
Financial Results for the Nine Months Ended December 31, 2017

Nippon Life Insurance Company (the “Company”; President: Yoshinobu Tsutsui) announces financial results for the nine months ended December 31, 2017.

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1. Business Highlights

(1) Amount of Policies in Force and New Policies

• Policies in Force

	As of December 31, 2017				As of March 31, 2017	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2017 (%)	(100 million yen)	As a percentage of March 31, 2017 (%)		
Individual insurance	25,922	103.7	1,393,976	97.3	24,986	1,432,370
Individual annuities	3,868	101.6	235,954	101.6	3,805	232,306
Group insurance	—	—	956,638	101.4	—	943,263
Group annuities	—	—	128,922	102.1	—	126,254

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

• New Policies

	Nine months ended December 31, 2017						Nine months ended December 31, 2016			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of nine months ended December 31, 2016 (%)	(100 million yen)	As a percentage of nine months ended December 31, 2016 (%)	New policies	Net increase (decrease) by conversion		(100 million yen)	New policies	Net increase (decrease) by conversion
Individual insurance	2,529	87.8	39,787	66.7	44,378	(4,590)	2,882	59,635	62,402	(2,766)
Individual annuities	165	69.2	10,134	70.1	10,042	92	239	14,452	14,351	100
Group insurance	—	—	2,686	52.1	2,686		—	5,151	5,151	
Group annuities	—	—	3	28.9	3		—	11	11	

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 December 31, 2017		As of March 31, 2017
		As a percentage of March 31, 2017	
Individual insurance	26,680	102.3	26,089
Individual annuities	9,732	102.0	9,538
Total	36,412	102.2	35,627
Medical coverages, living benefits, and others	6,261	100.6	6,223

- New Policies

(100 Million Yen, %)

	Nine months ended December 31, 2017		Nine months ended December 31, 2016
		As a percentage of nine months ended December 31, 2016	
Individual insurance	1,941	122.2	1,588
Individual annuities	445	66.9	665
Total	2,386	105.9	2,254
Medical coverages, living benefits, and others	316	93.9	337

- 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.

2. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of December 31, 2017		As of March 31, 2017	
	Amount	%	Amount	%
Cash, deposits, and call loans	8,438	1.3	10,779	1.7
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	2,779	0.4	3,262	0.5
Proprietary trading securities	—	—	—	—
Assets held in trust	47	0.0	33	0.0
Investments in securities:	549,835	83.2	518,715	81.7
Domestic bonds	223,758	33.9	224,601	35.4
Domestic stocks	98,725	14.9	86,952	13.7
Foreign securities:	205,102	31.0	188,550	29.7
Foreign bonds	153,544	23.2	143,794	22.6
Foreign stocks and other securities	51,557	7.8	44,756	7.0
Other securities	22,249	3.4	18,610	2.9
Loans:	76,221	11.5	77,495	12.2
Policy loans	6,266	0.9	6,547	1.0
Industrial and consumer loans	69,954	10.6	70,948	11.2
Real estate:	16,077	2.4	16,192	2.6
Investment property	10,103	1.5	10,223	1.6
Deferred tax assets	—	—	—	—
Other assets	7,204	1.1	8,531	1.3
Allowance for doubtful accounts	(26)	(0.0)	(28)	(0.0)
Total assets (general account):	660,577	100.0	634,982	100.0
Foreign currency-denominated assets	188,884	28.6	170,361	26.8

Notes: 1. The above assets include cash received as collateral under securities lending transactions. Cash collateral received through these transactions is also recorded in liabilities as cash received as collateral under securities lending transactions (¥404.8 billion and ¥674.0 billion as of December 31, 2017, and March 31, 2017, respectively).

