
Financial Results for the Three Months Ended June 30, 2018

Nippon Life Insurance Company (the “Company”; President: Hiroshi Shimizu) announces financial results for the three months ended June 30, 2018.

[Contents]

Financial Summary for the Three Months Ended June 30, 2018

1. Business Highlights	1
(1) Amount of Policies in Force and New Policies	1
(2) Annualized Net Premium	2
2. Investment Management Performance (General Account)	3
(1) Asset Composition	3
(2) Fair Value Information of Securities	4
(3) Fair Value Information of Assets Held in Trust	5
3. Nonconsolidated Balance Sheets	6
4. Nonconsolidated Statements of Income	10
5. Details of Ordinary Profit (Core Operating Profit)	12
6. Solvency Margin Ratio	14
7. Status of Separate Accounts	15
(1) Balance of Separate Account Assets	15
(2) Policies in Force	15
8. Status of the Company, Subsidiaries, and Affiliates	16
(1) Selected Financial Data for Major Operations	16
(2) Scope of Consolidation and Application of the Equity Method	16
(3) Basis of Preparing the Consolidated Financial Statements for the Three Months Ended June 30, 2018	16
(4) Policies of Presenting the Consolidated Financial Statements for the Three Months Ended June 30, 2018	16
(5) Consolidated Balance Sheets	17
(6) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	23
(7) Consolidated Solvency Margin Ratio	27
(8) Segment Information	28

1. Business Highlights

(1) Amount of Policies in Force and New Policies

• Policies in Force

	As of June 30, 2018				As of March 31, 2018	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2018 (%)	(100 million yen)	As a percentage of March 31, 2018 (%)		
Individual insurance	26,683	101.9	1,373,903	99.5	26,194	1,381,477
Individual annuities	3,898	100.3	236,705	100.4	3,886	235,809
Group insurance	—	—	968,411	101.4	—	955,119
Group annuities	—	—	129,049	100.4	—	128,541

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

	Three months ended June 30, 2018						Three months ended June 30, 2017			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of three months ended June 30, 2017 (%)	(100 million yen)	As a percentage of three months ended June 30, 2017 (%)	New policies	Net increase (decrease) by conversion		(100 million yen)	New policies	Net increase (decrease) by conversion
Individual insurance	1,293	145.9	17,256	117.9	16,989	266	887	14,640	16,276	(1,636)
Individual annuities	50	84.7	3,136	88.9	3,120	15	59	3,526	3,503	22
Group insurance	—	—	2,010	105.8	2,010		—	1,900	1,900	
Group annuities	—	—	3	166.8	3		—	1	1	

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 June 30, 2018		As of March 31, 2018
		As a percentage of March 31, 2018	
Individual insurance	26,872	100.0	26,861
Individual annuities	9,848	100.5	9,795
Total	36,720	100.2	36,657
Medical coverages, living benefits, and others	6,310	100.5	6,279

- New Policies

(100 Million Yen, %)

	Three months ended June 30, 2018		Three months ended June 30, 2017
		As a percentage of three months ended June 30, 2017	
Individual insurance	464	77.6	598
Individual annuities	135	88.0	153
Total	599	79.7	751
Medical coverages, living benefits, and others	125	123.5	101

- 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 June 30, 2018		As of March 31, 2018	
	Amount	%	Amount	%
Cash, deposits, and call loans	11,014	1.7	10,634	1.6
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	2,689	0.4	2,782	0.4
Trading securities	—	—	—	—
Assets held in trust	74	0.0	104	0.0
Investments in securities:	545,155	82.4	537,443	82.5
Domestic bonds	225,318	34.0	223,813	34.3
Domestic stocks	97,255	14.7	93,588	14.4
Foreign securities:	195,168	29.5	193,710	29.7
Foreign bonds	144,195	21.8	144,335	22.1
Foreign stocks and other securities	50,973	7.7	49,375	7.6
Other securities	27,413	4.1	26,330	4.0
Loans:	74,288	11.2	74,683	11.5
Policy loans	6,087	0.9	6,190	0.9
Industrial and consumer loans	68,200	10.3	68,492	10.5
Real estate:	16,098	2.4	16,073	2.5
Investment property	10,156	1.5	10,105	1.6
Deferred tax assets	—	—	—	—
Other assets	12,557	1.9	10,087	1.5
Allowance for doubtful accounts	(23)	(0.0)	(24)	(0.0)
Total assets (general account):	661,855	100.0	651,785	100.0
Foreign currency-denominated assets	181,497	27.4	180,158	27.6

