November 24, 2016

Financial Results for the Six Months Ended September 30, 2016

Nippon Life Insurance Company (the "Company"; President: Yoshinobu Tsutsui) announces financial results for the six months ended September 30, 2016.

[Contents]

Financial Summary for the Six Months Ended September 30, 2016

Attached: Supplementary Materials for the Six Months Ended September 30, 2016

1. Business Highlights

(1) Amount of Policies in Force and New Policies

- Policies in Force

	As of September 30, 2016				As of March 31, 2016	
	Number of policies		Amount of policies		Number of policies	Amount of policies
	(thousands)	As a percentage of March 31, 2016 (%)	(100 million yen)	As a percentage of March 31, 2016 (%)	(thousands)	(100 million yen)
Individual insurance	24,040	104.0	1,436,239	99.0	23,123	1,451,163
Individual annuities	3,597	102.1	222,156	101.9	3,525	218,107
Group insurance	—	—	942,374	101.0	—	932,899
Group annuities	—	—	124,949	101.0	—	123,757

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

- New Policies

	Six months ended September 30, 2016						Six months ended September 30, 2015			
	Number of policies		Amount of policies				Number of policies	Amount of policies		
	(thousands)	As a percentage of six months ended September 30, 2015 (%)	(100 million yen)	As a percentage of six months ended September 30, 2015 (%)	New policies	Net (decrease) increase by conversion	(thousands)	(100 million yen)	New policies	Net (decrease) increase by conversion
Individual insurance	1,921	87.7	37,986	87.8	39,906	(1,919)	2,192	43,257	44,243	(986)
Individual annuities	142	146.9	8,432	135.3	8,387	44	97	6,231	6,137	93
Group insurance	—	—	3,278	248.7	3,278		—	1,318	1,318	
Group annuities	—	—	10	143.3	10		—	7	7	

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

(2) Annualized Net Premium

- Policies in Force

(100 Million Yen, %)

		As of September 30, 2016		As of March 31, 2016
			As a percentage of March 31, 2016	
Individual insurance		25,611	100.5	25,486
Individual annuities		9,041	102.6	8,814
Total		34,652	101.0	34,300
	Medical coverages, living benefits, and others	6,167	100.7	6,125

- New Policies

(100 Million Yen, %)

		Six months ended September 30, 2016		Six months ended September 30, 2015
			As a percentage of six months ended September 30, 2015	
Individual insurance		1,026	90.7	1,131
Individual annuities		407	172.9	235
Total		1,434	104.9	1,367
	Medical coverages, living benefits, and others	220	91.2	242

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

(3) Major Profit and Loss Items

(100 Million Yen, %)

	Six months ended September 30, 2016		Six months ended September 30, 2015
		As a percentage of six months ended September 30, 2015	
Revenues from insurance and reinsurance	23,627	81.6	28,961
Investment income	8,571	107.9	7,940
Benefits and other payments	17,960	96.7	18,569
Investment expenses	1,846	167.5	1,102
Ordinary profit	2,483	95.9	2,589

(4) Total Assets

(100 Million Yen, %)

	As of September 30, 2016		As of March 31, 2016
		As a percentage of March 31, 2016	
Total assets	631,750	99.6	634,538

2. Overview of General Accounts Asset Management for the Six Months Ended September 30, 2016

(1) Investment Environment

In the six months ended September 30, 2016, the Japanese economy experienced a slower pace of recovery due to external factors, such as the slow recovery of the U.S. economy and changes in the European economy associated with concerns about the U.K. leaving the European Union (EU). However, the Japanese economy continued to stage a gradual recovery, as corporate earnings remained firm mainly in the nonmanufacturing sector, despite signs of weakness in some economic conditions.

- The Nikkei Stock Average started the fiscal year at ¥16,758. Thereafter, the index remained capped by a heavy ceiling amid the yen's continuing appreciation owing to a slow pace of economic recovery in the U.S. and other factors. After the U.K.'s national referendum on EU membership was won by the Leave campaign, the Nikkei Stock Average declined by a large margin. However, the index started to recover as the yen returned to a depreciation track as excessive concerns about the U.K. subsided. Consequently, the index finished at ¥16,449 at the end of September.
- The yield rate on 10-year government bonds started the fiscal year at -0.05%, and steadily remained level thereafter. However, from June, the rate began to decline further into negative territory, reflecting a stronger risk-off stance among investors reflecting concerns about the U.K. leaving the EU. From the end of July, speculation about the Bank of Japan's monetary policy began to push up the rate. When the Bank of Japan introduced a policy to guide the long-term yield rate to 0% in September, the rate hovered slightly below 0%, finishing at -0.09% at the end of September.
- The yen-U.S. dollar exchange rate started the fiscal year at the ¥112 level. Thereafter, the yen appreciated in response to a decline in expectations for an additional interest rate hike by the Federal Reserve Board. After the U.K. national referendum on EU membership was won by the Leave campaign, the yen-U.S. dollar exchange rate temporarily dipped below U.S.$1=¥100. From July onward, the yen depreciated due to rising expectations for an interest rate hike in the U.S. However, in response to the postponement of an interest rate hike toward the end of September, the yen started to appreciate. Consequently, the yen-U.S. dollar exchange rate finished at ¥101.12 at the end of September. The yen-euro exchange rate started the fiscal year at the ¥127 level. Subsequently, when the U.K. national referendum on EU membership was won by the Leave campaign, the yen appreciated further as there were significant sales of euro. Thereafter, speculation about additional monetary easing by the European Central Bank and other factors caused the market to lose a clear direction. The yen-euro rate finished at ¥113.36 at the end of September.

(2) Investment Policy

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

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

(3) Status of Investment Income/Expense

Investment income was ¥857.1 billion, up from ¥794.0 billion in the six months ended September 30, 2015. The increase mainly reflected an increase in gain on sales of domestic stocks.

Investment expenses amounted to ¥167.7 billion, up from ¥73.3 billion in the six months ended September 30, 2015. This increase mainly reflected increases in loss on sales of securities and loss on valuation of securities, primarily of foreign securities.

As a result, the Company's net investment income balance decreased by ¥31.2 billion, compared to the same period of the previous fiscal year, to ¥689.4 billion.

3. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of September 30, 2016		As of March 31, 2016	
	Amount	%	Amount	%
Cash, deposits, and call loans	10,024	1.6	10,037	1.6
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	3,566	0.6	4,199	0.7
Proprietary trading securities	—	—	—	—
Assets held in trust	10	0.0	19	0.0
Investments in securities:	498,080	80.5	501,337	80.8
Domestic bonds	227,614	36.8	233,548	37.6
Domestic stocks	76,793	12.4	81,076	13.1
Foreign securities:	177,227	28.6	171,581	27.6
Foreign bonds	141,347	22.8	134,251	21.6
Foreign stocks and other securities	35,879	5.8	37,330	6.0
Other securities	16,445	2.7	15,130	2.4
Loans:	81,088	13.1	81,214	13.1
Policy loans	6,749	1.1	6,958	1.1
Industrial and consumer loans	74,338	12.0	74,256	12.0
Real estate:	16,529	2.7	16,779	2.7
Investment property	10,562	1.7	10,796	1.7
Deferred tax assets	—	—	—	—
Other assets	9,433	1.5	7,206	1.2
Allowance for doubtful accounts	(30)	(0.0)	(35)	(0.0)
Total assets (general account):	618,703	100.0	620,758	100.0
Foreign currency-denominated assets	160,666	26.0	151,783	24.5

Notes: 1. The above assets include cash received as collateral under securities lending transactions. Cash collateral received through these transactions is also recorded in liabilities as cash received as collateral under securities lending transactions (¥492.9 billion and ¥661.8 billion as of September 30, 2016, and March 31, 2016, respectively).

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

(2) Increases/Decreases in Assets

(100 Million Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2015
Cash, deposits, and call loans	(12)	5,366
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	(632)	(335)
Proprietary trading securities	—	—
Assets held in trust	(8)	—
Investments in securities:	(3,256)	(8,729)
Domestic bonds	(5,933)	(1,080)
Domestic stocks	(4,282)	(6,963)
Foreign securities:	5,645	(2,127)
Foreign bonds	7,096	2,207
Foreign stocks and other securities	(1,451)	(4,334)
Other securities	1,314	1,440
Loans:	(126)	(769)
Policy loans	(209)	(181)
Industrial and consumer loans	82	(588)
Real estate:	(249)	(44)
Investment property	(233)	19
Deferred tax assets	—	—
Other assets	2,227	(937)
Allowance for doubtful accounts	4	20
Total assets (general account):	(2,055)	(5,429)
Foreign currency-denominated assets	8,883	(0)

Notes: 1. Increases/decreases in cash received as collateral under securities lending transactions are as follows: ¥(168.8billion) and ¥(44.5 billion) for the six months ended September 30, 2016, and September 30, 2015, respectively.