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

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

(100 Million Yen)

	As of December 31, 2017					As of March 31, 2017				
	Book value	Fair value	Net gains/losses	Net gains/losses		Book value	Fair value	Net gains/losses	Net gains/losses	
				Gains	Losses				Gains	Losses
Policy-reserve-matching bonds *	194,631	231,205	36,573	36,637	(64)	196,592	233,314	36,721	36,823	(101)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	640	2,128	1,488	1,488	—	142	875	733	733	—
Available-for-sale securities:	267,269	347,294	80,025	81,711	(1,686)	253,308	316,587	63,279	67,020	(3,741)
Domestic bonds	29,921	31,935	2,013	2,040	(27)	29,547	31,428	1,881	1,945	(64)
Domestic stocks	41,287	94,931	53,644	54,129	(484)	40,273	83,215	42,942	43,879	(937)
Foreign securities:	169,728	192,234	22,505	23,613	(1,107)	159,325	176,343	17,018	19,524	(2,506)
Foreign bonds	139,272	153,251	13,978	15,013	(1,035)	132,366	143,245	10,878	13,214	(2,336)
Foreign stocks and other securities	30,455	38,982	8,527	8,599	(72)	26,958	33,098	6,140	6,310	(169)
Other securities	19,900	21,761	1,860	1,927	(66)	16,794	18,231	1,436	1,669	(232)
Monetary receivables purchased	261	262	0	0	(0)	391	392	0	0	(0)
Negotiable certificates of deposit	6,170	6,170	0	0	(0)	6,976	6,976	0	0	(0)
Total	462,541	580,628	118,087	119,837	(1,750)	450,043	550,777	100,734	104,577	(3,842)
Domestic bonds	221,744	260,080	38,335	38,426	(91)	222,720	261,025	38,304	38,470	(166)
Domestic stocks	41,287	94,931	53,644	54,129	(484)	40,273	83,215	42,942	43,879	(937)
Foreign securities:	170,651	194,663	24,012	25,120	(1,107)	160,008	177,781	17,773	20,279	(2,506)
Foreign bonds	139,564	153,561	13,996	15,032	(1,035)	132,916	143,816	10,899	13,235	(2,336)
Foreign stocks and other securities	31,086	41,102	10,015	10,087	(72)	27,091	33,965	6,873	7,043	(169)
Other securities	19,909	21,770	1,861	1,927	(66)	16,803	18,240	1,436	1,669	(232)
Monetary receivables purchased	2,778	3,012	233	233	(0)	3,261	3,539	277	277	(0)
Negotiable certificates of deposit	6,170	6,170	0	0	(0)	6,976	6,976	0	0	(0)

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

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

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

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

(100 Million Yen)

	As of December 31, 2017	As of March 31, 2017
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	8,501	8,234
Available-for-sale securities:	7,512	7,243
Unlisted domestic stocks (excluding over-the-counter stocks)	549	551
Unlisted foreign stocks (excluding over-the-counter stocks)	4,170	4,282
Unlisted foreign bonds	—	—
Others	2,793	2,410
Total	16,014	15,478

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

¥57.3 billion and ¥46.7 billion as of December 31, 2017, and March 31, 2017, respectively.

(3) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of December 31, 2017					As of March 31, 2017				
	Balance sheet amount	Fair Value	Net gains/losses		Balance sheet amount	Fair Value	Net gains/losses			
			Gains	Losses			Gains	Losses		
Assets held in trust	47	47	—	—	33	33	—	—	—	

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

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

- Assets Held in Trust for Trading Purposes

(100 Million Yen)

	As of December 31, 2017		As of March 31, 2017	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Assets held in trust for trading purposes	47	(49)	33	(19)

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

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

3. Nonconsolidated Balance Sheets

(Million Yen)

