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## Financial Results for the Nine Months Ended December 31, 2013

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Nippon Life Insurance Company (the “Company” or the “Parent Company”; President: Yoshinobu Tsutsui) announces financial results for the nine months ended December 31, 2013.

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## 1. Business Highlights

### (1) Amount of Policies in Force and New Policies

#### • Policies in Force

	As of December 31, 2013				As of March 31, 2013	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2013 (%)	(100 million yen)	As a percentage of March 31, 2013 (%)		
Individual insurance	17,200	117.0	1,519,003	97.2	14,696	1,563,132
Individual annuities	3,274	101.9	203,363	103.3	3,214	196,825
Group insurance	—	—	925,455	100.6	—	919,609
Group annuities	—	—	112,007	102.7	—	109,115

- 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.
  3. If products that combine several insurance policies were presented as one item on or after April 1, 2012, the total number of individual insurance policies and individual annuities in force as of December 31, 2013, would be 14,567 thousand policies and as of March 31, 2013, would be 14,506 thousand policies.

#### • New Policies

	Nine months ended December 31, 2013						Nine months ended December 31, 2012			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of nine months ended December 31, 2012 (%)	(100 million yen)	As a percentage of nine months ended December 31 2012 (%)	New policies	Net increase by conversion		(100 million yen)	New policies	Net increase by conversion
Individual insurance	3,593	101.4	53,677	95.9	59,280	(5,602)	3,544	55,992	58,822	(2,830)
Individual annuities	182	121.7	13,351	121.5	13,048	303	149	10,984	10,975	8
Group insurance	—	—	4,731	173.4	4,731		—	2,729	2,729	
Group annuities	—	—	11	16.8	11		—	68	68	

- Notes:
1. The number of policies includes policies that were converted into new policies.
  2. The amount of new policies and net increase in policies by conversion for individual annuities represents annuity resources at the start of annuity payments.
  3. The amount of new policies for group annuities represents the first time premium.
  4. If products that combine several insurance policies were presented as one item on or after April 1, 2012, the total number of new individual insurance policies and new individual annuities in the nine months ended December 31, 2013, would be 1,046 thousand policies and in the nine months ended December 31, 2012, would be 1,010 thousand policies.

(2) Annualized Net Premium

• Policies in Force

(100 Million Yen, %)

	As of December 31, 2013		As of March 31, 2013
		As a percentage of March 31, 2013	
Individual insurance	23,976	100.9	23,752
Individual annuities	8,361	99.4	8,409
Total	32,337	100.5	32,162
Medical coverages, living benefits, and others	5,953	100.5	5,923

• New Policies

(100 Million Yen, %)

	Nine months ended December 31, 2013		Nine months ended December 31, 2012
		As a percentage of nine months ended December 31, 2012	
Individual insurance	1,590	101.7	1,564
Individual annuities	444	113.6	391
Total	2,035	104.1	1,955
Medical coverages, living benefits, and others	313	102.9	304

- 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, 2013		As of March 31, 2013	
	Amount	%	Amount	%
Cash, deposits, and call loans	4,142	0.7	6,498	1.2
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	1,748	0.3	1,507	0.3
Monetary receivables purchased	5,949	1.1	7,563	1.4
Proprietary trading securities	—	—	—	—
Assets held in trust	—	—	—	—
Investments in securities:	436,470	78.3	412,012	76.8
Domestic bonds	215,467	38.6	208,906	38.9
Domestic stocks	74,170	13.3	66,748	12.4
Foreign securities:	141,305	25.3	131,987	24.6
Foreign bonds	104,528	18.7	98,209	18.3
Foreign stocks and other securities	36,776	6.6	33,777	6.3
Other securities	5,526	1.0	4,370	0.8
Loans:	85,885	15.4	85,818	16.0
Policy loans	7,930	1.4	8,354	1.6
Industrial and consumer loans	77,954	14.0	77,463	14.4
Real estate:	16,996	3.0	16,600	3.1
Investment property	10,747	1.9	10,269	1.9
Deferred tax assets	—	—	—	—
Other assets	6,567	1.2	6,527	1.2
Allowance for doubtful accounts	(78)	(0.0)	(87)	(0.0)
Total assets (General account)	557,681	100.0	536,440	100.0
Foreign currency-denominated assets	119,703	21.5	109,105	20.3

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 (¥1,099.7 billion and ¥1,212.0 billion as of December 31, 2013, and March 31, 2013, respectively).

