in trust, net	—	396
Loss on sales of securities	65,228	155,704
Loss on valuation of securities	100,570	33,964
Loss from derivative financial instruments, net	3,735	1,511
Loss from separate accounts, net	80,353	78,889
Operating expenses	280,891	286,740
Other expenditures	169,776	168,908
Operating income	216,148	176,352
Extraordinary gains:	178	968
Gain on disposal of fixed assets	27	968
Reversal of reserve for losses on disaster	150	—
Extraordinary losses:	111,658	61,820
Loss on disposal of fixed assets	2,518	4,886
Impairment losses	3,110	2,584
Provision for reserve for price fluctuations in investments in securities	104,842	51,990
Contributions for assisting social public welfare	1,188	1,188
Loss on adjustment for changes in accounting standard for asset retirement obligations	—	1,172
Surplus before income taxes	104,668	115,500
Income tax - current	26,731	73,769
Income tax - deferred	(21,297)	(68,589)
Income tax - total	5,433	5,179
Net surplus	99,235	110,320

Notes to the Non-Consolidated Statement of Income for the six months ended September 30, 2011

1. Gain on sales of securities includes gains on sales of domestic bonds including national government bonds, domestic stocks and foreign securities of ¥22,189 million, ¥37,239 million and ¥35,445 million, respectively, for the six months ended September 30, 2011.
2. Loss on sales of securities includes losses on sales of domestic bonds including national government bonds, domestic stocks and foreign securities of ¥83 million, ¥3,867 million and ¥61,274 million, respectively, for the six months ended September 30, 2011.
3. Loss on valuation of securities includes losses on the valuation of domestic stocks and foreign securities of ¥40,427 million and ¥60,142 million, respectively, for the six months ended September 30, 2011.
4. Reversal of the policy reserves for ceded reinsurance used for the calculation of policy reserves was ¥3 million for the six months ended September 30, 2011.
5. Breakdown of interest, dividends, and other income for the six months ended September 30, 2011 is as follows:

	Million Yen
	Six months ended September 30, 2011
Interest on deposits and savings	¥147
Interest on securities and dividends	¥464,790
Interest on loans receivable	¥93,302
Rent on real estate	¥43,393
Other income	¥11,516
Total	¥613,151

6. Impairment losses are as follows:
  - 1) Method for grouping the assets  
Leased property and idle property are classified as one asset group per structure. 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 market 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, 2011 is as follows:

Purpose of use	Million Yen			
	Land	Land lease rights	Buildings	Total
Leased property	¥403	¥22	¥1,813	¥2,239
Idle property	¥661	—	¥209	¥870
Total	¥1,064	¥22	¥2,023	¥3,110

- 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 in principle 4.0%. Net realizable values are determined based on appraisals performed in accordance with the Real Estate Appraisal Standards or posted land prices.

## 6. Non-Consolidated Statements of Changes in Net Assets

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Foundation funds and others:		
Foundation funds:		
Beginning balance	250,000	250,000
Increase/Decrease:		
Issuance of foundation funds	100,000	50,000
Redemption of foundation funds	(50,000)	(50,000)
Net change	50,000	—
Ending balance	300,000	250,000
Reserve for redemption of foundation funds:		
Beginning balance	850,000	800,000
Increase/Decrease:		
Additions to reserve for redemption of foundation funds	50,000	50,000
Net change	50,000	50,000
Ending balance	900,000	850,000
Reserve for revaluation:		
Beginning balance	651	651
Increase/Decrease		
Net change	—	—
Ending balance	651	651
Surplus:		
Legal reserve for deficiencies:		
Beginning balance	11,193	10,425
Increase/Decrease:		
Additions to legal reserve for deficiencies	696	768
Net change	696	768
Ending balance	11,889	11,193
Voluntary surplus reserves:		
Contingency reserves:		
Beginning balance	71,917	71,917
Increase/Decrease		
Net change	—	—
Ending balance	71,917	71,917
Reserve for assisting social public welfare:		
Beginning balance	190	167
Increase/Decrease:		
Additions to reserve for assisting social public welfare	1,500	1,500
Reversal of reserve for assisting social public welfare	(1,188)	(1,188)
Net change	312	312
Ending balance	502	479

## 6. Non-Consolidated Statements of Changes in Net Assets (Continued)

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Reserve for condensed booking of fixed assets for tax purposes:		
Beginning balance	31,701	32,140
Increase/Decrease:		
Additions to reserve for condensed booking of fixed assets for tax purposes	714	590
Reversal of reserve for condensed booking of fixed assets for tax purposes	(668)	(1,029)
Net change	45	(439)
Ending balance	31,746	31,701
Other reserves:		
Beginning balance	170	170
Increase/Decrease:		
Net change	—	—
Ending balance	170	170
Unappropriated surplus:		
Beginning balance	231,264	254,669
Increase/Decrease:		
Additions to reserve for dividends to policyholders	(175,513)	(199,189)
Additions to legal reserve for deficiencies	(696)	(768)
Additions to reserve for redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(3,508)	(3,650)
Net surplus	99,235	110,320
Additions to reserve for assisting social public welfare	(1,500)	(1,500)
Reversal of reserve for assisting social public welfare	1,188	1,188
Additions to reserve for condensed booking of fixed assets for tax purposes	(714)	(590)
Reversal of reserve for condensed booking of fixed assets for tax purposes	668	1,029
Reversal of land revaluation differences	(258)	170
Net change	(131,099)	(142,990)
Ending balance	100,164	111,678
Total surplus:		
Beginning balance	346,435	369,489
Increase/Decrease:		
Additions to reserve for dividends to policyholders	(175,513)	(199,189)
Additions to reserve for redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(3,508)	(3,650)
Net surplus	99,235	110,320
Reversal of land revaluation differences	(258)	170
Net change	(130,045)	(142,349)
Ending balance	216,390	227,139