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 (¥501.1 billion and ¥330.7 billion as of June 30, 2018, and March 31, 2018, 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 June 30, 2018					As of March 31, 2018				
	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*	196,587	233,452	36,865	36,915	(49)	195,283	232,296	37,013	37,072	(59)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	640	1,656	1,015	1,015	—	640	1,695	1,055	1,055	—
Available-for-sale securities:	265,445	335,768	70,322	74,035	(3,713)	264,467	331,872	67,404	71,298	(3,893)
Domestic bonds	29,607	31,571	1,963	2,008	(44)	29,458	31,406	1,947	2,004	(56)
Domestic stocks	41,906	92,168	50,261	51,279	(1,017)	41,660	89,654	47,993	48,881	(887)
Foreign securities:	166,640	182,831	16,190	18,743	(2,553)	166,001	181,594	15,592	18,438	(2,846)
Foreign bonds	133,797	143,662	9,864	11,921	(2,056)	134,692	143,863	9,171	11,756	(2,585)
Foreign stocks and other securities	32,843	39,168	6,325	6,822	(496)	31,309	37,730	6,421	6,681	(260)
Other securities	24,711	26,621	1,910	2,004	(94)	23,681	25,553	1,872	1,973	(100)
Monetary receivables purchased	395	392	(3)	0	(3)	390	388	(1)	0	(2)
Negotiable certificates of deposit	2,182	2,182	0	0	(0)	3,275	3,275	0	0	(0)
Total	462,673	570,877	108,204	111,967	(3,763)	460,391	565,864	105,473	109,426	(3,953)
Domestic bonds	223,354	262,064	38,709	38,794	(84)	221,865	260,700	38,835	38,941	(106)
Domestic stocks	41,906	92,168	50,261	51,279	(1,017)	41,660	89,654	47,993	48,881	(887)
Foreign securities:	167,815	185,029	17,213	19,776	(2,562)	167,115	183,771	16,655	19,511	(2,855)
Foreign bonds	134,341	144,214	9,872	11,938	(2,066)	135,175	144,354	9,179	11,774	(2,595)
Foreign stocks and other securities	33,474	40,815	7,341	7,837	(496)	31,940	39,416	7,476	7,737	(260)
Other securities	24,721	26,631	1,910	2,004	(94)	23,690	25,562	1,872	1,973	(100)
Monetary receivables purchased	2,692	2,800	108	111	(3)	2,784	2,900	116	118	(2)
Negotiable certificates of deposit	2,182	2,182	0	0	(0)	3,275	3,275	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 June 30, 2018	As of March 31, 2018
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	10,015	8,954
Available-for-sale securities:	6,908	6,695
Unlisted domestic stocks (excluding over-the-counter stocks)	648	549
Unlisted foreign stocks (excluding over-the-counter stocks)	3,170	3,170
Unlisted foreign bonds	—	—
Others	3,090	2,975
Total	16,923	15,649

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:

¥16.4 billion and ¥7.5 billion as of June 30, 2018, and March 31, 2018, respectively.

(3) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of June 30, 2018					As of March 31, 2018				
	Balance sheet amount	Fair value	Net gains/losses		Balance sheet amount	Fair value	Net gains/losses			
			Gains	Losses			Gains	Losses		
Assets held in trust	74	74	—	—	104	104	—	—		

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

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

- Assets Held in Trust for Trading Purposes

(100 Million Yen)

	As of June 30, 2018		As of March 31, 2018	
	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	74	(40)	104	(32)

Note: The balance sheet amounts and valuation gains (losses) recorded 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
There were no ending balances as of June 30, 2018, and March 31, 2018.

3. Nonconsolidated Balance Sheets

(Million Yen)