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

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

(100 Million Yen)

	As of December 31, 2013					As of March 31, 2013				
	Book value	Market value	Net gains/losses	Net gains/losses		Book value	Market value	Net gains/losses	Net gains/losses	
				Gains	Losses				Gains	Losses
Policy-reserve-matching bonds	200,918	217,430	16,512	16,631	(118)	196,034	216,599	20,565	20,659	(94)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	77	377	300	300	—	77	444	367	367	—
Available-for-sale securities:	181,721	229,899	48,177	49,608	(1,430)	176,735	213,053	36,317	39,132	(2,814)
Domestic bonds	20,125	20,989	864	895	(31)	19,683	20,670	987	1,005	(18)
Domestic stocks	40,406	71,827	31,420	32,168	(747)	43,058	64,377	21,319	23,926	(2,607)
Foreign securities:	113,899	129,299	15,399	16,032	(632)	106,674	120,346	13,671	13,815	(144)
Foreign bonds	94,300	103,707	9,407	10,004	(597)	87,545	97,391	9,845	9,966	(121)
Foreign stocks and other securities	19,598	25,591	5,992	6,027	(34)	19,128	22,954	3,826	3,849	(22)
Other securities	4,758	5,252	493	512	(18)	3,746	4,086	339	384	(44)
Monetary receivables purchased	331	331	(0)	—	(0)	582	582	(0)	—	(0)
Negotiable certificates of deposit	2,200	2,199	(0)	—	(0)	2,990	2,989	(0)	0	(0)
Total	382,717	447,708	64,991	66,540	(1,548)	372,846	430,097	57,250	60,159	(2,909)
Domestic bonds	214,603	231,529	16,925	17,075	(149)	207,918	228,888	20,969	21,078	(108)
Domestic stocks	40,406	71,827	31,420	32,168	(747)	43,058	64,377	21,319	23,926	(2,607)
Foreign securities:	114,797	130,536	15,738	16,370	(632)	107,569	121,652	14,082	14,226	(144)
Foreign bonds	95,121	104,566	9,445	10,042	(597)	88,364	98,253	9,889	10,010	(121)
Foreign stocks and other securities	19,676	25,969	6,293	6,327	(34)	19,205	23,398	4,193	4,216	(22)
Other securities	4,758	5,252	493	512	(18)	3,746	4,086	339	384	(44)
Monetary receivables purchased	5,949	6,362	413	413	(0)	7,563	8,102	538	543	(4)
Negotiable certificates of deposit	2,200	2,199	(0)	—	(0)	2,990	2,989	(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 Market Value]

(100 Million Yen)

	As of December 31, 2013	As of March 31, 2013
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	2,931	2,859
Available-for-sale securities:	10,457	10,433
Unlisted domestic stocks (excluding over-the-counter stocks)	1,964	1,992
Unlisted foreign stocks (excluding over-the-counter stocks)	6,824	6,824
Unlisted foreign bonds	—	—
Others	1,668	1,616
Total	13,389	13,292

Note: Of securities without market value, the net gains (losses) on currency valuation of assets denominated in foreign currencies were as follows:  
¥39.8 billion and ¥(0.1 billion) as of December 31, 2013, and March 31, 2013, respectively.

(3) Market Value Information of Assets Held in Trust

- Assets Held in Trust for Investment

No ending balance as of December 31, 2013, or March 31, 2013.

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

No ending balance as of December 31, 2013, or March 31, 2013.

