
Financial Results for the Nine Months Ended December 31, 2015

Nippon Life Insurance Company (the “Company”; President: Yoshinobu Tsutsui) announces financial results for the nine months ended December 31, 2015.

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1. Business Highlights

(1) Amount of Policies in Force and New Policies

• Policies in Force

	As of December 31, 2015				As of March 31, 2015	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2015 (%)	(100 million yen)	As a percentage of March 31, 2015 (%)		
Individual insurance	22,514	109.1	1,451,186	99.0	20,635	1,466,493
Individual annuities	3,496	101.4	218,043	101.6	3,448	214,561
Group insurance	—	—	930,852	100.5	—	925,954
Group annuities	—	—	122,490	104.9	—	116,806

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

• New Policies

	Nine months ended December 31, 2015						Nine months ended December 31, 2014			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of nine months ended December 31, 2014 (%)	(100 million yen)	As a percentage of nine months ended December 31, 2014 (%)	New policies	Net (decrease) increase by conversion		(100 million yen)	New policies	Net (decrease) increase by conversion
Individual insurance	3,320	100.2	67,867	125.1	69,399	(1531)	3,314	54,250	59,147	(4,897)
Individual annuities	156	99.1	10,259	89.3	10,121	137	158	11,485	11,345	140
Group insurance	—	—	2,829	49.1	2,829		—	5,762	5,762	
Group annuities	—	—	7	1.8	7		—	438	438	

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

(2) Annualized Net Premium

- Policies in Force

(100 Million Yen, %)

	As of December 31, 2015		As of March 31, 2015
		As a percentage of March 31, 2015	
Individual insurance	25,073	102.0	24,591
Individual annuities	8,737	101.2	8,632
Total	33,811	101.8	33,224
Medical coverages, living benefits, and others	6,096	101.6	6,002

- New Policies

(100 Million Yen, %)

	Nine months ended December 31, 2015		Nine months ended December 31, 2014
		As a percentage of nine months ended December 31, 2014	
Individual insurance	1,815	112.8	1,609
Individual annuities	389	91.4	426
Total	2,205	108.3	2,035
Medical coverages, living benefits, and others	373	121.5	307

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

2. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of December 31, 2015		As of March 31, 2015	
	Amount	%	Amount	%
Cash, deposits, and call loans	9,644	1.6	10,047	1.6
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	1,000	0.2	—	—
Monetary receivables purchased	4,321	0.7	4,987	0.8
Proprietary trading securities	—	—	—	—
Assets held in trust	—	—	—	—
Investments in securities:	494,167	80.4	488,339	79.8
Domestic bonds	225,975	36.8	226,544	37.0
Domestic stocks	92,333	15.0	90,752	14.8
Foreign securities:	162,577	26.5	161,449	26.4
Foreign bonds	125,314	20.4	120,772	19.7
Foreign stocks and other securities	37,263	6.1	40,676	6.6
Other securities	13,280	2.2	9,593	1.6
Loans:	82,207	13.4	83,576	13.7
Policy loans	7,046	1.1	7,365	1.2
Industrial and consumer loans	75,160	12.2	76,210	12.5
Real estate:	16,838	2.7	16,965	2.8
Investment property	10,874	1.8	10,799	1.8
Deferred tax assets	—	—	—	—
Other assets	6,476	1.1	7,844	1.3
Allowance for doubtful accounts	(47)	(0.0)	(65)	(0.0)
Total assets (general account):	614,608	100.0	611,694	100.0
Foreign currency-denominated assets	142,728	23.2	139,787	22.9

Notes: 1. The above assets include cash received as collateral under securities lending transactions. Cash collateral received through these transactions is also recorded in liabilities as cash received as collateral under securities lending transactions (¥372.1 billion and ¥529.9 billion as of December 31, 2015, and March 31, 2015, respectively).

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

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

(100 Million Yen)

