
Financial Results for the Six Months Ended September 30, 2018

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

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Attached: Supplementary Materials for the Six Months Ended September 30, 2018

1. Business Highlights

(1) Amount of Policies in Force and New Policies

• Policies in Force

	As of September 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	27,057	103.3	1,365,634	98.9	26,194	1,381,477
Individual annuities	3,918	100.8	238,052	101.0	3,886	235,809
Group insurance	—	—	971,030	101.7	—	955,119
Group annuities	—	—	130,741	101.7	—	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

	Six months ended September 30, 2018						Six months ended September 30, 2017			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of six months ended September 30, 2017 (%)	(100 million yen)	As a percentage of six months ended September 30, 2017 (%)	New policies	Net increase by conversion		(100 million yen)	New policies	Net increase (decrease) by conversion
Individual insurance	2,402	139.6	32,853	121.2	32,275	577	1,720	27,099	30,304	(3,205)
Individual annuities	105	94.4	6,606	98.1	6,578	27	111	6,734	6,679	55
Group insurance	—	—	5,048	219.9	5,048		—	2,296	2,296	
Group annuities	—	—	3	123.7	3		—	2	2	

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, 2018		As of March 31, 2018
		As a percentage of March 31, 2018	
Individual insurance	26,893	100.1	26,861
Individual annuities	9,914	101.2	9,795
Total	36,807	100.4	36,657
Medical coverages, living benefits, and others	6,332	100.9	6,279

- New Policies

(100 Million Yen, %)

	Six months ended September 30, 2018		Six months ended September 30, 2017
		As a percentage of six months ended September 30, 2017	
Individual insurance	957	73.5	1,302
Individual annuities	286	96.6	296
Total	1,243	77.8	1,598
Medical coverages, living benefits, and others	235	118.7	198

- 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. Overview of General Accounts Asset Management for the Six Months Ended September 30, 2018

(1) Investment Environment

In the six months ended September 30, 2018, the Japanese economy tracked a steady recovery path, supported by a robust corporate sector against the backdrop of a solid global economy.

- The Nikkei Stock Average started the fiscal year at ¥21,454. Subsequently, the index saw some unsteady movements due in part to political and geopolitical risks; however, stock prices rose again as concerns abated and the global economy grew vigorously, finishing on September 30, 2018, at ¥24,120.
- The yield rate on 10-year government bonds started the fiscal year at 0.04%, then increased slightly as the Bank of Japan revised its monetary policy at the end of July, expanding the range of fluctuation in long-term interest rates. However, since financial policy largely remained the same, the effect was limited, and the yield rate remained low at 0.12% on September 30, 2018.
- The yen-U.S. dollar exchange rate started the fiscal year at the ¥106 level temporarily experiencing an unsteady phase mainly due to political and geopolitical risks. However, as concerns subsided and the market took note of the growing spread between Japanese and U.S. interest rates, the yen began to depreciate. The yen-U.S. dollar exchange rate finished at ¥113.57 on September 30, 2018.

The yen-euro exchange rate started the fiscal year at the ¥130 level. While the yen began to appreciate against the euro due to increasing risks around the European political situation and emerging countries, and subsequently, the currency pair stabilized. The yen-euro rate finished at ¥132.14 on September 30, 2018.

(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 ¥859.2 billion, an increase from ¥784.6 billion in the six months ended September 30, 2017. The increase mainly reflected an increase in gain on sales of domestic and overseas stocks.

Investment expenses amounted to ¥176.5 billion, an increase from ¥104.5 billion in the six months ended September 30, 2017. The main factors behind this decline were increases in loss on sales of securities and loss on derivative financial instruments, net.

As a result, the Company's net investment income increased by ¥2.6 billion, compared with the same period of the previous fiscal year, to ¥682.7 billion.

3. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of September 30, 2018		As of March 31, 2018	
	Amount	%	Amount	%
Cash, deposits, and call loans	10,268	1.5	10,634	1.6
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	2,574	0.4	2,782	0.4
Proprietary trading securities	—	—	—	—
Assets held in trust	47	0.0	104	0.0
Investments in securities:	554,143	83.1	537,443	82.5
Domestic bonds	230,255	34.5	223,813	34.3
Domestic stocks	96,180	14.4	93,588	14.4
Foreign securities:	199,561	29.9	193,710	29.7
Foreign bonds	145,770	21.9	144,335	22.1
Foreign stocks and other securities	53,790	8.1	49,375	7.6
Other securities	28,145	4.2	26,330	4.0
Loans:	74,828	11.2	74,683	11.5
Policy loans	6,015	0.9	6,190	0.9
Industrial and consumer loans	68,813	10.3	68,492	10.5
Real estate:	16,119	2.4	16,073	2.5
Investment property	10,082	1.5	10,105	1.6
Deferred tax assets	—	—	—	—
Other assets	8,596	1.3	10,087	1.5
Allowance for doubtful accounts	(22)	(0.0)	(24)	(0.0)
Total assets (general account):	666,555	100.0	651,785	100.0
Foreign currency-denominated assets	187,248	28.1	180,158	27.6

Notes: 1. The assets above 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 (¥884.1 billion and ¥330.7 billion as of September 30, 2018, and March 31, 2018, 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, 2018	Six months ended September 30, 2017
Cash, deposits, and call loans	(366)	(1,148)
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	(207)	(282)
Proprietary trading securities	—	—
Assets held in trust	(56)	20
Investments in securities:	16,700	18,954
Domestic bonds	6,442	(2,100)
Domestic stocks	2,591	3,671
Foreign securities:	5,850	14,115
Foreign bonds	1,435	9,666
Foreign stocks and other securities	4,415	4,449
Other securities	1,815	3,267
Loans:	144	(972)
Policy loans	(175)	(193)
Industrial and consumer loans	320	(779)
Real estate:	45	(207)
Investment property	(23)	(209)
Deferred tax assets	—	—
Other assets	(1,491)	(490)
Allowance for doubtful accounts	1	0
Total assets (general account):	14,770	15,874
Foreign currency-denominated assets	7,090	14,983

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

¥553.4 billion and ¥(329.2) billion for the six months ended September 30, 2018, and September 30, 2017, 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, 2018	Six months ended September 30, 2017
Interest, dividends, and other income:	7,237	6,998
Interest on deposits and savings	17	0
Interest on securities and dividends	6,121	5,882
Interest on loans	611	654
Real estate rental income	403	404
Other income	83	56
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities:	1,234	819
Gain on sales of domestic bonds, including national government bonds	141	71
Gain on sales of domestic stocks and other securities	743	613
Gain on sales of foreign securities	350	134
Other gains	—	—
Gain on redemptions of securities	8	14
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	109	10
Reversal of allowance for doubtful accounts	—	0
Reversal of allowance for investment loss	—	—
Other investment income	2	2
Total	8,592	7,846

(4) Investment Expenses

(100 Million Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2017
Interest expenses	143	103
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	93	22
Loss on trading securities	—	—
Loss on sales of securities:	661	323
Loss on sales of domestic bonds, including national government bonds	7	0
Loss on sales of domestic stocks and other securities	32	1
Loss on sales of foreign securities	621	322
Other losses	0	—
Loss on valuation of securities:	43	0
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	4	0
Loss on valuation of foreign securities	39	—
Other losses	—	—
Loss on redemptions of securities	48	117
Loss on derivative financial instruments, net	530	275
Foreign exchange losses, net	—	—
Provision for allowance for doubtful accounts	17	—
Provision for allowance for investment loss	25	—
Write-offs of loans	—	—
Depreciation of rental real estate and other assets	77	73
Other investment expenses	123	128
Total	1,765	1,045

(5) Net Valuation Gains/Losses on Trading Securities

(100 Million Yen)

	As of September 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
Trading securities	36	(83)	91	(32)

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, 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 [*]	202,477	234,679	32,201	32,558	(356)	195,283	232,296	37,013	37,072	(59)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	640	1,387	746	746	—	640	1,695	1,055	1,055	—
Available-for-sale securities:	271,139	339,330	68,191	72,046	(3,854)	264,467	331,872	67,404	71,298	(3,893)
Domestic bonds	28,885	30,492	1,606	1,694	(88)	29,458	31,406	1,947	2,004	(56)
Domestic stocks	42,327	91,080	48,752	49,704	(951)	41,660	89,654	47,993	48,881	(887)
Foreign securities:	171,518	187,918	16,399	18,939	(2,540)	166,001	181,594	15,592	18,438	(2,846)
Foreign bonds	135,656	145,263	9,607	11,591	(1,983)	134,692	143,863	9,171	11,756	(2,585)
Foreign stocks and other securities	35,862	42,654	6,792	7,348	(556)	31,309	37,730	6,421	6,681	(260)
Other securities	25,887	27,324	1,437	1,706	(269)	23,681	25,553	1,872	1,973	(100)
Monetary receivables purchased	379	373	(5)	0	(5)	390	388	(1)	0	(2)
Negotiable certificates of deposit	2,141	2,140	(0)	0	(0)	3,275	3,275	0	0	(0)
Total	474,257	575,397	101,140	105,351	(4,211)	460,391	565,864	105,473	109,426	(3,953)
Domestic bonds	228,648	262,352	33,704	34,139	(434)	221,865	260,700	38,835	38,941	(106)
Domestic stocks	42,327	91,080	48,752	49,704	(951)	41,660	89,654	47,993	48,881	(887)
Foreign securities:	172,663	189,817	17,153	19,702	(2,548)	167,115	183,771	16,655	19,511	(2,855)
Foreign bonds	136,169	145,784	9,615	11,607	(1,992)	135,175	144,354	9,179	11,774	(2,595)
Foreign stocks and other securities	36,493	44,032	7,538	8,095	(556)	31,940	39,416	7,476	7,737	(260)
Other securities	25,896	27,334	1,437	1,707	(269)	23,690	25,562	1,872	1,973	(100)
Monetary receivables purchased	2,579	2,671	91	98	(6)	2,784	2,900	116	118	(2)
Negotiable certificates of deposit	2,141	2,140	(0)	0	(0)	3,275	3,275	0	0	(0)

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

^{*} Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis. 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 Japanese Institute of Certified Public Accountants (JICPA).