## 6. Non-Consolidated Statements of Changes in Net Assets (Continued)

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Total foundation funds and others:		
Beginning balance	1,447,086	1,420,140
Increase/Decrease:		
Issuance of foundation funds	100,000	50,000
Additions to reserve for dividends to policyholders	(175,513)	(199,189)
Interest on foundation funds	(3,508)	(3,650)
Net surplus	99,235	110,320
Redemption of foundation funds	(50,000)	(50,000)
Reversal of land revaluation differences	(258)	170
Net change	(30,045)	(92,349)
Ending balance	1,417,041	1,327,790
Valuations, conversions and others:		
Net unrealized gains on available-for-sale securities, net of tax:		
Beginning balance	745,036	1,176,023
Increase/Decrease:		
Net change, excluding foundation funds and others	(383,798)	(325,587)
Net change	(383,798)	(325,587)
Ending balance	361,237	850,435
Deferred gains (losses) on derivatives under hedge accounting:		
Beginning balance	6,832	(602)
Increase/Decrease:		
Net change, excluding foundation funds and others	3,619	1,200
Net change	3,619	1,200
Ending balance	10,452	597
Land revaluation differences:		
Beginning balance	(89,985)	(91,111)
Increase/Decrease:		
Net change, excluding foundation funds and others	258	(1,082)
Net change	258	(1,082)
Ending balance	(89,726)	(92,194)
Total valuations, conversions and others:		
Beginning balance	661,884	1,084,309
Increase/Decrease:		
Net change, excluding foundation funds and others	(379,921)	(325,470)
Net change	(379,921)	(325,470)
Ending balance	281,963	758,839
Total net assets:		
Beginning balance	2,108,971	2,504,449
Increase/Decrease:		
Issuance of foundation funds	100,000	50,000
Additions to reserve for dividends to policyholders	(175,513)	(199,189)
Interest on foundation funds	(3,508)	(3,650)
Net surplus	99,235	110,320
Redemption of foundation funds	(50,000)	(50,000)
Reversal of land revaluation differences	(258)	170
Net change, excluding foundation funds and others	(379,921)	(325,470)
Net change	(409,966)	(417,819)
Ending balance	1,699,004	2,086,630

## 7. Details of Operating Income (Ordinary Income)

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Ordinary income (Core operating profit) (A)	300,163	289,872
Capital gains:	94,884	211,930
Gain from proprietary trading securities	—	—
Gain from assets held in trust, net	9	—
Gain from trading securities	—	—
Gain on sales of securities	94,874	211,930
Gain from derivative financial instruments, net	—	—
Foreign exchange gains	—	—
Other capital gains	—	—
Capital losses:	176,342	198,011
Loss from proprietary trading securities	—	—
Loss from assets held in trust, net	—	396
Loss from trading securities	—	—
Loss on sales of securities	65,228	155,704
Loss on valuation of securities	100,570	33,964
Loss from derivative financial instruments, net	3,735	1,511
Foreign exchange losses	6,808	6,434
Other capital losses	—	—
Net capital gains/losses (B)	(81,458)	13,919
Ordinary income including net capital gains/losses (A+B)	218,705	303,791
Non-recurring gains:	342	—
Reinsurance premiums revenue	—	—
Reversal of contingency reserves	—	—
Reversal for specific allowance for doubtful accounts	342	—
Other non-recurring gains	—	—
Non-recurring losses:	2,899	127,438
Reinsurance premium expense	—	—
Provision for contingency reserves	2,897	12,491
Provision for specific allowance for doubtful accounts	—	4,831
Provision for allowance for specific overseas debts	—	—
Write-off of loans	2	—
Other non-recurring losses	—	110,115
Non-recurring gains/losses (C)	(2,556)	(127,438)
Operating income (A+B+C)	216,148	176,352

<Reference>

[Detail of Other Items]

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Other non-recurring losses:	—	110,115
Provision for policy reserves based on Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act	—	110,115

## 8. Status of Non-Performing Assets According to Borrower's Classification

(Million Yen, %)

	As of September 30, 2011	As of March 31, 2011
Bankrupt and Quasi-Bankrupt Loans	13,934	12,048
Doubtful Loans	25,948	26,383
Substandard Loans	5,927	4,240
Subtotal	45,810	42,671
(Percent of total, %)	[0.41]	[0.38]
Normal Loans	11,238,560	11,303,865
Total	11,284,371	11,346,537

- Notes:
1. Bankrupt and quasi-bankrupt loans are non-performing assets that have fallen into bankruptcy due to reasons including initiation of bankruptcy proceedings, start of reorganization proceedings, and submission of an application to start rehabilitation proceedings.
  2. Doubtful loans are non-performing assets with a strong likelihood that loan principal cannot be recovered or interest cannot be received according to the contract, because of difficulties in financial condition and business performance of the debtor, although the debtor 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 liabilities for acceptances and guarantees.
- Bankrupt and quasi-bankrupt loans, reorganization and other proceedings are directly deducted from total loans as estimated uncollectible amounts calculated by subtracting estimated collectable amounts based on the collateral and guarantees from total loans. These amounts for bankrupt and quasi-bankrupt were ¥2,482 million and ¥2,996 million as of September 30, 2011 and March 31, 2011, respectively.