	As of June 30, 2018	As of March 31, 2018
Assets:		
Cash and deposits	850,873	834,511
Call loans	512,663	471,113
Monetary receivables purchased	268,923	278,235
Assets held in trust	7,427	10,421
Investments in securities:	55,476,128	54,703,507
National government bonds	20,052,728	19,842,086
Local government bonds	881,888	883,461
Corporate bonds	2,042,793	2,089,678
Domestic stocks	9,889,168	9,521,609
Foreign securities	19,792,293	19,661,925
Loans:	7,428,840	7,468,329
Policy loans	608,786	619,030
Industrial and consumer loans	6,820,054	6,849,298
Tangible fixed assets	1,634,109	1,630,859
Intangible fixed assets	185,381	185,042
Reinsurance receivables	510	512
Other assets	1,076,170	868,603
Customers' liability for acceptances and guarantees	51,838	52,065
Allowance for doubtful accounts	(2,325)	(2,401)
Allowance for investment loss	(29,232)	(28,138)
Total assets	67,461,310	66,472,661
Liabilities:		
Policy reserves and other reserves:	55,341,484	55,021,894
Reserve for outstanding claims	259,196	285,702
Policy reserves	53,939,388	53,741,024
Reserve for dividends to policyholders	1,142,898	995,167
Reinsurance payables	583	594
Corporate bonds	1,028,889	1,028,889
Other liabilities:	2,001,150	1,466,056
Income taxes payable	28,835	37,406
Lease obligations	11,804	12,059
Asset retirement obligations	4,068	2,192
Other liabilities	1,956,442	1,414,398
Accrued bonuses for directors and audit and supervisory board members	132	90
Accrued retirement benefits	362,266	361,114
Accrued retirement benefits for directors and audit and supervisory board members	4,974	4,840
Reserve for program points	10,240	9,411
Reserve for price fluctuations in investments in securities	1,319,429	1,282,194
Deferred tax liabilities	610,169	577,415
Deferred tax liabilities for land revaluation	104,575	104,828
Acceptances and guarantees	51,838	52,065
Total liabilities	60,835,734	59,909,395

3. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of June 30, 2018	As of March 31, 2018
Net assets:		
Foundation funds	150,000	150,000
Reserve for redemption of foundation funds	1,250,000	1,200,000
Reserve for revaluation	651	651
Surplus:	243,812	450,600
Legal reserve for deficiencies	17,578	16,804
Other surplus reserves:	226,234	433,796
Equalized reserve for dividends to policyholders	10,000	40,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	3,351	351
Reserve for reduction entry of real estate	49,836	49,708
Reserve for reduction entry of real estate to be purchased	28,603	23,422
Other reserves	170	170
Unappropriated surplus	62,356	248,227
Total foundation funds and others	1,644,463	1,801,251
Net unrealized gains on available-for-sale securities	5,100,991	4,882,103
Deferred losses on derivatives under hedge accounting	(58,246)	(59,099)
Land revaluation losses	(61,632)	(60,989)
Total valuations, conversions, and others	4,981,112	4,762,014
Total net assets	6,625,576	6,563,265
Total liabilities and net assets	67,461,310	66,472,661

Basis of Presenting the Nonconsolidated Balance Sheet as of June 30, 2018

1. As the proposed appropriation of surplus for the fiscal year ended March 31, 2018, was approved at the annual meeting of representatives of policyholders held on July 3, 2018, it is included in the nonconsolidated balance sheet as of June 30, 2018. Details of the appropriation of surplus approved at the annual meeting of representatives of policyholders are as follows:

	Million Yen
a. Unappropriated surplus as of March 31, 2018	¥248,227
b. Reversal from voluntary surplus reserves	¥39,697
c. Appropriations:	¥287,924
Reserve for dividends to policyholders	¥218,353
Legal reserve for deficiencies	¥774
Reserve for redemption of foundation funds	¥50,000
Interest on foundation funds	¥790
Voluntary surplus reserves	¥18,006
d. Surplus carried forward (a+b-c)	—

2. The corporate tax, inhabitant tax, and income tax adjustments for the three months ended June 30, 2018, 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.

3. Changes in the reserve for dividends to policyholders for the three months ended June 30, 2018, were as follows:

	Million Yen
	Three months ended June 30, 2018
a. Balance at the beginning of the current fiscal year	¥995,167
b. Transfer to reserve based on the proposed appropriation of surplus for previous fiscal year	¥218,353
c. Dividends paid to policyholders during the current three-month period	¥76,119
d. Increase in interest	¥5,497
e. Balance at the end of the current three-month period (a+b-c+d)	¥1,142,898

4. Based on the proposed appropriation of surplus for the previous fiscal year, the Company credited ¥50,000 million to the reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act and redeemed the same amount of foundation funds on August 1, 2018.