[Book Value of Securities of which the Fair Value Is Extremely Difficult to Be Determined]

(100 Million Yen)

	As of September 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	10,143	8,954
Available-for-sale securities:	6,099	6,695
Unlisted domestic stocks (excluding over-the-counter stocks)	551	549
Unlisted foreign stocks (excluding over-the-counter stocks)	2,400	3,170
Unlisted foreign bonds	—	—
Others	3,148	2,975
Total	16,243	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:

¥25.8 billion and ¥7.5 billion as of September 30, 2018, and March 31, 2018, respectively.

(7) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of September 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	47	47	—	—	104	104	—	—		

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, 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	47	(83)	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 September 30, 2018, and March 31, 2018.

4. Nonconsolidated Balance Sheets

(Million Yen)

	As of September 30, 2018	As of March 31, 2018
Assets:		
Cash and deposits	917,873	834,511
Call loans	431,071	471,113
Monetary receivables purchased	257,441	278,235
Assets held in trust	4,781	10,421
Investments in securities:	56,346,872	54,703,507
National government bonds	20,557,249	19,842,086
Local government bonds	869,937	883,461
Corporate bonds	1,978,858	2,089,678
Domestic stocks	9,796,467	9,521,609
Foreign securities	20,249,046	19,661,925
Loans:	7,482,813	7,468,329
Policy loans	601,500	619,030
Industrial and consumer loans	6,881,312	6,849,298
Tangible fixed assets	1,635,098	1,630,859
Intangible fixed assets	187,757	185,042
Reinsurance receivables	287	512
Other assets	685,487	868,603
Customers' liability for acceptances and guarantees	51,821	52,065
Allowance for doubtful accounts	(2,233)	(2,401)
Allowance for investment loss	(30,691)	(28,138)
Total assets	67,968,380	66,472,661
Liabilities:		
Policy reserves and other reserves:	55,716,823	55,021,894
Reserve for outstanding claims	265,662	285,702
Policy reserves	54,341,841	53,741,024
Reserve for dividends to policyholders	1,109,319	995,167
Reinsurance payables	227	594
Corporate bonds	1,028,889	1,028,889
Other liabilities:	2,307,610	1,466,056
Income taxes payable	27,883	37,406
Lease obligations	10,505	12,059
Asset retirement obligations	4,052	2,192
Other liabilities	2,265,168	1,414,398
Accrued bonuses for directors, and audit and supervisory board members	33	90
Accrued retirement benefits	364,065	361,114
Accrued retirement benefits for directors, and audit and supervisory board members	3,969	4,840
Reserve for program points	10,117	9,411
Reserve for price fluctuations in investments in securities	1,392,108	1,282,194
Deferred tax liabilities	540,196	577,415
Deferred tax liabilities for land revaluation	104,502	104,828
Acceptances and guarantees	51,821	52,065
Total liabilities	61,520,364	59,909,395

4. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2018	As of March 31, 2018
Net assets:		
Foundation funds	100,000	150,000
Reserve for redemption of foundation funds	1,250,000	1,200,000
Reserve for revaluation	651	651
Surplus:	303,457	450,600
Legal reserve for deficiencies	17,578	16,804
Other surplus reserves:	285,879	433,796
Equalized reserve for dividends to policyholders	10,000	40,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	501	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	124,851	248,227
Total foundation funds and others	1,654,109	1,801,251
Net unrealized gains on available-for-sale securities	4,949,454	4,882,103
Deferred losses on derivatives under hedge accounting	(93,726)	(59,099)
Land revaluation losses	(61,821)	(60,989)
Total valuations, conversions, and others	4,793,907	4,762,014
Total net assets	6,448,016	6,563,265
Total liabilities and net assets	67,968,380	66,472,661

Notes to the Nonconsolidated Balance Sheet as of September 30, 2018

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 at the balance sheet date. The moving average method is used for calculating cost of securities sold.
 - 2) Held-to-maturity debt securities are measure at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.
 - 3) Policy-reserve-matching bonds are measure at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis 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 fair value, stocks (including foreign stocks) are measured at the average fair value based on quoted market prices during the period of one month before the balance sheet date (cost of securities sold is calculated using the moving average method). Other securities with fair value are measured at the fair value at the balance sheet date (cost of securities sold is calculated using the moving average method).
 - b. Of securities of which their 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 measure at amortized cost using the moving average method. The cost of those bonds is amortized on a straight-line basis. Other securities without readily determinable fair values are stated at cost using the moving average method.

* ASBJ: The Accounting Standards Board of Japan

- (2) Unrealized gains/losses of 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, payment method, maturity period, currency, and investment policy 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.
- The Company has specified the following types of insurance policies and set those as subcategories:
- (1) All insurance policies for products other than single payment products and group annuities
 - (2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance
 - (3) All insurance policies for group annuities other than guaranteed fixed-term rate products
 - (4) All single payment products (denominated in U.S. dollars) other than the foregoing
 - (5) All single payment products (denominated in Australian dollars) other than the foregoing
 - (6) All single payment products (denominated in euros) other than the foregoing
3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value based on quoted market prices.
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 cost of less than ¥200,000 are depreciated over three years on a straight-line basis
 - b. Lease assets
 - (i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee
The same depreciation method applied to fixed assets owned by the Company
 - (ii) Lease assets related to financial leases that do not transfer ownership of the leased property to the lessee
Straight-line method over the lease term
- (2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.
5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the “Accounting Standards for Foreign Currency Transactions” (Business Accounting Council).

Foreign currency-denominated available-for-sale securities with exchange rates which have significantly fluctuated and where those recovery is not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The 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 as follows:
 - 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 high possibility of bankruptcy is recognized at the amounts deemed necessary considering 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 percentage of bad debt for a certain period.
 - (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 ¥2,029 million (including ¥96 million of credits secured and/or guaranteed) as of September 30, 2018.
7. To provide for losses on investments, an allowance for investment loss is recognized for the securities of which the fair value is extremely difficult to be determined but expected to have loss in future and measured at the amount of the estimated losses that could arise in the future in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.
 8. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.

9. (1) Accrued retirement benefits are recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of March 31, 2019, for future severance payments to employee that have been accrued as of the balance sheet date.
- (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: Five years
 - 3) Period of amortizing prior service costs: Five years
10. Accrued retirement benefits for directors, and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.
11. 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.
12. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.
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*”) is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in Japanese yen and foreign currencies;
 - Deferred hedge accounting is applied to interest rate swaps 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*”) are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company;
 - Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
 - Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

<u>Hedging instruments</u>	<u>Hedged items</u>
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
Equity forward contracts	Domestic stocks

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

14. All transactions are accounted for exclusive of consumption taxes and local consumption taxes; 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 five year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred in the six months ended September 30, 2018.
15. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premiums 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 certain individual annuity policies.
- 1) Reserves for policies subject to the standard policy reserve are computed in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
 - 2) Reserves for other policies 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, 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.

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

(Million Yen)

	Balance sheet amount (*1)	Fair value (*2)	Difference
Cash and deposits (negotiable certificates of deposit):	214,099	214,099	—
Available-for-sale securities	214,099	214,099	—
Monetary receivables purchased:	257,441	267,128	9,687
Policy-reserve-matching bonds	220,054	229,741	9,687
Available-for-sale securities	37,386	37,386	—
Assets held in trust:	4,781	4,781	—
Trading securities	4,781	4,781	—
Investments in securities:	54,705,207	57,991,033	3,285,825
Trading securities	932,491	932,491	—
Policy-reserve-matching bonds	20,027,061	23,238,190	3,211,128
Investments in subsidiaries and affiliates	64,047	138,745	74,697
Available-for-sale securities	33,681,605	33,681,605	—
Loans (*3):	7,481,615	7,732,472	250,857
Policy loans	601,339	601,339	—
Industrial and consumer loans	6,880,275	7,131,132	250,857
Derivative financial instruments (*4):	(328,760)	(328,760)	—
Hedge accounting not applied	(7,436)	(7,436)	—
Hedge accounting applied	(321,324)	(321,324)	—
Corporate bonds (*3 and *5)	(1,028,889)	(1,074,643)	(45,754)
Cash received as collateral under securities lending transactions (*5)	(884,185)	(884,185)	—
Loans payable (*5)	(244,345)	(243,897)	448

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amounts are presented net of the allowance.

