February 7, 2014

Financial Results for the Six Months Ended September 30, 2013

Nippon Life Insurance Company (the “Company” or the “Parent Company”; President: Yoshinobu Tsutsui) announces financial results for the six months ended September 30, 2013.

[Contents]

Financial Summary for the Six Months Ended September 30, 2013

Attached: Supplementary Materials for the Six Months Ended September 30, 2013

1. Business Highlights

(1) Amount of Policies in Force and New Policies

- Policies in Force

	As of September 30, 2013				As of March 31, 2013	
	Number of policies		Amount of policies		Number of policies	Amount of policies
	(thousands)	As a percentage of March 31, 2013 (%)	(100 million yen)	As a percentage of March 31, 2013 (%)	(thousands)	(100 million yen)
Individual insurance	16,374	111.4	1,530,633	97.9	14,696	1,563,132
Individual annuities	3,238	100.8	199,807	101.5	3,214	196,825
Group insurance	—	—	925,242	100.6	—	919,609
Group annuities	—	—	111,112	101.8	—	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 September 30, 2013, would be 14,516 thousand policies and as of March 31, 2013, would be 14,506 thousand policies.

- New Policies

	Six months ended September 30, 2013						Six months ended September 30, 2012			
	Number of policies		Amount of policies				Number of policies	Amount of policies		
	(thousands)	As a percentage of six months ended September 30, 2012 (%)	(100 million yen)	As a percentage of six months ended September 30, 2012 (%)	New policies	Net increase by conversion	(thousands)	(100 million yen)	New policies	Net increase by conversion
Individual insurance	2,393	103.7	33,954	96.4	37,721	(3,767)	2,307	35,230	36,881	(1,650)
Individual annuities	108	118.8	7,699	121.1	7,521	178	91	6,356	6,368	(12)
Group insurance	—	—	2,489	140.2	2,489		—	1,776	1,776	
Group annuities	—	—	10	16.2	10		—	67	67	

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 six months ended September 30, 2013, would be 677 thousand policies and in the six months ended September 30, 2012, would be 650 thousand policies.

(2) Annualized Net Premium

- Policies in Force

(100 Million Yen, %)

	As of September 30, 2013	As a percentage of March 31, 2013	As of March 31, 2013
Individual insurance	23,859	100.5	23,752
Individual annuities	8,298	98.7	8,409
Total	32,157	100.0	32,162
Medical coverages, living benefits, and others.	5,940	100.3	5,923

- New Policies

(100 Million Yen, %)

	Six months ended September 30, 2013	As a percentage of six months ended September 30, 2012	Six months ended September 30, 2012
Individual insurance	1,020	100.5	1,014
Individual annuities	253	109.1	232
Total	1,274	102.1	1,247
Medical coverages, living benefits, etc.	206	104.5	197

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.

(3) Major Profit and Loss Items

(100 Million Yen, %)

	Six months ended September 30, 2013	As a percentage of six months ended September 30, 2012	Six months ended September 30, 2012
Revenues from insurance and reinsurance	23,721	92.7	25,596
Investment income	9,166	142.1	6,451
Benefits and other payments	18,909	106.6	17,738
Investment expenses	911	20.6	4,424
Ordinary profit	2,841	198.6	1,430

(4) Total Assets

(100 Million Yen, %)

	As of September 30, 2013	As a percentage of March 31, 2013	As of March 31, 2013
Total assets	557,115	101.5	548,828

2. Overview of General Accounts Asset Management for the Six Months Ended September 30, 2013

(1) Investment Environment

In the six months ended September 30, 2013, the Japanese economy grew steadily at the beginning of the fiscal year, backed by such factors as a moderate pickup in exports, which were supported by robust overseas economies, and an upturn in consumer spending. From the summer, while the pace of improvement in exports slowed, the Japanese economy continued to grow, underpinned mainly by firm public works spending, and increased housing investment resulting from a rush to buy ahead of the impending consumption tax rate hike.

- The Nikkei Stock Average started the fiscal year at ¥12,397. Thereafter, it increased sharply through to mid-May, spurred principally by the Bank of Japan’s quantitative and qualitative monetary easing. Thereafter, the Nikkei Stock Average dropped back below the ¥13,000 level at one stage due to a give-back following its rapid ascent and a risk-off mood caused by prospects of the U.S. scaling back (tapering) asset purchases. Toward the end of September, however, the Nikkei Stock Average rose gently, finishing the month at ¥14,455, on expectations of improved corporate earnings, U.S. tapering being pushed back, and other factors.
- The yield rate on 10-year government bonds began the period at 0.56%. Subsequently, it increased temporarily to 1.0% in late-May mainly due to signs the U.S. would begin tapering, despite a rapid decline prompted by the Bank of Japan’s additional easing measures. Subsequently, the yield rate drifted lower, finishing at 0.68% at the end of September, amid slowly emerging effects of the Bank of Japan’s efforts to push rates down by buying government bonds.
- The yen-U.S. dollar foreign exchange rate depreciated to the ¥103 level through late-May, mainly due to the Bank of Japan’s monetary easing. In June, the yen appreciated to the ¥93 level amid growing moves to avoid risk. From July onwards, the rate was range-bound between ¥96 and around ¥100, amid speculation about U.S. tapering and uncertainty surrounding the outlook for U.S. fiscal talks. At the end of September, the yen was ¥97.75 against the U.S. dollar.
  Regarding the yen-euro foreign exchange rate, the yen depreciated against the euro to the ¥133 level through mid-May for much the same reasons as the yen-U.S. rate, before strengthening to the ¥124 level in June. The yen then resumed its slide from July against the backdrop of improving Eurozone economic sentiment and a large current account surplus. At the end of September, the yen was ¥131.87 against the euro.

(2) Investment Policy

Based on the Company’s Asset Liability Management (ALM) philosophy of comprehensively controlling assets and liabilities, the Company has built a portfolio founded on mid- to long-term investments 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, to improve profit in the mid- to long-term from the viewpoint of paying out profits as dividends to policyholders, the Company has invested in stocks and foreign securities within the scope of acceptable risk while taking into account business stability. From the perspective of diversifying profit-making opportunities while paying attention to asset allocation and risks, the Company is steadily pursuing investment areas, such as corporate bonds and securitized products that can yield surplus income, private equities, and hedge funds.

(3) Status of Investment Income/Expense

Investment income was ¥843.9 billion, up from ¥645.1 billion in the six months ended September 30, 2012. This increase mainly reflected a higher gain on sales of securities, mainly domestic stocks.

Investment expenses amounted to ¥91.1 billion, down from ¥404.8 billion in the six months ended September 30, 2012. This decrease mainly reflected a decline in loss on valuation of securities, mainly domestic stocks.

As a result, the Company’s asset management income and expense balance increased by ¥512.5 billion, compared to the same period of the previous fiscal year, to ¥752.8 billion.

3. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of September 30, 2013		As of March 31, 2013	
	Amount	%	Amount	%
Cash, deposits, and call loans	4,757	0.9	6,498	1.2
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	1,440	0.3	1,507	0.3
Monetary receivables purchased	6,202	1.1	7,563	1.4
Proprietary trading securities	—	—	—	—
Assets held in trust	—	—	—	—
Investments in securities:	423,262	77.7	412,012	76.8
Domestic bonds	213,433	39.2	208,906	38.9
Domestic stocks	71,718	13.2	66,748	12.4
Foreign securities:	131,489	24.1	131,987	24.6
Foreign bonds	97,278	17.9	98,209	18.3
Foreign stocks and other securities	34,210	6.3	33,777	6.3
Other securities	6,620	1.2	4,370	0.8
Loans:	85,907	15.8	85,818	16.0
Policy loans	8,081	1.5	8,354	1.6
Industrial and consumer loans	77,825	14.3	77,463	14.4
Real estate:	16,357	3.0	16,600	3.1
Investment property	10,098	1.9	10,269	1.9
Deferred tax assets	—	—	—	—
Other assets	7,130	1.3	6,527	1.2
Allowance for doubtful accounts	(80)	(0.0)	(87)	(0.0)
Total assets (General account)	544,978	100.0	536,440	100.0
Foreign currency-denominated assets	110,491	20.3	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 (¥1,025.2 billion and ¥1,212.0 billion as of September 30, 2013, and March 31, 2013, respectively).

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

(2) Increases / Decreases in Assets

(100 Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
Cash, deposits, and call loans	(1,740)	(1,263)
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	(67)	(1,219)
Monetary receivables purchased	(1,360)	(292)
Proprietary trading securities	—	—
Assets held in trust	—	—
Investments in securities:	11,249	3,354
Domestic bonds	4,527	5,999
Domestic stocks	4,969	(7,745)
Foreign securities:	(497)	4,769
Foreign bonds	(931)	3,130
Foreign stocks and other securities	433	1,638
Other securities	2,249	331
Loans:	89	(1,023)
Policy loans	(272)	(325)
Industrial and consumer loans	361	(697)
Real estate:	(242)	(282)
Investment property	(171)	(248)
Deferred tax assets	—	660
Other assets	603	(684)
Allowance for doubtful accounts	6	49
Total assets (General account)	8,538	(700)
Foreign currency-denominated assets	1,386	2,244

Notes: 1. Increases/decreases in cash received as collateral under securities lending transactions are as follows:
¥(186.7 billion) and ¥(73.7 billion) for the six months ended September 30, 2013, and September 30, 2012, respectively.
2. Real estate is the sum of land, buildings, and construction in progress.