5. On July 2, 2018, the Company established Nissay Seiho Preparatory Company Ltd. (the “Preparatory Company”) for the establishment of a new life insurance company (the “New Company”). The Preparatory Company will be registered as the New Company eventually.
 - 1) Purpose of establishing the New Company
The purpose of establishing the New Company is to flexibly and dynamically provide services to independent insurance agencies and related entities in order to more appropriately address diversifying customer needs and growing sale channels.
 - 2) Overview of the Preparatory Company (the following information is pending for the New Company.)
 - a. Company Name: Nissay Seiho Preparatory Company Ltd.
 - b. The location of its head office: Minato-ku, Tokyo
 - c. Capital stock: ¥10 billion
 - 3) Date of establishment
July 2, 2018
 - 4) Percentage of voting rights held by the Company (the following information is pending for the New Company.)
100%
 - 5) Others
The establishment of the New Company requires the acquisition of approvals of the Commissioner of the Financial Services Agency pursuant to Article 271-10, Paragraph 1 and Article 106, Paragraph 7 of the Insurance Business Act by the Company and the acquisition of a life insurance business license pursuant to Article 3 of the Insurance Business Act by the Preparatory Company.

6. The amount of securities lent under lending agreements was ¥5,128,113 million as of June 30, 2018.

4. Nonconsolidated Statements of Income

(Million Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2017
Ordinary income:	1,498,560	1,568,724
Revenues from insurance and reinsurance:	1,044,082	1,150,341
Insurance premiums	1,043,904	1,150,226
Investment income:	400,025	386,096
Interest, dividends, and other income	310,613	319,953
Gain on sales of securities	72,504	40,102
Gain from separate accounts, net	10,924	23,084
Other ordinary income	54,453	32,286
Ordinary expenses:	1,395,801	1,473,649
Benefits and other payments:	900,090	919,480
Death and other claims	266,736	262,177
Annuity payments	197,989	200,925
Health and other benefits	177,846	171,530
Surrender benefits	219,113	224,737
Other refunds	38,280	59,962
Provision for policy reserves:	203,860	293,981
Provision for policy reserves	198,363	288,427
Provision for interest on reserve for dividends to policyholders	5,497	5,553
Investment expenses:	83,999	57,585
Interest expenses	6,957	5,113
Loss from assets held in trust, net	4,993	1,349
Loss on sales of securities	30,571	27,935
Loss on valuation of securities	2,775	141
Loss on derivative financial instruments, net	23,735	8,398
Operating expenses	151,690	147,489
Other ordinary expenses	56,160	55,111
Ordinary profit	102,759	95,075
Extraordinary gains:	212	183
Gain on disposals of fixed assets	212	183
Extraordinary losses:	38,866	44,126
Loss on disposals of fixed assets	480	828
Impairment losses	1,150	1,025
Provision for reserve for price fluctuations in investments in securities	37,235	42,272
Surplus before income taxes	64,105	51,132
Income taxes - current	48,280	52,448
Income taxes - deferred	(45,887)	(51,135)
Total income taxes	2,392	1,312
Net surplus	61,713	49,819

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 of some of the asset groups. The book value of fixed assets was reduced to the recoverable amount, and such reduction is recognized as an impairment loss included in extraordinary losses.

3) Breakdown of asset groups for which impairment losses were recognized for the three months ended June 30, 2018, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Idle property	¥978	¥172	¥1,150
Total	¥978	¥172	¥1,150

4) Calculation method of recoverable amount

The recoverable amount used for the measurement of impairment losses is based on the value in use or net selling price of the asset.

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 3.0%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

5. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2017
Core operating profit (A)	125,993	129,516
Capital gains:	78,075	41,782
Gain on trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities	72,504	40,102
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	5,019	960
Other capital gains	551	718
Capital losses:	67,323	43,622
Loss on trading securities	—	—
Loss from assets held in trust, net	4,993	1,349
Loss on trading securities	—	—
Loss on sales of securities	30,571	27,935
Loss on valuation of securities	2,775	141
Loss on derivative financial instruments, net	23,735	8,398
Foreign exchange losses, net	—	—
Other capital losses	5,247	5,796
Net capital gains (losses) (B)	10,751	(1,839)
Core operating profit, including net capital (losses) gains (A+B)	136,745	127,676
Nonrecurring gains:	—	740
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	—	10
Other nonrecurring gains	—	729
Nonrecurring losses:	33,985	33,342
Reinsurance premiums	—	—
Provision for contingency reserve	30,998	33,342
Provision for specific allowance for doubtful accounts	1,893	—
Provision for allowance for specific overseas debts	—	—
Write-offs of loans	—	—
Other nonrecurring losses	1,094	—
Nonrecurring losses (C)	(33,985)	(32,601)
Ordinary profit (A+B+C)	102,759	95,075