## 9. Status of Risk-Monitored Loans

(Million Yen, %)

	As of September 30, 2011	As of March 31, 2011
Loans to bankrupt borrowers	3,072	3,127
Delinquent loans	36,805	35,301
Loans that are delinquent for over three months	—	—
Restructured loans	5,927	4,240
Total	45,805	42,669
(Percent of total loans receivable, %)	[0.52]	[0.49]

- Notes: 1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), an 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 of loans to bankrupt borrowers and delinquent loans were ¥1,003 million and ¥1,478 million, respectively, as of September 30, 2011, and ¥1,035 million and ¥1,961 million, respectively, as of March 31, 2011.
2. Loans to bankrupt borrowers are loans with principal or interest payments being long overdue 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 and delinquent loans from above, and loans that are delinquent for over three months).

## 10. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Six months ended September 30, 2011	Year ended March 31, 2011	Change
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	8,834	10,504	(1,670)
(B) Specific allowance for doubtful accounts	12,729	12,980	(250)
(C) Allowance for specific overseas loans	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	15,211	15,977	(765)
(B) Reversal	15,554	17,257	(1,702)
[excluding reversals with write-off]			
(C) Net provision	(342)	(1,280)	937
(3) Allowance for specific overseas loans			
(A) Number of debtor countries	—	—	—
(B) Amounts of credit	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-off of loans	2	0	2

<Reference>

[Status of Borrower Classification]

(100 Million Yen, %)

	As of September 30, 2011		As of March 31, 2011	
	Money available	Percentage of whole	Money available	Percentage of whole
Loan balances (After direct write-off of category IV)	88,258	100.0	87,433	100.0
Non-categorized	86,746	98.3	85,732	98.1
Category II	1,482	1.7	1,674	1.9
Category III	29	0.0	27	0.0
Category IV	—	—	—	—

Notes: 1. Specific allowances for doubtful accounts of Category III were as follows:

¥2.4 billion and ¥2.6 billion as of September 30, 2011 and March 31, 2011, respectively.

2. The amounts of direct write-offs of Category IV were as follows:

¥2.4 billion and ¥2.9 billion as of September 30, 2011 and March 31, 2011, respectively.

## 11. Solvency Margin Ratio

(Million Yen)

	As of September 30, 2011	As of March 31, 2011
Solvency margin gross amount (A):	5,347,623	5,722,029
Foundation funds (kikin) and other reserve funds:	3,022,381	2,767,335
Foundation funds	1,417,041	1,268,064
Reserve for price fluctuations in investments in securities	451,845	347,003
Contingency reserves	824,652	821,755
General allowance for doubtful accounts	8,834	10,504
Others	320,007	320,007
Net unrealized gains/losses on available-for-sale securities × 90%	573,478	1,066,495
Net unrealized gains/losses on real estate × 85%	23,235	37,905
Excess of continued Zillmerized reserve	1,687,792	1,721,278
Qualifying subordinated debt	—	—
Deduction clause	(1,733)	(430)
Others	42,468	129,446
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	1,132,168	1,184,387
Underwriting risk (R <sub>1</sub> )	142,559	144,389
Underwriting risk of third-sector insurance (R <sub>8</sub> )	73,945	74,042
Anticipated yield risk (R <sub>2</sub> )	167,817	169,671
Investment risk (R <sub>3</sub> )	906,670	956,415
Business management risk (R <sub>4</sub> )	26,025	27,098
Minimum guarantee risk (R <sub>7</sub> )	10,260	10,401
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	944.6%	966.2%

Notes: 1. The amounts and figures in the table above are calculated based on Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act, as well as Ordinance No. 50 issued by the Ministry of Finance in 1996.

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

(Reference) Solvency Margin Ratio According to New Standard

(Million Yen)

	As of September 30, 2011	As of March 31, 2011
Solvency margin gross amount (A):	5,259,866	5,634,273
Foundation funds (kikin) and other reserve funds:	3,022,381	2,767,335
Foundation funds	1,417,041	1,268,064
Reserve for price fluctuations in investments in securities	451,845	347,003
Contingency reserves	824,652	821,755
General allowance for doubtful accounts	8,834	10,504
Others	320,007	320,007
Net unrealized gains/losses on available-for-sale securities × 90%	573,478	1,066,495
Net unrealized gains/losses on real estate × 85%	23,235	37,905
Excess of continued Zillmerized reserve	1,687,792	1,721,278
Qualifying subordinated debt	—	—
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(1,733)	(430)
Others	(45,288)	41,689
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	1,967,083	2,129,384
Underwriting risk (R <sub>1</sub> )	142,559	144,389
Underwriting risk of third-sector insurance (R <sub>8</sub> )	73,945	74,042
Anticipated yield risk (R <sub>2</sub> )	407,372	411,800
Investment risk (R <sub>3</sub> )	1,493,834	1,649,467
Business management risk (R <sub>4</sub> )	42,575	45,810
Minimum guarantee risk (R <sub>7</sub> )	11,083	10,824
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	534.7%	529.1%

Notes: 1. In accordance with Cabinet Office Ordinance No. 23 of 2010 and Financial Services Agency Public Notice No. 48 of 2010, part of the calculation standard for the solvency margin gross amount and the total amount of risk has been changed (tightening of margin calculations, tightening and refining of risk measurements, etc.). These changes are applied from March 31, 2012. The above table shows figures assuming that the changes were applied to the figures as of September 30, 2011 and March 31, 2011.