	As of December 31, 2017	As of March 31, 2017
Assets:		
Cash and deposits	1,049,001	917,055
Call loans	90,000	270,000
Monetary receivables purchased	277,913	326,256
Assets held in trust	4,788	3,397
Investments in securities:	56,028,321	53,025,060
National government bonds	19,771,877	19,724,839
Local government bonds	886,332	959,375
Corporate bonds	2,189,606	2,290,236
Domestic stocks	10,044,871	8,879,181
Foreign securities	20,836,882	19,201,698
Loans:	7,622,105	7,749,527
Policy loans	626,653	654,701
Industrial and consumer loans	6,995,452	7,094,826
Tangible fixed assets	1,630,755	1,641,001
Intangible fixed assets	177,630	173,302
Reinsurance receivables	262	523
Other assets	529,702	691,712
Customers' liability for acceptances and guarantees	52,182	44,267
Allowance for doubtful accounts	(2,693)	(2,882)
Allowance for investment loss	(23,396)	(25,219)
Total assets	67,436,575	64,814,005
Liabilities:		
Policy reserves and other reserves:	54,982,896	53,999,143
Reserve for outstanding claims	346,122	347,747
Policy reserves	53,589,982	52,650,294
Reserve for dividends to policyholders	1,046,791	1,001,102
Reinsurance payables	325	605
Corporate bonds	1,028,889	840,825
Other liabilities:	1,353,479	1,567,152
Cash received as collateral under securities lending transactions	404,801	674,067
Income taxes payable	30,272	8,020
Lease obligations	12,181	11,835
Asset retirement obligations	2,194	2,191
Other liabilities	904,028	871,037
Accrued bonuses for directors and audit and supervisory board members	52	79
Accrued retirement benefits	362,341	358,630
Accrued retirement benefits for directors and audit and supervisory board members	4,717	4,498
Reserve for program points	10,188	9,013
Reserve for price fluctuations in investments in securities	1,261,200	1,116,795
Deferred tax liabilities	922,978	563,323
Deferred tax liabilities for land revaluation	105,005	106,432
Acceptances and guarantees	52,182	44,267
Total liabilities	60,084,258	58,610,767

3. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of December 31, 2017	As of March 31, 2017
Net assets:		
Foundation funds	150,000	150,000
Reserve for redemption of foundation funds	1,200,000	1,150,000
Reserve for revaluation	651	651
Surplus:	377,808	440,635
Legal reserve for deficiencies	16,804	16,042
Other surplus reserves:	361,004	424,593
Equalized reserve for dividends to policyholders	40,000	50,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	1,678	328
Reserve for reduction entry of real estate	49,708	51,196
Reserve for reduction entry of real estate to be purchased	23,422	5,643
Other reserves	170	170
Unappropriated surplus	174,108	245,337
Total foundation funds and others	1,728,459	1,741,286
Net unrealized gains on available-for-sale securities	5,803,080	4,585,298
Deferred losses on derivatives under hedge accounting	(118,690)	(65,262)
Land revaluation losses	(60,532)	(58,084)
Total valuations, conversions, and others	5,623,856	4,461,951
Total net assets	7,352,316	6,203,237
Total liabilities and net assets	67,436,575	64,814,005

Basis of Presenting the Nonconsolidated Balance Sheet as of December 31, 2017

1. The corporate tax, inhabitant tax, and income tax adjustments for the nine months ended December 31, 2017, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders due to the appropriation of surplus in the current fiscal year.
2. Changes in the reserve for dividends to policyholders for the nine months ended December 31, 2017, were as follows:

	Million Yen
	Nine months ended December 31, 2017
a. Balance at the beginning of the current fiscal year	¥1,001,102
b. Transfer to reserve from surplus in the previous fiscal year	¥184,086
c. Dividends paid to policyholders during the current nine-month period	¥155,152
d. Increase in interest	¥16,755
e. Balance at the end of the current nine-month period (a+b-c+d)	¥1,046,791

3. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the nine months ended December 31, 2017.
4. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act as of December 31, 2017.
5. Matters concerning the acquisition of additional shares and the sale of shares of subsidiaries and affiliates that were agreed upon and executed after December 31, 2017, are as follows.

(1) Nissay Asset Management Corporation

On February 9, 2018, the Company acquired 10% of the shares of Nissay Asset Management Corporation (a subsidiary of the Company, in which the Company had held 90% of the shares as of December 31, 2017) from Putnam Investments (hereinafter “Putnam”), a U.S. asset management company, thereby converting Nissay Asset Management Corporation into a wholly owned subsidiary. The acquisition price was ¥15,065 million, with the transaction funded by the Company’s cash on hand.