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

(3) Investment Income

(100 Million Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2015
Interest, dividends, and other income:	6,738	7,410
Interest on deposits and savings	0	1
Interest on securities and dividends	5,530	6,142
Interest on loans	725	776
Real estate rental income	425	427
Other income	57	61
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	0	—
Gain on trading securities	—	—
Gain on sales of securities:	1,783	458
Gain on sales of domestic bonds, including national government bonds	209	68
Gain on sales of domestic stocks and other securities	1,364	372
Gain on sales of foreign securities	210	16
Other gains	—	—
Gain on redemptions of securities	40	69
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	—	—
Reversal of allowance for doubtful accounts	5	0
Other investment income	2	2
Total	8,571	7,940

(4) Investment Expenses

(100 Million Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2015
Interest expenses	92	68
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	—
Loss on trading securities	—	—
Loss on sales of securities:	442	15
Loss on sales of domestic bonds, including national government bonds	0	6
Loss on sales of domestic stocks and other securities	32	0
Loss on sales of foreign securities	409	8
Other losses	0	0
Loss on valuation of securities:	246	36
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	3	31
Loss on valuation of foreign securities	242	4
Other losses	—	—
Loss on redemptions of securities	149	148
Loss on derivative financial instruments, net	512	254
Foreign exchange losses, net	40	28
Provision for allowance for doubtful accounts	—	—
Write-offs of loans	—	0
Depreciation of rental real estate and other assets	77	77
Other investment expenses	116	104
Total	1,677	733

(5) Net Valuation Gains/Losses on Trading Securities

(100 Million Yen)

	As of September 30, 2016		As of March 31, 2015	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Trading securities	9	0	9	(0)

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

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

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

(100 Million Yen)

	As of September 30, 2016					As of March 31, 2016				
	Book value	Fair value	Net gains/ losses	Gains	Losses	Book value	Fair value	Net gains/ losses	Gains	Losses
Policy-reserve-matching bonds*	199,634	245,842	46,207	46,231	(23)	205,613	250,527	44,914	44,914	(0)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	77	467	390	390	—	77	669	592	592	—
Available-for-sale securities:	235,457	292,515	57,057	59,877	(2,819)	226,222	291,383	65,161	67,305	(2,143)
Domestic bonds	29,300	31,901	2,600	2,640	(39)	29,911	32,596	2,684	2,696	(11)
Domestic stocks	39,428	72,577	33,149	34,826	(1,676)	39,710	76,277	36,567	38,098	(1,531)
Foreign securities:	147,605	167,137	19,532	20,444	(912)	136,128	160,169	24,040	24,536	(496)
Foreign bonds	125,650	140,698	15,047	15,758	(710)	114,806	133,533	18,727	19,032	(304)
Foreign stocks and other securities	21,955	26,439	4,484	4,685	(201)	21,322	26,636	5,313	5,504	(191)
Other securities	14,317	16,091	1,774	1,965	(191)	12,913	14,781	1,867	1,972	(104)
Monetary receivables purchased	293	294	1	1	(0)	254	255	1	1	(0)
Negotiable certificates of deposit	4,512	4,512	0	0	(0)	7,303	7,302	(0)	0	(0)
Total	435,169	538,825	103,656	106,499	(2,843)	431,912	542,580	110,667	112,812	(2,144)
Domestic bonds	225,014	273,448	48,434	48,497	(62)	230,863	278,029	47,166	47,177	(11)
Domestic stocks	39,428	72,577	33,149	34,826	(1,676)	39,710	76,277	36,567	38,098	(1,531)
Foreign securities:	148,332	168,284	19,952	20,864	(912)	136,923	161,591	24,667	25,163	(496)
Foreign bonds	126,299	141,376	15,077	15,787	(710)	115,523	134,285	18,761	19,066	(304)
Foreign stocks and other securities	22,032	26,907	4,875	5,076	(201)	21,399	27,305	5,905	6,096	(191)
Other securities	14,317	16,091	1,774	1,965	(191)	12,913	14,781	1,867	1,972	(104)
Monetary receivables purchased	3,565	3,910	345	345	(0)	4,198	4,597	399	399	(0)
Negotiable certificates of deposit	4,512	4,512	0	0	(0)	7,303	7,302	(0)	0	(0)

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

* Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line).
Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups (classified by insurance type, maturity period, and investment policy) of insurance products, such as individual insurance and annuities, workers' asset-formation insurance and annuities, and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

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

(100 Million Yen)

	As of September 30, 2016	As of March 31, 2016
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	6,399	6,920
Available-for-sale securities:	7,546	8,637
Unlisted domestic stocks (excluding over-the-counter stocks)	1,045	1,047
Unlisted foreign stocks (excluding over-the-counter stocks)	4,312	5,257
Unlisted foreign bonds	—	—
Others	2,188	2,333
Total	13,945	15,558

Note: Of securities of which the fair value is extremely difficult to be determined, the net (losses) gains on currency exchange valuation of assets denominated in foreign currencies were as follows:
¥(17.7) billion and ¥37.4 billion as of September 30, 2016 and March 31, 2016, respectively.

(7) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of September 30, 2016					As of March 31, 2016				
	Balance sheet amount	Fair Value	Net gains/losses			Balance sheet amount	Fair Value	Net gains/losses		
				Gains	Losses				Gains	Losses
Assets held in trust	10	10	—	—	—	19	19	—	—	—

Notes: 1. Fair value is based on a reasonably calculated price by the trustee of the assets held in trust.
2. The balance sheet amount includes net gains/losses on derivative transactions within assets held in trust.

- Assets Held in Trust for Trading Purposes

(100 Million Yen)

	As of September 30, 2016		As of March 31, 2016	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Assets held in trust for trading purposes	10	0	19	(0)

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

- Assets Held in Trust Classified as Policy-Reserve-Matching, Held-to-Maturity, and Available-for-sale
  No ending balance as of September 30, 2016, or March 31, 2016.

4. Nonconsolidated Balance Sheets

(Million Yen)

	As of September 30, 2016	As of March 31, 2016
Assets:		
Cash and deposits	948,720	953,962
Call loans	220,000	120,000
Monetary receivables purchased	356,650	419,915
Assets held in trust	1,087	1,934
Investments in securities:	50,918,559	51,297,396
National government bonds	19,909,945	20,101,494
Local government bonds	1,021,481	1,284,844
Corporate bonds	2,357,028	2,490,960
Domestic stocks	7,841,001	8,285,950
Foreign securities	18,007,401	17,477,392
Loans:	8,108,820	8,121,484
Policy loans	674,966	695,878
Industrial and consumer loans	7,433,854	7,425,606
Tangible fixed assets	1,670,802	1,694,878
Intangible fixed assets	168,237	169,515
Reinsurance receivables	309	496
Other assets	746,335	637,272
Customers' liability for acceptances and guarantees	38,618	40,503
Allowance for doubtful accounts	(3,082)	(3,524)
Total assets	63,175,061	63,453,836
Liabilities:		
Policy reserves and other reserves:	53,489,992	52,767,560
Reserve for outstanding claims	305,077	316,631
Policy reserves	52,083,806	51,435,915
Reserve for dividends to policyholders	1,101,108	1,015,013
Reinsurance payables	345	572
Corporate bonds	750,825	650,825
Other liabilities:	1,312,283	1,627,269
Cash received as collateral under securities lending transactions	492,979	661,819
Income taxes payable	57,855	16,841
Lease obligations	6,697	6,257
Asset retirement obligations	2,232	2,322
Other liabilities	752,518	940,028
Accrued bonuses for directors and audit and supervisory board members	29	87
Accrued retirement benefits	359,914	358,762
Accrued retirement benefits for directors and audit and supervisory board members	4,289	4,391
Reserve for program points	10,192	9,420
Reserve for price fluctuations in investments in securities	1,073,884	947,384
Deferred tax liabilities	390,097	644,586
Deferred tax liabilities for land revaluation	108,027	109,383
Acceptances and guarantees	38,618	40,503
Total liabilities	57,538,500	57,160,746

4. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2016	As of March 31, 2016
Net assets:		
Foundation funds	150,000	200,000
Reserve for redemption of foundation funds	1,150,000	1,100,000
Reserve for revaluation	651	651
Surplus:	306,208	479,830
Legal reserve for deficiencies	16,042	15,163
Other surplus reserves:	290,166	464,667
Equalized reserve for dividends to policyholders	50,000	50,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	617	305
Reserve for reduction entry of real estate	51,196	50,187
Reserve for reduction entry of real estate to be purchased	5,643	—
Other reserves	170	170
Unappropriated surplus	110,621	292,087
Total foundation funds and others	1,606,859	1,780,481
Net unrealized gains on available-for-sale securities	4,117,985	4,722,733
Deferred losses on derivatives under hedge accounting	(7,591)	(123,923)
Land revaluation losses	(80,692)	(86,202)
Total valuations, conversions, and others	4,029,701	4,512,608
Total net assets	5,636,561	6,293,089
Total liabilities and net assets	63,175,061	63,453,836

Basis of Presenting the Nonconsolidated Balance Sheet as of September 30, 2016

1. (1) Securities (including items such as deposits and monetary receivables purchased which are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ* Statement No. 10) and securities within assets held in trust) are valued as follows:

1) Trading securities are stated at fair value on the balance sheet date. The moving average method is used for calculating cost basis.

2) Held-to-maturity debt securities are valued using the moving average method, net of accumulated amortization (straight-line).

3) Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line), in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA**.

4) Investments in subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.

5) Available-for-sale securities

a. Regarding securities with a fair value, stocks (including foreign stocks) are valued by using the average fair value during the period of one month before the balance sheet date (cost basis is calculated by using the moving average method). Other securities with a fair value are valued by using the fair value on the balance sheet date (cost basis is calculated by using the moving average method).

b. Regarding securities of which the fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are stated at cost using the moving average method, net of accumulated amortization (straight-line). Other securities without readily determinable fair values are stated at cost using the moving average method.