(Reference) Breakdown of “Other” items

(Million Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2017
Core operating profit	4,696	5,078
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	3,295	2,487
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	1,952	3,309
Impact of movements in surrender benefits related to market value adjustment	(551)	(718)
Other capital gains	551	718
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	551	718
Other capital losses	5,247	5,796
Interest expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	3,295	2,487
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	1,952	3,309
Impact of movements in surrender benefits related to market value adjustment	—	—
Other nonrecurring gains	—	729
Reversal of allowance for investment loss	—	729
Other nonrecurring losses	1,094	—
Provision for allowance for investment loss	1,094	—

6. Solvency Margin Ratio

(Million Yen)

	As of June 30, 2018	As of March 31, 2018
Solvency margin gross amount (A):	14,013,026	13,584,981
Foundation funds (<i>kikin</i>) and other reserve funds:	4,920,746	4,790,201
Foundation funds and others	1,644,463	1,582,107
Reserve for price fluctuations in investments in securities	1,319,429	1,282,194
Contingency reserve	1,694,358	1,663,360
General allowance for doubtful accounts	1,152	1,197
Others	261,341	261,341
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	6,262,694	5,996,439
Net unrealized gains on real estate × 85%	258,511	259,736
Excess of continued Zillmerized reserve	1,464,083	1,476,998
Qualifying subordinated debt	1,128,889	1,028,889
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(1,845)	(344)
Others	(20,053)	33,061
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	3,062,613	2,959,907
Underwriting risk (R ₁)	119,615	119,879
Underwriting risk of third-sector insurance (R ₈)	79,761	79,238
Anticipated yield risk (R ₂)	371,315	371,230
Minimum guarantee risk (R ₇)	5,627	5,564
Investment risk (R ₃)	2,615,205	2,514,457
Business management risk (R ₄)	63,830	61,807
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	915.1%	917.9%

Notes: 1. The amounts and figures as of March 31, 2018, 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 June 30, 2018, 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 June 30, 2018	As of March 31, 2018
Individual variable insurance	114,398	114,872
Individual variable annuities	42,660	43,478
Group annuities	1,118,724	1,135,789
Separate account total	1,275,783	1,294,140

(2) Policies in Force

- Individual Variable Insurance

	As of June 30, 2018		As of March 31, 2018	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	3,785	3,508	2,273	2,610
Variable insurance (whole life type)	32,481	460,430	32,628	463,376
Total	36,266	463,939	34,901	465,987

- Individual Variable Annuities

	As of June 30, 2018		As of March 31, 2018	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	26,749	42,660	23,519	43,472

8. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2017
Ordinary income	18,851	18,625
Ordinary profit	1,116	1,042
Net surplus attributable to the parent company	739	497
Comprehensive income (loss)	2,625	3,337

	As of June 30, 2018	As of March 31, 2018
Total assets	779,812	743,925
Solvency margin ratio	971.8%	968.0%

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

	As of June 30, 2018	
Number of consolidated subsidiaries	12	
Number of subsidiaries not consolidated but accounted for under the equity method	0	
Number of affiliates accounted for under the equity method	14	
Changes in significant subsidiaries and affiliates during the period	Addition: 1	MassMutual Life Insurance Company

(3) Basis of Preparing the Consolidated Financial Statements for the Three Months Ended June 30, 2018

Under Article 59-7 of the Ordinance for Enforcement of the Insurance Business Act, an insurance company shall, for each quarter, make an effort to disclose the matters which would serve as reference information for policyholders provided in Article 111, paragraph 6 of the Insurance Business Act and any other customers so that they may acquire knowledge on the status of business and properties of the insurance company, its subsidiaries, and others which are especially important. The consolidated financial statements for the three months ended June 30, 2018, have been prepared based on the model format for the announcement of first-quarter and third-quarter financial results (the “Quarterly Reporting Model”) created by The Life Insurance Association of Japan, and generally accepted standards for preparation of quarterly consolidated financial statements in Japan. However, the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information. Accordingly, disclosures in the Quarterly Reporting Model differ from those prescribed by the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements.

(4) Policies of Presenting the Consolidated Financial Statements for the Three Months Ended June 30, 2018

Consolidated subsidiaries

Because of the Company’s acquisition of equity interest in MassMutual Life Insurance Company, the said company has been included within the scope of consolidation for the three months ended June 30, 2018.