	As of December 31, 2015					As of March 31, 2015				
	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	203,924	233,009	29,085	29,085	(0)	206,738	232,924	26,185	26,189	(4)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	77	876	799	799	—	77	374	297	297	—
Available-for-sale securities:	206,190	281,656	75,466	76,411	(945)	193,376	277,227	83,850	84,192	(342)
Domestic bonds	25,260	26,882	1,622	1,626	(4)	23,553	25,123	1,569	1,577	(8)
Domestic stocks	39,501	87,652	48,151	48,442	(290)	39,445	89,364	49,919	50,152	(233)
Foreign securities:	127,162	151,605	24,443	25,028	(585)	118,896	150,095	31,198	31,295	(96)
Foreign bonds	106,579	124,596	18,017	18,330	(313)	97,520	120,054	22,534	22,550	(16)
Foreign stocks and other securities	20,582	27,009	6,426	6,697	(271)	21,376	30,041	8,664	8,744	(79)
Other securities	11,659	12,908	1,249	1,313	(64)	8,062	9,224	1,162	1,167	(4)
Monetary receivables purchased	207	207	0	0	(0)	388	388	0	0	(0)
Negotiable certificates of deposit	2,400	2,399	(0)	0	(0)	3,030	3,029	(0)	0	(0)
Total	410,192	515,543	105,351	106,297	(945)	400,192	510,526	110,333	110,680	(347)
Domestic bonds	224,353	254,672	30,319	30,324	(4)	224,975	252,330	27,354	27,366	(11)
Domestic stocks	39,501	87,652	48,151	48,442	(290)	39,445	89,364	49,919	50,152	(233)
Foreign securities:	127,957	153,235	25,277	25,863	(585)	119,692	151,229	31,537	31,633	(96)
Foreign bonds	107,297	125,349	18,052	18,365	(313)	98,238	120,813	22,574	22,591	(16)
Foreign stocks and other securities	20,660	27,885	7,225	7,497	(271)	21,453	30,415	8,962	9,041	(79)
Other securities	11,659	12,908	1,249	1,313	(64)	8,062	9,224	1,162	1,167	(4)
Monetary receivables purchased	4,320	4,674	353	353	(0)	4,987	5,347	359	360	(0)
Negotiable certificates of deposit	2,400	2,399	(0)	0	(0)	3,030	3,029	(0)	0	(0)

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

[Book Value of Securities without Fair Value]

(100 Million Yen)

	As of December 31, 2015	As of March 31, 2015
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	6,279	2,928
Available-for-sale securities:	8,591	8,997
Unlisted domestic stocks (excluding over-the-counter stocks)	1,057	1,010
Unlisted foreign stocks (excluding over-the-counter stocks)	5,274	5,874
Unlisted foreign bonds	—	—
Others	2,260	2,113
Total	14,870	11,926

Note: Of securities without fair value, the net gains (losses) on currency valuation of assets denominated in foreign currencies were as follows:
¥70.4 billion and ¥82.1 billion as of December 31, 2015, and March 31, 2015, respectively.

(3) Fair Value Information of Assets Held in Trust

No ending balance as of December 31, 2015, or March 31, 2015.

- Assets Held in Trust for Investment

No ending balance as of December 31, 2015, or March 31, 2015.

- Assets Held in Trust Classified as Policy-reserve-matching, Held-to-maturity, and Others

No ending balance as of December 31, 2015, or March 31, 2015.

3. Nonconsolidated Balance Sheets

(Million Yen)

	As of December 31, 2015	As of March 31, 2015
Assets:		
Cash and deposits	386,958	492,198
Call loans	746,600	572,600
Receivables under securities borrowing transactions	100,000	—
Monetary receivables purchased	432,120	498,758
Investments in securities:	50,647,435	49,839,240
National government bonds	19,325,806	18,760,470
Local government bonds	1,348,269	1,441,843
Corporate bonds	2,558,890	2,783,481
Domestic stocks	9,452,705	9,311,147
Foreign securities	16,519,963	16,450,680
Loans:	8,220,700	8,357,620
Policy loans	704,600	736,564
Industrial and consumer loans	7,516,099	7,621,055
Tangible fixed assets	1,700,019	1,713,248
Intangible fixed assets	166,290	170,395
Reinsurance receivables	249	445
Other assets	461,829	606,397
Customers' liability for acceptances and guarantees	35,504	38,686
Allowance for doubtful accounts	(4,710)	(6,585)
Total assets	62,892,999	62,283,004
Liabilities:		
Policy reserves and other reserves:	52,062,266	50,436,716
Reserve for outstanding claims	204,308	197,929
Policy reserves	50,778,188	49,201,314
Reserve for dividends to policyholders	1,079,769	1,037,472
Reinsurance payables	303	523
Corporate bonds	474,590	399,590
Other liabilities:	1,132,634	1,451,427
Cash received as collateral under securities lending transactions	372,156	529,989
Income taxes payable	6,615	78,462
Lease obligations	5,207	5,512
Asset retirement obligations	2,127	1,966
Other liabilities	746,528	835,496
Accrued bonuses for directors and audit and supervisory board members	49	74
Accrued retirement benefits	362,806	365,302
Accrued retirement benefits for directors and audit and supervisory board members	4,294	4,274
Reserve for program points	12,292	13,171
Reserve for price fluctuations in investments in securities	919,152	778,723
Deferred tax liabilities	923,305	1,231,729
Deferred tax liabilities for land revaluation	113,279	115,440
Acceptances and guarantees	35,504	38,686
Total liabilities	56,040,479	54,835,660

3. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of December 31, 2015	As of March 31, 2015
Net assets:		
Foundation funds	200,000	200,000
Reserve for redemption of foundation funds	1,100,000	1,050,000
Reserve for revaluation	651	651
Surplus:	402,313	499,954
Legal reserve for deficiencies	15,163	14,208
Other surplus reserves:	387,150	485,746
Equalized reserve for dividends to policyholders	50,000	50,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	355	282
Reserve for reduction entry of real estate	50,187	45,882
Reserve for reduction entry of real estate to be purchased	—	34
Other reserves	170	170
Unappropriated surplus	214,520	317,459
Total foundation funds and others	1,702,964	1,750,605
Net unrealized gains on available-for-sale securities, net of tax	5,422,465	6,016,469
Deferred losses on derivatives under hedge accounting, net of tax	(181,518)	(231,060)
Land revaluation losses	(91,392)	(88,670)
Total valuations, conversions, and others	5,149,555	5,696,737
Total net assets	6,852,520	7,447,343
Total liabilities and net assets	62,892,999	62,283,004

Basis of Presenting the Nonconsolidated Balance Sheet as of December 31, 2015

1. The corporate tax, inhabitant tax, and income tax adjustments for the nine months ended December 31, 2015, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders due to the appropriation of surplus in the current fiscal year.
2. Changes in the reserve for dividends to policyholders included in policy reserves for the nine months ended December 31, 2015, were as follows:

	Million Yen
	Nine months ended December 31, 2015
a. Balance at the beginning of the current fiscal year	¥1,037,472
b. Transfer to reserve from surplus in the previous fiscal year	¥257,299
c. Dividends to policyholders paid out during the current nine-month period	¥232,365
d. Increase in interest	¥17,362
e. Balance at the end of the current nine-month period (a+b-c+d)	¥1,079,769

3. On January 20, 2016, the Company issued corporate bonds as follows:
 - 1) Name
U.S. dollar-denominated subordinated notes due 2046 with interest deferral options
 - 2) Offering price
100% of principal amount
 - 3) Principal amount
U.S.\$ 1,500 million
 - 4) Interest rate
A fixed rate of 4.70% per annum before January 2026, and a fixed rate reset with step-up thereafter (reset every 5 years).
 - 5) Maturity
January 2046 (However, the corporate bonds are callable on January 20, 2026, and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.)
 - 6) Collateral and guarantees
The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.
 - 7) Use of funds
General working capital

The Company applies designated hedge accounting (“*Furiate-shori*”) for currency swaps for these corporate bonds.

4. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the nine months ended December 31, 2015.
5. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act for the nine months ended December 31, 2015.
6. On November 24, 2015, the Company reached an agreement with Reliance Capital Limited, the parent company of Reliance Life Insurance Company Limited (“Reliance Life”) to acquire an additional 23% equity interest in Reliance Life (26% is owned by the Company as of December 31, 2015). With this acquisition of additional equity interest, Reliance Life will be renamed Reliance Nippon Life Insurance Company Limited.
7. The amount of securities lent under lending agreements was ¥2,360,979 million as of December 31, 2015.