### 3. Nonconsolidated Balance Sheets

(Million Yen)

	As of December 31, 2013	As of March 31, 2013
<b>Assets:</b>		
Cash and deposits	335,703	502,956
Call loans	130,700	203,900
Receivables under securities borrowing transactions	174,844	150,709
Monetary receivables purchased	594,963	756,320
Investments in securities:	44,799,405	42,274,197
National government bonds	17,247,520	16,543,499
Local government bonds	1,554,521	1,586,508
Corporate bonds	3,087,683	3,092,231
Domestic stocks	7,648,633	6,917,409
Foreign securities	14,557,577	13,556,511
Loans:	8,588,546	8,581,801
Policy loans	793,092	835,460
Industrial and consumer loans	7,795,454	7,746,341
Tangible fixed assets	1,714,113	1,676,301
Intangible fixed assets	178,767	184,990
Reinsurance receivables	114	222
Other assets	474,510	530,894
Customers' liability for acceptances and guarantees	25,354	29,233
Allowance for doubtful accounts	(7,880)	(8,704)
<b>Total assets</b>	<b>57,009,143</b>	<b>54,882,824</b>
<b>Liabilities:</b>		
Policy reserves and other reserves:	48,505,085	47,470,205
Reserve for outstanding claims	192,430	203,848
Policy reserves	47,191,397	46,161,263
Reserve for dividends to policyholders	1,121,258	1,105,093
Reinsurance payables	121	271
Corporate bonds	157,040	157,040
Other liabilities:	2,111,255	2,147,917
Cash received as collateral under securities lending transactions	1,099,712	1,212,021
Income taxes payable	95,641	45,091
Lease obligations	3,596	4,262
Asset retirement obligations	2,024	2,035
Other liabilities	910,279	884,505
Accrued bonuses for directors and corporate auditors	33	52
Accrued retirement benefits	391,462	433,184
Accrued retirement benefits for directors and corporate auditors	4,319	4,374
Reserve for program points	12,383	9,564
Reserve for price fluctuations in investments in securities	614,737	427,529
Deferred tax liabilities	351,963	123,652
Deferred tax liabilities for land revaluation	129,143	129,132
Acceptances and guarantees	25,354	29,233
<b>Total liabilities</b>	<b>52,302,900</b>	<b>50,932,158</b>

### 3. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of December 31, 2013	As of March 31, 2013
Net assets:		
Foundation funds	250,000	300,000
Reserve for redemption of foundation funds	1,000,000	950,000
Reserve for revaluation	651	651
Surplus:	307,552	350,577
Legal reserve for deficiencies	13,270	12,571
Other surplus reserves:	294,282	338,006
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	309	236
Reserve for reduction entry of real estate	42,693	34,666
Reserve for reduction entry of real estate to be purchased	33	—
Other reserves	170	170
Unappropriated surplus	179,158	231,016
Total foundation funds and others	1,558,203	1,601,228
Net unrealized gains on available-for-sale securities, net of tax	3,371,834	2,508,046
Deferred losses on derivatives under hedge accounting	(139,871)	(74,128)
Land revaluation differences	(83,922)	(84,481)
Total valuations, conversions, and others	3,148,039	2,349,436
Total net assets	4,706,242	3,950,665
Total liabilities and net assets	57,009,143	54,882,824



## Basis of Presenting the Nonconsolidated Balance Sheet as of December 31, 2013

1. Previously, tangible fixed assets of the Company were depreciated mainly based on the declining-balance method. From the three months ended June 30, 2013, the depreciation method for buildings and others was changed to the straight-line method.

This change was made because the Company determined that straight-line depreciation over the useful lives of buildings better reflects the future use of tangible fixed assets given that the Company now expects to make more consistent use of buildings and others over the long term. The decision reflects several factors. First, investment in remodeling and renovations, which slow the aging of real estate, now represent a relatively higher share of the Company's investment. Remodeling and renovations have progressively replaced the acquisition and construction of new buildings, which now represent a lower share of investment. Previously, acquisitions and construction of new buildings accounted for the bulk of investment, and therefore the declining-balance method of depreciation was adopted as a depreciation method suited to the use of these assets. Second, the Company has recently formulated standards such as an overall building renovation plan and specifications for renovation work in order to conduct real estate renovations more systematically. Following the completion during the three months ended June 30, 2013, of the development of a system for depreciating fixed assets in support of these changes, the Company decided to change the depreciation method for tangible fixed assets.