(2) PanAgora Asset Management, Inc.

On February 9, 2018, the Company sold all of its shares of PanAgora Asset Management, Inc. (an affiliate of the Company, in which the Company had held 20% of the shares as of December 31, 2017; hereinafter, “PanAgora”) to Putnam. As a result, PanAgora was excluded from the scope of affiliates. Relating to this

transaction, the Company plans to recognize a gain on sales of securities of ¥6,546 million on the statement of income for the fiscal year ending March 31, 2018.

6. The amount of securities lent under lending agreements was ¥5,311,616 million as of December 31, 2017.

4. Nonconsolidated Statements of Income

(Million Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2016
Ordinary income:	4,696,379	4,807,603
Revenues from insurance and reinsurance:	3,380,396	3,468,620
Insurance premiums	3,380,025	3,468,182
Investment income:	1,231,483	1,247,753
Interest, dividends, and other income	1,007,091	979,399
Gain on sales of securities	129,858	230,136
Gain from separate accounts, net	75,936	31,988
Other ordinary income	84,499	91,228
Ordinary expenses:	4,378,458	4,450,256
Benefits and other payments:	2,626,361	2,613,944
Death and other claims	765,152	750,793
Annuity payments	584,914	610,786
Health and other benefits	471,998	477,680
Surrender benefits	659,433	612,316
Other refunds	144,212	161,560
Provision for policy reserves:	956,443	980,206
Provision for policy reserves	939,688	963,270
Provision for interest on reserve for dividends to policyholders	16,755	16,935
Investment expenses:	181,800	256,692
Interest expenses	15,821	14,027
Loss from assets held in trust, net	4,909	741
Loss on sales of securities	49,599	93,346
Loss on valuation of securities	3,927	2,795
Loss on derivative financial instruments, net	58,639	89,788
Operating expenses	447,312	425,866
Other ordinary expenses	166,540	173,547
Ordinary profit	317,921	357,346
Extraordinary gains:	16,268	8,742
Gain on disposals of fixed assets	16,268	8,742
Extraordinary losses:	152,054	169,842
Loss on disposals of fixed assets	4,894	7,122
Impairment losses	1,105	3,603
Provision for reserve for price fluctuations in investments in securities	144,405	156,190
Contributions for assisting social public welfare	1,650	2,927
Surplus before income taxes	182,135	196,245
Income taxes - current	94,886	79,705
Income taxes - deferred	(82,760)	(61,869)
Total income taxes	12,125	17,835
Net surplus	170,009	178,409

Notes to the Nonconsolidated Statement of Income for the Nine Months Ended December 31, 2017

1. Impairment losses are as follows:

1) Method for grouping the assets

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

2) Circumstances causing impairment losses

The Company observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses for the nine months ended December 31, 2017.

3) Breakdown of asset groups that recognized impairment losses for the nine months ended December 31, 2017, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Idle property	¥804	¥301	¥1,105
Total	¥804	¥301	¥1,105

4) Calculation method of recoverable amount

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

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

5. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2016
Core operating profit (A)	449,079	416,713
Capital gains:	133,310	230,841
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities	129,858	230,136
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	1,348	705
Other capital gains	2,104	—
Capital losses:	142,724	191,009
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	4,909	741
Loss on trading securities	—	—
Loss on sales of securities	49,599	93,346
Loss on valuation of securities	3,927	2,795
Loss on derivative financial instruments, net	58,639	89,788
Foreign exchange losses, net	—	—
Other capital losses	25,648	4,338
Net capital (losses) gains (B)	(9,413)	39,832
Core operating profit, including net capital gains (A+B)	439,666	456,545
Nonrecurring gains:	1,915	414
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	91	414
Other nonrecurring gains	1,823	—
Nonrecurring losses:	123,661	99,614
Reinsurance premiums	—	—
Provision for contingency reserve	123,661	99,614
Provision for specific allowance for doubtful accounts	—	—
Provision for allowance for specific overseas debts	—	—
Write-offs of loans	—	—
Other nonrecurring losses	—	—
Net nonrecurring losses (C)	(121,745)	(99,199)
Ordinary profit (A+B+C)	317,921	357,346