(5) Consolidated Balance Sheets

(Million Yen)

	As of June 30, 2018	As of March 31, 2018
Assets:		
Cash and deposits	1,462,339	1,405,704
Call loans	512,663	471,113
Monetary receivables purchased	431,931	288,752
Assets held in trust	7,627	10,621
Investments in securities	63,238,153	60,106,713
Loans	8,563,860	8,630,122
Tangible fixed assets	1,861,671	1,857,734
Intangible fixed assets	254,652	255,722
Reinsurance receivables	9,602	11,577
Other assets	1,579,927	1,299,200
Deferred tax assets	10,012	6,154
Customers' liability for acceptances and guarantees	52,702	52,928
Allowance for doubtful accounts	(3,904)	(3,828)
Total assets	77,981,242	74,392,516
Liabilities:		
Policy reserves and other reserves:	64,269,149	61,523,014
Reserve for outstanding claims	324,959	332,590
Policy reserves	62,736,510	60,130,178
Reserve for dividends to policyholders (mutual company)	1,142,898	995,167
Reserve for dividends to policyholders (limited company)	64,780	65,078
Reinsurance payables	7,934	6,566
Corporate bonds	1,175,589	1,108,889
Other liabilities	2,875,774	2,244,558
Accrued bonuses for directors and audit and supervisory board members	132	90
Net defined benefit liability	442,811	443,161
Accrued retirement benefits for directors and audit and supervisory board members	5,704	5,503
Reserve for program points	10,240	9,411
Reserve for price fluctuations in investments in securities	1,394,125	1,345,987
Deferred tax liabilities	657,087	625,202
Deferred tax liabilities for land revaluation	104,575	104,828
Acceptances and guarantees	52,702	52,928
Total liabilities	70,995,825	67,470,142

(5) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of June 30, 2018	As of March 31, 2018
Net assets:		
Foundation funds	150,000	150,000
Reserve for redemption of foundation funds	1,250,000	1,200,000
Reserve for revaluation	651	651
Consolidated surplus	430,584	625,131
Total foundation funds and others	1,831,235	1,975,782
Net unrealized gains on available-for-sale securities	5,137,800	4,918,602
Deferred losses on derivatives under hedge accounting	(58,442)	(59,092)
Land revaluation losses	(61,632)	(60,989)
Foreign currency translation adjustments	(3,338)	28,706
Remeasurement of defined benefit plans	(16,659)	(18,632)
Total accumulated other comprehensive income	4,997,728	4,808,594
Noncontrolling interests	156,452	137,996
Total net assets	6,985,416	6,922,373
Total liabilities and net assets	77,981,242	74,392,516

Basis of Presenting the Consolidated Balance Sheet as of June 30, 2018

1. As the proposed appropriation of surplus of the Company for the fiscal year ended March 31, 2018, was approved at the annual meeting of representatives of policyholders held on July 3, 2018, it is included in the consolidated balance sheet as of June 30, 2018. Details of the appropriation of surplus approved at the annual meeting of representatives of policyholders are as follows:

	Million Yen
a. Unappropriated surplus as of March 31, 2018	¥248,227
b. Reversal from voluntary surplus reserves	¥39,697
c. Appropriations:	¥287,924
Reserve for dividends to policyholders (mutual company)	¥218,353
Legal reserve for deficiencies	¥774
Reserve for redemption of foundation funds	¥50,000
Interest on foundation funds	¥790
Voluntary surplus reserves	¥18,006
d. Surplus carried forward (a+b-c)	—

2. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the three months ended June 30, 2018, 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.

3. Changes in the reserve for dividends to policyholders (mutual company) for the three months ended June 30, 2018, were as follows:

	Million Yen
	Three months ended June 30, 2018
a. Balance at the beginning of the current fiscal year	¥995,167
b. Transfer to reserve based on the proposed appropriation of surplus for previous fiscal year	¥218,353
c. Dividends paid to policyholders (mutual company) during the current three-month period	¥76,119
d. Increase in interest	¥5,497
e. Balance at the end of the current three-month period (a+b-c+d)	¥1,142,898

4. Changes in the reserve for dividends to policyholders (limited company) for the three months ended June 30, 2018, were as follows:

	Million Yen
	Three months ended
	June 30, 2018
a. Balance at the beginning of the current fiscal year	¥65,078
b. Dividends paid to policyholders (limited company) during the current three-month period	¥4,096
c. Increase in interest	¥3
d. Provision for reserve for dividends to policyholders (limited company)	¥3,165
e. Increase due to changes in scope of consolidation	¥629
f. Balance at the end of the current three-month period (a-b+c+d+e)	¥64,780

5. Based on the proposed appropriation of surplus for the previous fiscal year, the Company credited ¥50,000 million to the reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act and redeemed the same amount of foundation funds on August 1, 2018.