4. Nonconsolidated Statements of Income

(Million Yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Ordinary income:	5,528,072	5,109,685
Revenues from insurance and reinsurance:	4,303,864	3,683,003
Insurance premiums	4,303,430	3,682,632
Investment income:	1,124,440	1,312,954
Interest, dividends, and other income	1,038,137	965,609
Gain from assets held in trust, net	—	4
Gain on sales of securities	77,255	214,020
Gain from separate accounts, net	1,607	127,966
Other ordinary income	99,767	113,727
Ordinary expenses:	5,153,101	4,718,104
Benefits and other payments:	2,811,715	2,723,333
Death and other claims	720,073	763,797
Annuity payments	603,191	619,964
Health and other benefits	509,799	512,339
Surrender benefits	646,463	592,371
Other refunds	331,398	234,189
Provision for policy reserves:	1,600,615	1,246,820
Provision for outstanding claims	6,378	—
Provision for policy reserves	1,576,874	1,228,979
Provision for interest on reserve for dividends to policyholders	17,362	17,840
Investment expenses:	109,039	106,595
Interest expenses	10,259	6,627
Loss on sales of securities	1,913	13,657
Loss on valuation of securities	11,941	974
Loss on derivative financial instruments, net	35,699	41,272
Operating expenses	426,090	419,745
Other ordinary expenses	205,641	221,609
Ordinary profit	374,970	391,581
Extraordinary gains:	3,145	3,541
Gain on disposals of fixed assets	3,145	3,541
Extraordinary losses:	151,685	167,701
Loss on disposals of fixed assets	6,161	1,682
Impairment losses	2,168	19,509
Provision for reserve for price fluctuations in investments in securities	140,429	143,582
Contributions for assisting social public welfare	2,927	2,927
Surplus before income taxes	226,430	227,421
Income taxes - current	100,954	130,102
Income taxes - deferred	(82,998)	(113,283)
Total income taxes	17,955	16,818
Net surplus	208,475	210,603

Notes to the Nonconsolidated Statement of Income for the Nine Months Ended December 31, 2015

1. Impairment losses are as follows:

1) Method for grouping the assets

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

2) Circumstances causing impairment losses

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

3) Breakdown of asset groups that recognized impairment losses for the nine months ended December 31, 2015, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Leased property	¥1,013	¥349	¥1,363
Idle property	¥649	¥154	¥804
Total	¥1,663	¥504	¥2,168

4) Calculation method of recoverable amount

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

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

5. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Core operating profit (A)	510,367	439,882
Capital gains:	77,255	214,024
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	4
Gain on trading securities	—	—
Gain on sales of securities	77,255	214,020
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses:	51,186	55,977
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	—
Loss on trading securities	—	—
Loss on sales of securities	1,913	13,657
Loss on valuation of securities	11,941	974
Loss on derivative financial instruments, net	35,699	41,272
Foreign exchange losses, net	1,548	73
Other capital losses	83	—
Net capital gains (B)	26,068	158,046
Core operating profit including net capital gains (A+B)	536,436	597,929
Nonrecurring gains:	264	—
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	264	—
Other nonrecurring gains	—	—
Nonrecurring losses:	161,729	206,347
Reinsurance premiums	—	—
Provision for contingency reserve	161,708	205,651
Provision for specific allowance for doubtful accounts	—	696
Provision for allowance for specific overseas debts	—	—
Write-offs of loans	21	0
Other nonrecurring losses	—	—
Net nonrecurring losses (C)	(161,465)	(206,347)
Ordinary profit (A+B+C)	374,970	391,581

Note: During the nine months ended December 31, 2015, the Company recorded the amount of foreign exchange gains and losses related to foreign currency-denominated insurance products as ¥83 million in core operating profit and ¥83 million in other capital losses.

6. Solvency Margin Ratio

(Million Yen)

	As of December 31, 2015	As of March 31, 2015
Solvency margin gross amount (A):	13,001,701	13,421,043
Foundation funds (<i>kikin</i>) and other reserve funds:	4,320,514	3,806,532
Foundation funds and others	1,702,964	1,491,371
Reserve for price fluctuations in investments in securities	919,152	778,723
Contingency reserve	1,411,956	1,250,248
General allowance for doubtful accounts	2,759	2,507
Others	283,681	283,681
Net unrealized gains on available-for-sale securities × 90%	6,824,322	7,581,433
Net unrealized gains on real estate × 85%	70,954	73,163
Excess of continued Zillmerized reserve	1,471,347	1,509,979
Qualifying subordinated debt	474,590	399,590
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(754)	(366)
Others	(159,273)	50,711
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	2,919,356	2,883,641
Underwriting risk (R ₁)	125,584	127,656
Underwriting risk of third-sector insurance (R ₈)	76,697	75,389
Anticipated yield risk (R ₂)	385,982	386,107
Minimum guarantee risk (R ₇)	5,767	5,820
Investment risk (R ₃)	2,459,371	2,424,023
Business management risk (R ₄)	61,068	60,379
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	890.7%	930.8%

Notes: 1. The amounts and figures as of March 31, 2015, in the table above are calculated based on the provisions of Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50 of 1996.

Those as of December 31, 2015, are calculated based on the methods deemed reasonable by the Company in accordance with the aforementioned provisions.