(*2) For securities for which impairment losses were recognized in the six months ended September 30, 2018, the fair value is the balance sheet amount net of the impairment losses recognized.

(*3) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment (“*Tokurei-shori*”) is applied or currency swaps to which designated hedge accounting (“*Furiate-shori*”) is applied 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) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables 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 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 by discounting future cash flows to present value or valuations obtained from external parties.

2) Loans

a. Policy loans

Fair value is measured at the book value of policy loans as the fair value is deemed to approximate book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

b. Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate their 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 uncollectible 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 at the balance sheet date.

b. Fair value of equity options is measured mainly based on liquidation value or closing market price at the balance sheet date or valuations obtained from external parties.

c. Fair value of foreign exchange contracts, currency options, interest rate swaps, currency swaps, and forward contracts is measured mainly based on valuations obtained from external parties.

- 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 at 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 their 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, in principle, by discounting future cash flows to present value; however, loans payable financed by means of public offerings employing securitization schemes are measured at the fair value of the corporate bonds issued to back the loans payable.

(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 ¥1,014,328 million for stocks of subsidiaries and affiliates, and ¥627,337 million for available-for-sale securities as of September 30, 2018.

(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.
Valuation gains/losses of those instruments included in profit and loss were gains of ¥70,167 million for the six months ended September 30, 2018.
- 2) Held-to-maturity debt securities
There were no balances as of September 30, 2018.

3) Policy-reserve-matching bonds

Balance sheet amounts and 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	206,923	216,715	9,791
	Domestic bonds	18,116,536	21,360,952	3,244,415
	Foreign securities	32,849	34,530	1,681
	Subtotal	18,356,310	21,612,198	3,255,888
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	13,130	13,026	(103)
	Domestic bonds	1,859,810	1,825,126	(34,683)
	Foreign securities	17,865	17,579	(285)
	Subtotal	1,890,805	1,855,733	(35,072)
Total		20,247,115	23,467,931	3,220,815

4) Available-for-sale securities

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

(Million Yen)

	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	164,100	164,100	0
	Monetary receivables purchased	2,778	2,792	13
	Domestic bonds	2,364,474	2,533,968	169,494
	Domestic stocks	3,501,754	8,472,172	4,970,418
	Foreign securities	9,443,387	11,337,363	1,893,975
	Other securities	839,687	1,010,386	170,699
	Subtotal	16,316,183	23,520,785	7,204,601
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	50,000	49,999	(0)
	Monetary receivables purchased	35,151	34,594	(557)
	Domestic bonds	524,047	515,244	(8,803)
	Domestic stocks	730,990	635,857	(95,133)
	Foreign securities	7,708,509	7,454,504	(254,004)
	Other securities	1,749,079	1,722,107	(26,972)
	Subtotal	10,797,778	10,412,307	(385,471)
Total		27,113,962	33,933,092	6,819,130

* Securities totaling ¥627,337 million, whose fair value is extremely difficult to determine, are not included in the table above.

Impairment losses of ¥2,707 million were recognized for securities with a fair value during the six months ended September 30, 2018. Regarding stocks (including foreign stocks) with fair values, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on the average fair value of the month preceding September 30, 2018, in principle. However, in the case of a security that meets certain criteria, such as a security for which the fair value has declined significantly and the decline in the fair value in the month preceding September 30, 2018, is significant, impairment losses are recognized based on the fair value as of September 30, 2018.

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 average fair value in the month preceding September 30, 2018, is 50% or less of the acquisition cost.
- b. A security that meets both of the following criteria:
 1. The average fair value in the month preceding September 30, 2018, exceeds 50% but equal to or less than 70% of the acquisition cost.
 2. The historical market price, the business conditions of the issuing company, and other aspects are subject to certain requirements.

18. As of September 30, 2018, there were no significant changes in the balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

19. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥32,527 million as of September 30, 2018. The details of those balances were as follows:

- 1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,375 million and ¥28,134 million, respectively, as of September 30, 2018.

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 such 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 other than the loans to bankrupt borrowers and those 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, 2018.

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 other than the loans to bankrupt borrowers and delinquent loans.

3) The balance of restructured loans was ¥3,017 million as of September 30, 2018.

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 other than the 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 ¥1,934 million and ¥94 million, respectively, as of September 30, 2018.

20. The amount of accumulated depreciation of tangible fixed assets was ¥1,122,425 million as of September 30, 2018.

21. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,312,843 million as of September 30, 2018, and a corresponding liability is recorded in the same amount.

22. Changes in the reserve for dividends to policyholders for the six months ended September 30, 2018, were as follows:

	Million Yen
	Six months ended September 30, 2018
a. Balance at the beginning of the current fiscal year	¥995,167
b. Transfer to reserve from surplus for the previous fiscal year	¥218,353
c. Dividends paid to policyholders during the current six-month period	¥115,331
d. Increase in interest	¥11,130
e. Balance at the end of the current six-month period (a+b-c+d)	¥1,109,319

23. 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 pre-approval of the regulatory authorities 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
April 2016	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter
November 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
November 2016	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter
April 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

24. Other liabilities include subordinated loans payable of ¥220,000 million with special provisions that subordinate to the fulfillment of obligations on the bonds to all other debt obligations.
25. Assets pledged as collateral in the form of investments in securities, land, and buildings as of September 30, 2018, were ¥2,047,067 million, ¥252 million, and ¥46 million, respectively. The total amount of liabilities covered by the assets pledged was ¥1,175,623 million as of September 30, 2018.

These amounts included ¥284,155 million of sale of securities under repurchase agreements, ¥291,433 million of payables under repurchase agreements, ¥848,052 million of investments in securities deposited, and ¥884,185 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2018.

26. 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 September 30, 2018.
27. The total amount of stocks and investments in subsidiaries and affiliates was ¥1,078,376 million as of September 30, 2018.
28. The amount of securities lent under lending agreements was ¥4,969,820 million as of September 30, 2018.

29. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥581,246 million at fair value as of September 30, 2018.
30. The unused amount of commitments related to loans and similar loans agreements was ¥397,897 million as of September 30, 2018.
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 ¥77,113 million as of September 30, 2018. The amount contributed to the corporation above was recorded as 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 the book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences 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 listed value of the land and road rate as prescribed by Article 2, Items 1 and 4 of the Order for Enforcement of the Act on Revaluation of Land.

33. The amount of policy reserves provided for the portion of reinsurance (the “policy reserves for ceded reinsurance”) as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥253 million as of September 30, 2018.

5. Nonconsolidated Statements of Income

(Million Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2017
Ordinary income:	3,152,524	3,233,129
Revenues from insurance and reinsurance:	2,185,364	2,335,447
Insurance premiums	2,185,129	2,335,264
Investment income:	892,155	829,679
Interest, dividends, and other income	723,744	699,829
Gain on sales of securities	123,489	81,942
Gain from separate accounts, net	32,896	45,049
Other ordinary income	75,004	68,002
Ordinary expenses:	2,910,372	3,011,316
Benefits and other payments:	1,711,074	1,761,779
Death and other claims	511,741	513,094
Annuity payments	371,928	378,545
Health and other benefits	335,151	332,706
Surrender benefits	419,753	448,307
Other refunds	72,157	88,719
Provision for policy reserves:	611,947	736,114
Provision for policy reserves	600,816	724,975
Provision for interest on reserve for dividends to policyholders	11,130	11,139
Investment expenses:	176,512	104,502
Interest expenses	14,311	10,330
Loss from assets held in trust, net	9,340	2,202
Loss on sales of securities	66,171	32,380
Loss on valuation of securities	4,374	85
Loss on derivative financial instruments, net	53,023	27,508
Operating expenses	298,462	298,840
Other ordinary expenses	112,375	110,078
Ordinary profit	242,152	221,813
Extraordinary gains:	325	16,128
Gain on disposals of fixed assets	325	16,128
Extraordinary losses:	115,332	117,373
Loss on disposals of fixed assets	1,141	3,213
Impairment losses	1,426	1,026
Provision for reserve for price fluctuations in investments in securities	109,914	112,457
Contributions for assisting social public welfare	2,850	677
Surplus before income taxes	127,146	120,567
Income taxes - current	52,113	64,179
Income taxes - deferred	(46,136)	(58,435)
Total income taxes	5,976	5,743
Net surplus	121,169	114,824

Notes to the Nonconsolidated Statement of Income for the Six Months Ended September 30, 2018

1. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥14,106 million, ¥74,330 million, and ¥35,052 million, respectively, for the six months ended September 30, 2018.
2. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥789 million, ¥3,233 million, and ¥62,141 million, respectively, for the six months ended September 30, 2018.
3. Loss on valuation of securities includes losses on valuation of domestic stocks and foreign securities of ¥428 million and ¥3,946 million, respectively, for the six months ended September 30, 2018.
4. Reversal of policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥39 million for the six months ended September 30, 2018.
5. Breakdown of interest, dividends, and other income for the six months ended September 30, 2018, is as follows:

	Million Yen
	Six months ended
	September 30, 2018
Interest on deposits and savings	¥1,772
Interest on securities and dividends	¥612,124
Interest on loans	¥61,147
Real estate rental income	¥40,389
Other income	¥8,310
Total	¥723,744

6. Impairment losses are as follows:
 - 1) Method for grouping the assets
Rental real estate and other assets and idle property are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group for each operation.
 - 2) Recognition of impairment losses
When a significant decrease in profitability or fair value of a certain asset group is noted, the book value is reduced to the recoverable amount, recognizing an impairment loss under extraordinary losses.