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* ASBJ: The Accounting Standards Board of Japan

** JICPA: Japanese Institute of Certified Public Accountants

(2) Unrealized gains/losses, net of applicable taxes for available-for-sale securities, are recorded as a separate component of net assets.

2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups (classified by insurance type, maturity period, and investment policy) of insurance products, such as individual insurance and annuities, workers' asset-formation insurance and annuities, and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value.

4. (1) Tangible fixed assets are depreciated based on the following methods:
   a. Tangible fixed assets (except for lease assets)
      (i) Buildings
      Straight-line method.
      (ii) Assets other than the above
      Declining-balance method.
      Certain other tangible fixed assets with an acquisition price of less than ¥200,000 are depreciated over a 3 year period on a straight-line basis.
   b. Lease assets
      (i) Lease assets related to financial leases where ownership is transferred
      The same depreciation method applied to fixed assets owned by the Company.
      (ii) Lease assets related to financial leases where ownership is not transferred
      Straight-line method based on lease period.

   (2) Software, which is included within intangible fixed assets, is amortized using the straight-line method.

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).
   Foreign currency-denominated available-for-sale securities of the Company, with exchange rates which have significantly fluctuated and where recovery is not expected, are converted to Japanese yen using either the rate on the balance sheet date or the average one-month rate prior to the balance sheet date, whichever indicates a weaker yen. This translation difference is recorded as a loss on valuation of securities.

6. (1) An allowance for doubtful accounts is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.

1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (3) below).
2) An allowance for loans to borrowers who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
3) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

(2) All credits are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

(3) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥565 million (including ¥116 million of credits secured and/or guaranteed) as of September 30, 2016.

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

8. (1) Accrued retirement benefits are recognized in the amount of the deemed obligations on September 30, 2016, based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets for future severance payments to employee on the balance sheet date of the current fiscal year.

(2) The accounting methods used for retirement benefit obligations and benefit costs are as follows:
1) Attribution method for estimated retirement benefits: Benefit formula basis
2) Period of amortizing actuarial gains/losses: 5 years
3) Period of amortizing prior service costs: 5 years

9. Accrued retirement benefits for directors and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

10. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.

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

12. Financial leases where ownership is not transferred are capitalized based on the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13).

13. Hedge accounting is applied based on the following methods:
    1) The Company mainly applies the following hedge accounting methods: The exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, “Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry” issued by the JICPA; deferred hedge accounting and designated hedge accounting (“*Furiate-shori*”) for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company; fair value hedge accounting and deferred hedge accounting for foreign exchange forward contracts are applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments and certain foreign currency-denominated stocks; and fair value hedge accounting for equity forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks.

    2) Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments, and foreign currency-denominated stocks
Equity forward contracts	Domestic stocks

    3) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedged items taken, which is in accordance with the Company’s internal risk management policies.

14. Consumption taxes and local consumption taxes are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred as of September 30, 2016.

15. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for a portion of the individual annuity policyholders.
    1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (Ordinance No. 48 issued by the Ministry of Finance in 1996).
    2) Reserves for other contracts are computed based on the net level premium method.

16. The corporate tax, inhabitant tax, and income tax adjustments for the six months ended September 30, 2016, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders due to the appropriation of surplus in the current fiscal year.

17. Effective from the six months ended September 30, 2016, the Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) (hereinafter, the "Implementation Guidance on Recoverability") and has partially revised its accounting method of recoverability of deferred tax assets. With respect to the application of the Implementation Guidance on Recoverability, the Company has adopted the transitional treatments provided in Paragraph 49 (4) of the Implementation Guidance on Recoverability. Accordingly, the Company has calculated the difference between the amounts of deferred tax assets and deferred tax liabilities determined by applying Paragraph 49 (3), Items 1-3 of the Implementation Guidance on Recoverability as of the beginning of the six months ended September 30, 2016 (April 1, 2016), and the amounts of deferred tax assets and deferred tax liabilities as of the previous fiscal year end, and added the difference to surplus as of April 1, 2016.
    As a result, as of April 1, 2016, deferred tax assets increased by ¥1,873 million, and unappropriated surplus increased by ¥1,873 million.

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

(Million Yen)

	Balance sheet amount (*1)	Fair value (*2)	Difference
Cash and deposits (negotiable certificates of deposit):	451,200	451,200	—
Available-for-sale securities	451,200	451,200	—
Monetary receivables purchased:	356,650	391,055	34,404
Policy-reserve-matching bonds	327,189	361,593	34,404
Available-for-sale securities	29,461	29,461	—
Assets held in trust:	1,087	1,087	—
Trading securities	1,087	1,087	—
Investments in securities:	49,525,335	54,150,745	4,625,409
Trading securities	1,110,464	1,110,464	—
Policy-reserve-matching bonds	19,636,303	24,222,628	4,586,324
Investments in subsidiaries and affiliates	7,711	46,796	39,084
Available-for-sale securities	28,770,856	28,770,856	—
Loans (*3):	8,106,918	8,501,886	394,967
Policy loans	674,804	674,804	—
Industrial and consumer loans	7,432,114	7,827,082	394,967
Derivative financial instruments (*4):	198,518	198,518	—
Hedge accounting not applied	1,284	1,284	—
Hedge accounting applied	197,233	197,233	—
Corporate bonds (*3,*5)	(750,825)	(814,532)	(63,707)
Cash received as collateral under securities lending transactions (*5)	(492,979)	(492,979)	—

(*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, 2016, the fair value is the balance sheet amount after the impairment losses are deducted.

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

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

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

(2) Fair value measurement methods for major financial instruments are as follows:

1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10)

a. Items with a market price

Fair value is measured based on the closing market price on the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

b. Items without a market price

Fair value is measured mainly by discounting future cash flows to present value.

2) Loans

a. Policy loans

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

b. Industrial and consumer loans

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

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

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

3) Derivative financial instruments

a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price on the balance sheet date.

b. Fair value of equity options is measured by the liquidation value or closing market price on the balance sheet date or the price calculated by the Company based on volatility and other data obtained mainly from external information vendors.

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

d. Fair value of interest rate swaps and currency swaps is measured based on present values calculated by discounting the differences between future cash inflows and outflows using published market interest rates and other data.

e. Fair value of forward contracts is measured based on present values calculated by discounting future cash flows using published market interest rates and other data.

4) Assets held in trust

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

5) Corporate bonds

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

6) Cash received as collateral under securities lending transactions

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

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

Balance sheet amounts by holding purpose were ¥639,923 million for stocks of subsidiaries and affiliates, and ¥753,300 million for available-for-sale securities as of September 30, 2016.

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

1) Trading securities

Derivative financial instruments within assets held in trust and investments in securities for separate accounts are classified as trading securities as of September 30, 2016.

Valuation gains/losses included in profit and loss were gains of ¥35,925 million for derivative financial instruments within assets held in trust and investments in securities related to separate accounts for the six months ended September 30, 2016.

2) Held-to-maturity debt securities

No ending balance as of September 30, 2016.

3) Policy-reserve-matching bonds

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

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	326,319	360,759	34,439
	Domestic bonds	19,390,241	23,975,994	4,585,752
	Foreign securities	64,948	67,867	2,918
	Subtotal	19,781,509	24,404,621	4,623,111
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	869	834	(35)
	Domestic bonds	181,093	178,746	(2,346)
	Foreign securities	19	19	(0)
	Subtotal	181,982	179,600	(2,382)
Total		19,963,492	24,584,221	4,620,729

4) Available-for-sale securities

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

(Million Yen)

	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	341,200	341,200	0
	Monetary receivables purchased	2,770	2,909	139
	Domestic bonds	2,760,732	3,024,732	264,000
	Domestic stocks	3,045,910	6,528,537	3,482,626
	Foreign securities	12,288,290	14,332,747	2,044,457
	Other securities	928,918	1,125,474	196,555
	Subtotal	19,367,823	25,355,602	5,987,779
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	110,000	109,999	(0)
	Monetary receivables purchased	26,553	26,551	(1)
	Domestic bonds	169,343	165,415	(3,927)
	Domestic stocks	896,911	729,253	(167,657)
	Foreign securities	2,472,272	2,381,017	(91,255)
	Other securities	502,819	483,677	(19,142)
	Subtotal	4,177,901	3,895,916	(281,985)
Total		23,545,724	29,251,518	5,705,794

* Securities totaling ¥753,300 million, whose fair value is extremely difficult to determine are not included.

¥344 million in impairment losses was recognized for securities with a fair value during the six months ended September 30, 2016.

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

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

a. A security for which the ratio of the average fair value in the month preceding the balance sheet date to the acquisition cost is 50% or less.

b. A security that meets both of the following criteria:

1. Average fair value in the month preceding the balance sheet date is between 50% and 70% of its acquisition cost.
2. The historical fair value, the business conditions of the issuing company, and other aspects are subject to certain requirements.

19. As of September 30, 2016, there were no significant changes in the balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

20. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥35,548 million as of September 30, 2016.

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,820 million and ¥30,207 million, respectively, as of September 30, 2016.

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

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

2) There were no loans delinquent for over three months as of September 30, 2016.
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 ¥3,520 million as of September 30, 2016.
Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥413 million and ¥151 million, respectively, as of September 30, 2016.