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

7. Status of Separate Accounts

(1) Balance of Separate Account Assets

(Million Yen)

	As of December 31, 2015	As of March 31, 2015
Individual variable insurance	123,932	131,518
Individual variable annuities	58,435	77,605
Group annuities	1,249,819	904,386
Separate account total	1,432,186	1,113,510

(2) Policies in Force

- Individual Variable Insurance

	As of December 31, 2015		As of March 31, 2015	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	1,646	7,959	1,724	8,382
Variable insurance (whole life type)	34,137	498,449	34,665	513,177
Total	35,783	506,409	36,389	521,560

- Individual Variable Annuities

	As of December 31, 2015		As of March 31, 2015	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	8,141	58,429	10,443	77,604

8. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Ordinary income	56,153	51,843
Ordinary profit	3,855	3,973
Net surplus attributable to the Parent Company	3,122	2,126
Comprehensive income	(2,530)	21,514

Note: From the three months ended June 30, 2015, "net surplus (net loss)" has been presented as "net surplus (net loss) attributable to the Parent Company."

	As of December 31, 2015	As of March 31, 2015
Total assets	703,413	626,486
Solvency margin ratio	906.1%	943.1%

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

	As of December 31, 2015
Number of consolidated subsidiaries	10
Number of subsidiaries not consolidated but accounted for under the equity method	0
Number of affiliates accounted for under the equity method	10
Changes in significant subsidiaries and affiliates during the period	Additions: 7 NLI US Investments, Inc. Mitsui Life Insurance Company Limited PanAgora Asset Management, Inc. Reliance Capital Asset Management Limited Post Advisory Group, LLC PT Sequis PT Asuransi Jiwa Sequis Life Removals: 1 Nissay Computer Co., Ltd.

(3) Policies of Presenting the Consolidated Financial Statements for the Nine Months Ended December 31, 2015

1) Consolidated subsidiaries

Nissay Computer Co., Ltd. has been removed from the scope of consolidation due to being merged with the Company's subsidiary Nissay Information Technology Co., Ltd.

NLI US Investments, Inc. has become more important to the Company and has therefore been included within the scope of consolidation from the three months ended June 30, 2015.

Because of the Company's acquisition of shares of Mitsui Life Insurance Company Limited, the said company has been included within the scope of consolidation for the nine months ended December 31, 2015.

2) Affiliates

PanAgora Asset Management, Inc., Reliance Capital Asset Management Limited, Post Advisory Group, LLC, PT Sequis, and PT Asuransi Jiwa Sequis Life have become more important to the Company and have

therefore been included within the scope of consolidation as affiliates under the equity method from the three months ended June 30, 2015.

(4) Consolidated Balance Sheets

(Million Yen)

	As of December 31, 2015	As of March 31, 2015
Assets:		
Cash and deposits	584,579	529,509
Call loans	1,148,600	572,600
Receivables under securities borrowing transactions	100,000	—
Monetary receivables purchased	449,192	498,758
Assets held in trust	200	—
Investments in securities	55,518,478	49,898,791
Loans	9,595,799	8,333,838
Tangible fixed assets	1,928,817	1,725,822
Intangible fixed assets	173,915	167,618
Reinsurance receivables	515	636
Other assets	808,682	890,988
Deferred tax assets	3,643	4,648
Customers' liability for acceptances and guarantees	35,600	33,801
Allowance for doubtful accounts	(6,703)	(8,372)
Total assets	70,341,322	62,648,641
Liabilities:		
Policy reserves and other reserves:	58,269,157	50,442,520
Reserve for outstanding claims	241,851	202,171
Policy reserves	56,875,438	49,202,876
Reserve for dividends to policyholders (parent company)	1,079,769	1,037,472
Reserve for dividends to policyholders (subsidiary)	72,097	—
Reinsurance payables	895	557
Corporate bonds	474,590	399,590
Other liabilities	2,022,306	1,707,220
Accrued bonuses for directors and audit and supervisory board members	49	74
Net defined benefit liability	463,932	411,416
Accrued retirement benefits for directors and audit and supervisory board members	5,127	4,397
Reserve for program points	12,292	13,171
Reserve for price fluctuations in investments in securities	934,863	778,723
Deferred tax liabilities	981,258	1,223,642
Deferred tax liabilities for land revaluation	113,279	115,440
Acceptances and guarantees	35,600	33,801
Total liabilities	63,313,354	55,130,557