(3) Investment Income

(100 Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
Interest, dividends, and other income:	6,401	6,007
Interest on deposits and savings	1	1
Interest on securities and dividends	5,047	4,600
Interest on loans	869	881
Real estate rental income	397	419
Other income	85	104
Gain on proprietary trading securities	—	—
Gain on assets held in trust, net	0	0
Gain on sales of securities:	2,028	286
Gain on sales of domestic bonds including national government bonds	140	24
Gain on sales of domestic stocks and other securities	1,868	160
Gain on sales of foreign securities	20	101
Other gains	—	—
Gain on redemptions of securities	1	1
Gain on derivative financial instruments, net	—	109
Foreign exchange gains, net	—	—
Reversal of allowance for doubtful accounts	6	42
Other investment income	1	3
Total	8,439	6,451

(4) Investment Expenses

(100 Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
Interest expenses	40	11
Loss on proprietary trading securities	—	—
Loss on assets held in trust, net	—	—
Loss on sales of securities:	285	209
Loss on sales of domestic bonds including national government bonds	14	0
Loss on sales of domestic stocks and other securities	119	82
Loss on sales of foreign securities	151	126
Other losses	0	—
Loss on valuation of securities:	47	3,479
Loss on valuation of domestic bonds including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	37	3,005
Loss on valuation of foreign securities	9	473
Other losses	—	—
Loss on redemptions of securities	159	126
Loss on derivative financial instruments, net	207	—
Foreign exchange losses, net	5	14
Provision for allowance for doubtful accounts	—	—
Write-offs of loans	—	0
Depreciation of rental real estate and other assets	76	119
Other investment expenses	88	87
Total	911	4,048

(5) Net Valuation Gains/Losses on Trading Securities

No net valuation gains/losses as of September 30, 2013, or March 31, 2013.

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

(100 Million Yen)

	As of September 30, 2013					As of March 31, 2013				
	Book value	Market value	Net gains/ losses	Gains	Losses	Book value	Market value	Net gains/ losses	Gains	Losses
Policy-reserve-matching bonds	199,021	215,860	16,839	16,954	(114)	196,034	216,599	20,565	20,659	(94)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	77	238	161	161	—	77	444	367	367	—
Available-for-sale securities:	176,540	218,794	42,253	43,788	(1,535)	176,735	213,053	36,317	39,132	(2,814)
Domestic bonds	20,330	21,155	825	854	(29)	19,683	20,670	987	1,005	(18)
Domestic stocks	40,726	69,351	28,625	29,704	(1,079)	43,058	64,377	21,319	23,926	(2,607)
Foreign securities:	107,264	119,603	12,339	12,734	(395)	106,674	120,346	13,671	13,815	(144)
Foreign bonds	88,440	96,457	8,016	8,362	(345)	87,545	97,391	9,845	9,966	(121)
Foreign stocks and other securities	18,823	23,146	4,322	4,372	(49)	19,128	22,954	3,826	3,849	(22)
Other securities	5,888	6,351	463	494	(31)	3,746	4,086	339	384	(44)
Monetary receivables purchased	281	281	(0)	—	(0)	582	582	(0)	—	(0)
Negotiable certificates of deposit	2,050	2,049	(0)	—	(0)	2,990	2,989	(0)	0	(0)
Total	375,638	434,893	59,254	60,904	(1,649)	372,846	430,097	57,250	60,159	(2,909)
Domestic bonds	212,608	229,815	17,207	17,350	(143)	207,918	228,888	20,969	21,078	(108)
Domestic stocks	40,726	69,351	28,625	29,704	(1,079)	43,058	64,377	21,319	23,926	(2,607)
Foreign securities:	108,162	120,703	12,540	12,935	(395)	107,569	121,652	14,082	14,226	(144)
Foreign bonds	89,261	97,318	8,056	8,401	(345)	88,364	98,253	9,889	10,010	(121)
Foreign stocks and other securities	18,901	23,385	4,484	4,533	(49)	19,205	23,398	4,193	4,216	(22)
Other securities	5,888	6,351	463	494	(31)	3,746	4,086	339	384	(44)
Monetary receivables purchased	6,203	6,621	417	418	(0)	7,563	8,102	538	543	(4)
Negotiable certificates of deposit	2,050	2,049	(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 September 30, 2013	As of March 31, 2013
Policy-reserve-matching bonds		—	—
Held-to-maturity debt securities:		—	—
	Unlisted foreign bonds	—	—
	Others	—	—
Investments in subsidiaries and affiliates		2,914	2,859
Available-for-sale securities:		10,513	10,433
	Unlisted domestic stocks (excluding over-the-counter stocks)	1,988	1,992
	Unlisted foreign stocks (excluding over-the-counter stocks)	6,824	6,824
	Unlisted foreign bonds	—	—
	Others	1,699	1,616
Total		13,427	13,292

Note: Of securities without market value, the net gains (losses) on currency valuation of assets denominated in foreign currencies were as follows: ¥6.7 billion and ¥(0.1 billion) as of September 30, 2013, and March 31, 2013, respectively.

(7) Market Value Information of Assets Held in Trust

- Assets Held in Trust for Investment

  No ending balance as of September 30, 2013, or March 31, 2013.

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

  No ending balance as of September 30, 2013, or March 31, 2013.

4. Nonconsolidated Balance Sheets

(Million Yen)

	As of September 30, 2013	As of March 31, 2013
Assets:		
Cash and deposits	381,762	502,956
Call loans	164,100	203,900
Receivables under securities borrowing transactions	144,007	150,709
Monetary receivables purchased	620,295	756,320
Investments in securities:	43,425,501	42,274,197
National government bonds	17,011,717	16,543,499
Local government bonds	1,546,675	1,586,508
Corporate bonds	3,122,568	3,092,231
Domestic stocks	7,389,628	6,917,409
Foreign securities	13,542,074	13,556,511
Loans:	8,590,711	8,581,801
Policy loans	808,183	835,460
Industrial and consumer loans	7,782,527	7,746,341
Tangible fixed assets	1,650,531	1,676,301
Intangible fixed assets	179,451	184,990
Reinsurance receivables	64	222
Other assets	536,981	530,894
Customers' liability for acceptances and guarantees	26,175	29,233
Allowance for doubtful accounts	(8,018)	(8,704)
Total assets	55,711,562	54,882,824
Liabilities:		
Policy reserves and other reserves:	48,192,965	47,470,205
Reserve for outstanding claims	188,748	203,848
Policy reserves	46,845,957	46,161,263
Reserve for dividends to policyholders	1,158,260	1,105,093
Reinsurance payables	181	271
Corporate bonds	157,040	157,040
Other liabilities:	1,707,959	2,147,917
Cash received as collateral under securities lending transactions	1,025,226	1,212,021
Income taxes payable	88,275	45,091
Lease obligations	3,765	4,262
Asset retirement obligations	2,019	2,035
Other liabilities	588,672	884,505
Accrued bonuses for directors and corporate auditors	16	52
Accrued retirement benefits	393,187	433,184
Accrued retirement benefits for directors and corporate auditors	4,239	4,374
Reserve for program points	12,121	9,564
Reserve for price fluctuations in investments in securities	586,105	427,529
Deferred tax liabilities	224,409	123,652
Deferred tax liabilities for land revaluation	129,404	129,132
Acceptances and guarantees	26,175	29,233
Total liabilities	51,433,805	50,932,158

4. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of September 30, 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:	248,926	350,577
Legal reserve for deficiencies	13,270	12,571
Other surplus reserves:	235,656	338,006
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	548	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	120,294	231,016
Total foundation funds and others	1,499,577	1,601,228
Net unrealized gains on available-for-sale securities, net of tax	2,945,608	2,508,046
Deferred losses on derivatives under hedge accounting	(84,012)	(74,128)
Land revaluation differences	(83,417)	(84,481)
Total valuations, conversions, and others	2,778,179	2,349,436
Total net assets	4,277,757	3,950,665
Total liabilities and net assets	55,711,562	54,882,824

Basis of Presenting the Nonconsolidated Balance Sheet as of September 30, 2013

1. (1) Securities (including items such as deposits and monetary receivables purchased which are treated as securities based on the "Accounting Standards for Financial Instruments" (ASBJ* Statement No. 10) and securities within assets held in trust) are valued as follows:

    1) Trading securities are stated at market value on the balance sheet date. The moving-average method is used for calculating cost of sales.

    2) Held-to-maturity debt securities are valued using the moving-average method, net of accumulated amortization (straight-line).

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

    5) Available-for-sale securities

    a. For securities with a market value, stocks (including foreign stocks) are valued by using the average market value during the period of one month before the balance sheet date (cost of sales is calculated by using the moving-average method). Other securities with a market value are valued by using the market value on the balance sheet date (cost of sales is calculated by using the moving-average method).

    b. For securities of which the market value is extremely difficult to determine, public and corporate bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustments are valued using the moving-average method, net of accumulated amortization (straight-line). Other securities are valued using the moving-average method.

(2) Unrealized gains/losses, net of applicable taxes, are recorded in a separate component of net assets.

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* ASBJ: The Accounting Standards Board of Japan

** JICPA: Japanese Institute of Certified Public Accountants

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

3. Derivative financial instruments are stated at market value.

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.

b. Lease assets

(i) Lease assets related to financial leases where ownership is transferred

The same depreciation method applied to fixed assets owned by the Company.

(ii) Lease assets related to financial leases where ownership is not transferred

Straight-line method based on lease period.

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

This change was made because the Company has decided that straight-line depreciation over the useful lives of buildings will better reflect 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 six months ended September 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 ¥1,418 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 has adjusted certain useful lives and residual values from the six months ended September 30, 2013.
As a result, ordinary profit and surplus before income taxes both increased by ¥3,633 million compared with the previous depreciation method.

(2) Software, which is included within intangible fixed assets, is amortized using the straight-line method.

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using 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 recovery is not expected, are converted to Japanese yen using either the rate on the balance sheet date or the average one month rate prior to the balance sheet date, whichever indicates a weaker yen. This 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.
1) The allowance for loans from 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 disposal of collateral or execution of guarantees from the balance of loans (as mentioned at (3) below).
2) The allowance for loans from borrowers who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of 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) The allowance for loans from borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

(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 Dept. 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 ¥749 million (including ¥294 million of credits secured and/or guaranteed) as of September 30, 2013.