21. The amount of accumulated depreciation of tangible fixed assets was ¥1,141,696 million as of September 30, 2016.

22. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,304,683 million as of September 30, 2016, and a corresponding liability is recorded in the same amount.

23. Changes in the reserve for dividends to policyholders for the six months ended September 30, 2016, were as follows:

		Million Yen
		Six months ended September 30, 2016
a.	Balance at the beginning of the current fiscal year	¥1,015,013
b.	Transfer to reserve from surplus in the previous fiscal year	¥229,857
c.	Dividends paid to policyholders	¥155,050
d.	Increase in interest	¥11,288
e.	Balance at the end of the current six-month period (a+b-c+d)	¥1,101,108

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

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

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

On November 22, 2016, the Company plans to issue corporate bonds as follows:

1) Yen-denominated subordinated and unsecured corporate bonds due 2046 with interest deferral options (the corporate bonds are to be first issued to qualified institutional investors and a small number of investors in domestic securities markets)

Issue price	100% of principal amount
Principal amount	¥75.0billion
Interest rate	A fixed rate of 0.91% per annum before November 22, 2026, and a fixed rate with step-up thereafter (reset every 5 years).
Maturity	November 22, 2046 (The corporate bonds are callable on November 22, 2026, and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.)
Collateral and guarantees	The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.
Use of funds	General working capital

2) Yen-denominated subordinated and unsecured corporate bonds due 2051 with interest deferral options (the corporate bonds are to be first issued to qualified institutional investors and a small number of investors in domestic securities markets)

Issue price	100% of principal amount
Principal amount	¥15.0 billion
Interest rate	A fixed rate of 1.10% per annum before November 22, 2031, and a fixed rate with step-up thereafter (reset every 5 years).
Maturity	November 22, 2051 (The corporate bonds are callable on November 22, 2031, and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.)
Collateral and guarantees	The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.
Use of funds	General working capital

25. Assets pledged as collateral in the form of investments in securities, land, and buildings as of September 30, 2016, were ¥ 1,237,456 million, ¥252 million, and ¥50 million, respectively. The total amount of liabilities covered by the aforementioned assets was ¥ 493,004 million as of September 30, 2016.
These amounts included ¥ 710,261 million of investments in securities deposited and ¥ 492,997 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2016.

26. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act as of September 30, 2016.

27. The total amount of stocks and investments in subsidiaries and affiliates was ¥ 647,634 million as of September 30, 2016.
On October 3, 2016, the Company completed procedures for acquiring 80% of the shares of MLC Limited (“MLC”), making MLC a subsidiary of the Company.

(1) Purpose of acquiring the shares
The Australian life insurance market is expected to grow at high rates over the long term. By entering this market, the Company aims to sustainably expand policyholders’ benefits through enhancing steady and sustainable operating profit bases in overseas insurance businesses.

(2) Overview of MLC
a. Company name: MLC Limited
b. Business: Life insurance business
c. Location: Sydney, Australia

d. Premium revenue: A$1,868 million (¥143.9 billion) (Fiscal year ended September 30, 2016)
e. Total assets: A$6,130 million (¥472.2 billion) (As of September 30, 2016)
* Yen denominated amounts in parentheses are calculated at an exchange rate of A$1=¥77.04.

(3) Business combination date
October 1, 2016 (deemed acquisition date)

(4) Acquisition cost
The acquisition cost of the shares was A$2,206 million (¥175.1 billion), and was funded by the Company's cash on hand.
・The Company has hedged the price fluctuation exposures related to foreign exchange rate fluctuations for a portion of the acquisition cost. Yen denominated amounts in parentheses reflect the foreign exchange forward rate obtained for hedging purposes.

(5) Ownership ratio after the acquisition
80%

28. The amount of securities lent under lending agreements was ¥ 2,337,847 million as of September 30, 2016.

29. Assets that can be sold or resecured are marketable securities borrowed under lending agreements. These assets were held without being sold or resecured and totaled ¥320,619 million at fair value as of September 30, 2016.

30. The amount of commitments related to loans and loans outstanding was ¥ 214,586 million as of September 30, 2016.

31. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company was estimated to be ¥81,509 million as of September 30, 2016.
The amount contributed to the aforementioned corporation was recorded within operating expenses

32. Revaluation of land used in the operations is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences, excluding tax, are recognized as land revaluation losses within the net assets section.

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

33. The amount of policy reserves provided for the portion of reinsurance (hereafter referred to as "policy reserves for ceded reinsurance") as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥225 million as of September 30, 2016.

5. Nonconsolidated Statements of Income

(Million Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2015
Ordinary income:	3,291,673	3,763,142
Revenues from insurance and reinsurance:	2,362,726	2,896,127
Insurance premiums	2,362,431	2,895,866
Investment income:	857,168	794,051
Interest, dividends, and other income	673,845	741,021
Gain from assets held in trust, net	52	—
Gain on sales of securities	178,398	45,803
Other ordinary income	71,778	72,964
Ordinary expenses:	3,043,345	3,504,159
Benefits and other payments:	1,796,062	1,856,972
Death and other claims	499,193	480,629
Annuity payments	395,947	382,417
Health and other benefits	339,280	350,118
Surrender benefits	424,510	451,661
Other refunds	136,690	191,729
Provision for policy reserves:	659,178	1,118,114
Provision for policy reserves	647,890	1,106,528
Provision for interest on reserve for dividends to policyholders	11,288	11,585
Investment expenses:	184,618	110,250
Interest expenses	9,252	6,829
Loss on sales of securities	44,242	1,514
Loss on valuation of securities	24,645	3,636
Loss on derivative financial instruments, net	51,207	25,426
Loss from separate accounts, net	16,889	36,872
Operating expenses	286,884	283,864
Other ordinary expenses	116,601	134,957
Ordinary profit	248,328	258,983
Extraordinary gains:	7,285	116
Gain on disposals of fixed assets	7,285	116
Extraordinary losses:	136,835	108,274
Loss on disposals of fixed assets	4,592	2,903
Impairment losses	3,054	1,138
Provision for reserve for price fluctuations in investments in securities	126,500	101,544
Contributions for assisting social public welfare	2,688	2,688
Surplus before income taxes	118,778	150,824
Income taxes - current	78,557	74,834
Income taxes - deferred	(71,348)	(62,176)
Total income taxes	7,208	12,657
Net surplus	111,569	138,167

Notes to the Nonconsolidated Statement of Income for the Six Months Ended September 30, 2016

1. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥20,968 million, ¥136,415 million, and ¥21,015 million, respectively, for the six months ended September 30, 2016.

2. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥60 million, ¥3,238 million, and ¥40,936 million, respectively, for the six months ended September 30, 2016.

3. Loss on valuation of securities includes losses on the valuation of domestic stocks and foreign securities of ¥347 million and ¥24,297 million, respectively, for the six months ended September 30, 2016.

4. Provision for policy reserves for ceded reinsurance that was deducted from the calculation of provision for policy reserves was ¥9 million for the six months ended September 30, 2016.

5. Breakdown of interest, dividends, and other income for the six months ended September 30, 2016, is as follows:

	Million Yen
	Six months ended September 30, 2016
Interest on deposits and savings	¥31
Interest on securities and dividends	¥553,001
Interest on loans	¥72,504
Real estate rental income	¥42,546
Other income	¥5,762
Total	¥673,845

6. Impairment losses are as follows:
   1) Method for grouping the assets
      Leased property and idle property are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.

   2) Circumstances causing impairment losses
      The Company observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses for the six months ended September 30, 2016.

3) Breakdown of asset groups that recognized impairment losses for the six months ended September 30, 2016, is as follows:

	Million Yen		
Purpose of use	Land	Buildings	Total
Leased property	¥1,547	¥472	¥2,019
Idle property	¥844	¥190	¥1,034
Total	¥2,391	¥663	¥3,054

4) Calculation method of recoverable amount

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

The discount rate used in the calculation of future cash flows is 4.0%. Net realizable values are determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or posted land prices.

6. Nonconsolidated Statements of Changes in Net Assets

Six months ended September 30, 2015

(Million Yen)

	Foundation funds and others												
				Surplus									
					Other surplus reserves								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contin-gency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappro-priated surplus	Total surplus	Total foundation funds and others
Beginning balance	200,000	1,050,000	651	14,208	50,000	71,917	282	45,882	34	170	317,459	499,954	1,750,605
Increase/decrease:													
Issuance of foundation funds	50,000												50,000
Additions to reserve for dividends to policyholders											(257,299)	(257,299)	(257,299)
Additions to legal reserve for deficiencies				955							(955)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(1,935)	(1,935)	(1,935)
Net surplus											138,167	138,167	138,167
Redemption of foundation funds	(50,000)												(50,000)
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(2,688)				2,688	—	—
Additions to reserve for reduction entry of real estate								4,906			(4,906)	—	—
Reversal of reserve for reduction entry of real estate								(601)			601	—	—
Reversal of reserve for reduction entry of real estate to be purchased									(34)		34	—	—
Reversal of land revaluation losses											125	125	125
Net change, excluding foundation funds and others													
Net change	—	50,000	—	955	—	—	312	4,304	(34)	—	(176,479)	(170,941)	(120,941)
Ending balance	200,000	1,100,000	651	15,163	50,000	71,917	594	50,187	—	170	140,980	329,012	1,629,663

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

Six months ended September 30, 2015

(Million Yen)

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

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

Six months ended September 30, 2016

(Million Yen)

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

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

Six months ended September 30, 2016

(Million Yen)