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

Net assets:		
Foundation funds	200,000	200,000
Reserve for redemption of foundation funds	1,100,000	1,050,000
Reserve for revaluation	651	651
Consolidated surplus	541,200	541,573
Total foundation funds and others	1,841,852	1,792,225
Net unrealized gains on available-for-sale securities, net of tax	5,427,570	6,023,903
Deferred losses on derivatives under hedge accounting, net of tax	(181,518)	(231,060)
Land revaluation losses	(91,392)	(88,670)
Foreign currency translation adjustments	26,433	36,330
Remeasurement of defined benefit plans	(28,404)	(30,381)
Total accumulated other comprehensive income	5,152,689	5,710,121
Non-controlling interests	33,426	15,736
Total net assets	7,027,968	7,518,084
Total liabilities and net assets	70,341,322	62,648,641

Basis of Presenting the Consolidated Balance Sheet as of December 31, 2015

1. From the three months ended June 30, 2015, the Company has applied the “Accounting Standard for Business Combinations” (The Accounting standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), and other standards. As a result, the Company has changed its accounting treatment so that the difference due to changes in the Company’s equity interest in the subsidiaries over which the Company continues to exercise control are recorded as consolidated surplus, and expenses related to acquisitions are recorded as expenses for the fiscal year in which they are incurred. In addition, the method of presentation of net surplus has been changed, along with a change in presentation from minority interests to non-controlling interests. In applying the Accounting Standard for Business Combinations and other standards, the Company has adopted the transitional treatments provided in Paragraph 58-2 (4) of the “Accounting Standard for Business Combinations,” Paragraph 44-5 (4) of the “Accounting Standard for Consolidated Financial Statements,” and Paragraph 57-4 (4) of the “Accounting Standard for Business Divestitures,” and has applied these treatments prospectively from the beginning of the three months ended June 30, 2015. As a result, ordinary profit and surplus before income taxes for the nine months ended December 31, 2015 both decreased by ¥545 million.

2. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the nine months ended December 31, 2015, 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 (parent company) due to the appropriation of surplus in the current fiscal year.

3. Changes in the reserve for dividends to policyholders (parent company) included in policy reserves for the nine months ended December 31, 2015, were as follows:

	Million Yen
	Nine months ended December 31, 2015
a. Balance at the beginning of the current fiscal year	¥1,037,472
b. Transfer to reserve from surplus in the previous fiscal year	¥257,299
c. Dividends to policyholders paid out during the current nine-month period	¥232,365
d. Increase in interest	¥17,362
e. Balance at the end of the current nine-month period (a+b-c+d)	¥1,079,769

4. On January 20, 2016, the Company issued corporate bonds as follows:
 - 1) Name
U.S. dollar-denominated subordinated notes due 2046 with interest deferral options
 - 2) Offering price
100% of principal amount
 - 3) Principal amount
U.S.\$ 1,500 million
 - 4) Interest rate
A fixed rate of 4.70% per annum before January 2026, and a fixed rate reset with step-up thereafter (reset every 5 years).
 - 5) Maturity
January 2046 (However, the corporate bonds are callable on January 20, 2026, and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.)
 - 6) Collateral and guarantees
The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.
 - 7) Use of funds
General working capital
The Company applies designated hedge accounting (“*Furiate-shori*”) for currency swaps for these corporate bonds.
5. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the nine months ended December 31, 2015.
6. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act for the nine months ended December 31, 2015.
7. On November 24, 2015, the Company reached an agreement with Reliance Capital Limited, the parent company of Reliance Life Insurance Company Limited (“Reliance Life”) to acquire an additional 23% equity interest in Reliance Life (26% is owned by the Company as of December 31, 2015). With this acquisition of additional equity interest, Reliance Life will be renamed Reliance Nippon Life Insurance Company Limited.
8. Matters concerning business combinations through acquisitions are as follows:
 - 1) Overview of the business combination
 - a. Name and business of the acquiree
Name: Mitsui Life Insurance Company Limited (“Mitsui Life”)
Business: Life insurance business
 - b. Main reasons for executing the business combination

The purpose of the acquisition is as follows:

- i. Further strengthen and develop the Company's competitive sales representative channels through mutual cooperation.
 - ii. Establish channels and foundations through mutual cooperation to provide appropriate products through the bancassurance and agency areas, on the premise that adequate underwriting systems are established and maintained, in order to meet diversified customer needs in a flexible manner.
 - iii. In addition to i. and ii. above, mutually cooperate, share knowledge, and leverage synergies to grow as a group.
- c. Business combination date
December 29, 2015 (share acquisition date)
December 31, 2015 (deemed acquisition date)
- d. Legal form of the business combination
Share acquisition through tender offer
- e. Name of company after business combination
Mitsui Life Insurance Company Limited
- f. Percentage of voting rights acquired
96.34%

Following the consummation of the tender offer, the Company has notified Mitsui Life of the Company's intention to request Mitsui Life's shareholders (other than the Company) to sell and transfer all of the Mitsui Life shares they own to the Company (the "Request for Sale and Transfer of Shares"), for the purpose of making Mitsui Life a wholly-owned subsidiary of the Company. In addition, Mitsui Life approved the Request for Sale and Transfer of Shares on January 27, 2016.