6. Matters concerning business combinations through acquisitions are as follows:

(1) MassMutual Life Insurance Company

1) Overview of the business combination

- a. Name and business of the acquiree

Name: MassMutual Life Insurance Company

Business: Life insurance business

- b. Main reasons for executing the business combination

The purpose of the business combination is to build a structure that can accommodate a wide range of customers' needs in the financial institution bancassurance market in order to continuously expand policyholders' profit by expanding the profit base of group business.

- c. Date of business combination

April 1, 2018 (deemed acquisition date)

- d. Legal form of the business combination

Share acquisition for cash consideration

- e. Name of company after business combination

MassMutual Life Insurance Company

(Scheduled to be renamed as Nippon Wealth Life Insurance Company Limited on January 1, 2019, subject to the relevant regulatory approvals)

- f. Percentage of voting rights acquired

Approximately 85.1%

g. Main rationale for determining the acquirer

It is clear that the Company will control the decision-making body of the acquiree by obtaining the majority of voting rights.

2) Period for which the acquiree's business results were included in the consolidated statement of income for the three months ended June 30, 2018

The period from the date of business combination to the end of the three months ended June 30, 2018

3) Acquisition cost and breakdown

Consideration for acquisition: Payment in cash

¥104,247 million

Acquisition cost

¥104,247 million

4) Description and the amount of main acquisition-related costs

Advisory fees and others

¥855 million

5) Amount of and reasons for recognizing negative goodwill

a. Amount of negative goodwill

¥10,347 million

b. Reasons

Negative goodwill was recognized because the interest in the net amount of the assets acquired and the liabilities assumed was higher than the acquisition cost.

6) Amounts of the assets acquired and the liabilities assumed on the date of business combination and their main components

Total assets: ¥2,763,970 million

(including investment in securities of ¥2,449,174 million)

Total liabilities: ¥2,629,331 million

(including policy reserves and other reserves of ¥2,408,090 million)

(2) Nissay Seiho Preparatory Company Ltd.

On July 2, 2018, the Company established the Preparatory Company for the establishment of the New Company. The Preparatory Company will be registered as the New Company eventually.

1) Purpose of establishing the New Company

The purpose of establishing the New Company is to flexibly and dynamically provide services to independent insurance agencies and related entities in order to more appropriately address diversifying customer needs and growing sale channels.

2) Overview of the Preparatory Company (the following information is pending for the New Company.)

a. Company Name: Nissay Seiho Preparatory Company Ltd.

b. The location of its head office: Minato-ku, Tokyo

c. Capital stock: ¥10 billion

3) Date of establishment

July 2, 2018

- 4) Percentage of voting rights held by the Company (the following information is pending for the New Company.)

100%

- 5) Others

The establishment of the New Company requires the acquisition of approvals of the Commissioner of the Financial Services Agency pursuant to Article 271-10, Paragraph 1 and Article 106, Paragraph 7 of the Insurance Business Act by the Company and the acquisition of a life insurance business license pursuant to Article 3 of the Insurance Business Act by the Preparatory Company.

7. The amount of securities lent under lending agreements was ¥ 5,427,671 million as of June 30, 2018.

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

[Consolidated Statements of Income]

(Million Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2017
Ordinary income:	1,885,113	1,862,594
Revenues from insurance and reinsurance	1,336,973	1,343,062
Investment income:	467,422	463,400
Interest, dividends, and other income	345,932	335,146
Gain on trading securities	1,820	6,765
Gain on sales of securities	74,582	48,504
Foreign exchange gains, net	29,674	40,779
Gain from separate accounts, net	14,037	30,645
Other ordinary income	80,717	56,131
Ordinary expenses:	1,773,501	1,758,319
Benefits and other payments:	1,139,348	1,113,731
Death and other claims	336,083	329,067
Annuity payments	241,759	227,148
Health and other benefits	228,219	217,056
Surrender benefits	279,305	266,868
Other refunds	42,852	63,790
Provision for policy reserves:	254,117	281,352
Provision for policy reserves	248,617	275,795
Provision for interest on reserve for dividends to policyholders (mutual company)	5,497	5,553
Provision for interest on reserve for dividends to policyholders (limited company)	3	3
Investment expenses:	103,832	100,899
Interest expenses	8,049	5,544
Loss from assets held in trust, net	4,993	1,349
Loss on sales of securities	33,342	30,880
Loss on valuation of securities	2,778	182
Loss on derivative financial instruments, net	38,764	46,894
Operating expenses	204,485	194,053
Other ordinary expenses	71,716	68,282
Ordinary profit	111,612	104,274