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

7. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

		Six months ended September 30, 2016	Six months ended September 30, 2015
Core operating profit (A)		324,140	393,319
Capital gains:		189,007	46,316
	Gain on proprietary trading securities	—	—
	Gain from assets held in trust, net	52	—
	Gain on trading securities	—	—
	Gain on sales of securities	178,398	45,803
	Gain on derivative financial instruments, net	—	—
	Foreign exchange gains, net	—	—
	Other capital gains	10,556	512
Capital losses:		124,124	33,473
	Loss on proprietary trading securities	—	—
	Loss from assets held in trust, net	—	—
	Loss on trading securities	—	—
	Loss on sales of securities	44,242	1,514
	Loss on valuation of securities	24,645	3,636
	Loss on derivative financial instruments, net	51,207	25,426
	Foreign exchange losses, net	4,029	2,896
	Other capital losses	—	—
Net capital gains (B)		64,882	12,842
Core operating profit, including net capital gains (A+B)		389,023	406,162
Nonrecurring gains:		400	133
	Reinsurance revenue	—	—
	Reversal of contingency reserve	—	—
	Reversal of specific allowance for doubtful accounts	400	133
	Other nonrecurring gains	—	—
Nonrecurring losses:		141,095	147,312
	Reinsurance premiums	—	—
	Provision for contingency reserve	141,095	147,291
	Provision for specific allowance for doubtful accounts	—	—
	Provision for allowance for specific overseas debts	—	—
	Write-offs of loans	—	21
	Other nonrecurring losses	—	—
Net nonrecurring losses (C)		(140,694)	(147,178)
Ordinary profit (A+B+C)		248,328	258,983

Note: During the six months ended September 30, 2016, the Company recorded the amount of foreign exchange gains and losses related to foreign currency-denominated insurance products as ¥(10,556) million in core operating profit and ¥10,556 million in other capital gains.

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

(Million Yen, %)

	As of September 30, 2016	As of March 31, 2016
Bankrupt and quasi-bankrupt loans	11,975	10,370
Doubtful loans	20,066	20,436
Substandard loans	3,520	4,029
Subtotal [Percent of total, %]	35,561 [0.34]	34,836 [0.37]
Normal loans	10,481,101	9,405,636
Total	10,516,663	9,440,473

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

Supplemental information for borrower's classification

- Classifications and calculation methods used in this table are based on the Ordinance for Enforcement of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customer's liability for acceptances and guarantees.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of September 30, 2016 and March 31, 2016, were ¥565 million and ¥1,036 million, respectively.

9. Status of Risk-Monitored Loans

(Million Yen, %)

	As of September 30, 2016	As of March 31, 2016
Loans to bankrupt borrowers	1,820	1,969
Delinquent loans	30,207	28,828
Loans that are delinquent for over three months	—	—
Restructured loans	3,520	4,029
Total [Percent of total loans, %]	35,548 [0.44]	34,827 [0.43]

Notes: 1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), the estimated uncollectible amount (calculated by subtracting estimated collectable amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount.
The amount directly deducted from loans to bankrupt borrowers and delinquent loans were ¥413 million and ¥151 million, respectively, as of September 30, 2016 and ¥843 million and ¥192 million, respectively, as of March 31, 2016.
2. Loans to bankrupt borrowers are loans with principal or interest payments being overdue for a significant period of time and interest not being accrued, including the following: (a) loans to borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act, (b) loans to borrowers that have notes suspended from being traded, and (c) loans to borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.
3. Delinquent loans are loans with interest not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.
4. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months counting from the day after the due date based on the loan agreement. Note that the account does not include loans to bankrupt borrowers and delinquent loans.

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

10. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Six months ended September 30, 2016	Year ended March 31, 2016	Change
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	1,581	1,751	(169)
(B) Specific allowance for doubtful accounts	1,500	1,773	(272)
(C) Allowance for specific overseas debts	―	―	―
(2) Specific allowance for doubtful accounts			
(A) Provision	2,066	2,809	(743)
(B) Reversal	2,466	4,283	(1,816)
[excluding reversals with write-offs]			
(C) Net provision	(400)	(1,474)	1,073
(3) Allowance for specific overseas debts			
(A) Number of debtor countries	―	―	―
(B) Amounts of credit	―	―	―
(C) Provision	―	―	―
(D) Reversal	―	―	―
(4) Write-offs of loans	―	21	(21)

(Reference)

Status of Borrower Classification

(100 Million Yen, %)

	As of September 30, 2016		As of March 31, 2016	
	Money available	Percentage of whole	Money available	Percentage of whole
Loan balances (After direct write-offs of category IV)	81,088	100.0	81,214	100.0
Noncategorized	80,432	99.2	80,437	99.0
Category II	646	0.8	767	0.9
Category III	9	0.0	9	0.0
Category IV	―	―	―	―

Notes: 1. Specific allowances for doubtful accounts of Category III were as follows: ¥0.3 billion and ¥0.7 billion as of September 30, 2016 and March 31, 2016, respectively.

2. The amounts of direct write-offs of Category IV were as follows: ¥0.5 billion and ¥1.0 billion as of September 30, 2016 and March 31, 2016, respectively.

11. Solvency Margin Ratio

(Million Yen)

	As of September 30, 2016	As of March 31, 2016
Solvency margin gross amount (A):	11,846,188	12,172,555
Foundation funds (*kikin*) and other reserve funds:	4,489,982	4,164,622
Foundation funds and others	1,606,859	1,548,925
Reserve for price fluctuations in investments in securities	1,073,884	947,384
Contingency reserve	1,541,685	1,400,590
General allowance for doubtful accounts	1,581	1,751
Others	265,970	265,970
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax)× 90%	5,115,745	5,719,951
Net unrealized gains on real estate × 85%	131,482	129,232
Excess of continued Zillmerized reserve	1,435,925	1,459,759
Qualifying subordinated debt	750,825	650,825
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(652)	(357)
Others	(77,119)	48,522
Total amount of risk (B): $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	2,464,368	2,693,788
Underwriting risk (R_1)	123,851	124,832
Underwriting risk of third-sector insurance (R_8)	77,491	76,984
Anticipated yield risk (R_2)	385,940	386,141
Minimum guarantee risk (R_7)	5,749	5,759
Investment risk (R_3)	2,012,156	2,237,530
Business management risk (R_4)	52,103	56,624
Solvency margin ratio $\dfrac{(A)}{(1/2) \times (B)} \times 100$	961.3%	903.7%

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

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

12. Status of Separate Accounts

(1) Balance of Separate Account Assets

(Million Yen)

	As of September 30, 2016	As of March 31, 2016
Individual variable insurance	106,878	113,805
Individual variable annuities	45,453	52,973
Group annuities	1,152,351	1,211,177
Separate account total	1,304,683	1,377,955

(2) Policies in Force

- Individual Variable Insurance

	As of September 30, 2016		As of March 31, 2016	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	1,584	7,501	1,627	7,735
Variable insurance (whole life type)	33,658	486,883	33,983	494,469
Total	35,242	494,384	35,610	502,204

- Individual Variable Annuities

	As of September 30, 2016		As of March 31, 2016	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	8,218	45,425	7,501	52,972

13. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2015
Ordinary income	37,268	38,277
Ordinary profit	2,696	2,682
Net surplus attributable to the parent company	1,184	1,432
Comprehensive loss	(3,990)	(7,948)

	As of September 30, 2016	As of March 31, 2016
Total assets	704,303	706,079
Solvency margin ratio	988.5%	~~924~~922.7~~.4~~%

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

	As of September 30, 2016
Number of consolidated subsidiaries	10
Number of subsidiaries not consolidated but accounted for under the equity method	0
Number of affiliates accounted for under the equity method	10
Changes in significant subsidiaries and affiliates during the period	None

(3) Policies of Presenting the Consolidated Financial Statements for the Six Months Ended September 30, 2016

1) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and the Company's subsidiaries. Consolidated subsidiaries as of September 30, 2016, are listed as follows:

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

The major subsidiaries excluded from consolidation are Nippon Life Global Investors Americas, Inc., Nissay Trading Corporation, and Nissay Card Service Co., Ltd.
The respective and aggregate effects of the companies which are excluded from consolidation, based on total assets, revenues, net income and surplus for the six months ended September 30, 2016, are immaterial.

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

2) Affiliates

Affiliates accounted for under the equity method as of September 30, 2016, are listed as follows:

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

The subsidiaries not consolidated, such as Nippon Life Global Investors Americas, Inc., and Nissay Trading Corporation, and affiliates other than those listed above, such as SL Towers Co., Ltd. are not accounted for under the equity method. The respective and aggregate effects of such companies on consolidated net income and surplus for the six months ended September 30, 2016, are immaterial.