As a result, ordinary profit and surplus before income taxes both increased by ¥2,196 million compared with the previous depreciation method.

Furthermore, in the course of formulating the above overall building renovation plan, the Company surveyed the remaining useful lives and residual values of buildings and others. Consequently, in conjunction with the change in depreciation method, the Company revised these parameters to better reflect actual conditions.

Accordingly, the Company adjusted certain useful lives and residual values from the three months ended June 30, 2013.

As a result, ordinary profit and surplus before income taxes both increased by ¥5,469 million compared with the previous depreciation method.

2. The Company plans to apply the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25) from March 31, 2014. The revised accounting standard permits the determination of retirement benefit obligations and service costs from the start of fiscal years beginning on or after April 1, 2013. Accordingly, from the three months ended June 30, 2013, the Company changed the periodic allocation method of estimated retirement benefits from the straight-line basis to the benefit formula basis.

As a result of this change, unappropriated surplus, as of April 1, 2013, the start of the current fiscal year, increased by ¥24,705 million. Ordinary profit and surplus before income taxes for the nine months ended December 31, 2013, both increased by ¥1,168 million.

3. The corporate tax, inhabitant tax, and income tax adjustments for the nine months ended December 31, 2013, 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.
4. Changes in the reserve for dividends to policyholders included in policy reserves for the nine months ended December 31, 2013, were as follows:

	Million Yen
	Nine months ended December 31, 2013
a. Balance at the beginning of the current fiscal year	¥1,105,093
b. Transfer to reserve from surplus in the previous fiscal year	¥167,172
c. Dividends to policyholders paid out in the current nine-month period	¥169,708
d. Increase in interest	¥18,701
e. Balance at the end of the current nine-month period (a+b-c+d)	¥1,121,258

5. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to the reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act as of December 31, 2013.
6. The amount of securities lent under lending agreements was ¥3,153,596 million as of December 31, 2013.

#### 4. Nonconsolidated Statements of Income

(Million Yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2012
Ordinary income:	4,971,465	4,904,872
Revenues from insurance and reinsurance:	3,523,245	3,777,608
Insurance premiums	3,522,730	3,777,209
Investment income:	1,321,226	1,006,808
Interest, dividends, and other income	926,446	868,099
Gain from assets held in trust, net	5	10
Gain on sales of securities	252,996	92,496
Gain from separate accounts, net	138,852	40,827
Other ordinary income	126,993	120,455
Ordinary expenses:	4,590,322	4,691,504
Benefits and other payments:	2,792,325	2,637,874
Death and other claims	758,962	796,546
Annuity payments	636,059	500,064
Health and other benefits	548,376	582,159
Surrender benefits	646,356	613,343
Other refunds	201,856	145,061
Provision for policy reserves:	1,048,835	989,078
Provision for policy reserves	1,030,133	969,507
Provision for interest on reserve for dividends to policyholders	18,701	19,571
Investment expenses:	122,755	392,147
Interest expenses	5,901	2,741
Loss on sales of securities	35,948	42,428
Loss on valuation of securities	4,736	189,677
Loss on derivative financial instruments, net	29,326	104,151
Operating expenses	416,500	420,560
Other ordinary expenses	209,905	251,842
Ordinary profit	381,143	213,368
Extraordinary gains:	2,588	4,330
Gain on disposals of fixed assets	2,588	3,768
Reversal of reserve for loss on disaster	—	173
Other extraordinary gains	—	388
Extraordinary losses:	194,564	52,427
Loss on disposals of fixed assets	4,660	19,297
Impairment losses	1,268	8,850
Provision for reserve for price fluctuations in investments in securities	187,208	22,853
Contributions for assisting social public welfare	1,427	1,427
Surplus before income taxes	189,167	165,271
Income taxes - current	134,059	10,931
Income taxes - deferred	(98,496)	17,657
Total income taxes	35,562	28,588
Net surplus	153,604	136,682