7. Accrued bonuses for directors and corporate auditors are recognized based on amounts estimated to be paid.

8. Accrued retirement benefits are recognized in the amount of the deemed obligations on September 30, 2013, based on the estimated amount of projected benefit obligations in excess of the market value of pension plan assets for future severance payments to employees on the balance sheet date of the current fiscal year. However, 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 cost from the start of fiscal years beginning on or after April 1, 2013. Accordingly, from the six months ended September 30, 2013, the Company has 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 six months ended September 30, 2013, both increased by ¥779 million.

9. Accrued retirement benefits for directors and corporate auditors are recognized based on estimated payment amounts under internal rules.

10. 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. Reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.

12. Financial leases where ownership is not transferred are capitalized based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13). Financial leases where the Company is the lessee, ownership is not transferred, and the lease start date is March 31, 2008, or prior, are accounted for under the accounting treatment applied to ordinary operating leases.

13. Hedge accounting is applied based on the following method:
    1) The Company mainly applies the mark-to-market method of hedge accounting and deferred hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds denominated in foreign currencies. The Company also applies the exceptional accounting treatment (*"Tokurei-shori"*) for interest rate swaps to hedge the cash flow volatility of certain loans and applies designated hedge accounting (*"Furiate-shori"*) for foreign exchange forward contracts and currency swaps for certain financial assets denominated in foreign currencies.

2) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of market value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company’s internal risk management policies.

14. Consumption taxes and local consumption taxes are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and that 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 as of September 30, 2013.

15. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy 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 a portion of the individual annuity policyholders.
    1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (Ordinance No. 48 issued by the Ministry of Finance in 1996).
    2) Reserves for other contracts 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, 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.

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

(Million Yen)

	Balance sheet amount (*1)	Market value (*2)	Difference
Cash and deposits (negotiable certificates of deposit)	204,999	204,999	—
Available-for-sale securities	204,999	204,999	—
Monetary receivables purchased	620,295	662,101	41,805
Policy-reserve-matching bonds	592,135	633,941	41,805
Available-for-sale securities	28,159	28,159	—
Securities	42,063,267	43,721,572	1,658,305
Trading securities	1,099,292	1,099,292	—
Policy-reserve-matching bonds	19,309,983	20,952,123	1,642,140
Investments in subsidiaries and affiliates	7,711	23,876	16,165
Available-for-sale securities	21,646,280	21,646,280	—
Loans (*3)	8,584,208	8,838,583	254,375
Policy loans	808,011	808,011	—
Industrial and consumer loans	7,776,197	8,030,572	254,375
Derivative financial instruments (*4)	(151,855)	(151,855)	—
Hedge accounting not applied	(2,032)	(2,032)	—
Hedge accounting applied	(149,822)	(149,822)	—
Corporate bonds (*3,*5)	(157,040)	(163,198)	(6,158)
Cash received as collateral under securities lending transactions (*5)	(1,025,226)	(1,025,226)	—

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.

(*2) For securities for which impairment losses were recognized in the six months ended September 30, 2013, the market value is the balance sheet amount after the impairment losses are deducted.

(*3) The market values of derivative financial instruments that are interest rate swaps under exceptional accounting treatment (*"Tokurei-shori"*) or currency swaps under designated hedge accounting ("*Furiate-shori*") are included in the market values of loans because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.

(*4) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in brackets.

(*5) Cash received as collateral under corporate bonds and securities lending transactions is recorded in liabilities and presented in brackets.

(2) Market value measurement methods for major financial instruments are as follows:

1) Securities, deposits, and monetary receivables purchased treated as securities based on the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10)

a. Items with a market price

Market value is measured based on the closing market price on the balance sheet date. However, the market 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

Market value is measured mainly by discounting future cash flows to the present value.

2) Loans

a. Policy loans

Market value is deemed to approximate book value, due to no repayment deadlines based on characteristics such as limiting loans to the surrender benefit range, expected reimbursement periods and interest rate requirements, and other characteristics. Thus, the book value is used as the market value of the policy loans.

b. Industrial and consumer loans

Market value of variable interest rate loans is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, the book value is used as the market value of the variable interest rate loans.

Market value of fixed interest rate loans is measured mainly by discounting future cash flows to the present value.

Loans from 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 uncollectable amount from the book value directly prior to the decrease.

3) Derivative financial instruments

a. Market value of futures and other market transactions is measured by the liquidation value or closing market price on the balance sheet date.

b. Market value of stock options is measured by the value obtained from financial institutions that are the counterparties in such transactions.

c. Market value of exchange contracts and currency options is measured based on theoretical values calculated by the Company using Telegraphic Transfer Middle rates (TTM) and discount rates obtained from financial institutions that are the counterparties in such transactions.

d. Market value of interest rate swaps and currency swaps is measured based on theoretical present values calculated by discounting future cash flows using published market interest rates and other data.

4) Corporate bonds

Corporate bonds are stated at market value on the balance sheet date.

5) Cash received as collateral under securities lending transactions

The book value is used as market value due to their short-term settlement.

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items without market value are not included in the securities in the table in (1) above.

Balance sheet amounts by holding purpose were ¥291,465 million for stocks of subsidiaries and affiliates, and ¥1,070,767 million for available-for-sale securities as of September 30, 2013.

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

1) Trading securities

Investments in securities for separate accounts are classified as trading securities.

Valuation differences included in profit were losses of ¥109,822 million for securities related to separate accounts.

2) Held-to-maturity debt securities

No ending balance as of September 30, 2013.

3) Policy-reserve-matching bonds

Balance sheet amounts, market values, and their differences by type are as follows:

(Million Yen)

	Type	Balance sheet amount	Market value	Difference
Market value exceeds the balance sheet amount	Monetary receivables purchased	585,412	627,305	41,893
	Domestic bonds	18,805,505	20,455,086	1,649,581
	Foreign securities	81,563	85,521	3,957
	Subtotal	19,472,481	21,167,913	1,695,431
Market value does not exceed the balance sheet amount	Monetary receivables purchased	6,722	6,635	(87)
	Domestic bonds	422,303	410,906	(11,397)
	Foreign securities	610	608	(1)
	Subtotal	429,636	418,150	(11,486)
Total		19,902,118	21,586,064	1,683,945

4) Available-for-sale securities

Acquisition cost or amortized cost, 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	Domestic bonds	1,932,656	2,018,134	85,477
	Domestic stocks	3,328,939	6,299,426	2,970,487
	Foreign securities	8,778,339	10,051,815	1,273,476
	Other securities	544,447	593,888	49,441
	Subtotal	14,584,383	18,963,266	4,378,882
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	205,000	204,999	(0)
	Monetary receivables purchased	28,166	28,159	(6)
	Domestic bonds	100,359	97,453	(2,906)
	Domestic stocks	743,662	635,716	(107,945)
	Foreign securities	1,948,066	1,908,539	(39,527)
	Other securities	44,423	41,304	(3,118)
	Subtotal	3,069,678	2,916,172	(153,505)
Total		17,654,061	21,879,438	4,225,377

* Items with ¥1,070,767 million whose market value is extremely difficult to determine are not included.

¥3,697 million in impairment losses was recognized for items with a market value during the six months ended September 30, 2013.

Regarding stocks (including foreign stocks) with market value, impairment losses are recognized for stocks whose market value has fallen significantly from the acquisition price based on the average market value in the month preceding the balance sheet date, in principle. However, in the case of a security that meets certain criteria, such as those for which the market value falls substantially and the fall in the market value in the month preceding the balance sheet date is substantial, impairment losses are recognized based on the market value on the balance sheet date.

The criteria by which the market value of a stock is judged to have fallen significantly is as follows:

a. A security for which the ratio of the average market value in the month preceding the balance sheet date to the acquisition cost is 50% or less.

b. A security that meets both of the following criteria:

1. Average market value in the month preceding the balance sheet date is between 50% and 70% of its acquisition cost.
2. The historical market value, the business condition of the issuing company, and other aspects are subject to certain requirements.

18. As of September 30, 2013, there were no significant changes in the balance sheet amounts and market 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 ¥42,845 million as of September 30, 2013.

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥2,521 million and ¥34,722 million, respectively, as of September 30, 2013.
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 since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments and interest payments are overdue for a significant period of time or for other reasons.
Delinquent loans are loans with interest not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.

2) The balance of loans that are delinquent for over three months as of September 30, 2013, was ¥23 million.
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. These loans exclude loans classified as loans to bankrupt borrowers and delinquent loans.

3) The balance of restructured loans was ¥5,578 million as of September 30, 2013.
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. These loans exclude 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 ¥334 million and ¥414 million, respectively, as of September 30, 2013.

20. The amount of accumulated depreciation of tangible fixed assets was ¥1,131,708 million as of September 30, 2013.

21. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,213,724 million as of September 30, 2013, and a corresponding liability was recorded in the same amount.

22. Changes in the reserve for dividends to policyholders included in policy reserves for the six months ended September 30, 2013, were as follows:

		Million Yen
		Six months ended September 30, 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 six-month period	¥126,513
d.	Increase in interest	¥12,508
e.	Balance at the end of the current six-month period (a+b-c+d)	¥1,158,260

23. Corporate bonds are subordinated corporate bonds which are denominated in a foreign currency with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

24. Assets pledged as collateral by securities, land, and buildings as of September 30, 2013, were ¥2,088,542 million, ¥252 million, and ¥57 million, respectively. The total amount of loans covered by the aforementioned assets as of September 30, 2013, was ¥1,025,313 million.
The amount of assets pledged as collateral by securities included ¥1,340,349 million of securities deposited and the amount of loans covered by the aforementioned assets included ¥1,025,295 million of cash received as collateral under the securities lending transactions secured by cash as of September 30, 2013.