The numbers of consolidated subsidiaries and affiliates as of September 30, 2016, were as follows:

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

3) Closing dates of consolidated subsidiaries

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

(4) Consolidated Balance Sheets

(Million Yen)

	As of September 30, 2016	As of March 31, 2016
Assets:		
Cash and deposits	1,494,861	1,351,597
Call loans	220,000	120,000
Monetary receivables purchased	369,872	436,630
Assets held in trust	1,287	2,134
Investments in securities	55,710,094	56,100,232
Loans	9,399,188	9,456,217
Tangible fixed assets	1,896,929	1,923,519
Intangible fixed assets	176,938	177,404
Reinsurance receivables	470	856
Other assets	1,121,261	1,003,987
Deferred tax assets	5,223	4,918
Customers' liability for acceptances and guarantees	39,298	36,110
Allowance for doubtful accounts	(5,096)	(5,668)
Total assets	70,430,330	70,607,941
Liabilities:		
Policy reserves and other reserves:	59,593,353	58,929,002
Reserve for outstanding claims	337,475	353,480
Policy reserves	58,085,552	57,490,828
Reserve for dividends to policyholders (mutual company)	1,101,108	1,015,013
Reserve for dividends to policyholders (limited company)	69,217	69,681
Reinsurance payables	716	761
Corporate bonds	830,825	650,825
Other liabilities	1,998,094	2,291,459
Accrued bonuses for directors and audit and supervisory board members	29	87
Net defined benefit liability	455,387	460,449
Accrued retirement benefits for directors and audit and supervisory board members	5,069	5,208
Reserve for program points	10,192	9,420
Reserve for price fluctuations in investments in securities	1,091,466	963,730
Deferred tax liabilities	444,787	697,450
Deferred tax liabilities for land revaluation	108,027	109,383
Acceptances and guarantees	39,298	36,110
Total liabilities	64,577,248	64,153,887

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2016	As of March 31, 2016
Net assets:		
Foundation funds	150,000	200,000
Reserve for redemption of foundation funds	1,150,000	1,100,000
Reserve for revaluation	651	651
Consolidated surplus	461,475	630,790
Total foundation funds and others	1,762,126	1,931,441
Net unrealized gains on available-for-sale securities	4,123,559	4,721,039
Deferred losses on derivatives under hedge accounting	(7,589)	(123,921)
Land revaluation losses	(80,692)	(86,202)
Foreign currency translation adjustments	(16,117)	24,893
Remeasurement of defined benefit plans	(26,301)	(29,637)
Total accumulated other comprehensive income	3,992,856	4,506,171
Noncontrolling interests	98,098	16,440
Total net assets	5,853,081	6,454,053
Total liabilities and net assets	70,430,330	70,607,941

Basis of Presenting the Consolidated Balance Sheet as of September 30, 2016

1. (1) Securities of the Company and certain consolidated subsidiaries (including items such as deposits and monetary receivables purchased which are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10) and securities within assets held in trust) are valued as follows:

1) Trading securities are stated at fair value on the balance sheet date. The moving average method is used for calculating cost basis.

2) Held-to-maturity debt securities are valued using the moving average method, net of accumulated amortization (straight-line).

3) Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line), in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

4) Investments in subsidiaries and affiliates that are not consolidated nor accounted for under the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.

5) Available-for-sale securities

a. Regarding securities with a fair value, stocks (including foreign stocks) are valued by using the average fair value during the period of one month before the balance sheet date (cost basis is calculated by using the moving average method). Other securities with a fair value are valued by using the fair value on the balance sheet date (cost basis is calculated by using the moving average method).

b. Regarding securities of which the fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are stated at cost using the moving average method, net of accumulated amortization (straight-line). Other securities without readily determinable fair values are stated at cost using the moving average method.

(2) Unrealized gains/losses, net of applicable taxes for available-for-sale securities, are recorded as a separate component of net assets.

2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups (classified by insurance type, maturity period, and investment policy) of insurance products, such as individual insurance and annuities, workers' asset-formation insurance and annuities, and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value.

4. (1) Tangible fixed assets are depreciated based on the following methods:

a. Tangible fixed assets (except for lease assets)

(i) Buildings

Straight-line method.

(ii) Assets other than the above

Primarily the declining-balance method.

Certain other tangible fixed assets with an acquisition price of less than ¥200,000 of the Company and certain consolidated subsidiaries are depreciated over a 3 year period on a straight-line basis.

b. Lease assets

(i) Lease assets related to financial leases where ownership is transferred

The same depreciation method applied to self-owned fixed assets.

(ii) Lease assets related to financial leases where ownership is not transferred

Straight-line method based on lease period.

(2) Software, which is included within intangible fixed assets, is amortized using the straight-line method.

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).
Foreign currency-denominated available-for-sale securities of the Company, with exchange rates which have significantly fluctuated and where recovery is not expected, are converted to Japanese yen using either the rate on the balance sheet date or the average one-month rate prior to the balance sheet date, whichever indicates a weaker yen. This translation difference is recorded as a loss on valuation of securities.
Moreover, translation differences related to bonds included in translation differences of foreign currency-denominated available-for-sale securities held by certain consolidated subsidiaries are recorded as

foreign exchange gains/losses, net, while translation differences related to other foreign currency-denominated available-for-sale securities are recorded as a separate component of net assets.

6. (1) An allowance for doubtful accounts for the Company is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.

1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (4) below).

2) An allowance for loans to borrowers who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

3) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

(2) All credits extended by the Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

(3) For consolidated subsidiaries, the Company records allowance amounts deemed necessary in accordance mainly with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.

(4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥799 million (including ¥146 million of credits secured and/or guaranteed) as of September 30, 2016.

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

8. (1) Net defined benefit liability is the amount of retirement benefit obligations prepared for payment of employee retirement benefits less pension plan assets, based on the deemed amount as of September 30, 2016 defined from the projected amounts of the current fiscal year.

(2) The accounting methods of the Company and certain consolidated subsidiaries used for retirement benefits are as follows:
   1) Attribution method for estimated retirement benefits: Benefit formula basis
   2) Period of amortizing actuarial gains/ losses: 5 years
   3) Period of amortizing prior service costs: 5 years

9. Accrued retirement benefits for directors and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

10. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.

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

12. Financial leases where ownership is not transferred are capitalized based on the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13).
    Regarding financial leases where the Company or a consolidated subsidiary is the lessor, and ownership is not transferred, if any, the Company recognizes income and expense at the time of receiving the lease fee as other ordinary income and other ordinary expenses, respectively.

13. Hedge accounting is applied by the Company and certain consolidated subsidiaries based on the following methods:
   1) The Company and certain consolidated subsidiaries mainly apply the following hedge accounting methods: The exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, “Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry” issued by the JICPA; deferred hedge accounting and designated hedge accounting (“*Furiate-shori*”) for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company and certain consolidated subsidiaries; fair value hedge accounting and deferred hedge accounting for foreign exchange forward contracts are applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments and certain foreign currency-denominated stocks; and fair value hedge accounting for equity forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments, and foreign currency-denominated stocks
Equity forward contracts	Domestic stocks

3) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedged items taken, which is in accordance with the internal risk management policies of the Company and certain consolidated subsidiaries.

14. Consumption taxes and local consumption taxes of the Company and certain consolidated subsidiaries are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred as of September 30, 2016.

15. Policy reserves of the Company and certain consolidated subsidiaries are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for a portion of the individual annuity policyholders.
    1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (Ordinance No. 48 issued by the Ministry of Finance in 1996).
    2) Reserves for other contracts are computed based on the net level premium method.

16. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the six months ended September 30, 2016, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders (mutual company) due to the appropriation of surplus in the current fiscal year.

17. Effective from the six months ended September 30, 2016, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) (hereinafter, the “Implementation Guidance on Recoverability”) and has partially revised its accounting method of recoverability of deferred tax assets. With respect to the application of the Implementation Guidance on Recoverability, the Company has adopted the transitional treatments provided in Paragraph 49 (4) of the Implementation Guidance on Recoverability. Accordingly, the Company has calculated the difference between the amounts of deferred tax

assets and deferred tax liabilities determined by applying Paragraph 49 (3), Items 1-3 of the Implementation Guidance on Recoverability as of the beginning of the six months ended September 30, 2016 (April 1, 2016), and the amounts of deferred tax assets and deferred tax liabilities as of the previous fiscal year end, and added the difference to consolidated surplus as of April 1, 2016.
As a result, as of April 1, 2016, deferred tax assets increased by ¥1,881 million, consolidated surplus increased by ¥1,880 million and noncontrolling interests increased by ¥0 million.

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

(Million Yen)

	Balance sheet amount (*1)	Fair value (*2)	Difference
Cash and deposits (negotiable certificates of deposit):	507,200	507,200	—
Available-for-sale securities	507,200	507,200	—
Monetary receivables purchased:	369,872	405,105	35,233
Held-to-maturity debt securities	3,528	4,356	828
Policy-reserve-matching bonds	327,189	361,593	34,404
Available-for-sale securities	39,154	39,154	—
Assets held in trust:	1,287	1,287	—
Trading securities	1,087	1,087	—
Available-for-sale securities	200	200	—
Investments in securities:	54,583,471	59,690,466	5,106,995
Trading securities	1,400,332	1,400,332	—
Held-to-maturity debt securities	44,548	45,298	750
Policy-reserve-matching bonds	21,595,130	26,677,159	5,082,029
Investments in subsidiaries and affiliates	22,580	46,796	24,216
Available-for-sale securities	31,520,880	31,520,880	—
Loans (*3):	9,396,202	9,819,330	423,127
Policy loans	733,193	733,193	—
Industrial and consumer loans	8,663,008	9,086,136	423,127
Derivative financial instruments (*4):	238,481	238,481	—
Hedge accounting not applied	41,243	41,243	—
Hedge accounting applied	197,238	197,238	—
Corporate bonds (*3,*5)	(830,825)	(893,906)	(63,081)
Cash received as collateral under securities lending transactions (*5)	(754,863)	(754,863)	—
Loans payable (*3,*5)	(200,499)	(200,452)	47

(*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, 2016, the fair value is the balance sheet amount after the impairment losses are deducted.