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

Purpose of use	Million Yen		
	Land	Buildings	Total
Idle property	¥1,123	¥303	¥1,426
Total	¥1,123	¥303	¥1,426

- 4) Measurement of recoverable amount

The recoverable amount is based on either 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.

6. Nonconsolidated Statements of Changes in Net Assets

For the six months ended September 30, 2017

(Million Yen)

	Foundation funds and others												Total foundation funds and others	
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus										Total surplus
				Legal reserve for deficiencies	Other surplus reserves					Other reserves	Unappropriated surplus			
				Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased						
Beginning balance	150,000	1,150,000	651	16,042	50,000	71,917	328	51,196	5,643	170	245,337	440,635	1,741,286	
Increase/decrease:														
Issuance of foundation funds	50,000												50,000	
Additions to reserve for dividends to policyholders											(184,086)	(184,086)	(184,086)	
Additions to legal reserve for deficiencies				762							(762)	—	—	
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—	
Interest on foundation funds											(1,198)	(1,198)	(1,198)	
Net surplus											114,824	114,824	114,824	
Redemption of foundation funds	(50,000)												(50,000)	
Reversal of equalized reserve for dividends to policyholders					(10,000)						10,000	—	—	
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—	
Reversal of reserve for social public welfare assistance							(677)				677	—	—	
Additions to reserve for reduction entry of real estate								1,453			(1,453)	—	—	
Reversal of reserve for reduction entry of real estate								(2,942)			2,942	—	—	
Additions to reserve for reduction entry of real estate to be purchased									23,415		(23,415)	—	—	
Reversal of reserve for reduction entry of real estate to be purchased									(5,636)		5,636	—	—	
Reversal of land revaluation losses											2,931	2,931	2,931	
Net change, excluding foundation funds and others														
Net change	—	50,000	—	762	(10,000)	—	2,323	(1,488)	17,778	—	(126,904)	(117,529)	(67,529)	
Ending balance	150,000	1,200,000	651	16,804	40,000	71,917	2,651	49,708	23,422	170	118,432	323,105	1,673,757	

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

For the six months ended September 30, 2017

(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	4,585,298	(65,262)	(58,084)	4,461,951	6,203,237
Increase/decrease:					
Issuance of foundation funds					50,000
Additions to reserve for dividends to policyholders					(184,086)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(1,198)
Net surplus					114,824
Redemption of foundation funds					(50,000)
Reversal of equalized reserve for dividends to policyholders					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					2,931
Net change, excluding foundation funds and others	546,013	(47,162)	(2,931)	495,919	495,919
Net change	546,013	(47,162)	(2,931)	495,919	428,390
Ending balance	5,131,311	(112,425)	(61,015)	4,957,871	6,631,628

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

For the six months ended September 30, 2018

(Million Yen)

	Foundation funds and others												
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Surplus							Total surplus	Total foundation funds and others
					Other surplus reserves								
					Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus		
Beginning balance	150,000	1,200,000	651	16,804	40,000	71,917	351	49,708	23,422	170	248,227	450,600	1,801,251
Increase/decrease:													
Additions to reserve for dividends to policyholders											(218,353)	(218,353)	(218,353)
Additions to legal reserve for deficiencies				774							(774)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(790)	(790)	(790)
Net surplus											121,169	121,169	121,169
Redemption of foundation funds	(50,000)												(50,000)
Reversal of equalized reserve for dividends to policyholders					(30,000)						30,000	—	—
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(2,850)				2,850	—	—
Additions to reserve for reduction entry of real estate								3,802			(3,802)	—	—
Reversal of reserve for reduction entry of real estate								(3,674)			3,674	—	—
Additions to reserve for reduction entry of real estate to be purchased									11,204		(11,204)	—	—
Reversal of reserve for reduction entry of real estate to be purchased									(6,023)		6,023	—	—
Reversal of land revaluation losses											831	831	831
Net change, excluding foundation funds and others													
Net change	(50,000)	50,000	—	774	(30,000)	—	150	128	5,180	—	(123,375)	(147,142)	(147,142)
Ending balance	100,000	1,250,000	651	17,578	10,000	71,917	501	49,836	28,603	170	124,851	303,457	1,654,109

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

For the six months ended September 30, 2018

(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	4,882,103	(59,099)	(60,989)	4,762,014	6,563,265
Increase/decrease:					
Additions to reserve for dividends to policyholders					(218,353)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(790)
Net surplus					121,169
Redemption of foundation funds					(50,000)
Reversal of equalized reserve for dividends to policyholders					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					831
Net change, excluding foundation funds and others	67,351	(34,626)	(831)	31,892	31,892
Net change	67,351	(34,626)	(831)	31,892	(115,249)
Ending balance	4,949,454	(93,726)	(61,821)	4,793,907	6,448,016

7. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2017
Core operating profit (A)	362,634	317,782
Capital gains:	135,512	84,460
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities	123,489	81,942
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	10,968	1,098
Other capital gains	1,054	1,419
Capital losses:	151,355	85,753
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	9,340	2,202
Loss on trading securities	—	—
Loss on sales of securities	66,171	32,380
Loss on valuation of securities	4,374	85
Loss on derivative financial instruments, net	53,023	27,508
Foreign exchange losses, net	—	—
Other capital losses	18,445	23,576
Net capital losses (B)	(15,843)	(1,293)
Core operating profit, including net capital losses (A+B)	346,791	316,489
Nonrecurring gains:	—	93
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	—	93
Other nonrecurring gains	—	—
Nonrecurring losses:	104,638	94,770
Reinsurance premiums	—	—
Provision for contingency reserve	100,119	94,770
Provision for specific allowance for doubtful accounts	1,966	—
Provision for allowance for specific overseas loans	—	—
Write-offs of loans	—	—
Other nonrecurring losses	2,553	—
Net nonrecurring losses (C)	(104,638)	(94,676)
Ordinary profit (A+B+C)	242,152	221,813

(Reference) Breakdown of “Other” items

(Million Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2017
Core operating profit	17,391	22,157
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	6,794	5,442
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	11,651	18,133
Impact of movements in surrender benefits related to market value adjustment	(1,054)	(1,419)
Other capital gains	1,054	1,419
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	1,054	1,419
Other capital losses	18,445	23,576
Interest expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	6,794	5,442
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	11,651	18,133
Impact of movements in surrender benefits related to market value adjustment	—	—
Other nonrecurring gains	—	—
Reversal of allowance for investment loss	—	—
Other nonrecurring losses	2,553	—
Provision for allowance for investment loss	2,553	—

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

(Million Yen, %)

	As of September 30, 2018	As of March 31, 2018
Bankrupt and quasi-bankrupt loans	12,006	10,179
Doubtful loans	17,508	17,337
Substandard loans	3,017	2,188
Subtotal	32,532	29,705
[Percentage of total, %]	[0.26]	[0.29]
Normal loans	12,501,495	10,297,839
Total	12,534,028	10,327,545

- Notes:
- Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.
 - Doubtful loans are nonperforming assets with a strong likelihood that loan principal and/or interest cannot be recovered according to the loan contract because of difficulties in the financial condition and business performance of debtors who are not yet legally bankrupt.
 - Substandard loans include loans that are delinquent for over three months as well as restructured loans. Loans that are delinquent for over three months are loans with principal or interest being unpaid for over three months following the due date described in loan agreements (excluding 1. and 2. in the notes above). 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 borrowers (excluding 1. and 2. in the notes above and loans that are delinquent for over three months).
 - Normal loans are loans that do not fall under the classifications for 1. to 3. in the notes above and where the debtor has no financial or business performance problems.

Supplemental information for borrowers' 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 customers' 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, 2018, and March 31, 2018, were ¥2,029 million and ¥102 million, respectively.