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

## 12. Status of Separate Accounts for the Six Months Ended September 30, 2011

### (1) Balance of Separate Account Assets

(Million Yen)

	As of September 30, 2011	As of March 31, 2011
Individual variable insurance	95,743	109,588
Individual variable annuities	140,682	156,234
Group annuities	878,645	1,045,498
Separate account total	1,115,071	1,311,321

### (2) Policies in Force

#### 1) Individual Variable Insurance

	As of September 30, 2011		As of March 31, 2011	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	2,364	12,257	2,439	12,755
Variable insurance (whole life type)	37,123	576,130	37,438	584,336
Total	39,487	588,387	39,877	597,092

#### 2) Individual Variable Annuities

	As of September 30, 2011		As of March 31, 2011	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	26,052	140,533	26,872	156,233

### 13. Status of the Company, Subsidiaries and Affiliates

#### (1) Selected Financial Data for Major Operations

(100 Million yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Revenues	36,345	33,067
Operating income	2,208	1,648
Net surplus	1,017	1,021
Comprehensive income	(2,779)	(2,305)

	As of September 30, 2011	As of March 31, 2011
Total assets	496,101	499,501

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

	As of September 30, 2011
Number of consolidated subsidiaries	10
Number of non-consolidated subsidiaries accounted for under the equity method	0
Number of affiliates accounted for under the equity method	3

#### (3) Policies of Presenting the Consolidated Financial Statements for the Six Months Ended September 30, 2011

##### 1) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and the Company's subsidiaries. Consolidated subsidiaries as of September 30, 2011 are listed below:

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

The major subsidiaries excluded from consolidation are Nissay Card Service Co., Ltd., Nissay Business Service Co., Ltd. and the Tokyo Agency of Nippon Life Insurance Co., Ltd.

The respective and aggregate effects of the companies which are excluded from consolidation on total assets, revenues, net income and surplus for the six months ended September 30, 2011 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, 2011 are listed below:

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

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

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

The subsidiaries not consolidated, (e.g., Nissay Card Service Co., Ltd., Nissay Business Service Co., Ltd. and others), and affiliates other than those listed above, e.g., Bangkok Life Assurance Public Company Limited, 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, 2011 are immaterial.

The number of consolidated subsidiaries and affiliates as of September 30, 2011 were as follows:

Consolidated subsidiaries	10
Subsidiaries not consolidated but accounted for under the equity method	0
Affiliates accounted for under the equity method	3

## 3) Interim closing dates of consolidated subsidiaries

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

## (4) Consolidated Balance Sheets

(Million Yen)

	As of September 30, 2011	As of March 31, 2011
Assets:		
Cash and deposits	465,341	688,152
Call loans	114,700	119,800
Receivables under securities borrowing transactions	346,131	392,526
Monetary receivables purchased	936,211	1,021,145
Investments in securities	35,336,777	35,617,542
Loans receivable	8,745,331	8,659,163
Tangible fixed assets	1,771,374	1,787,239
Intangible fixed assets	196,497	192,130
Reinsurance receivables	104	319
Other assets	765,891	726,955
Deferred tax assets	933,534	750,557
Customers' liability for acceptances and guarantees	22,800	21,377
Allowance for doubtful accounts	(24,567)	(26,769)
Total assets	49,610,128	49,950,141
Liabilities:		
Policy reserves and other reserves:	45,221,445	44,502,877
Reserve for outstanding claims	201,782	250,324
Policy reserves	43,808,276	43,108,223
Reserve for dividends to policyholders	1,211,386	1,144,330
Reinsurance payables	168	326
Other liabilities	1,605,043	2,364,231
Accrued bonuses for directors and corporate auditors	17	57
Accrued severance indemnities	443,815	442,637
Accrued retirement benefits for directors and corporate auditors	4,488	5,215
Reserve for point cards	6,478	4,652
Accrued losses from supporting closely related companies	424	424
Reserve for losses on disaster	1,490	1,826
Reserve for price fluctuations in investments in securities	451,845	347,003
Deferred tax liabilities	43	51
Deferred tax liabilities for land revaluation	171,529	171,952
Acceptances and guarantees	22,800	21,377
Total liabilities	47,929,591	47,862,633
Net assets:		
Foundation funds	300,000	250,000
Reserve for redemption of foundation funds	900,000	850,000
Reserve for revaluation	651	651
Consolidated surplus	252,871	380,448
Total equity	1,453,522	1,481,099
Net unrealized gains on available-for-sale securities, net of tax	361,221	745,362
Deferred gains on derivatives under hedge accounting	10,452	6,832
Land revaluation differences	(89,726)	(89,985)
Cumulative translation adjustments	(66,684)	(67,197)
Total accumulated other comprehensive income	215,262	595,012
Minority interests	11,751	11,395
Total net assets	1,680,536	2,087,507
Total liabilities and net assets	49,610,128	49,950,141

## Basis of Presenting the Consolidated Balance Sheet as of September 30, 2011

1. Securities of the Parent Company (including items such as deposits and monetary receivables purchased treated as securities based on the “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10) and securities within assets held in trust) are valued as follows:
  - (1) Trading securities are stated at market value on the balance sheet date. 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 using the moving average method.
  - (5) Available-for-sale securities
    - 1) For securities with a market value, stocks (including foreign stocks) are valued by using the average market value during the period of one month before the balance sheet date (cost of sales is calculated by using the moving average method). Other securities with a market value are valued by using the market value on the balance sheet date (cost of sales is calculated by using the moving average method).
    - 2) For securities of which the market value is extremely difficult to determine, public and corporate bonds (including foreign bonds) for which the difference between the purchase price and face value is due to interest rate adjustment are valued using the moving average method, net of accumulated amortization (straight-line). The Others are valued at the gross moving average amount.

Adjustments to market value, net of applicable taxes, are recorded in 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 (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 market value.
4. (1) 1) Tangible fixed assets of the Parent Company (except for lease assets related to trading financial leases where ownership is not transferred and buildings acquired on or after April 1, 1998) are depreciated based on the declining balance method. Buildings acquired on or after April 1, 1998 are depreciated based on the straight-line method.  
Tangible fixed assets of consolidated subsidiaries are depreciated based mainly on the straight-line method.
  - 2) Software, which is included within intangible fixed assets, is depreciated based on the straight-line method.
  - 3) The straight-line method based on lease period is used to calculate the depreciation of lease assets related to trading financial leases where ownership is not transferred.
- (2) The amount of accumulated depreciation of tangible fixed assets was ¥1,145,581 million as of September 30, 2011.
5. Revaluation of land used for operations of the Parent Company is performed based on the Act on Revaluation of Land. The amount related to the valuation difference between the previous and the revalued amount is tax effected and recognized as deferred tax liabilities for land revaluation within the liability section. The valuation differences, excluding tax, are recognized as land revaluation differences within the net assets section.