Notes to the Nonconsolidated Statement of Income for the Nine Months Ended December 31, 2013

1. Impairment losses are as follows:

1) Method for grouping the assets

Leased property and idle property are classified as one asset group per structure. 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 market 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, 2013, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Leased property	¥786	¥307	¥1,093
Idle property	¥135	¥39	¥174
Total	¥921	¥346	¥1,268

4) Calculation method of recoverable amount

The recoverable amount used in 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 in principle 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, 2013	Nine months ended December 31, 2012
Core operating profit (A)	392,818	364,187
Capital gains:	254,584	92,618
Gain on proprietary trading securities	—	—
Gain on assets held in trust, net	5	10
Gain on trading securities	—	—
Gain on sales of securities	252,996	92,496
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	1,582	111
Other capital gains	—	—
Capital losses:	70,012	336,257
Loss on proprietary trading securities	—	—
Loss on assets held in trust, net	—	—
Loss on trading securities	—	—
Loss on sales of securities	35,948	42,428
Loss on valuation of securities	4,736	189,677
Loss on derivative financial instruments, net	29,326	104,151
Foreign exchange losses, net	—	—
Other capital losses	—	—
Net capital gains (losses) (B)	184,572	(243,639)
Core operating profit including net capital gains (losses) (A+B)	577,390	120,547
Nonrecurring gains:	128	92,821
Reinsurance revenue	—	—
Reversal of contingency reserve	—	92,718
Reversal of specific allowance for doubtful accounts	128	103
Other nonrecurring gains	—	—
Nonrecurring losses:	196,376	1
Reinsurance premiums	—	—
Provision for contingency reserve	196,376	—
Provision for specific allowance for doubtful accounts	—	—
Provision for allowance for specific overseas debts	—	—
Write-offs of loans	—	1
Other nonrecurring losses	—	—
Nonrecurring gains (losses) (C)	(196,247)	92,820
Ordinary profit (A+B+C)	381,143	213,368

## 6. Solvency Margin Ratio

(Million Yen)

	As of December 31, 2013	As of March 31, 2013
Solvency margin gross amount (A):	9,449,933	8,027,181
Foundation funds ( <i>kikin</i> ) and other reserve funds:	3,476,576	2,965,956
Foundation funds and others	1,558,203	1,430,471
Reserve for price fluctuations in investments in securities	614,737	427,529
Contingency reserve	976,530	780,154
General allowance for doubtful accounts	4,782	5,478
Others	322,322	322,322
Net unrealized gains on available-for-sale securities × 90%	4,366,251	3,278,358
Net unrealized (losses) gains on real estate × 85% (100% in the case of net unrealized losses)	(6,248)	(8,685)
Excess of continued Zillmerized reserve	1,562,371	1,602,347
Qualifying subordinated debt	157,040	157,040
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(1,164)	(539)
Others	(104,892)	32,704
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	2,478,519	2,305,244
Underwriting risk (R <sub>1</sub> )	132,431	135,383
Underwriting risk of third-sector insurance (R <sub>8</sub> )	74,780	73,978
Anticipated yield risk (R <sub>2</sub> )	391,165	394,708
Investment risk (R <sub>3</sub> )	2,020,110	1,844,303
Minimum guarantee risk (R <sub>7</sub> )	5,891	7,382
Business management risk (R <sub>4</sub> )	52,487	49,115
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	762.5%	696.4%

Notes: 1. The amounts and figures as of March 31, 2013, 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, 2013, 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 for the Nine Months Ended December 31, 2013

### (1) Balance of Separate Account Assets

(Million Yen)

	As of December 31, 2013	As of March 31, 2013
Individual variable insurance	122,326	109,933
Individual variable annuities	110,353	132,512
Group annuities	1,008,315	996,372
Separate account total	1,240,995	1,238,818