9. Status of Risk-Monitored Loans

(Million Yen, %)

	As of September 30, 2018	As of March 31, 2018
Loans to bankrupt borrowers	1,375	1,501
Delinquent loans	28,134	26,014
Loans that are delinquent for over three months	—	—
Restructured loans	3,017	2,188
Total	32,527	29,704
[Percentage of total loans, %]	[0.43]	[0.40]

- Notes:
- For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), an estimated uncollectible amount (calculated by subtracting estimated collectible amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount. Such loans to bankrupt borrowers and delinquent loans were ¥1,934 million and ¥94 million, respectively, as of September 30, 2018, and ¥13 million and ¥88 million, respectively, as of March 31, 2018.
 - Loans to bankrupt borrowers are loans for which interest is not accrued as income since the recovery of principal or interest on the loan is unlikely due to the fact that the principal repayments or interest payments are overdue for a significant period of time or for other reasons; and loans are extended to any of (a) borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act, (b) borrowers that have notes suspended from being traded, or (c) borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.
 - Delinquent loans are loans for which interest is not accrued other than the loans to bankrupt borrowers and those with interest payments extended with the objective of restructuring or supporting the borrowers.
 - 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 other than the 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 other than the loans to bankrupt borrowers, delinquent loans, and loans that are delinquent for over three months.
6. Accrued interest for the following loans are not recorded as revenue: loans to borrowers who are bankrupt, substantially bankrupt, or potentially bankrupt based on the result of asset self-assessment.

10. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Six months ended September 30, 2018	Year ended March 31, 2018	Difference
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	993	1,197	(203)
(B) Specific allowance for doubtful accounts	1,240	1,204	36
(C) Allowance for specific overseas loans	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	3,269	1,306	1,963
(B) Reversal [excluding reversals with write-offs]	1,303	1,472	(168)
(C) Net provision	1,966	(165)	2,132
(3) Allowance for specific overseas loans			
(A) Number of countries	—	—	—
(B) Loan amount	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-offs	—	—	—

Reference

Status of Borrower Classification

(100 Million Yen, %)

	As of September 30, 2018		As of March 31, 2018	
		Percentage		Percentage
Loan balances (Net of write-offs in category IV)	74,828	100.0	74,683	100.0
Noncategorized	74,575	99.7	74,249	99.4
Category II	245	0.3	430	0.6
Category III	6	0.0	2	0.0
Category IV	—	—	—	—

Notes: 1. Specific allowances for doubtful accounts in Category III were ¥0.2 billion and ¥0.2 billion as of September 30, 2018, and March 31, 2018, respectively.

2. Total amounts of direct write-offs in Category IV were ¥2 billion and ¥0.1 billion, for the periods ended September 30, 2018, and March 31, 2018, respectively.

11. Solvency Margin Ratio

(Million Yen)

	As of September 30, 2018	As of March 31, 2018
Solvency margin gross amount (A):	14,000,309	13,584,981
Foundation funds (<i>kikin</i>) and other reserve funds:	5,072,031	4,790,201
Foundation funds and others	1,654,109	1,582,107
Reserve for price fluctuations in investments in securities	1,392,108	1,282,194
Contingency reserve	1,763,479	1,663,360
General allowance for doubtful accounts	993	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%	6,048,146	5,996,439
Net unrealized gains on real estate × 85%	258,678	259,736
Excess of continued Zillmerized reserve	1,450,462	1,476,998
Qualifying subordinated debt	1,248,889	1,028,889
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(3,627)	(344)
Others	(74,270)	33,061
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	3,035,259	2,959,907
Underwriting risk (R ₁)	118,944	119,879
Underwriting risk of third-sector insurance (R ₈)	80,154	79,238
Anticipated yield risk (R ₂)	371,497	371,230
Minimum guarantee risk (R ₇)	5,557	5,564
Investment risk (R ₃)	2,588,239	2,514,457
Business management risk (R ₄)	63,287	61,807
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	922.5%	917.9%

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, 2018	As of March 31, 2018
Individual variable insurance	118,546	114,872
Individual variable annuities	44,448	43,478
Group annuities	1,149,848	1,135,789
Separate account total	1,312,843	1,294,140

(2) Policies in Force

- Individual Variable Insurance

	As of September 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)	5,728	5,020	2,273	2,610
Variable insurance (whole life type)	32,317	456,978	32,628	463,376
Total	38,045	461,999	34,901	465,987

- Individual Variable Annuities

	As of September 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	29,896	44,445	23,519	43,472

13. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2017
Ordinary income	40,099	38,426
Ordinary profit	2,675	2,448
Net surplus attributable to the parent company	1,414	1,185
Comprehensive income	1,254	6,507

	As of September 30, 2018	As of March 31, 2018
Total assets	784,885	743,925
Solvency margin ratio	981.0%	968.0%

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

	As of September 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) Policies for Preparing the Consolidated Financial Statements for the Six Months Ended September 30, 2018

1) Consolidated subsidiaries

Number of consolidated subsidiaries: 12 entities

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)

MassMutual Life Insurance Company (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.)

MLC Limited (Australia)

As the Company acquired equity interest in MassMutual Life Insurance Company, it is included within the scope of consolidation starting from the period of six months ended September 30, 2018.

Major unconsolidated subsidiaries are Nippon Life Global Investors Americas, Inc., Nissay Trading Corporation, and Nissay Insurance Agency Co., Ltd. Unconsolidated subsidiaries have minimal balances

or amounts of total assets, revenue, net income, and surplus for the six months ended September 30, 2018, which are immaterial enough to be excluded from consolidation given that they would not affect reasonable judgements to be made on the financial position and financial results of Nippon Life Group.

2) Equity Method Affiliates

Number of unconsolidated equity method affiliates: None

Number of affiliates accounted for under the equity method: 14 entities

Major affiliates accounted for under the equity method as of September 30, 2018, are listed as follows:

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

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

Great Wall Changsheng 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 TCW Group, Inc. and four other companies

Unconsolidated subsidiaries, including Nippon Life Global Investors Americas, Inc. and Nissay Trading Corporation, as well as affiliates other than those listed above, such as SL Towers Co., Ltd., are not accounted for under the equity method as respective and aggregate effects of such companies on the Company's consolidated net income and surplus for the six months ended September 30, 2018, are immaterial.

3) Reporting date for consolidated subsidiaries

The interim reporting date for consolidated overseas subsidiaries is June 30. In preparing the interim consolidated financial statements, the Company consolidates the overseas subsidiaries using the interim financial statements as of June 30, 2018, and makes necessary adjustments to reflect significant transactions that occurred between June 30 and September 30, 2018, the interim reporting date for consolidation purposes.

(4) Consolidated Balance Sheets

(Million Yen)

	As of September 30, 2018	As of March 31, 2018
Assets:		
Cash and deposits	1,481,163	1,405,704
Call loans	431,071	471,113
Monetary receivables purchased	417,759	288,752
Assets held in trust	4,981	10,621
Investments in securities	64,196,771	60,106,713
Loans	8,588,459	8,630,122
Tangible fixed assets	1,857,850	1,857,734
Intangible fixed assets	257,631	255,722
Reinsurance receivables	9,109	11,577
Other assets	1,184,335	1,299,200
Deferred tax assets	10,127	6,154
Customers' liability for acceptances and guarantees	52,835	52,928
Allowance for doubtful accounts	(3,588)	(3,828)
Total assets	78,488,508	74,392,516
Liabilities:		
Policy reserves and other reserves:	64,714,602	61,523,014
Reserve for outstanding claims	332,463	332,590
Policy reserves	63,208,999	60,130,178
Reserve for dividends to policyholders (mutual company)	1,109,319	995,167
Reserve for dividends to policyholders (limited company)	63,820	65,078
Reinsurance payables	7,862	6,566
Corporate bonds	1,175,589	1,108,889
Other liabilities	3,129,948	2,244,558
Accrued bonuses for directors, and audit and supervisory board members	33	90
Net defined benefit liability	440,927	443,161
Accrued retirement benefits for directors, and audit and supervisory board members	4,701	5,503
Reserve for program points	10,117	9,411
Reserve for price fluctuations in investments in securities	1,467,977	1,345,987
Deferred tax liabilities	581,610	625,202
Deferred tax liabilities for land revaluation	104,502	104,828
Acceptances and guarantees	52,835	52,928
Total liabilities	71,690,707	67,470,142

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 2018	As of March 31, 2018
Net assets:		
Foundation funds	100,000	150,000
Reserve for redemption of foundation funds	1,250,000	1,200,000
Reserve for revaluation	651	651
Consolidated surplus	498,241	625,131
Total foundation funds and others	1,848,892	1,975,782
Net unrealized gains on available-for-sale securities	4,966,565	4,918,602
Deferred losses on derivatives under hedge accounting	(94,189)	(59,092)
Land revaluation losses	(61,821)	(60,989)
Foreign currency translation adjustments	(762)	28,706
Remeasurement of defined benefit plans	(14,685)	(18,632)
Total accumulated other comprehensive income	4,795,105	4,808,594
Noncontrolling interests	153,802	137,996
Total net assets	6,797,800	6,922,373
Total liabilities and net assets	78,488,508	74,392,516

Notes to the Consolidated Balance Sheet as of September 30, 2018

1. (1) Securities of the Company and its 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 at the balance sheet date. The moving average method is used for calculating cost of securities sold.
 - 2) Held-to-maturity debt securities are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.
 - 3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis 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 measured at the average fair value based on quoted market prices during the period of one month before the balance sheet date (cost of securities sold is calculated using the moving average method). Other securities with a fair value are measured at the fair value at the balance sheet date (cost of securities sold is calculated using the moving average method).
 - b. Of securities of which their 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 measured at amortized cost using the moving average method. The cost of those bonds is amortized on a straight-line basis. Other securities without readily determinable fair values are stated at cost using the moving average method.
- (2) Unrealized gains/losses of 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, payment method, maturity period, currency, and investment policy 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.