(Reference) Breakdown of “Other” items

(Million Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2016
Core operating profit	23,543	4,338
Foreign exchange gains related to foreign currency-denominated insurance products	—	4,338
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	8,569	—
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	17,078	—
Impact of movements in surrender benefits related to market value adjustment	(2,104)	—
Other capital gains	2,104	—
Foreign exchange gains related to foreign currency-denominated insurance products	—	—
Interest income related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	—	—
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	—	—
Impact of movements in surrender benefits related to market value adjustment	2,104	—
Other capital losses	25,648	4,338
Foreign exchange losses related to foreign currency-denominated insurance products	—	4,338
Interest expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	8,569	—
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	17,078	—
Impact of movements in surrender benefits related to market value adjustment	—	—
Other nonrecurring gains	1,823	—
Reversal of allowance for investment loss	1,823	—
Other nonrecurring losses	—	—
Provision for allowance for investment loss	—	—

6. Solvency Margin Ratio

(Million Yen)

	As of December 31, 2017	As of March 31, 2017
Solvency margin gross amount (A):	14,498,013	12,596,032
Foundation funds (<i>kikin</i>) and other reserve funds:	4,894,704	4,454,276
Foundation funds and others	1,728,459	1,556,001
Reserve for price fluctuations in investments in securities	1,261,200	1,116,795
Contingency reserve	1,647,092	1,523,431
General allowance for doubtful accounts	1,407	1,503
Others	256,544	256,544
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	7,075,100	5,630,908
Net unrealized gains on real estate × 85%	206,342	210,229
Excess of continued Zillmerized reserve	1,394,044	1,415,384
Qualifying subordinated debt	1,028,889	840,825
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(561)	(252)
Others	(100,505)	44,661
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	3,151,771	2,811,478
Underwriting risk (R ₁)	120,864	122,718
Underwriting risk of third-sector insurance (R ₈)	78,849	78,064
Anticipated yield risk (R ₂)	385,808	386,043
Minimum guarantee risk (R ₇)	5,594	5,708
Investment risk (R ₃)	2,688,310	2,353,474
Business management risk (R ₄)	65,588	58,920
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	919.9%	896.0%

Notes: 1. The amounts and figures as of March 31, 2017, 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.

Those as of December 31, 2017, are calculated based on the methods deemed reasonable by the Company in accordance with the aforementioned provisions.

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

7. Status of Separate Accounts

(1) Balance of Separate Account Assets

(Million Yen)

	As of December 31, 2017	As of March 31, 2017
Individual variable insurance	118,928	116,005
Individual variable annuities	46,326	41,905
Group annuities	1,213,580	1,157,881
Separate account total	1,378,835	1,315,792

(2) Policies in Force

- Individual Variable Insurance

	As of December 31, 2017		As of March 31, 2017	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	1,082	2,087	1,195	5,570
Variable insurance (whole life type)	32,806	468,267	33,300	479,050
Total	33,888	470,354	34,495	484,621

- Individual Variable Annuities

	As of December 31, 2017		As of March 31, 2017	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	19,832	46,325	11,497	41,903

8. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2016
Ordinary income	56,714	54,051
Ordinary profit	3,709	3,911
Net surplus attributable to the Parent Company	1,913	1,882
Comprehensive income	14,374	1,367

	As of December 31, 2017	As of March 31, 2017
Total assets	754,534	724,642
Solvency margin ratio	959.5%	933.9%

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

	As of December 31, 2017	
Number of consolidated subsidiaries	11	
Number of subsidiaries not consolidated but accounted for under the equity method	0	
Number of affiliates accounted for under the equity method	15	
Changes in significant subsidiaries and affiliates during the period	Additions: 5	The TCW Group, Inc. and 4 other companies

(3) Policies of Presenting the Consolidated Financial Statements for the Nine Months Ended December 31, 2017

Application of the equity method

Following the acquisition of an equity interest in The TCW Group, Inc. and four other companies, the Company has included them in the scope of affiliates accounted for under the equity method from the third quarter of the consolidated fiscal year ended December 31, 2017.