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

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

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

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

1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10)

a. Items with a market price

Fair value is measured based on the closing market price on the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

b. Items without a market price

Fair value is measured mainly by discounting future cash flows to present value.

2) Loans

a. Policy loans

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

b. Industrial and consumer loans

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

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

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

3) Derivative financial instruments

a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price on the balance sheet date.

b. Fair value of equity options is measured by the liquidation value or closing market price on the balance sheet date or the price calculated by the Company based on volatility and other data obtained mainly from external information vendors.

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

d. Fair value of interest rate swaps and currency swaps is measured based on present values calculated by discounting the differences between future cash inflows and outflows using published market interest rates and other data.

e. Fair value of forward contracts is measured based on present values calculated by discounting future cash flows using published market interest rates and other data.

4) Assets held in trust

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

5) Corporate bonds

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

6) Cash received as collateral under securities lending transactions

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

7) Loans payable

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

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

Balance sheet amounts by holding purpose were ¥270,609 million for stocks of subsidiaries and affiliates, and ¥856,014 million for available-for-sale securities as of September 30, 2016.

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

1) Trading securities

Derivative financial instruments within assets held in trust and investments in securities for separate accounts are classified as trading securities as of September 30, 2016.

Valuation gains/losses included in profit and loss were gains of ¥21,417 million for derivative financial instruments within assets held in trust and investments in securities related to separate accounts for the six months ended September 30, 2016.

2) Held-to-maturity debt securities

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

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	3,528	4,356	828
	Domestic bonds	32,934	33,658	723
	Foreign securities	7,305	7,339	33
	Subtotal	43,768	45,355	1,586
Fair value does not exceed the balance sheet amount	Foreign securities	4,307	4,300	(7)
Total		48,076	49,655	1,578

3) Policy-reserve-matching bonds

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

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	326,319	360,759	34,439
	Domestic bonds	21,311,802	26,393,807	5,082,005
	Foreign securities	64,948	67,867	2,918
	Subtotal	21,703,070	26,822,434	5,119,363
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	869	834	(35)
	Domestic bonds	218,359	215,464	(2,895)
	Foreign securities	19	19	(0)
	Subtotal	219,248	216,318	(2,930)
Total		21,922,319	27,038,753	5,116,433

4) Available-for-sale securities

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

(Million Yen)

	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	341,200	341,200	0
	Monetary receivables purchased	11,014	12,441	1,427
	Domestic bonds	3,730,791	4,036,867	306,076
	Domestic stocks	3,076,867	6,563,061	3,486,193
	Foreign securities	12,331,174	14,376,574	2,045,400
	Other securities	936,495	1,134,604	198,109
	Subtotal	20,427,543	26,464,750	6,037,207
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	166,000	165,999	(0)
	Monetary receivables purchased	26,715	26,713	(1)
	Assets held in trust	200	200	—
	Domestic bonds	218,478	213,944	(4,534)
	Domestic stocks	1,243,828	1,011,410	(232,418)
	Foreign securities	3,874,183	3,646,179	(228,004)
	Other securities	562,266	538,238	(24,028)
	Subtotal	6,091,673	5,602,685	(488,987)
Total		26,519,216	32,067,435	5,548,219

* Securities totaling ¥856,014 million, whose fair value is extremely difficult to determine are not included.

¥344 million in impairment losses was recognized for securities with a fair value during the six months ended September 30, 2016.

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

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

a. A security for which the ratio of the average fair value in the month preceding the balance sheet date to the acquisition cost is 50% or less.

b. A security that meets both of the following criteria:

1. Average fair value in the month preceding the balance sheet date is between 50% and 70% of its acquisition cost.
2. The historical fair value, the business conditions of the issuing company, and other aspects are subject to certain requirements.

19. As of September 30, 2016, there were no significant changes in the balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

20. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥36,276 million as of September 30, 2016.

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,879 million and ¥30,341 million, respectively, as of September 30, 2016.
Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.
Delinquent loans are loans for which interest is not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.

2) The balance of loans delinquent for over three months was ¥536 million as of September 30, 2016.
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 ¥3,520 million as of September 30, 2016.
Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers’ restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥474 million and ¥325 million, respectively, as of September 30, 2016.

21. The amount of accumulated depreciation of tangible fixed assets was ¥1,165,078 million as of September 30, 2016.
22. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,607,578 million as of September 30, 2016, and a corresponding liability is recorded in the same amount.

23. Changes in the reserve for dividends to policyholders (mutual company) for the six months ended September 30, 2016, were as follows:

	Million Yen
	Six months ended September 30, 2016
a. Balance at the beginning of the current fiscal year	¥1,015,013
b. Transfer to reserve from surplus in the previous fiscal year	¥229,857
c. Dividends paid to policyholders (mutual company)	¥155,050
d. Increase in interest	¥11,288
e. Balance at the end of the current six-month period (a+b-c+d)	¥1,101,108

24. Changes in the reserve for dividends to policyholders (limited company) for the six months ended September 30, 2016, were as follows:

	Million Yen
	Six months ended September 30, 2016
a. Balance at the beginning of the current fiscal year	¥69,681
b. Dividends paid to policyholders (limited company)	¥8,997
c. Increase in interest	¥17
d. Provision for reserve for dividends to policyholders (limited company)	¥8,516
e. Balance at the end of the current six-month period (a-b+c+d)	¥69,217

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

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

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

On November 22, 2016, the Company plans to issue corporate bonds as follows:

1) Yen-denominated subordinated and unsecured corporate bonds due 2046 with interest deferral options (the corporate bonds are to be first issued to qualified institutional investors and a small number of investors in domestic securities markets)

Issue price	100% of principal amount
Principal amount	¥75.0 billion
Interest rate	A fixed rate of 0.91% per annum before November 22, 2026, and a fixed rate with step-up thereafter (reset every 5 years).
Maturity	November 22, 2046 (The corporate bonds are callable on November 22, 2026, and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.)
Collateral and guarantees	The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.
Use of funds	General working capital

2) Yen-denominated subordinated and unsecured corporate bonds due 2051 with interest deferral options (the corporate bonds are to be first issued to qualified institutional investors and a small number of investors in domestic securities markets)

Issue price	100% of principal amount
Principal amount	¥ 15.0 billion
Interest rate	A fixed rate of 1.10% per annum before November 22, 2031, and a fixed rate with step-up thereafter (reset every 5 years).
Maturity	November 22, 2051 (The corporate bonds are callable on November 22, 2031, and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.)
Collateral and guarantees	The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.
Use of funds	General working capital

26. Other liabilities include subordinated loans payable of ¥100,000 million, which is subordinate to the fulfillment of all other debt obligations.

27. Assets pledged as collateral in the form of investments in securities, lease receivables, land, and buildings as of September 30, 2016, were ¥1,552,666 million, ¥15,094 million, ¥252 million, and ¥50 million, respectively. The total amount of liabilities covered by the aforementioned assets was ¥768,906 million as of September 30, 2016. These amounts included ¥923,215 million of investments in securities deposited and ¥754,880 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2016.

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, 2016.

29. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥293,189 million as of September 30, 2016.
On October 3, 2016, the Company completed procedures for acquiring 80% of the shares of MLC Limited ("MLC"), making MLC a subsidiary of the Company.
(1) Purpose of acquiring the shares
The Australian life insurance market is forecast to realize high rates of growth over the long term. By entering this market, the Company aims to sustainably expand policyholders' benefits through enhancing steady and sustainable operating profit bases of overseas insurance businesses.
(2) Overview of MLC
a. Company name: MLC Limited
b. Business: Life insurance business
c. Location: Sydney, Australia

d. Premium revenue: A$1,868 million (¥143.9 billion) (Fiscal year ended September 30, 2016)

e. Total assets: A$6,130 million (¥472.2 billion) (As of September 30, 2016)

* Yen denominated amounts in parentheses are calculated at an exchange rate of A$1=¥77.04.

(3) Business combination date

October 1, 2016 (deemed acquisition date)

(4) Acquisition cost

The acquisition cost of the shares was A$2,206 million (¥175.1 billion), and was funded by the Company's cash on hand.

* The Company has hedged the price fluctuation exposures related to foreign exchange rate fluctuations for a portion of the acquisition cost. Yen denominated amounts in parentheses reflect the foreign exchange forward rate obtained for hedging purposes.

(5) Ownership ratio after the acquisition

80%

30. The amount of securities lent under lending agreements was ¥2,641,763 million as of September 30, 2016.

31. Assets that can be sold or resecured are marketable securities borrowed under lending agreements. These assets were held without being sold or resecured and totaled ¥320,619 million at fair value as of September 30, 2016.

32. The amount of commitments related to loans and loans outstanding was ¥143,273 million as of September 30, 2016.

33. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company and certain consolidated subsidiaries was estimated to be ¥93,194 million as of September 30, 2016.

    The amount contributed to the aforementioned corporation was recorded within operating expenses.

34. Revaluation of land used in the operations of the Company is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences, excluding tax, are recognized as land revaluation losses within the net assets section.