### (2) Policies in Force

- Individual Variable Insurance

	As of December 31, 2013		As of March 31, 2013	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	1,853	9,094	1,950	9,734
Variable insurance (whole life type)	35,616	536,479	36,096	549,291
Total	37,469	545,574	38,046	559,026

- Individual Variable Annuities

	As of December 31, 2013		As of March 31, 2013	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	15,531	110,345	19,995	132,502

## 8. Status of the Company, Subsidiaries, and Affiliates

### (1) Selected Financial Data for Major Operations

(100 Million Yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2012
Ordinary income	50,471	49,758
Ordinary profit	3,888	2,252
Net surplus	1,572	1,429
Comprehensive income	9,851	4,962

	As of December 31, 2013	As of March 31, 2013
Total assets	573,061	551,656
Solvency margin ratio	783.9%	717.1%

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

	As of December 31, 2013
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	5
Changes to significant subsidiaries and affiliates during the period	Increase: 1 (Bangkok Life Assurance Public Company Limited)

### (3) Policies of Presenting the Consolidated Financial Statements for the Nine Months Ended December 31, 2013

#### Application of the Equity Method

Due to its increased significance to the Company, Bangkok Life Assurance Public Company Limited has been accounted for under the equity method from the three months ended June 30, 2013.



## (4) Consolidated Balance Sheets

(Million Yen)

	As of December 31, 2013	As of March 31, 2013
<b>Assets:</b>		
Cash and deposits	387,791	551,338
Call loans	130,700	203,900
Receivables under securities borrowing transactions	174,844	150,709
Monetary receivables purchased	594,963	756,320
Investments in securities	44,846,269	42,317,119
Loans	8,538,388	8,519,927
Tangible fixed assets	1,724,765	1,685,475
Intangible fixed assets	176,364	182,541
Reinsurance receivables	333	377
Other assets	711,764	779,670
Deferred tax assets	4,850	5,495
Customers' liability for acceptances and guarantees	25,539	24,452
Allowance for doubtful accounts	(10,466)	(11,718)
<b>Total assets</b>	<b>57,306,108</b>	<b>55,165,611</b>
<b>Liabilities:</b>		
Policy reserves and other reserves:	48,511,118	47,475,286
Reserve for outstanding claims	196,895	207,375
Policy reserves	47,192,964	46,162,817
Reserve for dividends to policyholders	1,121,258	1,105,093
Reinsurance payables	162	308
Corporate bonds	157,040	157,040
Other liabilities	2,307,412	2,376,234
Accrued bonuses for directors and corporate auditors	33	52
Accrued retirement benefits	394,448	435,879
Accrued retirement benefits for directors and corporate auditors	4,413	4,472
Reserve for program points	12,383	9,564
Reserve for price fluctuations in investments in securities	614,737	427,529
Deferred tax liabilities	352,998	124,185
Deferred tax liabilities for land revaluation	129,143	129,132
Acceptances and guarantees	25,539	24,452
<b>Total liabilities</b>	<b>52,509,430</b>	<b>51,164,139</b>
<b>Net assets:</b>		
Foundation funds	250,000	300,000
Reserve for redemption of foundation funds	1,000,000	950,000
Reserve for revaluation	651	651
Consolidated surplus	385,760	424,922
Total foundation funds and others	1,636,412	1,675,573
Net unrealized gains on available-for-sale securities, net of tax	3,376,672	2,509,186
Deferred losses on derivatives under hedge accounting	(139,871)	(74,128)
Land revaluation differences	(83,922)	(84,481)
Foreign currency translation adjustments	(6,626)	(37,957)
Total accumulated other comprehensive income	3,146,250	2,312,619
Minority interests	14,015	13,278
<b>Total net assets</b>	<b>4,796,677</b>	<b>4,001,471</b>
<b>Total liabilities and net assets</b>	<b>57,306,108</b>	<b>55,165,611</b>

## Basis of Presenting the Consolidated Balance Sheet as of December 31, 2013

1. Previously, tangible fixed assets of the Parent Company were depreciated mainly based on the declining-balance method. From the three months ended June 30, 2013, the depreciation method for buildings and others was changed to the straight-line method.