The Company and Mitsui Life have agreed that, after Mitsui Life becomes a wholly-owned subsidiary of the Company, 16% of the outstanding ordinary shares of Mitsui Life will be sold to Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Mitsui Sumitomo Insurance Co., Ltd., Mitsui & Co., Ltd. and Mitsui Fudosan Co., Ltd. (collectively referred to as the "Post-Transaction Shareholders") and approximately 1% of the outstanding ordinary shares of Mitsui Life are intended to be sold to other Mitsui group companies. The purpose of this agreement is to preserve and develop business relationships between Mitsui Life and Mitsui group companies.

- g. Main rationale for determining the acquirer

The main rationale for the determination is that the Company will clearly control the decision-making body of the acquiree based on majority ownership of voting rights.

- 2) Period for which the acquiree's business results were included in the consolidated statement of income for the nine months ended December 31, 2015

Because the deemed acquisition date is December 31, 2015, the acquiree's business results have not been included in the consolidated statement of income for the nine months ended December 31, 2015.

- 3) Acquisition cost and breakdown

Consideration for acquisition: payment in cash

¥322,242 million

Acquisition cost

¥322,242 million

4) Description and amount of main acquisition-related costs

Advisory fees

¥545 million

5) Amount and reason for recognizing negative goodwill

a. Amount of negative goodwill recognized

¥98,475 million

b. Reason for recognizing negative goodwill

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

Of the difference between equity interest in the net amount of the assets acquired and the liabilities assumed and the acquisition cost, the Company recognized as liabilities the 16% equity interest of ¥19,610 million that is scheduled to be transferred to the Post-Transaction Shareholders, based on the agreement described in 1) f. of Note 8 above that 16% of the outstanding shares of Mitsui Life will be sold to the Post-Transaction Shareholders. Upon the completion of the transfer, the Company plans to reduce its liabilities by this amount and recognize transferred equity interest in the net amount of the assets acquired and the liabilities assumed as non-controlling interests.

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

Total assets: ¥7,421,484 million

(including investments in securities of ¥5,151,265 million)

Total liabilities: ¥6,964,443 million

(including policy reserves and other reserves of ¥6,202,014 million)

7) Estimated impact on the consolidated statement of income for the nine months ended December 31, 2015, assuming the business combination had been completed at the beginning of the nine-month period

The estimated amounts of the impact are total ordinary income of ¥650,789 million, ordinary profit of ¥31,103 million, and quarterly net surplus attributable to the Parent Company of ¥15,405 million.

The estimated amounts of the impact represent the respective differences between the total ordinary income and other earnings data calculated as if the business combination had been completed at the beginning of the nine-month period ended December 31, 2015, and the total ordinary income and other earnings data shown on the Company's consolidated statement of income for the nine months ended December 31, 2015. Please note that this note is unaudited.

9. The amount of securities lent under lending agreements was ¥2,811,639 million as of December 31, 2015.

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

[Consolidated Statements of Income]

(Million Yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Ordinary income:	5,615,330	5,184,316
Revenues from insurance and reinsurance	4,328,932	3,708,103
Investment income:	1,122,549	1,314,156
Interest, dividends, and other income	1,035,807	966,506
Gain from assets held in trust, net	—	4
Gain on sales of securities	77,416	214,531
Gain from separate accounts, net	1,607	127,966
Other ordinary income	163,848	162,056
Ordinary expenses:	5,229,826	4,786,967
Benefits and other payments:	2,832,378	2,744,389
Death and other claims	720,324	764,112
Annuity payments	603,191	619,964
Health and other benefits	530,073	532,924
Surrender benefits	646,463	592,371
Other refunds	331,398	234,189
Provision for policy reserves:	1,599,398	1,245,408
Provision for outstanding claims	6,378	—
Provision for policy reserves	1,575,656	1,227,567
Provision for interest on reserve for dividends to policyholders (parent company)	17,362	17,840
Investment expenses:	111,230	108,478
Interest expenses	10,641	6,910
Loss on sales of securities	1,915	13,679
Loss on valuation of securities	11,941	974
Loss on derivative financial instruments, net	37,840	43,175
Operating expenses	443,810	435,253
Other ordinary expenses	243,008	253,437
Ordinary profit	385,503	397,349
Extraordinary gains:	101,620	3,541
Gain on disposals of fixed assets	3,145	3,541
Gain on negative goodwill	98,475	—
Extraordinary losses:	151,739	167,709
Loss on disposals of fixed assets	6,215	1,690
Impairment losses	2,168	19,509
Provision for reserve for price fluctuations in investments in securities	140,429	143,582
Contributions for assisting social public welfare	2,927	2,927
Surplus before income taxes	335,384	233,181
Income taxes - current	104,586	132,541
Income taxes - deferred	(82,493)	(112,746)
Total income taxes	22,093	19,795
Net surplus	313,290	213,386
Net surplus attributable to non-controlling interests	1,061	779
Net surplus attributable to the Parent Company	312,229	212,606