(4) Consolidated Balance Sheets

(Million Yen)

	As of December 31, 2017	As of March 31, 2017
Assets:		
Cash and deposits	1,625,035	1,337,969
Call loans	90,000	270,000
Monetary receivables purchased	288,693	337,913
Assets held in trust	4,988	3,597
Investments in securities	61,552,302	58,262,185
Loans	8,781,843	8,990,370
Tangible fixed assets	1,856,253	1,868,153
Intangible fixed assets	248,163	236,530
Reinsurance receivables	10,563	12,513
Other assets	941,851	1,104,003
Deferred tax assets	4,858	5,604
Customers' liability for acceptances and guarantees	53,157	39,935
Allowance for doubtful accounts	(4,246)	(4,483)
Total assets	75,453,463	72,464,294
Liabilities:		
Policy reserves and other reserves:	61,431,501	60,394,071
Reserve for outstanding claims	391,768	394,243
Policy reserves	59,926,509	58,930,878
Reserve for dividends to policyholders (mutual company)	1,046,791	1,001,102
Reserve for dividends to policyholders (limited company)	66,433	67,847
Reinsurance payables	7,309	9,590
Corporate bonds	1,108,889	920,825
Other liabilities	2,224,950	2,243,231
Accrued bonuses for directors and audit and supervisory board members	52	79
Net defined benefit liability	445,754	450,558
Accrued retirement benefits for directors and audit and supervisory board members	5,412	5,246
Reserve for program points	10,188	9,013
Reserve for price fluctuations in investments in securities	1,282,274	1,135,765
Deferred tax liabilities	999,165	620,563
Deferred tax liabilities for land revaluation	105,005	106,432
Acceptances and guarantees	53,157	39,935
Total liabilities	67,673,662	65,935,313

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of December 31, 2017	As of March 31, 2017
Net assets:		
Foundation funds	150,000	150,000
Reserve for redemption of foundation funds	1,200,000	1,150,000
Reserve for revaluation	651	651
Consolidated surplus	580,988	622,388
Total foundation funds and others	1,931,640	1,923,039
Net unrealized gains on available-for-sale securities	5,858,299	4,588,092
Deferred losses on derivatives under hedge accounting	(118,721)	(65,262)
Land revaluation losses	(60,532)	(58,084)
Foreign currency translation adjustments	36,650	30,549
Remeasurement of defined benefit plans	(19,599)	(24,556)
Total accumulated other comprehensive income	5,696,096	4,470,738
Noncontrolling interests	152,064	135,203
Total net assets	7,779,801	6,528,981
Total liabilities and net assets	75,453,463	72,464,294

Basis of Presenting the Consolidated Balance Sheet as of December 31, 2017

1. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the nine months ended December 31, 2017, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders (mutual company) due to the appropriation of surplus in the current fiscal year.
2. Changes in the reserve for dividends to policyholders (mutual company) for the nine months ended December 31, 2017, were as follows:

	Million Yen
	Nine months ended December 31, 2017
a. Balance at the beginning of the current fiscal year	¥1,001,102
b. Transfer to reserve from surplus in the previous fiscal year	¥184,086
c. Dividends paid to policyholders (mutual company)	¥155,152
d. Increase in interest	¥16,755
e. Balance at the end of the current nine-month period (a+b-c+d)	¥1,046,791

3. Changes in the reserve for dividends to policyholders (limited company) for the nine months ended December 31, 2017, were as follows:

	Million Yen
	Nine months ended December 31, 2017
a. Balance at the beginning of the current fiscal year	¥67,847
b. Dividends paid to policyholders (limited company)	¥14,209
c. Increase in interest	¥9
d. Provision for reserve for dividends to policyholders (limited company)	¥12,786
e. Balance at the end of the current nine-month period (a-b+c+d)	¥66,433

4. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the nine months ended December 31, 2017.
5. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act as of December 31, 2017.