25. 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 September 30, 2013.

26. The total amount of stocks and investments in subsidiaries was ¥299,177 million as of September 30, 2013.

27. The amount of securities lent under lending agreements was ¥3,261,135 million as of September 30, 2013.

28. Assets that can be sold or resecured are marketable securities lent under lending agreements. These assets were being held without disposal totaling ¥310,534 million at market value as of September 30, 2013.

29. The amount of commitments related to loans and loans outstanding was ¥233,938 million as of September 30, 2013.

30. 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 is estimated to be ¥85,750 million as of September 30, 2013.
The amount contributed to the said corporation is recorded within operating expenses.

31. Revaluation of land used in the operations is performed based on the Act on Revaluation of Land. The tax effect on the amount related to the valuation difference between the previous and the revalued amount for land revaluation is recognized as deferred tax liabilities within the liability section. The valuation differences, excluding tax, are recognized as land revaluation differences within the net assets section.

Revaluation Date	March 31, 2002
Revaluation Methodology	The amount is rationally calculated by using the land listed value and road rate as prescribed by Article 2, Items 1 and 4, respectively, of the Order for Enforcement of the Act on Revaluation of Land.

32. The amount of policy reserves provided for the portion of reinsurance (hereafter referred to as "policy reserves for ceded reinsurance") as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥178 million as of September 30, 2013.

5. Nonconsolidated Statements of Income

(Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
Ordinary income:	3,380,433	3,291,821
Revenues from insurance and reinsurance:	2,372,165	2,559,677
Insurance premiums	2,371,854	2,559,424
Investment income:	916,685	645,139
Interest, dividends, and other income	640,169	600,755
Gain from assets held in trust, net	1	0
Gain on sales of securities	202,850	28,659
Gain on derivative financial instruments, net	—	10,968
Gain from separate accounts, net	72,693	—
Other ordinary income	91,582	87,005
Ordinary expenses:	3,096,294	3,148,768
Benefits and other payments:	1,890,981	1,773,869
Death and other claims	513,216	543,106
Annuity payments	433,154	323,732
Health and other benefits	391,887	401,345
Surrender benefits	417,692	416,406
Other refunds	134,637	88,887
Provision for policy reserves:	697,202	483,049
Provision for policy reserves	684,693	469,958
Provision for interest on reserve for dividends to policyholders	12,508	13,091
Investment expenses:	91,124	442,442
Interest expenses	4,021	1,132
Loss on sales of securities	28,508	20,976
Loss on valuation of securities	4,752	347,926
Loss on derivative financial instruments, net	20,755	—
Loss from separate accounts, net	—	37,628
Operating expenses	278,953	280,209
Other ordinary expenses	138,031	169,197
Ordinary profit	284,139	143,053
Extraordinary gains:	2,438	3,942
Gain on disposals of fixed assets	2,438	3,554
Other extraordinary gains	—	388
Extraordinary losses:	164,476	36,874
Loss on disposals of fixed assets	3,530	9,865
Impairment losses	1,182	8,669
Provision for reserve for price fluctuations in investments in securities	158,576	17,148
Contributions for assisting social public welfare	1,188	1,188
Loss on disaster	—	4
Surplus before income taxes	122,101	110,121
Income taxes - current	96,810	(160)
Income taxes - deferred	(70,193)	18,198
Total income taxes	26,616	18,038
Net surplus	95,484	92,082

Notes to the Nonconsolidated Statement of Income for the Six Months Ended September 30, 2013

1. Gain on sales of securities includes gains on sales of domestic bonds including national government bonds, domestic stocks, and foreign securities of ¥14,030 million, ¥186,811 million, and ¥2,008 million, respectively, for the six months ended September 30, 2013.

2. Loss on sales of securities includes losses on sales of domestic bonds including national government bonds, domestic stocks, and foreign securities of ¥1,416 million, ¥11,921 million, and ¥15,162 million, respectively, for the six months ended September 30, 2013.

3. Loss on valuation of securities includes losses on the valuation of domestic stocks and foreign securities of ¥3,775 million and ¥976 million, respectively, for the six months ended September 30, 2013.

4. Reversal of policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥1 million for the six months ended September 30, 2013.

5. Breakdown of interest, dividends, and other income for the six months ended September 30, 2013 is as follows:

	Million Yen
	Six months ended September 30, 2013
Interest on deposits and savings	¥137
Interest on securities and dividends	¥504,791
Interest on loans	¥86,988
Real estate rental income	¥39,709
Other income	¥8,542
Total	¥640,169

6. 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 six months ended September 30, 2013, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Leased property	¥783	¥269	¥1,052
Idle property	¥91	¥38	¥129
Total	¥875	¥307	¥1,182

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.

6. Nonconsolidated Statements of Changes in Net Assets

(Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
Foundation funds and others:		
Foundation funds:		
Beginning balance	300,000	300,000
Increase/Decrease:		
Issuance of foundation funds	—	50,000
Redemption of foundation funds	(50,000)	(50,000)
Net change	(50,000)	—
Ending balance	250,000	300,000
Reserve for redemption of foundation funds:		
Beginning balance	950,000	900,000
Increase/Decrease:		
Additions to reserve for redemption of foundation funds	50,000	50,000
Net change	50,000	50,000
Ending balance	1,000,000	950,000
Reserve for revaluation:		
Beginning balance	651	651
Increase/Decrease		
Net change	—	—
Ending balance	651	651
Surplus:		
Legal reserve for deficiencies:		
Beginning balance	12,571	11,889
Increase/Decrease:		
Additions to legal reserve for deficiencies	699	682
Net change	699	682
Ending balance	13,270	12,571
Other surplus reserves:		
Contingency funds:		
Beginning balance	71,917	71,917
Increase/Decrease:		
Net change	—	—
Ending balance	71,917	71,917
Reserve for social public welfare assistance:		
Beginning balance	236	213
Increase/Decrease:		
Additions to reserve for social public welfare assistance	1,500	1,500
Reversal of reserve for social public welfare assistance	(1,188)	(1,188)
Net change	312	312
Ending balance	548	525

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

(Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
Reserve for reduction entry of real estate:		
Beginning balance	34,666	31,746
Increase/Decrease:		
Additions to reserve for reduction entry of real estate	9,868	3,604
Reversal of reserve for reduction entry of real estate	(1,841)	(685)
Net change	8,027	2,919
Ending balance	42,693	34,666
Reserve for reduction entry of real estate to be purchased:		
Beginning balance	—	—
Increase/Decrease:		
Additions to reserve for reduction entry of real estate to be purchased	33	—
Net change	33	—
Ending balance	33	—
Other reserves:		
Beginning balance	170	170
Increase/Decrease		
Net change	—	—
Ending balance	170	170
Unappropriated surplus:		
Beginning balance	231,016	226,344
Cumulative effect of changes in accounting policies	24,705	—
Beginning balance after retrospective application	255,722	226,344
Increase/Decrease:		
Additions to reserve for dividends to policyholders	(167,172)	(167,313)
Additions to legal reserve for deficiencies	(699)	(682)
Additions to reserve for redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(3,585)	(3,930)
Net surplus	95,484	92,082
Additions to reserve for social public welfare assistance	(1,500)	(1,500)
Reversal of reserve for social public welfare assistance	1,188	1,188
Additions to reserve for reduction entry of real estate	(9,868)	(3,604)
Reversal of reserve for reduction entry of real estate	1,841	685
Additions to reserve for reduction entry of real estate to be purchased	(33)	—
Reversal of land revaluation differences	(1,084)	3,898
Net change	(135,428)	(129,175)
Ending balance	120,294	97,168
Total surplus:		
Beginning balance	350,577	342,281
Cumulative effect of changes in accounting policies	24,705	—
Beginning balance after retrospective application	375,282	342,281
Increase/Decrease:		
Additions to reserve for dividends to policyholders	(167,172)	(167,313)
Additions to reserve for redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(3,585)	(3,930)
Net surplus	95,484	92,082
Reversal of land revaluation differences	(1,084)	3,898
Net change	(126,356)	(125,262)
Ending balance	248,926	217,018

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

(Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
Total foundation funds and others:		
Beginning balance	1,601,228	1,542,932
Cumulative effect of changes in accounting policies	24,705	—
Beginning balance after retrospective application	1,625,934	1,542,932
Increase/Decrease:		
Issuance of foundation funds	—	50,000
Additions to reserve for dividends to policyholders	(167,172)	(167,313)
Interest on foundation funds	(3,585)	(3,930)
Net surplus	95,484	92,082
Redemption of foundation funds	(50,000)	(50,000)
Reversal of land revaluation differences	(1,084)	3,898
Net change	(126,356)	(75,262)
Ending balance	1,499,577	1,467,669
Valuations, conversions, and others:		
Net unrealized gains on available-for-sale securities, net of tax:		
Beginning balance	2,508,046	1,021,724
Increase/Decrease:		
Net change, excluding foundation funds and others	437,561	(182,860)
Net change	437,561	(182,860)
Ending balance	2,945,608	838,864
Deferred losses on derivatives under hedge accounting:		
Beginning balance	(74,128)	(6,969)
Increase/Decrease:		
Net change, excluding foundation funds and others	(9,883)	11,478
Net change	(9,883)	11,478
Ending balance	(84,012)	4,509
Land revaluation differences:		
Beginning balance	(84,481)	(67,515)
Increase/Decrease:		
Net change, excluding foundation funds and others	1,064	(3,898)
Net change	1,064	(3,898)
Ending balance	(83,417)	(71,414)
Total valuations, conversions, and others:		
Beginning balance	2,349,436	947,239
Increase/Decrease:		
Net change, excluding foundation funds and others	428,742	(175,280)
Net change	428,742	(175,280)
Ending balance	2,778,179	771,959
Total net assets:		
Beginning balance	3,950,665	2,490,171
Cumulative effect of changes in accounting policies	24,705	—
Beginning balance after retrospective application	3,975,371	2,490,171
Increase/Decrease:		
Issuance of foundation funds	—	50,000
Additions to reserve for dividends to policyholders	(167,172)	(167,313)
Interest on foundation funds	(3,585)	(3,930)
Net surplus	95,484	92,082
Redemption of foundation funds	(50,000)	(50,000)
Reversal of land revaluation differences	(1,084)	3,898
Net change, excluding foundation funds and others	428,742	(175,280)
Net change	302,385	(250,543)
Ending balance	4,277,757	2,239,628

7. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
Core operating profit (A)	292,976	273,750
Capital gains:	202,852	39,628
Gain on proprietary trading securities	—	—
Gain on assets held in trust, net	1	0
Gain on trading securities	—	—
Gain on sales of securities	202,850	28,659
Gain on derivative financial instruments, net	—	10,968
Foreign exchange gains, net	—	—
Other capital gains	—	—
Capital losses:	54,596	370,327
Loss on proprietary trading securities	—	—
Loss on assets held in trust, net	—	—
Loss on trading securities	—	—
Loss on sales of securities	28,508	20,976
Loss on valuation of securities	4,752	347,926
Loss on derivative financial instruments, net	20,755	—
Foreign exchange losses, net	579	1,425
Other capital losses	—	—
Net capital gains (losses) (B)	148,256	(330,699)
Core operating profit including net capital gains (losses) (A+B)	441,232	(56,949)
Nonrecurring gains:	—	200,004
Reinsurance revenue	—	—
Reversal of contingency reserve	—	199,813
Reversal of specific allowance for doubtful accounts	—	191
Other nonrecurring gains	—	—
Nonrecurring losses:	157,093	1
Reinsurance premiums	—	—
Provision for contingency reserve	157,093	—
Provision for specific allowance for doubtful accounts	0	—
Provision for allowance for specific overseas debts	—	—
Write-offs of loans	—	1
Other nonrecurring losses	—	—
Nonrecurring gains (losses) (C)	(157,093)	200,003
Ordinary profit (A+B+C)	284,139	143,053

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

(Million Yen, %)

	As of September 30, 2013	As of March 31, 2013
Bankrupt and quasi-bankrupt loans	13,632	11,998
Doubtful loans	23,614	24,456
Substandard loans	5,601	5,599
Subtotal	42,848	42,054
[Percent of total, %]	[0.36]	[0.36]
Normal loans	11,876,234	11,737,901
Total	11,919,082	11,779,955

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

Supplemental information for borrower's 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 customer's liability for acceptances and guarantees.
- 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 bankrupt and quasi-bankrupt loans. The estimated uncollectible amounts as of September 30, 2013, and March 31, 2013, were ¥749 million and ¥831 million, respectively.

9. Status of Risk-Monitored Loans

(Million Yen, %)

	As of September 30, 2013	As of March 31, 2013
Loans to bankrupt borrowers	2,521	2,658
Delinquent loans	34,722	33,794
Loans that are delinquent for over three months	23	—
Restructured loans	5,578	5,599
Total	42,845	42,052
[Percent of total loans, %]	[0.50]	[0.49]

Notes:
1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), the estimated uncollectible amount (calculated by subtracting estimated collectable amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount.
   The amount directly deducted from loans to bankrupt borrowers and delinquent loans were ¥334 million and ¥414 million, respectively, as of September 30, 2013, and ¥449 million and ¥382 million, respectively, as of March 31, 2013.
2. Loans to bankrupt borrowers are loans with principal or interest payments being overdue for a significant period of time and interest not being accrued including the following: (a) loans to borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act, (b) loans to borrowers that have notes suspended from being traded, and (c) loans to borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.
3. Delinquent loans are loans with interest not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.
4. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months counting from the day after the due date based on the loan agreement. Note that the account does not include 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 (excluding loans to bankrupt borrowers, delinquent loans, and loans that are delinquent for over three months from above).

10. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Six months ended September 30, 2013	Year ended March 31, 2013	Change
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	4,793	5,478	(685)
(B) Specific allowance for doubtful accounts	3,225	3,226	(1)
(C) Allowance for specific overseas debts	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	3,974	4,058	(83)
(B) Reversal	3,974	4,643	(668)
[excluding reversals with write-offs]			
(C) Net provision	0	(584)	584
(3) Allowance for specific overseas debts			
(A) Number of debtor countries	—	—	—
(B) Amounts of credit	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-offs of loans	—	1	(1)

(Reference)

Status of Borrower Classification

(100 Million Yen, %)

	As of September 30, 2013		As of March 31, 2013	
	Money available	Percentage of whole	Money available	Percentage of whole
Loan balances (After direct write-offs of category IV)	85,907	100.0	85,818	100.0
Noncategorized	84,774	98.7	84,398	98.3
Category II	1,105	1.3	1,398	1.6
Category III	27	0.0	21	0.0
Category IV	—	—	—	—

Notes: 1. Specific allowances for doubtful accounts of Category III were as follows:
¥1.9 billion and ¥1.9 billion as of September 30, 2013, and March 31, 2013, respectively.
2. The amounts of direct write-offs of Category IV were as follows:
¥0.7 billion and ¥0.8 billion as of September 30, 2013, and March 31, 2013, respectively.

11. Solvency Margin Ratio

(Million Yen)

	As of September 30, 2013	As of March 31, 2013
Solvency margin gross amount (A):	8,836,462	8,027,181
Foundation funds (*kikin*) and other reserve funds:	3,350,046	2,965,956
Foundation funds and others	1,499,577	1,430,471
Reserve for price fluctuations in investments in securities	586,105	427,529
Contingency reserve	937,247	780,154
General allowance for doubtful accounts	4,793	5,478
Others	322,322	322,322
Net unrealized gains on available-for-sale securities × 90%	3,820,337	3,278,358
Net unrealized (losses) gains on real estate × 85% (100% in the case of net unrealized losses)	(5,327)	(8,685)
Excess of continued Zillmerized reserve	1,574,723	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	(1,225)	(539)
Others	(59,131)	32,704
Total amount of risk (B): $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	2,409,652	2,305,244
Underwriting risk (R_1)	133,383	135,383
Underwriting risk of third-sector insurance (R_8)	74,454	73,978
Anticipated yield risk (R_2)	392,487	394,708
Investment risk (R_3)	1,950,650	1,844,303
Minimum guarantee risk (R_7)	6,195	7,382
Business management risk (R_4)	51,143	49,115
Solvency margin ratio $\dfrac{(A)}{(1/2) \times (B)} \times 100$	733.4%	696.4%

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 for the Six Months Ended September 30, 2013

(1) Balance of Separate Account Assets

(Million Yen)

	As of September 30, 2013	As of March 31, 2013
Individual variable insurance	115,124	109,933
Individual variable annuities	115,221	132,512
Group annuities	983,378	996,372
Separate account total	1,213,724	1,238,818

(2) Policies in Force

- Individual Variable Insurance

(Million Yen)

	As of September 30, 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)	1,887	9,269	1,950	9,734
Variable insurance (whole life type)	35,783	540,436	36,096	549,291
Total	37,670	549,706	38,046	559,026

- Individual Variable Annuities

(Million Yen)

	As of September 30, 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	16,874	115,220	19,995	132,502

13. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
Ordinary income	34,346	33,464
Ordinary profit	2,895	1,546
Net surplus	975	980
Comprehensive income (loss)	5,528	(714)

	As of September 30, 2013	As of March 31, 2013
Total assets	560,024	551,656
Solvency margin ratio	754.4%	717.1%

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

	As of September 30, 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 Six Months Ended September 30, 2013

1) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and the Company's subsidiaries. Consolidated subsidiaries as of September 30, 2013, are listed as follows:

Nissay Computer Co., Ltd. (Japan)
Nissay Asset Management Corporation (Japan)
Nissay Information Technology Co., Ltd. (Japan)
Nissay Capital Co., Ltd. (Japan)
Nissay Leasing Co., Ltd. (Japan)
Nissay Credit Guarantee Co., Ltd. (Japan)
Nippon Life Insurance Company of America (U.S.A.)
NLI Properties West, Inc. (U.S.A.)
NLI Commercial Mortgage Fund, LLC (U.S.A.)
NLI Commercial Mortgage Fund II, LLC (U.S.A.)

The major subsidiaries excluded from consolidation are Nissay Card Service Co., Ltd.; Nissay Trading Service Co., Ltd.; and Nissay Business Service Co., Ltd.

The respective and aggregate effects of the companies which are excluded from consolidation, based on total assets, revenues, net income, and surplus for the six months ended September 30, 2013, are immaterial. This exclusion from consolidation does not prevent a reasonable judgment of the consolidated financial position of the Company and the Company's subsidiaries and the result of their operations.

2) Affiliates

Affiliates accounted for under the equity method as of September 30, 2013, are listed as follows:

The Master Trust Bank of Japan, Ltd. (Japan)
Corporate-Pension Business Service Co., Ltd. (Japan)
Nissay-Greatwall Life Insurance Co., Ltd. (China)
Reliance Life Insurance Company Limited (India)
Bangkok Life Assurance Public Company Limited (Thailand)

The subsidiaries not consolidated, e.g., Nissay Card Service Co., Ltd.; Nissay Trading Service Co., Ltd.; and others, and affiliates other than those listed above, e.g., Reliance Capital Asset Management Limited and others, are not accounted for under the equity method. The respective and aggregate effects of such companies on consolidated net income and surplus for the six months ended September 30, 2013, are immaterial.