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

6. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).  
Available-for-sale securities of the Parent Company, denominated in foreign currencies, exchange rates of which have significantly fluctuated and recovery in which 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.

7. (1) An allowance for doubtful accounts of the Parent Company is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.
    - 1) The allowance for loans receivable 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 disposal of collateral or execution of guarantees from the balance of loans receivable (as mentioned at (4) below).
    - 2) The allowance for loans receivable 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) The allowance for loans receivable 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 Parent Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.
  - (3) For consolidated subsidiaries, the Parent Company allocates amounts deemed necessary in accordance mainly with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.
  - (4) The amount of collateral value or the amount collectible by the execution of guarantees or other methods directly subtracted from the balance of loans receivable is the estimated uncollectible amount for loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥3,377 million (including ¥1,953 million of credits secured and/or guaranteed) as of September 30, 2011.
8. Accrued bonuses for directors and corporate auditors are recognized based on the amount estimated to be paid.
  9. Accrued severance indemnities of the Parent Company are recognized in the amount of the deemed obligations on September 30, 2011 based on the estimated amount of projected benefit obligations in excess of the market value of pension plan assets for future severance payments to employees on the balance sheet date of the current fiscal year.

10. Accrued retirement benefits for directors and corporate auditors are recognized based on estimated payment amounts under internal rules.
11. Reserve for point cards is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.
12. Accrued losses from supporting closely related companies are recognized based on amounts that are estimated to be required in the future for supporting the restructurings of the closely related companies.
13. Reserve for losses on disaster is recognized based on the amount that is estimated to be required for expenditures associated with the Great East Japan Earthquake, such as expenditures for the repair of tangible fixed assets.
14. Reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.
15. Accounting treatment for financial leases other than from the transfer of ownership is based on the “Accounting Standards of Lease Transactions” (ASBJ Statement No. 13).  
For financial leases where the Company is the lessee, and ownership is not transferred and the lease start date is March 31, 2008 or prior, the accounting treatment applied is based on the method related to ordinary lease transactions.  
For financial leases where the Company is the lessor, and ownership is not transferred, the Parent Company calculates the sales amount and cost of sales at the time of receiving the lease fee.
16. Hedge accounting of the Parent Company is applied based on the following method:
  - 1) The Parent Company applies the mark-to-market method of hedge accounting and deferred hedge accounting for hedging activities against exposures to foreign exchange rate fluctuations on certain bonds denominated in foreign currencies. The Parent Company also applies exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps to hedge cash flow volatility of certain loans receivable, and applies designated hedge accounting (“*Furiate-shori*”) for foreign exchange forward contracts and currency swaps for certain financial assets denominated in foreign currencies.
  - 2) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of market value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Parent Company’s internal risk management policies.
17. Consumption taxes and local consumption taxes of the Parent Company are accounted for by using 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 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are recorded to expense as incurred as of September 30, 2011.

18. Policy reserves of the Parent Company are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized by performing a calculation based on the following methodology:
- 1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (Ordinance No. 48 issued by the Ministry of Finance in 1996).
  - 2) Reserves for other contracts are computed based on the net level premium method.

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.

19. The “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24), the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24) and the “Practical Guidelines on Accounting Standards for Financial Instruments” (JICPA Accounting Practice Committee Statement No. 14), which was amended to respond to the Accounting Standard and the Guidance, have been applied from the six months ended September 30, 2011.

Owing to the resulting revisions to the Ordinance for Enforcement of the Insurance Business Act, the following changes were made.

Reversal of allowance for doubtful accounts, which had previously been presented under extraordinary gains on the consolidated statement of income, was included in investment income. Operating income increased by ¥2,235 million but there was no impact on net surplus.

20. The corporate tax, inhabitant tax and income tax adjustments of the Parent Company for the six months ended September 30, 2011 are calculated based on the assumption of accumulations and reversals of reserve for condensed booking of fixed assets for tax purposes and reserve for dividends to policyholders due to appropriation of unappropriated surplus in the current fiscal year.

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

(Million Yen)

	Balance sheet amount (*1)	Market value (*2)	Difference
Cash and deposits (negotiable certificates of deposit)	217,197	217,197	—
Available-for-sale securities	217,197	217,197	—
Monetary receivables purchased	936,211	981,091	44,879
Policy-reserve-matching bonds	859,656	904,536	44,879
Available-for-sale securities	76,554	76,554	—
Securities	34,230,665	35,369,143	1,138,478
Trading securities	1,021,168	1,021,168	—
Held-to-maturity debt securities	42,350	42,640	289
Policy-reserve-matching bonds	16,940,382	18,064,415	1,124,032
Investments in subsidiaries and affiliates	7,711	21,867	14,156
Available-for-sale securities	16,219,051	16,219,051	—
Loans receivable (*3)	8,733,439	8,980,544	247,105
Policy loans	935,317	935,317	—
Industrial and consumer loans	7,798,121	8,045,226	247,105
Derivative financial instruments (*4)	149,250	149,250	—
Hedge accounting not applied	14,016	14,016	—
Hedge accounting applied	135,233	135,233	—
Cash received as collateral under securities lending contracts (*5)	[927,703]	[927,703]	—

- (\*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, 2011, the market value is the balance sheet amount after the impairment loss is deducted.
- (\*3) The market 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 market values of loans receivable because they are accounted for as an integral part of loans receivable which are hedged items.
- (\*4) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in brackets.
- (\*5) Cash received as collateral under securities lending contracts is recorded in liabilities and presented in brackets.