Notes to the Consolidated Statement of Income for the Nine Months Ended December 31, 2015

1. Impairment losses are as follows:

1) Method for grouping the assets

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

2) Circumstances causing impairment losses

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

3) Breakdown of asset groups that recognized impairment losses for the nine months ended December 31, 2015, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Leased property	¥1,013	¥349	¥1,363
Idle property	¥649	¥154	¥804
Total	¥1,663	¥504	¥2,168

4) Calculation method of recoverable amount

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

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

2. The total amount of depreciation of rental real estate and other assets and depreciation and amortization for the nine months ended December 31, 2015, was ¥44,949 million. There was no amortization of goodwill for the nine months ended December 31, 2015.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Net surplus	313,290	213,386
Other comprehensive income:	(566,313)	1,938,031
Net unrealized gains on available-for-sale securities, net of tax	(594,223)	2,046,930
Deferred losses on derivatives under hedge accounting, net of tax	49,542	(116,033)
Land revaluation losses	396	—
Foreign currency translation adjustments	(3,701)	4,251
Remeasurement of defined benefit plans	1,976	(5,634)
Share of other comprehensive income of associates accounted for under the equity method	(20,303)	8,518
Comprehensive income:	(253,022)	2,151,418
Comprehensive income attributable to the Parent Company	(254,057)	2,150,598
Comprehensive income attributable to non-controlling interests	1,034	819

(6) Consolidated Solvency Margin Ratio

(Million Yen)

	As of December 31, 2015	As of March 31, 2015
Solvency margin gross amount (A):	13,367,277	13,303,975
Foundation funds (<i>kikin</i>) and other reserve funds:	4,551,715	3,876,544
Foundation funds and others	1,887,883	1,559,750
Reserve for price fluctuations in investments in securities	934,863	778,723
Contingency reserve	1,439,564	1,250,248
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	4,296	4,139
Others	285,106	283,681
Net unrealized gains on available-for-sale securities × 90%	6,840,364	7,594,244
Net unrealized gains on real estate × 85%	70,931	73,241
Total amount of net unrecognized actuarial losses and unrecognized prior service costs	(39,893)	(42,670)
Excess of continued Zillmerized reserve	1,612,067	1,509,979
Qualifying subordinated debt	624,590	399,590
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(152,813)	(157,665)
Others	(139,684)	50,711
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	2,950,307	2,821,315
Underwriting risk (R ₁)	146,398	127,656
General underwriting risk (R ₅)	—	—
Huge disaster risk (R ₆)	—	—
Underwriting risk of third-sector insurance (R ₈)	87,738	78,260
Underwriting risk related to small amount and short-term insurance providers (R ₉)	—	—
Anticipated yield risk (R ₂)	447,281	386,107
Minimum guarantee risk (R ₇)	18,375	5,820
Investment risk (R ₃)	2,412,890	2,362,494
Business management risk (R ₄)	62,253	59,206
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	906.1%	943.1%

Notes: 1. The amounts and figures as of March 31, 2015, in the table above are calculated based on the provisions of Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and the Financial Services Agency Public Notice No. 23 of 2011. Those as of December 31, 2015, are calculated based on the methods deemed reasonable by the Company in accordance with the aforementioned provisions.

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

(7) Segment Information

For the nine months ended December 31, 2015, the Company and its consolidated subsidiaries engaged in insurance business and insurance-related businesses (including asset management-related business and general administration-related business) in Japan and overseas. Segment information and its related information are omitted because there are no other significant segments to report.