The numbers of consolidated subsidiaries and affiliates as of September 30, 2013, were as follows:

Consolidated subsidiaries	10
Subsidiaries not consolidated but accounted for under the equity method	0
Affiliates accounted for under the equity method	5

3) Interim closing dates of consolidated subsidiaries

The interim closing date of consolidated overseas subsidiaries is June 30. The midterm consolidated financial statements are prepared using data as of the interim closing date, and necessary adjustments are made to reflect important transactions that occurred between the interim closing date and the consolidated balance sheet date.

(4) Consolidated Balance Sheets

(Million Yen)

	As of September 30, 2013	As of March 31, 2013
Assets:		
Cash and deposits	431,548	551,338
Call loans	164,100	203,900
Receivables under securities borrowing transactions	144,007	150,709
Monetary receivables purchased	620,295	756,320
Investments in securities	43,469,487	42,317,119
Loans	8,540,650	8,519,927
Tangible fixed assets	1,661,273	1,685,475
Intangible fixed assets	177,145	182,541
Reinsurance receivables	263	377
Other assets	773,027	779,670
Deferred tax assets	5,008	5,495
Customers' liability for acceptances and guarantees	26,360	24,452
Allowance for doubtful accounts	(10,726)	(11,718)
Total assets	56,002,441	55,165,611
Liabilities:		
Policy reserves and other reserves:	48,198,745	47,475,286
Reserve for outstanding claims	193,050	207,375
Policy reserves	46,847,435	46,162,817
Reserve for dividends to policyholders	1,158,260	1,105,093
Reinsurance payables	219	308
Corporate bonds	157,040	157,040
Other liabilities	1,902,458	2,376,234
Accrued bonuses for directors and corporate auditors	16	52
Accrued retirement benefits	396,092	435,879
Accrued retirement benefits for directors and corporate auditors	4,329	4,472
Reserve for program points	12,121	9,564
Reserve for price fluctuations in investments in securities	586,105	427,529
Deferred tax liabilities	227,722	124,185
Deferred tax liabilities for land revaluation	129,404	129,132
Acceptances and guarantees	26,360	24,452
Total liabilities	51,640,616	51,164,139
Net assets:		
Foundation funds	250,000	300,000
Reserve for redemption of foundation funds	1,000,000	950,000
Reserve for revaluation	651	651
Consolidated surplus	325,550	424,922
Total foundation funds and others	1,576,201	1,675,573
Net unrealized gains on available-for-sale securities, net of tax	2,950,708	2,509,186
Deferred losses on derivatives under hedge accounting	(84,012)	(74,128)
Land revaluation differences	(83,417)	(84,481)
Foreign currency translation adjustments	(11,516)	(37,957)
Total accumulated other comprehensive income	2,771,762	2,312,619
Minority interests	13,860	13,278
Total net assets	4,361,825	4,001,471
Total liabilities and net assets	56,002,441	55,165,611

Basis of Presenting the Consolidated Balance Sheet as of September 30, 2013

1. (1) Securities of the Parent Company (including items such as deposits and monetary receivables purchased which are treated as securities based on the “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10) and securities within assets held in trust) are valued as follows:

    1) Trading securities are stated at market value on the balance sheet date. The moving-average method is used for calculating cost of sales.

    2) Held-to-maturity debt securities are valued using the moving-average method, net of accumulated amortization (straight-line).

    3) Policy-reserve-matching bonds are valued using the moving-average method, net of accumulated amortization (straight-line) 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 by the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act excluding 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 valued using the moving-average method.

    5) Available-for-sale securities

    a. For securities with a market value, stocks (including foreign stocks) are valued by using the average market value during the period of one month before the balance sheet date (cost of sales is calculated by using the moving-average method). Other securities with a market value are valued by using the market value on the balance sheet date (cost of sales is calculated by using the moving-average method).

    b. For securities of which the market value is extremely difficult to determine, public and corporate bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustments are valued using the moving-average method, net of accumulated amortization (straight-line). Other securities are valued using the moving-average method.

   (2) Unrealized gains/losses, net of applicable taxes, are recorded in a separate component of net assets.

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

3. Derivative financial instruments are stated at market value.

4. (1) Tangible fixed assets are depreciated based on the following methods.

a. Tangible fixed assets of the Parent Company (except for lease assets)

(i) Buildings

Straight-line method.

(ii) Assets other than the above

Declining-balance method.

b. Lease assets of the Parent Company

(i) Lease assets related to financial leases where ownership is transferred.

The same depreciation method applied to fixed assets owned by the Parent Company.

(ii) Lease assets related to financial leases where ownership is not transferred

Straight-line method based on lease period.

c. Tangible fixed assets of consolidated subsidiaries

Depreciated based mainly on the straight-line method.

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

This change was made because the Company has decided that straight-line depreciation over the useful lives of buildings will better reflect 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 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 six months ended September 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 ¥1,418 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 has adjusted certain useful lives and residual values from the six months ended September 30, 2013.

As a result, ordinary profit and surplus before income taxes and minority interests both increased by ¥3,633 million compared with the previous depreciation method.

(2) Software, which is included within intangible fixed assets, is amortized using the straight-line method.

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).
Foreign currency-denominated available-for-sale securities of the Parent Company, with exchange rates which have significantly fluctuated and where recovery is not expected, are converted to Japanese yen using either the rate on the balance sheet date or the average one month rate prior to the balance sheet date, whichever indicates a weaker yen. This translation difference is recorded as a loss on valuation of securities.

6. (1) An allowance for doubtful accounts of the Parent Company is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.

1) The allowance for loans from 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 disposal of collateral or execution of guarantees from the balance of loans (as mentioned at (4) below).

2) The allowance for loans from borrowers who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of 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) The allowance for loans from borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

(2) All credits of the Parent 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 Dept. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

(3) For consolidated subsidiaries, the Parent Company records 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 ¥1,504 million (including ¥694 million of credits secured and/or guaranteed) as of September 30, 2013.

7. Accrued bonuses for directors and corporate auditors are recognized based on amounts estimated to be paid.

8. Accrued retirement benefits of the Parent Company are recognized in the amount of the deemed obligations on September 30, 2013, based on the estimated amount of projected benefit obligations in excess of the market value of pension plan assets for future severance payments to employees on the balance sheet date of the current fiscal year.
   However, 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 cost from the start of fiscal years beginning on or after April 1, 2013. Accordingly, from the six months ended September 30, 2013, the Company has 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 and minority interests for the six months ended September 30, 2013, both increased by ¥779 million.

9. Accrued retirement benefits for directors and corporate auditors are recognized based on estimated payment amounts under internal rules.

10. 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. Reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.

12. Financial leases where ownership is not transferred are capitalized based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13). Financial leases where the Company is the lessee, ownership is not transferred, and the lease start date is March 31, 2008, or prior, are accounted for under the accounting treatment applied to ordinary operating leases.

For financial leases where the Parent Company or a consolidated subsidiary is the lessor, and ownership is not transferred, if any, the Parent Company recognizes the sales amount and cost of sales at the time of receiving the lease fee.

13. Hedge accounting of the Parent Company is applied based on the following method:
    1) The Parent Company mainly applies the mark-to-market method of hedge accounting and deferred hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds denominated in foreign currencies. The Parent Company also applies the exceptional accounting treatment (*"Tokurei-shori"*) for interest rate swaps to hedge the cash flow volatility of certain loans and applies designated hedge accounting (*"Furiate-shori"*) for foreign exchange forward contracts and currency swaps for certain financial assets denominated in foreign currencies.

    2) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of market value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Parent Company's internal risk management policies.

14. Consumption taxes and local consumption taxes of the Parent Company are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and that 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 as of September 30, 2013.

15. Policy reserves of the Parent Company are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy 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 a portion of the individual annuity policyholders.
    1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (Ordinance No. 48 issued by the Ministry of Finance in 1996).
    2) Reserves for other contracts are computed based on the net level premium method.

16. The corporate tax, inhabitant tax, and income tax adjustments of the Parent Company for the six months ended September 30, 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.

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

(Million Yen)

	Balance sheet amount (*1)	Market value (*2)	Difference
Cash and deposits (negotiable certificates of deposit)	204,999	204,999	—
Available-for-sale securities	204,999	204,999	—
Monetary receivables purchased	620,295	662,101	41,805
Policy-reserve-matching bonds	592,135	633,941	41,805
Available-for-sale securities	28,159	28,159	—
Securities	42,234,974	43,884,737	1,649,763
Trading securities	1,178,293	1,178,293	—
Held-to-maturity debt securities	43,457	43,721	264
Policy-reserve-matching bonds	19,309,983	20,952,123	1,642,140
Investments in subsidiaries and affiliates	16,517	23,876	7,358
Available-for-sale securities	21,686,722	21,686,722	—
Loans (*3)	8,532,536	8,786,135	253,598
Policy loans	808,011	808,011	—
Industrial and consumer loans	7,724,525	7,978,124	253,598
Derivative financial instruments (*4)	(151,855)	(151,855)	—
Hedge accounting not applied	(2,032)	(2,032)	—
Hedge accounting applied	(149,822)	(149,822)	—
Corporate bonds (*3,*5)	(157,040)	(163,198)	(6,158)
Cash received as collateral under securities lending transactions (*5)	(1,025,226)	(1,025,226)	—

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.

(*2) For securities for which impairment losses were recognized in the six months ended September 30, 2013, the market value is the balance sheet amount after the impairment losses are deducted.

(*3) The market values of derivative financial instruments that are interest rate swaps under exceptional accounting treatment (*"Tokurei-shori"*) or currency swaps under designated hedge accounting ("*Furiate-shori*") are included in the market values of loans because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.

(*4) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in brackets.

(*5) Cash received as collateral under corporate bonds and securities lending transactions is recorded in liabilities and presented in brackets.

(2) Market value measurement methods for the Parent Company’s major financial instruments are as follows:

1) Securities, deposits, and monetary receivables purchased treated as securities based on the “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10)

a. Items with a market price

Market value is measured based on the closing market price on the balance sheet date. However, the market 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

Market value is measured mainly by discounting future cash flows to the present value.