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

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2017
Extraordinary gains:	10,997	188
Gain on disposals of fixed assets	650	188
Gain on bargain purchase	10,347	—
Extraordinary losses:	40,135	44,920
Loss on disposals of fixed assets	623	956
Impairment losses	1,150	1,025
Provision for reserve for price fluctuations in investments in securities	38,361	42,937
Provision for reserve for dividends to policyholders (limited company)	3,165	4,114
Surplus before income taxes	79,308	55,428
Income taxes - current	54,003	55,962
Income taxes - deferred	(49,590)	(51,771)
Total income taxes	4,412	4,190
Net surplus	74,895	51,237
Net surplus attributable to noncontrolling interests	942	1,439
Net surplus attributable to the parent company	73,953	49,797

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 of some of the asset groups. The book value of fixed assets was reduced to the recoverable amount, and such reduction is recognized as an impairment loss included in extraordinary losses.

3) Breakdown of asset groups for which impairment losses were recognized for the three months ended June 30, 2018, is as follows:

Purpose of use	Million Yen		
	Land	Buildings and others	Total
Rental real estate and other assets	¥—	¥0	¥0
Idle property	¥978	¥172	¥1,150
Total	¥978	¥172	¥1,150

4) Calculation method of recoverable amount

The recoverable amount used for the measurement of impairment losses is based on the value in use or net selling price of the asset.

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 3.0%-3.8%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

2. The total amount of depreciation of rental real estate and other assets and depreciation and amortization for the three months ended June 30, 2018, was ¥16,306 million. Amortization of goodwill for the three months ended June 30, 2018, was ¥679 million.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Three months ended June 30, 2018	Three months ended June 30, 2017
Net surplus	74,895	51,237
Other comprehensive income:	187,627	282,488
Net unrealized gains on available-for-sale securities	221,197	306,951
Deferred gains (losses) on derivatives under hedge accounting	612	(26,129)
Foreign currency translation adjustments	(25,440)	(56)
Remeasurement of defined benefit plans	1,999	1,671
Share of other comprehensive (loss) income of associates accounted for under the equity method	(10,742)	52
Comprehensive income:	262,523	333,725
Comprehensive income attributable to the parent company	263,730	329,762
Comprehensive (loss) income attributable to noncontrolling interests	(1,207)	3,963

(7) Consolidated Solvency Margin Ratio

(Million Yen)

	As of June 30, 2018	As of March 31, 2018
Solvency margin gross amount (A):	14,783,787	14,150,865
Foundation funds (<i>kikin</i>) and other reserve funds:	5,339,511	5,143,211
Foundation funds and others	1,949,176	1,852,172
Reserve for price fluctuations in investments in securities	1,394,125	1,345,987
Contingency reserve	1,731,834	1,680,761
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	2,052	2,114
Others	262,323	262,175
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	6,315,978	6,048,444
Net unrealized gains on real estate × 85%	271,241	272,410
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(23,106)	(25,843)
Excess of continued Zillmerized reserve	1,692,945	1,679,917
Qualifying subordinated debt	1,392,089	1,208,889
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(250,206)	(249,989)
Others	45,335	73,824
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	3,042,387	2,923,568
Underwriting risk (R ₁)	164,597	159,546
General underwriting risk (R ₅)	—	—
Huge disaster risk (R ₆)	—	—
Underwriting risk of third-sector insurance (R ₈)	91,135	90,205
Underwriting risk related to small amount and short-term insurance providers (R ₉)	—	—
Anticipated yield risk (R ₂)	437,250	425,986
Minimum guarantee risk (R ₇)	10,134	10,593
Investment risk (R ₃)	2,519,547	2,414,061
Business management risk (R ₄)	64,453	62,007
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	971.8%	968.0%

Notes: 1. The amounts and figures as of March 31, 2018, 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 June 30, 2018, 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.

(8) Segment Information

For the three months ended June 30, 2018, 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 be reported.