- (2) Market value measurement methods for the Parent Company's major financial instruments are as follows:
- 1) Securities, deposits and monetary receivables purchased treated as securities based on the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10)
    - a. Items with a market price

Market value is measured based on the closing market price on the balance sheet date. However, the market 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

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

Market value is deemed to approximate book value, due to no repayment deadlines based on characteristics such as limiting loans to the surrender benefit range, and expected reimbursement period and interest rate requirements, etc. Thus, the book value is used as the market value of the policy loans.
    - b. Industrial and consumer loans

Market 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 market value of the variable interest rate loans.

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

Loans receivable 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. Market value of futures and other market transactions is measured by the liquidation value or closing market price on the balance sheet date.
    - b. Market value of exchange contracts and currency options is measured based on theoretical values calculated by the Parent Company using Telegraphic Transfer Middle rates (TTM) and discount rates obtained from brokers.
    - c. Market 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, etc.
  - 4) Cash received as collateral under securities lending contracts

The book value is used as market 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 market value are not included in the securities in the table (1). Balance sheet amounts as of September 30, 2011 by holding purpose are ¥63,888 million and ¥1,034,223 million, respectively, for stocks of subsidiaries and affiliates and for available-for-sale securities.

(4) Matters regarding securities, etc. by purpose of possession are as follows:

1) Trading securities

Securities in the separate accounts are classified as trading securities.

Valuation differences included in the current period income were losses of ¥109,991 million for securities related to separate accounts.

2) Held-to-maturity debt securities

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

(Million Yen)

	Type	Balance sheet amount	Market value	Difference
Market value exceeds the balance sheet amount	Domestic bonds	30,659	30,897	238
	Foreign securities	6,808	6,998	189
	Subtotal	37,467	37,895	428
Market value does not exceed the balance sheet amount	Domestic bonds	4,511	4,373	(137)
	Foreign securities	371	370	(0)
	Subtotal	4,883	4,744	(138)
Total		42,350	42,640	289

3) Policy-reserve-matching bonds

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

(Million Yen)

	Type	Balance sheet amount	Market value	Difference
Market value exceeds the balance sheet amount	Monetary receivables purchased	810,794	856,090	45,296
	Domestic bonds	16,633,280	17,778,996	1,145,715
	Foreign securities	55,943	59,023	3,079
	Subtotal	17,500,018	18,694,109	1,194,091
Market value does not exceed the balance sheet amount	Monetary receivables purchased	48,862	48,446	(416)
	Domestic bonds	224,653	200,514	(24,139)
	Foreign securities	26,504	25,882	(622)
	Subtotal	300,021	274,842	(25,178)
Total		17,800,039	18,968,952	1,168,912

4) Available-for-sale securities

Acquisition cost or amortized cost and 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)	12,000	12,000	0
	Monetary receivables purchased	2,893	2,901	7
	Domestic bonds	1,508,704	1,563,097	54,392
	Domestic stocks	2,417,377	3,376,649	959,271
	Foreign securities	6,542,038	7,038,468	496,430
	Other securities	137,529	141,288	3,759
	Subtotal	10,620,543	12,134,407	1,513,863
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	205,200	205,196	(3)
	Monetary receivables purchased	73,680	73,653	(26)
	Domestic bonds	80,857	74,252	(6,605)
	Domestic stocks	2,305,540	1,724,854	(580,685)
	Foreign securities	2,430,022	2,176,729	(253,292)
	Other securities	154,038	123,710	(30,328)
	Subtotal	5,249,338	4,378,396	(870,942)
Total		15,869,882	16,512,803	642,921

\* Items totaling ¥1,034,223 million whose market value is extremely difficult to determine are not included.

During the six months ended September 30, 2011, ¥40,100 million in impairment losses was recognized for items with market value.

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

22. As of September 30, 2011, there were no significant changes in the balance sheet amounts and market values of investment and rental properties from the end of the previous fiscal year.

23. (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 receivable, was ¥53,702 million as of September 30, 2011.

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥3,093 million and ¥37,871 million, respectively, as of September 30, 2011.

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 delinquent for over three months as of September 30, 2011.

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 ¥12,737 million as of September 30, 2011.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers.

These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

(2) Direct write-offs of loans receivable decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥1,077 million and ¥2,300 million, respectively, as of September 30, 2011.

24. Separate Account assets as provided for in Article 118, paragraph 1 of the Insurance Business Act were ¥1,115,071 million as of September 30, 2011 and are presented with a corresponding liability recorded for the same amount.

25. Changes in the reserve for dividends to policyholders included in policy reserves for the six months ended September 30, 2011 were as follows:

	Million Yen
	<u>As of September 30, 2011</u>
a. Balance at the beginning of the current fiscal year	¥1,144,330
b. Transfer to reserve from surplus in the previous fiscal year	¥175,513
c. Dividends to policyholders paid out in the current six month period	¥122,138
d. Increase in interest	¥13,680
e. Balance at the end of the current six month period (a+b-c+d)	<u>¥1,211,386</u>

26. Assets pledged as collateral by securities, leases, land, and buildings as of September 30, 2011 were ¥1,119,766 million, ¥3,942 million, ¥2,952 million, and ¥283 million, respectively. The total amount of loans covered by the aforementioned assets was ¥931,401 million as of September 30, 2011.

These amounts included ¥1,028,540 million of securities deposited and ¥927,728 million of cash received as collateral, under the securities lending contracts secured by cash, as of September 30, 2011.