The Company has specified the following types of insurance policies and set those as subcategories:

(1) The Company

- 1) All insurance policies for products other than single payment products and group annuities
 - 2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance
- 3) All insurance policies for group annuities other than guaranteed fixed-term rate products
- 4) All single payment products (denominated in U.S. dollars) other than the foregoing
- 5) All single payment products (denominated in Australian dollars) other than the foregoing
- 6) All single payment products (denominated in euros) other than the foregoing

(2) Mitsui Life Insurance Company Limited

- 1) Whole life insurance and annuity insurance (from eight to 27 years) (future cash flows generated from whole life insurance (including whole life insurance with term rider) and annuity insurance for the period exceeding seven years up to 27 years)
- 2) Insured contributory pension plans (up to 27 years) (future cash flows generated from insured contributory pension plans for the period up to 27 years)
- 3) Foreign currency-denominated single payment endowment insurance (Australian dollars) (foreign currency-denominated, Australian dollars, single payment endowment insurance commencing on or after October 1, 2017)

(3) MassMutual Life Insurance Company

- 1) Single payment fixed annuities, single payment fixed whole life insurance, single payment life insurance with living benefits, and single payment insurance against three major diseases (excluding single payment fixed annuities commencing on or after April 1, 2006, and for which the insured was 80 years of age or older as of the date the policy was concluded).
- 2) Single payment fixed whole life insurance (fixed accumulation value type)
- 3) Whole life cancer insurance and endowment insurance
- 4) U.S. dollar-denominated single payment fixed annuities and U.S. dollar-denominated single payment fixed whole life insurance
- 5) Australian dollar-denominated single payment fixed annuities
- 6) Insurance and annuities other than the above (certain types of insurance are excluded)

3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value based on quoted market prices.

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 cost of less than ¥200,000 of the Company and its certain consolidated subsidiaries are depreciated over three years on a straight-line basis.
 - b. Lease assets
 - (i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee
The same depreciation method applied to self-owned fixed assets.
 - (ii) Lease assets related to financial leases that do not transfer ownership of the leased property to the lessee
Straight-line method over the lease term
- (2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.
5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with 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 those recovery is not expected, are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The 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 in 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 as follows:
- 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 high possibility of bankruptcy is recognized at the amounts deemed necessary considering 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 percentage of bad debt for a certain period.
 - (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 ¥3,413 million (including ¥124 million of credits secured and/or guaranteed) as of September 30, 2018.
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 recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of March 31, 2019, for future payment of employee retirement benefits that have been accrued.

(2) The accounting methods of the Company and its 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: Five years
 - 3) Period of amortizing prior service costs: Five 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. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.

12. Regarding financial leases where the Company or a consolidated subsidiary is the lessor that do not transfer ownership of the leased property to the lessee, the Company recognizes lease income and cost at the time of receiving the lease payments.
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*”) is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in Japanese yen and foreign currencies;
 - Deferred hedge accounting is applied to interest rate swaps 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*”) are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company and its certain consolidated subsidiaries;
 - Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
 - Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.
- 2) Hedging instruments and hedged items
- | <u>Hedging instruments</u> | <u>Hedged items</u> |
|------------------------------------|---|
| 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 |
| Equity forward contracts | Domestic stocks |
- 3) Effectiveness of hedging activities is mainly evaluated by a ratio analysis of fair value movement comparisons of the hedging instruments and hedged items in accordance with the internal risk management policies of the Company and certain consolidated subsidiaries.
14. All transactions are accounted for exclusive of consumption taxes and local consumption taxes of the Company and its certain consolidated subsidiaries; 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 five year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred in the six months ended September 30, 2018.

15. (1) Policy reserves of the Company and its consolidated subsidiaries that are domestic life insurance companies are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premium 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 certain individual annuity policies.
 - 1) Reserves for policies subject to the standard policy reserve are computed in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
 - 2) Reserves for other policies are computed based on the net level premium method.
 - (2) Policy reserves of consolidated overseas life insurance companies are recorded as the amounts calculated in accordance with the accounting standards of each country, such as Australian accounting standards.
16. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the six months ended September 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.

17. (1) Consolidated balance sheet amounts and fair values of major financial instruments and their differences are as follows:

(Million Yen)

	Consolidated balance sheet amount (*1)	Fair value (*2)	Difference
Cash and deposits (negotiable certificates of deposit):	273,099	273,099	—
Available-for-sale securities	273,099	273,099	—
Monetary receivables purchased:	417,759	431,224	13,464
Held-to-maturity debt securities	43,759	44,118	358
Policy-reserve-matching bonds	296,080	309,187	13,106
Available-for-sale securities	77,918	77,918	—
Assets held in trust:	4,981	4,981	—
Trading securities	4,781	4,781	—
Available-for-sale securities	200	200	—
Investments in securities:	63,115,523	66,772,853	3,657,329
Trading securities	1,539,127	1,539,127	—
Held-to-maturity debt securities	406,001	405,712	(288)
Policy-reserve-matching bonds	23,480,394	27,080,556	3,600,162
Investments in subsidiaries and affiliates	81,288	138,745	57,456
Available-for-sale securities	37,608,711	37,608,711	—
Loans (*3):	8,586,579	8,852,812	266,232
Policy loans	658,751	658,751	—
Industrial and consumer loans	7,927,828	8,194,061	266,232
Derivative financial instruments (*4):	(339,503)	(339,503)	—
Hedge accounting not applied	(23,606)	(23,606)	—
Hedge accounting applied	(315,897)	(315,897)	—
Corporate bonds (*3 and *5)	(1,175,589)	(1,221,778)	(46,189)
Cash received as collateral under securities lending transactions (*5)	(1,139,865)	(1,139,865)	—
Loans payable (*3 and *5)	(432,439)	(434,126)	(1,686)

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amounts are presented net of the allowance.

- (*2) For securities for which impairment losses were recognized in the six months ended September 30, 2018, the fair value is the consolidated balance sheet amount net of the impairment losses recognized.
- (*3) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment (“*Tokurei-shori*”) is applied or currency swaps to which designated hedge accounting (“*Furiate-shori*”) is applied 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) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables 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 its 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 by discounting future cash flows to present value or valuations obtained from external parties.

2) Loans

a. Policy loans

Fair value is measured at the book value of policy loans, as the fair value is deemed to approximate book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

b. Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate their 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 uncollectible 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 at the balance sheet date.
 - b. Fair value of equity options is measured mainly based on liquidation value or closing market price at the balance sheet date or valuations obtained from external parties.
 - c. Fair value of foreign exchange contracts, currency options, interest rate swaps, currency swaps, and forward contracts is measured mainly based on valuations obtained from external parties.

- 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 at 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 their 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, in principle, by discounting future cash flows to present value; however, loans payable financed by means of public offerings employing securitization schemes are measured at the fair value of the corporate bonds issued to back the loans payable.

(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). The consolidated balance sheet amount of the foregoing was ¥1,081,248 million as of September 30, 2018.

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

- 1) Trading securities

Derivative financial instruments within assets held in trust, investments in securities for separate accounts, and certain other securities are classified as trading securities.

Valuation gains/losses of those instruments included in profit and loss were gains of ¥73,309 million for the six months ended September 30, 2018.