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

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

[Consolidated Statements of Income]

(Million Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2015
Ordinary income:	3,726,877	3,827,779
Revenues from insurance and reinsurance	2,629,345	2,912,683
Investment income:	965,964	792,002
Interest, dividends, and other income	716,623	738,562
Gain from assets held in trust, net	52	—
Gain on sales of securities	193,806	45,936
Gain on derivative financial instruments, net	49,698	—
Other ordinary income	131,567	123,094
Ordinary expenses:	3,457,194	3,559,546
Benefits and other payments:	2,082,517	1,870,755
Death and other claims	591,623	480,781
Annuity payments	443,937	382,417
Health and other benefits	419,512	363,653
Surrender benefits	486,981	451,661
Other refunds	139,214	191,729
Provision for policy reserves:	606,101	1,117,199
Provision for policy reserves	594,795	1,105,613
Provision for interest on reserve for dividends to policyholders (mutual company)	11,288	11,585
Provision for interest on reserve for dividends to policyholders (limited company)	17	—
Investment expenses:	264,015	111,715
Interest expenses	11,505	6,948
Loss on sales of securities	46,832	1,515
Loss on valuation of securities	24,645	3,636
Loss on derivative financial instruments, net	—	26,991
Foreign exchange losses, net	121,382	2,903
Loss from separate accounts, net	22,159	36,872
Operating expenses	346,364	295,378
Other ordinary expenses	158,196	164,497
Ordinary profit	269,683	268,233
Extraordinary gains:	8,203	116
Gain on disposals of fixed assets	8,203	116
Extraordinary losses:	138,700	108,290
Loss on disposals of fixed assets	4,974	2,919
Impairment losses	3,301	1,138
Provision for reserve for price fluctuations in investments in securities	127,736	101,544
Contributions for assisting social public welfare	2,688	2,688
Provision for reserve for dividends to policyholders (limited company)	8,516	—
Surplus before income taxes	130,671	160,059
Income taxes - current	83,231	77,495
Income taxes - deferred	(73,005)	(61,579)
Total income taxes	10,226	15,915
Net surplus	120,444	144,144
Net surplus attributable to noncontrolling interests	1,995	856
Net surplus attributable to the parent company	118,449	143,287

Notes to the Consolidated Statement of Income for the Six Months Ended September 30, 2016

1. Impairment losses are as follows:

   1) Method for grouping the assets

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

   2) Circumstances causing impairment losses

      The Company and certain consolidated subsidiaries observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses for the six months ended September 30, 2016.

   3) Breakdown of asset groups that recognized impairment losses for the six months ended September 30, 2016, is as follows:

Purpose of use	Million Yen		
	Land	Buildings and others	Total
Leased property	¥1,585	¥611	¥2,197
Idle property	¥881	¥222	¥1,104
Total	¥2,467	¥833	¥3,301

   4) Calculation method of recoverable amount

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

      The discount rate used in the calculation of future cash flows is 4.0%-4.4%. Net realizable values are determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or posted land prices.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2015
Net surplus	120,444	144,144
Other comprehensive loss:	(519,489)	(938,966)
Net unrealized gains on available-for-sale securities	(600,394)	(946,020)
Deferred losses on derivatives under hedge accounting	116,332	15,777
Foreign currency translation adjustments	(17,680)	457
Remeasurement of defined benefit plans	3,090	1,317
Share of other comprehensive loss of associates accounted for under the equity method	(20,836)	(10,499)
Comprehensive loss:	(399,045)	(794,822)
Comprehensive loss attributable to the parent company	(401,736)	(795,642)
Comprehensive income attributable to noncontrolling interests	2,691	820

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2015
I. Cash flows from operating activities:		
Surplus before income taxes	130,671	160,059
Depreciation of rental real estate and other assets	8,955	7,525
Depreciation	26,465	22,807
Impairment losses	3,301	1,138
Net decrease in reserve for outstanding claims	(15,490)	(5,914)
Net increase in policy reserves	594,929	1,106,266
Provision for interest on reserve for dividends to policyholders (mutual company)	11,288	11,585
Provision for interest on reserve for dividends to policyholders (limited company)	17	—
Provision for reserve for dividends to policyholders (limited company)	8,516	—
Net decrease in allowance for doubtful accounts	(662)	(384)
Net decrease in accrued bonuses for directors and audit and supervisory board members	(58)	(49)
Net decrease in net defined benefit liability	(768)	(2,088)
Net decrease in accrued retirement benefits for directors and audit and supervisory board members	(139)	(95)
Net increase in reserve for price fluctuations in investments in securities	127,736	101,544
Interest, dividends, and other income	(716,623)	(738,562)
Net gains on investments in securities	(111,645)	(36,148)
Interest expenses	11,505	6,948
Net (gains) losses on tangible fixed assets	(2,766)	3,118
Losses from separate accounts, net	22,159	36,872
Others, net	46,540	18,249
Subtotal	143,932	692,874
Interest, dividends, and other income received	773,316	757,110
Interest paid	(11,054)	(6,007)
Dividends paid to policyholders (mutual company)	(95,206)	(97,862)
Dividends paid to policyholders (limited company)	(8,997)	—
Others, net	(1,382)	(4,489)
Income taxes paid	(37,117)	(99,485)
Net cash provided by operating activities	763,491	1,242,141

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2015
II. Cash flows from investing activities:		
Net decrease in deposits	0	0
Purchases of monetary receivables purchased	—	(8,400)
Proceeds from sales and redemptions of monetary receivables purchased	70,553	50,815
Proceeds from decrease in assets held in trust	952	—
Purchases of securities	(5,567,280)	(4,219,202)
Proceeds from sales and redemptions of securities	4,043,518	3,468,208
Disbursements for loans	(718,635)	(521,549)
Proceeds from collections of loans	707,137	533,947
Others, net	788,324	(18,222)
① Total of investing activities	(675,428)	(714,403)
[I + II①]	[88,063]	[527,738]
Purchases of tangible fixed assets	(23,895)	(13,837)
Proceeds from sales of tangible fixed assets	36,234	443
Others, net	(17,519)	(11,679)
Net cash used in investing activities	(680,608)	(739,477)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	183,230	113,980
Repayments of debt	(223,694)	(100,054)
Proceeds from issuance of corporate bonds	180,000	75,000
Proceeds from issuance of foundation funds	—	50,000
Redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(1,698)	(1,935)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	58,198	—
Others, net	6,363	3,626
Net cash provided by financing activities	152,398	90,617
IV. Effect of exchange rate changes on cash and cash equivalents	(8,017)	(3,044)
V. Net increase in cash and cash equivalents	227,264	590,236
VI. Cash and cash equivalents at the beginning of the year	1,410,595	1,086,504
VII. Net increase in cash and cash equivalents resulting from change in scope of consolidation	—	513
VIII. Cash and cash equivalents at the end of the period	1,637,860	1,677,254

* Cash and cash equivalents

Cash and cash equivalents, for the purpose of reporting consolidated cash flows, are composed of cash in hand, deposits held at call with banks and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present insignificant risk of change in value.

(7) Consolidated Statements of Changes in Net Assets

Six months ended September 30, 2015

(Million Yen)

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

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

Ending balance	5,076,993	(215,283)	(88,795)	39,186	(29,063)	4,783,038	16,498	6,469,454

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

Six months ended September 30, 2016

(Million Yen)

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

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

Six months ended September 30, 2016

(Million Yen)

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

(8) Consolidated Solvency Margin Ratio

(Million Yen)

			As of September 30, 2016	As of March 31, 2016
Solvency margin gross amount (A):			12,287,080	12,479,088
	Foundation funds (*kikin*) and other reserve funds:		4,799,473	4,390,194
		Foundation funds and others	1,873,516	1,730,592
		Reserve for price fluctuations in investments in securities	1,091,466	963,730
		Contingency reserve	1,564,380	1,425,637
		Extraordinary contingency reserve	—	—
		General allowance for doubtful accounts	3,139	3,441
		Others	266,971	266,792
	Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax)× 90%		5,132,252	5,730,365
	Net unrealized gains on real estate × 85%		136,065	131,422
	Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost		(36,498)	(41,133)
	Excess of continued Zillmerized reserve		1,580,508	1,604,361
	Qualifying subordinated debt		930,825	800,825
	Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations		—	—
	Deduction clause		(203,207)	(205,561)
	Others		(52,338)	68,614
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2+R_5^2}+R_8+R_9)^2+(R_2+R_3+R_7)^2}+R_4+R_6$			2,485,934	~~2,699,8~~2,704,855~~33~~
	Underwriting risk (R_1)		144,249	145,594
	General underwriting risk (R_5)		—	—
	Huge disaster risk (R_6)		—	—
	Underwriting risk of third-sector insurance (R_8)		88,071	87,509
	Underwriting risk related to small amount and short-term insurance providers (R_9)		—	—
	Anticipated yield risk (R_2)		445,195	446,886
	Minimum guarantee risk (R_7)		15,242	16,854
	Investment risk (R_3)		1,961,296	~~2,168,484~~2,173,426
	Business management risk (R_4)		53,081	57,405~~306~~
Solvency margin ratio $\dfrac{(A)}{(1/2)\times(B)}\times 100$			988.5%	922.7~~4.4~~%

Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and the Financial Services Agency Public Notice No.23 of 2011.

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

(9) Segment Information

For the six months ended September 30, 2016, the Company and its consolidated subsidiaries engaged in insurance business and insurance-related businesses (including asset management-related business and general administration-related business) in Japan and overseas. Segment information and its related information are omitted because there are no other significant segments to report.