This change was made because the Company determined that straight-line depreciation over the useful lives of buildings better reflects the future use of tangible fixed assets given that the Company now expects to make more consistent use of buildings and others over the long term. The decision reflects several factors. First, investment in remodeling and renovations, which slow the aging of real estate, now represent a relatively higher share of the Company's investment. Remodeling and renovations have progressively replaced the acquisition and construction of new buildings, which now represent a lower share of investment. Previously, acquisitions and construction of new buildings accounted for the bulk of investment, and therefore the declining-balance method of depreciation was adopted as a depreciation method suited to the use of these assets. Second, the Company has recently formulated standards such as an overall building renovation plan and specifications for renovation work in order to conduct real estate renovations more systematically. Following the completion during the three months ended June 30, 2013, of the development of a system for depreciating fixed assets in support of these changes, the Company decided to change the depreciation method for tangible fixed assets.

As a result, ordinary profit and surplus before income taxes and minority interests both increased by ¥2,196 million compared with the previous depreciation method.

Furthermore, in the course of formulating the above overall building renovation plan, the Company surveyed the remaining useful lives and residual values of buildings and others. Consequently, in conjunction with the change in depreciation method, the Company revised these parameters to better reflect actual conditions.

Accordingly, the Company adjusted certain useful lives and residual values from the three months ended June 30, 2013.

As a result, ordinary profit and surplus before income taxes and minority interests both increased by ¥5,469 million compared with the previous depreciation method.

2. The Company plans to apply the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25) from March 31, 2014. The revised accounting standard permits the determination of retirement benefit obligations and service costs from the start of fiscal years beginning on or after April 1, 2013. Accordingly, from the three months ended June 30, 2013, the Company changed the periodic allocation method of estimated retirement benefits from the straight-line basis to the benefit formula basis.

As a result of this change, consolidated surplus, as of April 1, 2013, the start of the current fiscal year, increased by ¥24,705 million. Ordinary profit and surplus before income taxes and minority interests for the nine months ended December 31, 2013, both increased by ¥1,168 million.

3. The corporate tax, inhabitant tax, and income tax adjustments of the Parent Company for the nine months ended December 31, 2013, 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.
4. Changes in the reserve for dividends to policyholders included in policy reserves for the nine months ended December 31, 2013, were as follows:

	Million Yen
	Nine months ended December 31, 2013
a. Balance at the beginning of the current fiscal year	¥1,105,093
b. Transfer to reserve from consolidated surplus in the previous fiscal year	¥167,172
c. Dividends to policyholders paid out in the current nine-month period	¥169,708
d. Increase in interest	¥18,701
e. Balance at the end of the current nine-month period (a+b-c+d)	¥1,121,258

5. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to the reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act as of December 31, 2013.
6. The amount of securities lent under lending agreements was ¥3,153,596 million as of December 31, 2013.

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

## [Consolidated Statements of Income]

(Million Yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2012
Ordinary income:	5,047,159	4,975,889
Revenues from insurance and reinsurance	3,548,320	3,794,959
Investment income:	1,323,205	1,019,768
Interest, dividends, and other income	927,661	872,595
Gain from assets held in trust, net	5	10
Gain on sales of securities	253,118	92,623
Gain from separate accounts, net	138,852	40,827
Other ordinary income	175,633	161,161
Ordinary expenses:	4,658,322	4,750,676
Benefits and other payments:	2,812,537	2,650,228
Death and other claims	759,090	796,733
Annuity payments	636,059	500,064
Health and other benefits	568,316	594,202
Surrender benefits	646,356	613,343
Other refunds	201,856	145,061
Provision for policy reserves:	1,049,362	990,365
Provision for policy reserves	1,030,660	970,794
Provision for interest on reserve for dividends to policyholders	18,701	19,571
Investment expenses:	124,792	396,237
Interest expenses	6,082	2,963
Loss on sales of securities	36,019	42,870
Loss on valuation of securities	4,753	189,888
Loss on derivative financial instruments, net	31,312	105,490
Operating expenses	431,032	433,275
Other ordinary expenses	240,597	280,569
Ordinary profit	388,837	225,212
Extraordinary gains:	2,598	4,330
Gain on disposals of fixed assets	2,598	3,768
Reversal of reserve for loss on disaster	—	173
Other extraordinary gains	—	388
Extraordinary losses:	194,604	52,437
Loss on disposals of fixed assets	4,701	19,306
Impairment losses	1,268	8,850
Provision for reserve for price fluctuations in investments in securities	187,208	22,853
Contributions for assisting social public welfare	1,427	1,427
Surplus before income taxes and minority interests	196,830	177,106
Income taxes - current	135,654	12,704
Income taxes - deferred	(96,777)	21,037
Total income taxes	38,876	33,742
Surplus before minority interests	157,953	143,364
Minority interests	710	429
Net surplus	157,243	142,934