2) Held-to-maturity debt securities

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

(Million Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds the consolidated balance sheet amount	Monetary receivables purchased	8,528	9,116	588
	Domestic bonds	25,573	25,860	287
	Foreign securities	164,178	164,694	516
	Subtotal	198,280	199,671	1,391
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	35,230	35,001	(229)
	Domestic bonds	47,467	47,146	(321)
	Foreign securities	168,782	168,010	(771)
	Subtotal	251,480	250,158	(1,322)
Total		449,760	449,830	69

3) Policy-reserve-matching bonds

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

(Million Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds the consolidated balance sheet amount	Monetary receivables purchased	261,505	275,055	13,549
	Domestic bonds	20,702,626	24,347,883	3,645,256
	Foreign securities	330,003	339,582	9,578
	Subtotal	21,294,136	24,962,520	3,668,383
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	34,574	34,132	(442)
	Domestic bonds	2,060,216	2,018,593	(41,623)
	Foreign securities	387,547	374,498	(13,048)
	Subtotal	2,482,338	2,427,223	(55,115)
Total		23,776,475	27,389,744	3,613,268

4) Available-for-sale securities

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

(Million Yen)

	Type	Acquisition cost or amortized cost	Consolidated balance sheet amount	Difference
Consolidated balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	164,100	164,100	0
	Monetary receivables purchased	18,482	19,330	847
	Domestic bonds	3,217,683	3,407,699	190,015
	Domestic stocks	3,650,322	8,662,830	5,012,507
	Foreign securities	10,516,338	12,450,813	1,934,475
	Other securities	873,046	1,050,031	176,984
	Subtotal	18,439,974	25,754,805	7,314,831
Consolidated balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	109,000	108,999	(0)
	Monetary receivables purchased	59,371	58,588	(783)
	Assets held in trust	200	200	—
	Domestic bonds	832,607	820,896	(11,711)
	Domestic stocks	956,372	828,011	(128,360)
	Foreign securities	8,888,265	8,594,702	(293,562)
	Other securities	1,822,663	1,793,725	(28,937)
	Subtotal	12,668,480	12,205,124	(463,356)
Total		31,108,454	37,959,930	6,851,475

* Securities totaling ¥753,495 million, whose fair value is extremely difficult to determine, are not included in the table above.

Impairment losses of ¥2,715 million were recognized for securities with a fair value during the six months ended September 30, 2018. 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 cost based on the average fair value of the month preceding September 30, 2018. However, in the case of a security that meets certain criteria, such as a security for which the fair value has declined significantly and the decline in the fair value in the month preceding September 30, 2018, is significant, impairment losses are recognized based on the fair value as of September 30, 2018.

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 average fair value in the month preceding September 30, 2018, is 50% or less of the acquisition cost.
 - b. A security that meets both of the following criteria:
 1. The average fair value in the month preceding September 30, 2018, exceeds 50% but equal to or less than 70% of the acquisition cost.
 2. The historical market price, the business conditions of the issuing company, and other aspects are subject to certain requirements.
18. As of September 30, 2018, there were no significant changes in the consolidated balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.
19. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥32,804 million as of September 30, 2018. The details of those balances were as follows:
- 1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,379 million and ¥28,254 million, respectively, as of September 30, 2018.

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 such 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 other than the loans to bankrupt borrowers and those 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, 2018.

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 other than the loans classified as loans to bankrupt borrowers and delinquent loans.
 - 3) The balance of restructured loans was ¥3,170 million as of September 30, 2018.

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 other than the 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 ¥3,174 million and ¥239 million, respectively, as of September 30, 2018.
20. The amount of accumulated depreciation of tangible fixed assets was ¥1,153,740 million as of September 30, 2018.
21. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,551,540 million as of September 30, 2018, and a corresponding liability is recorded in the same amount.
22. Changes in the reserve for dividends to policyholders (mutual company) for the six months ended September 30, 2018, were as follows:

	Million Yen
	Six months ended September 30, 2018
a. Balance at the beginning of the current fiscal year	¥995,167
b. Transfer to reserve from surplus for the previous fiscal year	¥218,353
c. Dividends paid to policyholders (mutual company) during the current six-month period	¥115,331
d. Increase in interest	¥11,130
e. Balance at the end of the current six-month period (a+b-c+d)	¥1,109,319

23. Changes in the reserve for dividends to policyholders (limited company) for the six months ended September 30, 2018, were as follows:

	Million Yen
	Six months ended September 30, 2018
a. Balance at the beginning of the current fiscal year	¥65,078
b. Dividends paid to policyholders (limited company) during the current six-month period	¥8,287
c. Increase in interest	¥6
d. Provision for reserve for dividends to policyholders (limited company)	¥6,394
e. Increase due to changes in the scope of consolidation	¥629
f. Balance at the end of the current six-month period (a-b+c+d+e)	¥63,820

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 issuer, subject to the pre-approval of the regulatory authorities 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
October 2014	The fifth anniversary date after the issue date and on each date that falls every six months thereafter
March 2015	The fifth anniversary date after the issue date and on each date that falls every six months thereafter
March 2015	The fifth anniversary date after the issue date and on each date that falls every six months thereafter
April 2015	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
December 2015	The fifth anniversary date after the issue date and on each date that falls every six months thereafter
December 2015	Tenth anniversary date after the issue date and on each date that falls every six months 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
April 2016	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter
July 2016	Each interest payment date in or after July 2021.
July 2016	Each interest payment date in or after July 2026.
November 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
November 2016	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter
February 2017	The fifth anniversary date after the issue date and on each date that falls every six months thereafter
February 2017	Tenth anniversary date after the issue date and on each date that falls every six months thereafter
February 2017	Fifteenth anniversary date after the issue date and on each date that falls every six months thereafter
April 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

25. Other liabilities include subordinated loans payable of ¥336,500 million with special provisions that subordinate to the fulfillment of obligations on the bonds to all other debt obligations.

26. Assets pledged as collateral in the form of investments in securities, lease receivables, land, and buildings as of September 30, 2018, were ¥2,304,361 million, ¥18,733 million, ¥252 million, and ¥46 million, respectively. The total amount of liabilities covered by the assets pledged was ¥1,402,304 million as of September 30, 2018. These amounts included ¥284,155 million of sale of securities under repurchase agreements, ¥291,433 million of payables under repurchase agreements, ¥1,035,566 million of investments in securities deposited, and ¥1,092,807 million of cash received as collateral under securities lending transactions secured by cash, as of September 30, 2018.
27. 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 for the six months ended September 30, 2018.
28. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥409,041 million as of September 30, 2018.
29. Matters concerning business combinations through acquisitions are as follows:
- 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 six months ended September 30, 2018

The period from the date of business combination to the end of the six months ended September 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)

30. The amount of securities lent under lending agreements was ¥5,242,329 million as of September 30, 2018.
31. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥581,246 million at fair value as of September 30, 2018.
32. The unused amount of commitments related to loans and similar loan agreements was ¥332,155 million as of September 30, 2018.
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 its certain consolidated subsidiaries was estimated to be ¥92,025 million as of September 30, 2018. The amount contributed to the corporation above was recorded as 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 the book value and the revalued

amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences 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 listed value of the land and road rate as prescribed by Article 2, Items 1 and 4 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, 2018	Six months ended September 30, 2017
Ordinary income:	4,009,947	3,842,650
Revenues from insurance and reinsurance	2,778,123	2,732,476
Investment income:	1,090,814	979,876
Interest, dividends, and other income	802,447	739,101
Gain on trading securities	8,927	11,589
Gain on sales of securities	131,020	91,799
Foreign exchange gains, net	103,506	75,928
Gain from separate accounts, net	43,016	59,074
Other ordinary income	141,009	130,298
Ordinary expenses:	3,742,385	3,597,835
Benefits and other payments:	2,192,250	2,136,894
Death and other claims	647,099	645,483
Annuity payments	460,393	430,141
Health and other benefits	435,007	417,528
Surrender benefits	531,435	528,343
Other refunds	96,153	95,434
Provision for policy reserves:	735,737	733,241
Provision for policy reserves	724,600	722,096
Provision for interest on reserve for dividends to policyholders (mutual company)	11,130	11,139
Provision for interest on reserve for dividends to policyholders (limited company)	6	6
Investment expenses:	248,051	181,842
Interest expenses	16,676	11,530
Loss from assets held in trust, net	9,340	2,202
Loss on sales of securities	70,894	38,432
Loss on valuation of securities	4,386	126
Loss on derivative financial instruments, net	114,930	94,819
Operating expenses	402,122	391,702
Other ordinary expenses	164,223	154,154
Ordinary profit	267,562	244,815

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2017
Extraordinary gains:	13,498	16,379
Gain on disposals of fixed assets	3,151	16,379
Gain on bargain purchase	10,347	—
Extraordinary losses:	118,526	118,937
Loss on disposals of fixed assets	2,013	3,415
Impairment losses	1,449	1,037
Provision for reserve for price fluctuations in investments in securities	112,213	113,807
Contributions for assisting social public welfare	2,850	677
Provision for reserve for dividends to policyholders (limited company)	6,394	8,409
Surplus before income taxes	156,139	133,846
Income taxes - current	60,373	70,700
Income taxes - deferred	(48,268)	(58,353)
Total income taxes	12,105	12,347
Net surplus	144,033	121,498
Net surplus attributable to noncontrolling interests	2,612	2,984
Net surplus attributable to the parent company	141,421	118,514

Notes to the Consolidated Statement of Income for the Six Months Ended September 30, 2018

1. Impairment losses are as follows:

1) Method for grouping the assets

Rental real estate and other assets 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 for each operation.

2) Recognition of impairment losses

When a significant decrease in profitability or fair value of a certain asset group is noted, the book value is reduced to the recoverable amount, recognizing an impairment loss under extraordinary losses.