2) Loans

a. Policy loans

Market value is deemed to approximate book value, due to no repayment deadlines based on characteristics such as limiting loans to the surrender benefit range, expected reimbursement periods and interest rate requirements, and other characteristics. Thus, the book value is used as the market value of the policy loans.

b. Industrial and consumer loans

Market value of variable interest rate loans is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, the book value is used as the market value of the variable interest rate loans.

Market value of fixed interest rate loans is measured mainly by discounting future cash flows to the present value.

Loans from 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 uncollectable amount from the book value directly prior to the decrease.

3) Derivative financial instruments

a. Market value of futures and other market transactions is measured by the liquidation value or closing market price on the balance sheet date.

b. Market value of stock options is measured by the value obtained from financial institutions that are the counterparties in such transactions.

c. Market value of exchange contracts and currency options is measured based on theoretical values calculated by the Parent Company using Telegraphic Transfer Middle rates (TTM) and discount rates obtained from financial institutions that are the counterparties in such transactions.

d. Market value of interest rate swaps and currency swaps is measured based on theoretical present values calculated by discounting future cash flows using published market interest rates and other data.

4) Corporate bonds

Corporate bonds are stated at market value on the balance sheet date.

5) Cash received as collateral under securities lending transactions

The book value is used as market value due to their short-term settlement.

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items without market value are not included in the securities in the table in (1) above.

Balance sheet amounts by holding purpose were ¥163,472 million for stocks of subsidiaries and affiliates, and ¥1,071,040 million for available-for-sale securities as of September 30, 2013.

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

1) Trading securities

Investments in securities for separate accounts are classified as trading securities.

Valuation differences included in profit were losses of ¥109,822 million for securities related to separate accounts.

2) Held-to-maturity debt securities

Balance sheet amounts, market values, and their differences by type are as follows:

(Million Yen)

	Type	Balance sheet amount	Market value	Difference
Market value exceeds the balance sheet amount	Domestic bonds	26,203	26,304	101
	Foreign securities	10,407	10,619	212
	Subtotal	36,610	36,924	314
Market value does not exceed the balance sheet amount	Domestic bonds	2,998	2,991	(6)
	Foreign securities	3,848	3,805	(43)
	Subtotal	6,846	6,796	(49)
Total		43,457	43,721	264

3) Policy-reserve-matching bonds

Balance sheet amounts, market values, and their differences by type are as follows:

(Million Yen)

	Type	Balance sheet amount	Market value	Difference
Market value exceeds the balance sheet amount	Monetary receivables purchased	585,412	627,305	41,893
	Domestic bonds	18,805,505	20,455,086	1,649,581
	Foreign securities	81,563	85,521	3,957
	Subtotal	19,472,481	21,167,913	1,695,431
Market value does not exceed the balance sheet amount	Monetary receivables purchased	6,722	6,635	(87)
	Domestic bonds	422,303	410,906	(11,397)
	Foreign securities	610	608	(1)
	Subtotal	429,636	418,150	(11,486)
Total		19,902,118	21,586,064	1,683,945

4) Available-for-sale securities

Acquisition cost or amortized cost, 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	Domestic bonds	1,936,178	2,021,660	85,482
	Domestic stocks	3,329,104	6,299,699	2,970,595
	Foreign securities	8,789,183	10,063,365	1,274,181
	Other securities	548,293	599,332	51,039
	Subtotal	14,602,759	18,984,057	4,381,297
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	205,000	204,999	(0)
	Monetary receivables purchased	28,166	28,159	(6)
	Domestic bonds	100,359	97,453	(2,906)
	Domestic stocks	743,672	635,725	(107,947)
	Foreign securities	1,966,402	1,926,486	(39,915)
	Other securities	46,168	42,999	(3,168)
	Subtotal	3,089,769	2,935,823	(153,945)
Total		17,692,529	21,919,881	4,227,352

* Items with ¥1,071,040 million whose market value is extremely difficult to determine are not included.

¥3,697 million in impairment losses was recognized for items with a market value during the six months ended September 30, 2013.

Regarding stocks (including foreign stocks) with market value of the Parent Company, impairment losses are recognized for stocks whose market value has fallen significantly from the acquisition price based on the average market value in the month preceding the balance sheet date, in principle. However, in the case of a security that meets certain criteria, such as those for which the market value falls substantially and the fall in the market value in the month preceding the balance sheet date is substantial, impairment losses are recognized based on the market value on the balance sheet date.

The criteria by which the market value of a stock is judged to have fallen significantly is as follows:

a. A security for which the ratio of the average market value in the month preceding the balance sheet date to the acquisition cost is 50% or less.

b. A security that meets both of the following criteria:

1. Average market value in the month preceding the balance sheet date is between 50% and 70% of its acquisition cost.
2. The historical market value, the business condition of the issuing company, and other aspects are subject to certain requirements.

18. As of September 30, 2013, there were no significant changes in the balance sheet amounts and market 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 ¥43,539 million as of September 30, 2013.

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥2,539 million and ¥35,397 million, respectively, as of September 30, 2013.

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 since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments and interest payments are overdue for a significant period of time or for other reasons.

Delinquent loans are loans with interest not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.

2) The balance of loans that are delinquent for over three months as of September 30, 2013, was ¥23 million.

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. These loans exclude loans classified as loans to bankrupt borrowers and delinquent loans.

3) The balance of restructured loans was ¥5,578 million as of September 30, 2013.

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. These loans exclude 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 ¥412 million and ¥1,091 million, respectively, as of September 30, 2013.

20. The amount of accumulated depreciation of tangible fixed assets was ¥1,156,242 million as of September 30, 2013.

21. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,213,724 million as of September 30, 2013, and a corresponding liability was recorded in the same amount.

22. Changes in the reserve for dividends to policyholders included in policy reserves for the six months ended September 30, 2013, were as follows:

	Million Yen
	Six months ended September 30, 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 six-month period	¥126,513
d. Increase in interest	¥12,508
e. Balance at the end of the current six-month period (a+b-c+d)	¥1,158,260

23. Corporate bonds of the Parent Company are subordinated corporate bonds which are denominated in a foreign currency with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

24. Assets pledged as collateral by securities, lease receivables and investments in lease, land, and buildings as of September 30, 2013, were ¥2,088,542 million, ¥19,445 million, ¥252 million, and ¥57 million, respectively. The total amount of loans covered by the aforementioned assets as of September 30, 2013, was ¥1,040,289 million.
    The amount of assets pledged as collateral by securities included ¥1,340,349 million of securities deposited and the amount of loans covered by the aforementioned assets included ¥1,025,295 million of cash received as collateral under the securities lending transactions secured by cash as of September 30, 2013.

25. 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 September 30, 2013.

26. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥179,990 million as of September 30, 2013.

27. The amount of securities lent under lending agreements was ¥3,261,135 million as of September 30, 2013.

28. Assets that can be sold or resecured are marketable securities lent under lending agreements. These assets were being held without disposal totaling ¥310,534 million at market value as of September 30, 2013.

29. The amount of commitments related to loans and loans outstanding was ¥147,681 million as of September 30, 2013.

30. 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 Parent Company is estimated to be ¥85,750 million as of September 30, 2013.
    The amount contributed to the said corporation is recorded within operating expenses.

31. Revaluation of land used in the operations of the Parent Company is performed based on the Act on Revaluation of Land. The tax effect on the amount related to the valuation difference between the previous and the revalued amount for land revaluation is recognized as deferred tax liabilities within the liability section. The valuation differences, excluding tax, are recognized as land revaluation differences within the net assets section.

Revaluation Date	March 31, 2002
Revaluation Methodology	The amount is rationally calculated by using the land listed value and road rate as prescribed by Article 2, Items 1 and 4, respectively, 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, 2013	Six months ended September 30, 2012
Ordinary income:	3,434,621	3,346,492
Revenues from insurance and reinsurance	2,388,331	2,570,905
Investment income:	918,009	655,956
Interest, dividends, and other income	640,893	603,815
Gain from assets held in trust, net	1	0
Gain on sales of securities	202,938	28,765
Gain on derivative financial instruments, net	—	10,068
Gain from separate accounts, net	72,693	—
Other ordinary income	128,280	119,629
Ordinary expenses:	3,145,030	3,191,820
Benefits and other payments:	1,904,069	1,781,575
Death and other claims	513,298	543,186
Annuity payments	433,154	323,732
Health and other benefits	404,801	408,894
Surrender benefits	417,692	416,406
Other refunds	134,637	88,887
Provision for policy reserves:	697,467	483,803
Provision for policy reserves	684,958	470,712
Provision for interest on reserve for dividends to policyholders	12,508	13,091
Investment expenses:	92,529	444,185
Interest expenses	4,202	1,347
Loss on sales of securities	28,578	21,121
Loss on valuation of securities	4,752	348,000
Loss on derivative financial instruments, net	22,051	—
Loss from separate accounts, net	—	37,628
Operating expenses	289,036	289,175
Other ordinary expenses	161,927	193,081
Ordinary profit	289,591	154,671
Extraordinary gains:	2,447	3,942
Gain on disposals of fixed assets	2,447	3,554
Other extraordinary gains	—	388
Extraordinary losses:	164,514	36,880
Loss on disposals of fixed assets	3,568	9,871
Impairment losses	1,182	8,669
Provision for reserve for price fluctuations in investments in securities	158,576	17,148
Contributions for assisting social public welfare	1,188	1,188
Loss on disaster	—	4
Surplus before income taxes and minority interests	127,524	121,733
Income taxes - current	98,340	1,174
Income taxes - deferred	(68,920)	22,094
Total income taxes	29,420	23,269
Surplus before minority interests	98,104	98,464
Minority interests	566	370
Net surplus	97,538	98,094

Notes to the Consolidated Statement of Income for the Six Months Ended September 30, 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 six months ended September 30, 2013, is as follows:

	Million Yen		
Purpose of use	Land	Buildings	Total
Leased property	¥783	¥269	¥1,052
Idle property	¥91	¥38	¥129
Total	¥875	¥307	¥1,182

   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.