Notes to the Consolidated Statement of Income for the Nine Months Ended December 31, 2013

1. Impairment losses are as follows:

1) Method for grouping the assets

Leased property and idle property are classified as one asset group per structure. 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 market 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, 2013, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Leased property	¥786	¥307	¥1,093
Idle property	¥135	¥39	¥174
Total	¥921	¥346	¥1,268

4) Calculation method of recoverable amount

The recoverable amount used in 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 in principle 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, 2013, was ¥46,319 million. There was no amortization of goodwill for the nine months ended December 31, 2013.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2012
Surplus before minority interests	157,953	143,364
Other comprehensive income (loss):	827,171	352,901
Net unrealized gains on available-for-sale securities, net of tax	863,808	395,451
Deferred losses on derivatives under hedge accounting	(65,743)	(45,206)
Land revaluation differences	(20)	(11)
Foreign currency translation adjustments	27,789	3,427
Share of other comprehensive income (loss) of associates accounted for under the equity method	1,336	(759)
Comprehensive income:	985,125	496,265
Comprehensive income attributable to the Parent Company	984,335	495,797
Comprehensive income attributable to minority interests	789	467

## (6) Consolidated Solvency Margin Ratio

(Million Yen)

	As of December 31, 2013	As of March 31, 2013
Solvency margin gross amount (A):	9,456,878	8,033,068
Foundation funds ( <i>kikin</i> ) and other reserve funds:	3,578,982	3,063,443
Foundation funds and others	1,658,332	1,525,455
Reserve for price fluctuations in investments in securities	614,737	427,529
Contingency reserve	976,530	780,154
Extraordinary contingency funds	—	—
General allowance for doubtful accounts	7,059	7,980
Others	322,322	322,322
Net unrealized gains on available-for-sale securities × 90%	4,366,825	3,279,032
Net unrealized (losses) gains on real estate × 85% (100% in the case of net unrealized losses)	(6,185)	(8,620)
Excess of continued Zillmerized reserve	1,562,371	1,602,347
Qualifying subordinated debt	157,040	157,040
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(96,732)	(92,877)
Others	(105,423)	32,704
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$	2,412,560	2,240,396
Underwriting risk (R <sub>1</sub> )	132,431	135,383
General underwriting risk (R <sub>5</sub> )	—	—
Huge disaster risk (R <sub>6</sub> )	—	—
Underwriting risk of third-sector insurance (R <sub>8</sub> )	76,760	75,959
Underwriting risk related to small amount and short-term insurance providers (R <sub>9</sub> )	—	—
Anticipated yield risk (R <sub>2</sub> )	391,165	394,708
Minimum guarantee risk (R <sub>7</sub> )	5,891	7,382
Investment risk (R <sub>3</sub> )	1,954,994	1,780,222
Business management risk (R <sub>4</sub> )	51,224	47,873
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	783.9%	717.1%

Notes: 1. The amounts and figures as of March 31, 2013, are calculated based on the provisions of Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and Financial Services Agency Public Notice No. 23 of 2011.

Those as of December 31, 2013, 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, 2013, the Company and its consolidated subsidiaries engaged in insurance 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.