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

Purpose of use	Million Yen		
	Land	Buildings and others	Total
Rental real estate and other assets	¥7	¥1	¥8
Idle property	¥1,125	¥315	¥1,440
Total	¥1,132	¥316	¥1,449

4) Measurement of recoverable amount

The recoverable amount is based on either 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.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2017
Net surplus	144,033	121,498
Other comprehensive (loss) income:	(18,574)	529,251
Net unrealized gains on available-for-sale securities	49,287	574,447
Deferred losses on derivatives under hedge accounting	(35,172)	(47,162)
Foreign currency translation adjustments	(21,459)	227
Remeasurement of defined benefit plans	3,999	3,344
Share of other comprehensive loss of associates accounted for under the equity method	(15,229)	(1,605)
Comprehensive income:	125,459	650,750
Comprehensive income attributable to the parent company	128,764	642,182
Comprehensive (loss) income attributable to noncontrolling interests	(3,305)	8,567

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2017
I. Cash flows from operating activities:		
Surplus before income taxes	156,139	133,846
Depreciation of rental real estate and other assets	9,120	8,666
Depreciation	25,617	23,146
Impairment losses	1,449	1,037
Amortization of goodwill	1,337	1,350
Gain on bargain purchase	(10,347)	—
Net decrease in reserve for outstanding claims	(23,833)	(15,132)
Net increase in policy reserve	719,807	712,392
Provision for interest on reserve for dividends to policyholders (mutual company)	11,130	11,139
Provision for interest on reserve for dividends to policyholders (limited company)	6	6
Provision for reserve for dividends to policyholders (limited company)	6,394	8,409
Net increase (decrease) in allowance for doubtful accounts	2,757	(104)
Net decrease in accrued bonuses for directors, and audit and supervisory board members	(57)	(52)
Net increase in net defined benefit liability	1,554	1,814
Net (decrease) increase in accrued retirement benefits for directors, and audit and supervisory board members	(880)	56
Net increase in reserve for price fluctuations in investments in securities	112,213	113,807
Interest, dividends, and other income	(802,447)	(739,101)
Net gains on investments in securities	(51,804)	(42,925)
Interest expenses	16,676	11,530
Net gains on tangible fixed assets	(1,415)	(12,778)
(Gains) losses from separate accounts	(43,016)	(59,074)
Others, net	(37,273)	56,963
Subtotal	93,129	215,000
Interest, dividends, and other income received	850,252	783,663
Interest paid	(14,892)	(10,493)
Dividends paid to policyholders (mutual company)	(95,924)	(95,108)
Dividends paid to policyholders (limited company)	(8,287)	(8,855)
Others, net	2,494	9,994
Income taxes paid	(88,021)	(40,931)
Net cash provided by operating activities	738,749	853,269

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Six months ended September 30, 2018	Six months ended September 30, 2017
II. Cash flows from investing activities:		
Net decrease in deposits	28	500
Purchases of monetary receivables purchased	(4,775)	(4,700)
Proceeds from sales and redemptions of monetary receivables purchased	28,549	30,395
Purchases of assets held in trust	(3,700)	(4,300)
Proceeds from decrease in assets held in trust	0	0
Purchases of securities	(6,969,044)	(3,823,547)
Proceeds from sales and redemptions of securities	5,861,977	3,270,657
Disbursements for loans	(753,904)	(740,558)
Proceeds from collections of loans	769,097	855,201
Others, net	274,428	(478,929)
Total of asset management activities	(797,343)	(895,280)
[Sum of operating activities and asset management activities]	(58,594)	(42,011)
Purchases of tangible fixed assets	(16,674)	(19,501)
Proceeds from sales of tangible fixed assets	10,598	41,055
Payments for acquisition of subsidiary's shares resulting in change in the scope of consolidation	(49,960)	—
Others, net	(22,788)	(23,690)
Net cash used in investing activities	(876,169)	(897,416)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	297,330	74,600
Repayments of debt	(88,866)	(73,024)
Proceeds from issuance of corporate bonds	—	188,064
Proceeds from issuance of foundation funds	—	50,000
Redemption of foundation funds	(50,000)	(50,000)
Interest payments on foundation funds	(790)	(1,198)
Others, net	(5,364)	(1,909)
Net cash provided by financing activities	152,310	186,532
IV. Effect of exchange rate changes on cash and cash equivalents	13,531	(2,854)
V. Net increase in cash and cash equivalents	28,422	139,530
VI. Cash and cash equivalents at the beginning of the year	1,897,011	1,541,468
VII. Cash and cash equivalents at the end of the period	1,925,434	1,680,999

Notes to the Consolidated Statement of Cash Flows for the Six Months Ended September 30, 2018

1. 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.

2. Main components of assets and liabilities of newly consolidated subsidiaries due to acquisition of shares

Major assets and liabilities of MassMutual Life Insurance Company, the newly consolidated subsidiary through acquisition, as well as the acquisition cost and net payment for the acquisition are as follows:

	Million Yen
Total assets:	¥2,763,970
(including investment in securities of ¥2,449,174 million)	
Total liabilities:	¥(2,629,331)
(including policy reserves and other reserves of ¥2,408,090 million)	
Bargain purchase	¥(10,347)
Noncontrolling interests	¥(20,043)
Acquisition cost	¥104,247
Cash and cash equivalents of the acquiree	¥54,286
Net payments for the acquisition	¥49,960

(7) Consolidated Statements of Changes in Net Assets

For the six months ended September 30, 2017

(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	150,000	1,150,000	651	622,388	1,923,039
Increase/decrease:					
Issuance of foundation funds	50,000				50,000
Additions to reserve for dividends to policyholders (mutual company)				(184,086)	(184,086)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(1,198)	(1,198)
Net surplus attributable to the parent company				118,514	118,514
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				2,931	2,931
Net change, excluding foundation funds and others					
Net change	—	50,000	—	(113,838)	(63,838)
Ending balance	150,000	1,200,000	651	508,549	1,859,200

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

For the six months ended September 30, 2017

(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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	4,588,092	(65,262)	(58,084)	30,549	(24,556)	4,470,738	135,203	6,528,981
Increase/decrease:								
Issuance of foundation funds								50,000
Additions to reserve for dividends to policyholders (mutual company)								(184,086)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(1,198)
Net surplus attributable to the parent company								118,514
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								2,931
Net change, excluding foundation funds and others	570,103	(47,162)	(2,931)	(2,577)	3,304	520,736	7,204	527,940
Net change	570,103	(47,162)	(2,931)	(2,577)	3,304	520,736	7,204	464,101
Ending balance	5,158,195	(112,425)	(61,015)	27,971	(21,252)	4,991,474	142,408	6,993,083

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

For the six months ended September 30, 2018

(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	150,000	1,200,000	651	625,131	1,975,782
Increase/decrease:					
Additions to reserve for dividends to policyholders (mutual company)				(218,353)	(218,353)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(790)	(790)
Net surplus attributable to the parent company				141,421	141,421
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				831	831
Net change, excluding foundation funds and others					
Net change	(50,000)	50,000	—	(126,890)	(126,890)
Ending balance	100,000	1,250,000	651	498,241	1,848,892

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

For the six months ended September 30, 2018

(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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	4,918,602	(59,092)	(60,989)	28,706	(18,632)	4,808,594	137,996	6,922,373
Increase/decrease:								
Additions to reserve for dividends to policyholders (mutual company)								(218,353)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(790)
Net surplus attributable to the parent company								141,421
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								831
Net change, excluding foundation funds and others	47,963	(35,097)	(831)	(29,469)	3,946	(13,488)	15,806	2,317
Net change	47,963	(35,097)	(831)	(29,469)	3,946	(13,488)	15,806	(124,572)
Ending balance	4,966,565	(94,189)	(61,821)	(762)	(14,685)	4,795,105	153,802	6,797,800

(8) Consolidated Solvency Margin Ratio

(Million Yen)

	As of September 30, 2018	As of March 31, 2018
Solvency margin gross amount (A):	14,773,325	14,150,865
Foundation funds (<i>kikin</i>) and other reserve funds:	5,498,665	5,143,211
Foundation funds and others	1,964,618	1,852,172
Reserve for price fluctuations in investments in securities	1,467,977	1,345,987
Contingency reserve	1,801,801	1,680,761
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	1,797	2,114
Others	262,470	262,175
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	6,081,365	6,048,444
Net unrealized gains on real estate × 85%	271,117	272,410
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(20,369)	(25,843)
Excess of continued Zillmerized reserve	1,679,666	1,679,917
Qualifying subordinated debt	1,512,089	1,208,889
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(244,828)	(249,989)
Others	(4,381)	73,824
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$	3,011,695	2,923,568
Underwriting risk (R ₁)	164,954	159,546
General underwriting risk (R ₅)	—	—
Huge disaster risk (R ₆)	—	—
Underwriting risk of third-sector insurance (R ₈)	91,560	90,205
Underwriting risk related to small amount and short-term insurance providers (R ₉)	—	—
Anticipated yield risk (R ₂)	438,112	425,986
Minimum guarantee risk (R ₇)	9,494	10,593
Investment risk (R ₃)	2,489,043	2,414,061
Business management risk (R ₄)	63,863	62,007
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	981.0%	968.0%

- 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, 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.