[Consolidated Statements of Comprehensive Income (Loss)]

(Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
Surplus before minority interests	98,104	98,464
Other comprehensive income (loss):	454,793	(169,866)
Net unrealized gains (losses) on available-for-sale securities, net of tax	437,462	(182,915)
Deferred (losses) gains on derivatives under hedge accounting	(9,883)	11,478
Land revaluation differences	(20)	(0)
Foreign currency translation adjustments	29,486	5,704
Share of other comprehensive loss of associates accounted for under the equity method	(2,252)	(4,133)
Comprehensive income (loss):	552,897	(71,401)
Comprehensive income (loss) attributable to the Parent Company	552,261	(71,767)
Comprehensive income attributable to minority interests	635	365

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
I. Cash flows from operating activities:		
Surplus before income taxes and minority interests	127,524	121,733
Depreciation of rental real estate and other assets	7,414	12,330
Depreciation	23,910	29,522
Impairment losses	1,182	8,669
Net decrease in reserve for outstanding claims	(14,822)	(12,809)
Net increase in policy reserves	684,410	469,933
Provision for interest on reserve for dividends to policyholders	12,508	13,091
Net decrease in allowance for doubtful accounts	(920)	(5,594)
Net decrease in accrued bonuses for directors and corporate auditors	(35)	(35)
Net decrease in accrued retirement benefits	(4,137)	(280)
Net decrease in accrued retirement benefits for directors and corporate auditors	(142)	(346)
Net increase in reserve for price fluctuations in investments in securities	158,576	17,148
Interest, dividends, and other income	(640,893)	(603,815)
Net (gains) losses on investments in securities	(153,839)	352,867
Interest expenses	4,202	1,347
Net losses on tangible fixed assets	1,104	4,178
(Gain) loss from separate accounts, net	(72,693)	37,628
Others, net	(12,842)	(42,018)
Subtotal	120,505	403,549
Interest, dividends, and other income received	659,301	626,785
Interest paid	(3,735)	(868)
Dividends to policyholders paid	(102,381)	(99,791)
Others, net	(513)	(4,711)
Income taxes (paid) refund	(81,555)	24,469
Net cash provided by operating activities	591,620	949,433

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
II. Cash flows from investing activities:		
Net (increase) decrease in deposits	(200)	499
Purchases of monetary receivables purchased	(8,500)	(12,000)
Proceeds from sales and redemptions of monetary receivables purchased	59,371	44,089
Purchases of securities	(4,859,457)	(4,254,056)
Proceeds from sales and redemptions of securities	4,799,379	3,036,371
Disbursements for loans	(681,915)	(562,524)
Proceeds from collections of loans	601,694	574,176
Others, net	(652,951)	149,503
①Total of investment activities	(742,579)	(1,023,940)
[I + II①]	[(150,958)]	[(74,506)]
Purchases of tangible fixed assets	(18,651)	(25,224)
Proceeds from sales of tangible fixed assets	27,467	19,696
Others, net	(10,923)	(9,074)
Net cash used in investing activities	(744,687)	(1,038,542)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	105,110	108,600
Repayments of debt	(110,516)	(107,131)
Proceeds from issuance of foundation funds	—	50,000
Redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(3,585)	(3,930)
Others, net	976	1,265
Net cash used in financing activities	(58,014)	(1,195)
IV. Effect of exchange rate changes on cash and cash equivalents	8,540	3,079
V. Net decrease in cash and cash equivalents	(202,540)	(87,226)
VI. Cash and cash equivalents at the beginning of the year	820,784	707,424
VII. Cash and cash equivalents at the end of the period	618,243	620,197

Basis of Presenting the Consolidated Statement of Cash Flows for the six months ended September 30, 2013

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.

(7) Consolidated Statements of Changes in Net Assets

(Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
Foundation funds and others:		
Foundation funds:		
Beginning balance	300,000	300,000
Increase/Decrease:		
Issuance of foundation funds	—	50,000
Redemption of foundation funds	(50,000)	(50,000)
Net change	(50,000)	—
Ending balance	250,000	300,000
Reserve for redemption of foundation funds:		
Beginning balance	950,000	900,000
Increase/Decrease:		
Additions to reserve for redemption of foundation funds	50,000	50,000
Net change	50,000	50,000
Ending balance	1,000,000	950,000
Reserve for revaluation:		
Beginning balance	651	651
Increase/Decrease:		
Net change	—	—
Ending balance	651	651
Consolidated surplus:		
Beginning balance	424,922	379,311
Cumulative effect of changes in accounting policies	24,705	—
Beginning balance after retrospective application	449,627	379,311
Increase/Decrease:		
Additions to reserve for dividends to policyholders	(167,172)	(167,313)
Additions to reserve for redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(3,585)	(3,930)
Net surplus	97,538	98,094
Reversal of land revaluation differences	(1,084)	3,898
Increase due to increase in associates accounted for under the equity method	225	—
Net change	(124,077)	(119,250)
Ending balance	325,550	260,060
Total foundation funds and others:		
Beginning balance	1,675,573	1,579,962
Cumulative effect of changes in accounting policies	24,705	—
Beginning balance after retrospective application	1,700,279	1,579,962
Increase/Decrease:		
Issuance of foundation funds	—	50,000
Additions to reserve for dividends to policyholders	(167,172)	(167,313)
Interest on foundation funds	(3,585)	(3,930)
Net surplus	97,538	98,094
Redemption of foundation funds	(50,000)	(50,000)
Reversal of land revaluation differences	(1,084)	3,898
Increase due to increase in associates accounted for under the equity method	225	—
Net change	(124,077)	(69,250)
Ending balance	1,576,201	1,510,711

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

(Million Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012
Accumulated other comprehensive income (loss):		
Net unrealized gains on available-for-sale securities, net of tax:		
Beginning balance	2,509,186	1,022,171
Increase/Decrease:		
Net change, excluding foundation funds and others	441,521	(182,843)
Net change	441,521	(182,843)
Ending balance	2,950,708	839,327
Deferred losses on derivatives under hedge accounting:		
Beginning balance	(74,128)	(6,969)
Increase/Decrease:		
Net change, excluding foundation funds and others	(9,883)	11,478
Net change	(9,883)	11,478
Ending balance	(84,012)	4,509
Land revaluation differences:		
Beginning balance	(84,481)	(67,515)
Increase/Decrease:		
Net change, excluding foundation funds and others	1,064	(3,898)
Net change	1,064	(3,898)
Ending balance	(83,417)	(71,414)
Foreign currency translation adjustments:		
Beginning balance	(37,957)	(68,619)
Increase/Decrease:		
Net change, excluding foundation funds and others	26,441	1,503
Net change	26,441	1,503
Ending balance	(11,516)	(67,115)
Total accumulated other comprehensive income:		
Beginning balance	2,312,619	879,066
Increase/Decrease:		
Net change, excluding foundation funds and others	459,143	(173,760)
Net change	459,143	(173,760)
Ending balance	2,771,762	705,306
Minority interests:		
Beginning balance	13,278	12,141
Increase/Decrease:		
Net change, excluding foundation funds and others	582	315
Net change	582	315
Ending balance	13,860	12,456
Total net assets:		
Beginning balance	4,001,471	2,471,169
Cumulative effect of changes in accounting policies	24,705	—
Beginning balance after retrospective application	4,026,177	2,471,169
Increase/Decrease:		
Issuance of foundation funds	—	50,000
Additions to reserve for dividends to policyholders	(167,172)	(167,313)
Interest on foundation funds	(3,585)	(3,930)
Net surplus	97,538	98,094
Redemption of foundation funds	(50,000)	(50,000)
Reversal of land revaluation differences	(1,084)	3,898
Increase due to increase in associates accounted for under the equity method	225	—
Net change, excluding foundation funds and others	459,726	(173,444)
Net change	335,648	(242,695)
Ending balance	4,361,825	2,228,474

(8) Consolidated Solvency Margin Ratio

(Million Yen)

			As of September 30, 2013	As of March 31, 2013
Solvency margin gross amount (A):			8,842,286	8,033,068
	Foundation funds (*kikin*) and other reserve funds:		3,450,855	3,063,443
		Foundation funds and others	1,597,987	1,525,455
		Reserve for price fluctuations in investments in securities	586,105	427,529
		Contingency reserve	937,247	780,154
		Extraordinary contingency funds	—	—
		General allowance for doubtful accounts	7,191	7,980
		Others	322,322	322,322
	Net unrealized gains on available-for-sale securities × 90%		3,820,750	3,279,032
	Net unrealized (losses) gains on real estate × 85% (100% in the case of net unrealized losses)		(5,263)	(8,620)
	Excess of continued Zillmerized reserve		1,574,723	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		(96,165)	(92,877)
	Others		(59,652)	32,704
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2+R_5^2}+R_8+R_9)^2+(R_2+R_3+R_7)^2}+R_4+R_6$			2,343,896	2,240,396
	Underwriting risk (R_1)		133,383	135,383
	General underwriting risk (R_5)		—	—
	Huge disaster risk (R_6)		—	—
	Underwriting risk of third-sector insurance (R_8)		76,435	75,959
	Underwriting risk related to small amount and short-term insurance providers (R_9)		—	—
	Anticipated yield risk (R_2)		392,487	394,708
	Minimum guarantee risk (R_7)		6,195	7,382
	Investment risk (R_3)		1,885,713	1,780,222
	Business management risk (R_4)		49,884	47,873
Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$			754.4%	717.1%

Notes: 1. The amounts and figures in the table above are calculated based on 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.

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, 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.