27. ¥100,000 million of foundation funds were offered according to Article 60 of Insurance Business Act.

28. 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, 2011.

29. The total amount of stocks and investments in non-consolidated subsidiaries and affiliates was ¥71,599 million as of September 30, 2011.

On March 14, 2011, the Company agreed to acquire 26% of the shares of Reliance Life Insurance Company Limited. Following this, the Company made an investment of 30,616 million Indian rupees (¥48,373 million) on October 7, 2011 after completing all relevant procedures, including obtaining formal approval from the Insurance Regulatory and Development Authority, India's insurance supervisory agency.

30. The amount of securities lent under lending agreements was ¥2,394,513 million as of September 30, 2011.

31. Assets that can be sold or re-secured are marketable securities lent under lending agreements. These assets were being held without disposal totaling ¥1,151,773 million at market value as of September 30, 2011.

32. The amount of commitments related to loans receivable and loans outstanding was ¥83,655 million as of September 30, 2011.

33. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Parent Company is estimated to be ¥84,947 million as of September 30, 2011. The amount contributed to the Life Insurance Policyholders Protection Corporation of Japan is recorded within operating expenses.

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

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Revenues:	3,634,517	3,306,714
Revenues from insurance and reinsurance premiums	2,762,774	2,360,153
Investment income:	715,228	822,348
Interest, dividends, and other income	616,105	621,688
Gain from assets held in trust, net	9	485
Gain on sales of securities	94,883	199,047
Other revenues	156,515	124,212
Expenditures:	3,413,665	3,141,820
Insurance claims and other payments:	1,930,274	1,850,597
Death and other claims	586,831	578,803
Annuity payments	304,942	269,989
Health and other benefits	398,119	410,615
Surrender benefits	506,388	502,399
Other refunds	133,498	88,211
Provision for policy reserves:	713,905	486,865
Provision for policy reserves	700,225	471,993
Interest on reserve for dividends to policyholders	13,680	14,872
Investment expenses:	286,818	316,899
Interest expense	1,741	1,943
Loss on sales of securities	65,230	158,129
Loss on valuation of securities	100,584	34,177
Loss from derivative financial instruments, net	4,719	2,966
Loss from separate accounts, net	80,353	78,653
Operating expenses	289,613	295,015
Other expenditures	193,052	192,442
Operating income	220,852	164,894

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Extraordinary gains:	271	968
Gain on disposal of fixed assets	27	968
Reversal of reserve for losses on disaster	150	—
Other extraordinary gains	92	—
Extraordinary losses:	111,680	61,848
Loss on disposal of fixed assets	2,540	4,908
Impairment losses	3,110	2,584
Provision for reserve for price fluctuations in investments in securities	104,842	51,990
Loss on adjustment for changes in accounting standard for asset retirement obligations	—	1,172
Other extraordinary losses	1,188	1,192
Surplus before income taxes and minority interests	109,443	104,013
Income tax - current	28,493	74,990
Income tax - deferred	(21,213)	(73,109)
Income tax - total	7,280	1,880
Surplus before minority interests	102,163	102,132
Minority interests	460	26
Net surplus	101,703	102,106

Notes to the Consolidated Statement of Income for the six months ended September 30, 2011

1. Impairment losses are as follows:

1) Method for grouping the assets

Leased property and idle property are classified as one asset group per structure. 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 market 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, 2011 is as follows:

Purpose of use	Million Yen			
	Land	Land lease rights	Buildings	Total
Leased property	¥403	¥22	¥1,813	¥2,239
Idle property	¥661	—	¥209	¥870
Total	¥1,064	¥22	¥2,023	¥3,110

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 in principle 4.0%. Net realizable values are determined based on appraisals performed in accordance with the Real Estate Appraisal Standards or posted land prices.

2. Other extraordinary gains are from the abolishment of part of the retirement benefit systems of the consolidated subsidiaries associated with revisions in the retirement benefit systems.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Surplus before minority interests	102,163	102,132
Other comprehensive income:	(380,071)	(332,684)
Net unrealized gains on available-for-sale securities, net of tax	(384,193)	(324,138)
Deferred gains (losses) on derivatives under hedge accounting	3,619	1,200
Land revaluation differences	—	(912)
Cumulative translation adjustments	423	(4,618)
Share of other comprehensive income of associates accounted for under the equity method	79	(4,215)
Comprehensive income:	(277,907)	(230,552)
Comprehensive income attributable to owners of the Parent Company	(278,305)	(230,519)
Comprehensive income attributable to minority interests	397	(32)

## (6) Consolidated Statements of Cash Flows

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
I. Cash flows from operating activities:		
Surplus before income taxes and minority interests	109,443	104,013
Depreciation of rental real estate and other assets	12,263	12,637
Depreciation	24,372	23,370
Impairment losses	3,110	2,584
Net (decrease) in reserve for outstanding claims	(48,523)	(14,837)
Net increase in policy reserves	700,065	471,959
Interest on reserve for dividends to policyholders	13,680	14,872
Net (decrease) increase in allowance for doubtful accounts	(2,284)	4,573
Net (decrease) in accrued bonuses for directors and corporate auditors	(40)	(37)
Net increase in accrued severance indemnities	1,178	8,030
Net (decrease) in accrued retirement benefits for directors and corporate auditors	(726)	(983)
Net increase in reserve for price fluctuations in investments in securities	104,842	51,990
Interest, dividends and other income	(616,105)	(621,688)
Net losses on investments in securities	76,018	192
Interest expense	1,741	1,943
Net losses on tangible fixed assets	2,206	3,940
Loss from separate accounts, net	80,353	78,653
Others, net	92,943	88,433
Subtotal	554,538	229,649
Interest, dividends and other income received	633,691	623,346
Interest paid	(1,331)	(1,534)
Dividends to policyholders paid	(104,364)	(108,185)
Others, net	(5,009)	1,743
Income taxes (paid)	(109,291)	(1,313)
Net cash provided by operating activities	968,232	743,705