6. Matters concerning transactions with non-controlling shareholders and the sale of shares of affiliates that were agreed upon and executed after December 31, 2017, are as follows.

(1) Nissay Asset Management Corporation

On February 9, 2018, the Company acquired 10% of the shares of Nissay Asset Management Corporation (a subsidiary of the Company, in which the Company had held 90% of the shares as of December 31, 2017; hereinafter “Nissay Asset”) from Putnam Investments (hereinafter, “Putnam”), a U.S. asset management company, thereby converting Nissay Asset into a wholly owned subsidiary.

1) Overview of the transaction

- a. Name and business of the acquiree

Name: Nissay Asset Management Corporation

Business: Asset management business

- b. Business combination date

February 9, 2018 (The deemed acquisition date is scheduled to be January 1, 2018.)

- c. Legal form of the business combination

Conversion into a wholly owned subsidiary through the acquisition of additional shares from a non-controlling shareholder

- d. Name of company after business combination

Nissay Asset Management Corporation

- e. Other matters concerning the overview of the transaction

The Group has long worked to strengthen the asset management business. At this time, the Company has converted Nissay Asset into a wholly owned subsidiary by acquiring all of the Nissay Asset shares owned by Putnam, in order to reinforce and expand the asset management business.

2) Overview of accounting treatment scheduled to be applied

The Company plans to account for the transaction as a transaction with a non-controlling shareholder within the category of transactions under common control. This accounting treatment is based on the “Accounting Standard for Business Combinations” (ASBJ* Statement No. 21) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10).

3) Acquisition cost and breakdown by type of consideration

Consideration for acquisition: payment in cash ¥15,065 million

Acquisition cost ¥15,065 million

4) Matters concerning changes in the Company’s equity with respect to the transaction with the non-controlling shareholder

- a. Main reasons for changes in consolidated surplus: Acquisition of additional shares of a subsidiary

- b. Projected decrease in consolidated surplus due to the transaction with the non-controlling shareholder: ¥8,940 million

* ABSJ: The Accounting Standards Board of Japan

(2) PanAgora Asset Management, Inc.

On February 9, 2018, the Company sold all of its shares of PanAgora Asset Management, Inc. (an affiliate of the Company, in which the Company had held 20% of the shares as of December 31, 2017; hereinafter, “PanAgora”) to Putnam. As a result, PanAgora was excluded from the scope of affiliates accounted for under the equity method. Relating to this transaction, the Company plans to recognize a gain on sales of securities of ¥4,237 million on the consolidated statement of income for the fiscal year ending March 31, 2018.

7. The amount of securities lent under lending agreements was ¥5,761,031 million as of December 31, 2017.

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

[Consolidated Statements of Income]

(Million Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2016
Ordinary income:	5,671,470	5,405,164
Revenues from insurance and reinsurance	4,059,666	3,866,302
Investment income:	1,447,196	1,370,228
Interest, dividends, and other income	1,069,767	1,043,388
Gain on trading securities	12,573	—
Gain on sales of securities	159,795	254,619
Foreign exchange gains, net	89,079	19,092
Gain from separate accounts, net	99,637	46,402
Other ordinary income	164,607	168,632
Ordinary expenses:	5,300,497	5,014,035
Benefits and other payments:	3,186,858	3,040,069
Death and other claims	964,150	889,954
Annuity payments	663,247	683,985
Health and other benefits	595,484	593,780
Surrender benefits	780,930	704,576
Other refunds	152,326	165,601
Provision for policy reserves:	1,021,624	931,564
Provision for policy reserves	1,004,859	914,606
Provision for interest on reserve for dividends to policyholders (mutual company)	16,755	16,935
Provision for interest on reserve for dividends to policyholders (limited company)	9	22
Investment expenses:	277,078	296,982
Interest expenses	17,583	16,721
Loss from assets held in trust, net	4909	741
Loss on sales of securities	56,174	97,211
Loss on valuation of securities	3,968	2,795
Loss on derivative financial instruments, net	141,238	119,115
Operating expenses	588,648	516,584
Other ordinary expenses	226,288	228,834
Ordinary profit	370,972	391,129
Extraordinary gains:	16,581	9,678
Gain on disposals of fixed assets	16,581	9,678
Extraordinary losses:	154,717	172,941
Loss on disposals of fixed assets	5,441	7,556
Impairment losses	1,117	4,341
Provision for reserve for price fluctuations in investments in securities	146,509	158,115
Contributions for assisting social public welfare	1,650	2,927
Provision for reserve for dividends to policyholders (limited company)	12,786	12,908
Surplus before income taxes	220,049	214,957
Income taxes - current	109,721	86,892
Income taxes - deferred	(87,504)	(63,444)
Total income taxes	22,216	23,447
Net surplus	197,832	191,509
Net surplus attributable to noncontrolling interests	6,531	3,213
Net surplus attributable to the parent company	191,301	188,296