## (6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
II. Cash flows from investing activities:		
Net (increase) in deposits	(2,000)	(500)
Purchases of monetary receivables purchased	(8,000)	(25,377)
Proceeds from sales and redemption of monetary receivables purchased	49,130	34,087
Purchases of securities	(6,916,074)	(11,892,558)
Proceeds from sales and redemption of securities	6,115,057	10,327,348
Investments in loans	(774,662)	(661,519)
Collections of loans	600,178	651,664
Others, net	(127,609)	373,381
Investment management activities total	(1,063,978)	(1,193,473)
[Operating activities and investment management activities total]	[(95,746)]	[(449,767)]
Purchases of tangible fixed assets	(12,050)	(21,484)
Proceeds from sales of tangible fixed assets	585	2,348
Others, net	(17,282)	(19,277)
Net cash (used in) investing activities	(1,092,726)	(1,231,886)
III. Cash flows from financing activities:		
Proceeds from debt issuance	114,100	78,900
Repayments of debt	(119,096)	(87,523)
Proceeds from issuance of foundation funds	100,000	50,000
Redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(3,508)	(3,650)
Others, net	2,301	2,504
Net cash provided by (used in) financing activities	43,797	(9,768)
IV. Effect of exchange rate changes on cash and cash equivalents	(4,179)	(2,331)
V. Net (decrease) in cash and cash equivalents	(84,876)	(500,281)
VI. Cash and cash equivalents at the beginning of the year	736,931	1,250,378
VII. Cash and cash equivalents at the end of the period	652,054	750,096

## Basis of Presenting the Consolidated Statement of Cash Flows for the six months ended September 30, 2011

### 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

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Foundation funds and others:		
Foundation funds:		
Beginning balance	250,000	250,000
Increase/Decrease:		
Issuance of foundation funds	100,000	50,000
Redemption of foundation funds	(50,000)	(50,000)
Net change	50,000	—
Ending balance	300,000	250,000
Reserve for redemption of foundation funds:		
Beginning balance	850,000	800,000
Increase/Decrease:		
Additions to reserve for redemption of foundation funds	50,000	50,000
Net change	50,000	50,000
Ending balance	900,000	850,000
Reserve for revaluation:		
Beginning balance	651	651
Increase/Decrease:		
Net change	—	—
Ending balance	651	651
Consolidated surplus:		
Beginning balance	380,448	409,964
Increase/Decrease:		
Additions to reserve for dividends to policyholders	(175,513)	(199,189)
Additions to reserve for redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(3,508)	(3,650)
Net surplus	101,703	102,106
Reversal of land revaluation differences	(258)	170
Net change	(127,577)	(150,563)
Ending balance	252,871	259,401
Total foundation funds and others:		
Beginning balance	1,481,099	1,460,616
Increase/Decrease:		
Issuance of foundation funds	100,000	50,000
Additions to reserve for dividends to policyholders	(175,513)	(199,189)
Interest on foundation funds	(3,508)	(3,650)
Net surplus	101,703	102,106
Redemption of foundation funds	(50,000)	(50,000)
Reversal of land revaluation differences	(258)	170
Net change	(27,577)	(100,563)
Ending balance	1,453,522	1,360,052

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

(Million Yen)

	Six months ended September 30, 2011	Six months ended September 30, 2010
Accumulated other comprehensive income:		
Net unrealized gains on available-for-sale securities, net of tax:		
Beginning balance	745,362	1,178,311
Increase/Decrease:		
Net change, excluding foundation funds and others	(384,140)	(328,062)
Net change	(384,140)	(328,062)
Ending balance	361,221	850,248
Deferred gains (losses) on derivatives under hedge accounting:		
Beginning balance	6,832	(602)
Increase/Decrease:		
Net change, excluding foundation funds and others	3,619	1,200
Net change	3,619	1,200
Ending balance	10,452	597
Land revaluation differences:		
Beginning balance	(89,985)	(91,111)
Increase/Decrease:		
Net change, excluding foundation funds and others	258	(1,082)
Net change	258	(1,082)
Ending balance	(89,726)	(92,194)
Cumulative translation adjustments:		
Beginning balance	(67,197)	(50,640)
Increase/Decrease:		
Net change, excluding foundation funds and others	512	(4,851)
Net change	512	(4,851)
Ending balance	(66,684)	(55,492)
Total accumulated other comprehensive income:		
Beginning balance	595,012	1,035,956
Increase/Decrease:		
Net change, excluding foundation funds and others	(379,750)	(332,796)
Net change	(379,750)	(332,796)
Ending balance	215,262	703,160
Minority interests:		
Beginning balance	11,395	11,381
Increase/Decrease:		
Net change, excluding foundation funds and others	356	(73)
Net change	356	(73)
Ending balance	11,751	11,307
Total net assets:		
Beginning balance	2,087,507	2,507,953
Increase/Decrease:		
Issuance of foundation funds	100,000	50,000
Additions to reserve for dividends to policyholders	(175,513)	(199,189)
Interest on foundation funds	(3,508)	(3,650)
Net surplus	101,703	102,106
Redemption of foundation funds	(50,000)	(50,000)
Reversal of land revaluation differences	(258)	170
Net change, excluding foundation funds and others	(379,393)	(332,870)
Net change	(406,970)	(433,433)
Ending balance	1,680,536	2,074,520

(8) Segment Information

For the six months ended September 30, 2011, the Company and the Company's consolidated subsidiaries engaged in insurance 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.