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 nine months ended December 31, 2017.

3) Breakdown of asset groups that recognized impairment losses for the nine months ended December 31, 2017, is as follows:

Purpose of use	Million Yen		
	Land	Buildings and others	Total
Leased property	¥7	¥0	¥8
Idle property	¥807	¥301	¥1,108
Total	¥814	¥302	¥1,117

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

2. The total amount of depreciation of rental real estate and other assets and depreciation and amortization for the nine months ended December 31, 2017, was ¥47,783 million. Amortization of goodwill for the nine months ended December 31, 2017, was ¥2,048 million.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2016
Net surplus	197,832	191,509
Other comprehensive income (loss):	1,239,637	(54,786)
Net unrealized gains (losses) on available-for-sale securities	1,276,832	(61,357)
Deferred (losses) gains on derivatives under hedge accounting	(53,462)	25,924
Land revaluation losses	—	1,978
Foreign currency translation adjustments	6,138	(18,862)
Remeasurement of defined benefit plans	5,017	4,635
Share of other comprehensive income (loss) of associates accounted for under the equity method	5,111	(7,105)
Comprehensive income:	1,437,470	136,722
Comprehensive income attributable to the parent company	1,419,108	132,048
Comprehensive income attributable to noncontrolling interests	18,361	4,673

(6) Consolidated Solvency Margin Ratio

(Million Yen)

	As of December 31, 2017	As of March 31, 2017
Solvency margin gross amount (A):	15,033,975	13,078,231
Foundation funds (<i>kikin</i>) and other reserve funds:	5,247,630	4,778,735
Foundation funds and others	2,037,357	1,838,692
Reserve for price fluctuations in investments in securities	1,282,274	1,135,765
Contingency reserve	1,667,292	1,544,254
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	2,499	2,624
Others	258,207	257,398
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	7,149,734	5,644,495
Net unrealized gains on real estate × 85%	217,617	217,473
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(27,186)	(34,071)
Excess of continued Zillmerized reserve	1,543,056	1,565,220
Qualifying subordinated debt	1,208,889	1,020,825
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(253,122)	(190,878)
Others	(52,644)	76,431
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	3,133,402	2,800,770
Underwriting risk (R ₁)	160,594	165,787
General underwriting risk (R ₅)	—	—
Huge disaster risk (R ₆)	—	—
Underwriting risk of third-sector insurance (R ₈)	89,627	88,743
Underwriting risk related to small amount and short-term insurance providers (R ₉)	—	—
Anticipated yield risk (R ₂)	443,309	444,139
Minimum guarantee risk (R ₇)	11,145	13,765
Investment risk (R ₃)	2,602,579	2,271,347
Business management risk (R ₄)	66,145	59,675
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	959.5%	933.9%

- Notes: 1. The amounts and figures as of March 31, 2017, 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. Those as of December 31, 2017, are calculated based on the methods deemed reasonable by the Company in accordance with the aforementioned provisions.
2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

(7) Segment Information

For the nine months ended December 31, 2017, the Company and its consolidated subsidiaries are 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.