May 25, 2017

Financial Results for the Fiscal Year Ended March 31, 2017

Nippon Life Insurance Company (the “Company”; President: Yoshinobu Tsutsui) announces financial results for the fiscal year ended March 31, 2017.

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Financial Summary for the Fiscal Year Ended March 31, 2017

Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2017

The Company will submit the financial results for the fiscal year ended March 31, 2017 for discussion at the 70th annual meeting of the representatives of policyholders to be held on July 4, 2017. A summary of the results is provided below.

1. Business Highlights

(1) Amount of Policies in Force and New Policies

- Policies in Force

	As of March 31, 2017				As of March 31, 2016			
	Number of policies		Amount of policies		Number of policies		Amount of policies	
	(thousands)	As a percentage of March 31, 2016 (%)	(100 million yen)	As a percentage of March 31, 2016 (%)	(thousands)	As a percentage of March 31, 2015 (%)	(100 million yen)	As a percentage of March 31, 2015 (%)
Individual insurance	24,986	108.1	1,432,370	98.7	23,123	112.1	1,451,163	99.0
Individual annuities	3,805	108.0	232,306	106.5	3,525	102.2	218,107	101.7
Group insurance	—	—	943,263	101.1	—	—	932,899	100.7
Group annuities	—	—	126,254	102.0	—	—	123,757	106.0

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

- New Policies

	Year ended March 31, 2017						Year ended March 31, 2016					
	Number of policies		Amount of policies				Number of policies		Amount of policies			
	(thousands)	As a percentage of March 31, 2016 (%)	(100 million yen)	As a percentage of March 31, 2016 (%)	New policies	Net increase (decrease) by conversion	(thousands)	As a percentage of March 31, 2015 (%)	(100 million yen)	As a percentage of March 31, 2015 (%)	New policies	Net increase (decrease) by conversion
Individual insurance	3,915	88.8	85,187	90.6	89,819	(4,631)	4,412	100.3	94,010	123.2	96,367	(2,356)
Individual annuities	425	190.6	25,275	172.8	25,099	175	223	105.7	14,626	95.1	14,454	171
Group insurance	—	—	5,682	151.9	5,682		—	—	3,741	56.8	3,741	
Group annuities	—	—	36	226.0	36		—	—	16	3.7	16	

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

(2) Annualized Net Premium

- Policies in Force

(100 Million Yen, %)

	As of March 31, 2017		As of March 31, 2016	
		As a percentage of March 31, 2016		As a percentage of March 31, 2015
Individual insurance	26,089	102.4	25,486	103.6
Individual annuities	9,538	108.2	8,814	102.1
Total	35,627	103.9	34,300	103.2
Medical coverages, living benefits, and others	6,223	101.6	6,125	102.1

- New Policies

(100 Million Yen, %)

	Year ended March 31, 2017		Year ended March 31, 2016	
		As a percentage of March 31, 2016		As a percentage of March 31, 2015
Individual insurance	2,349	87.9	2,673	115.8
Individual annuities	1,114	200.3	556	97.6
Total	3,463	107.3	3,229	112.2
Medical coverages, living benefits, and others	463	93.9	493	119.9

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

(3) Major Profit and Loss Items

(100 Million Yen, %)

	Year ended March 31, 2017		Year ended March 31, 2016	
		As a percentage of March 31, 2016		As a percentage of March 31, 2015
Revenues from insurance and reinsurance	46,473	76.4	60,809	113.9
Investment income	16,619	110.8	15,001	84.6
Benefits and other payments	35,292	94.1	37,498	95.4
Investment expenses	3,880	179.1	2,166	153.7
Ordinary profit	4,584	85.3	5,375	88.5

(4) Proposed Appropriations of Surplus

(100 Million Yen, %)

	Year ended March 31, 2017		Year ended March 31, 2016	
		As a percentage of March 31, 2016		As a percentage of March 31, 2015
Current-year unappropriated surplus	2,453	84.0	2,920	92.0
Reserve for dividends to policyholders	1,840	80.1	2,298	89.3
Net surplus after deduction	798	127.0	628	103.4

(5) Total Assets

(100 Million Yen, %)

	As of March 31, 2017		As of March 31, 2016	
		As a percentage of March 31, 2016		As a percentage of March 31, 2015
Total assets	648,140	102.1	634,538	101.9

2. Overview of General Accounts Asset Management for the Fiscal Year Ended March 31, 2017

(1) Investment Environment

In the fiscal year ended March 31, 2017, the Japanese economy started the fiscal year with largely flat growth, primarily due to the effects of falling resource prices and stagnant overseas economies, including newly emerging economies. From the summer onward, the Japanese economy started to gradually recover, owing to an improvement in production activity underpinned by solid exports, despite continued weakness in the level of consumer spending.

- The Nikkei Stock Average started the fiscal year at ¥16,758. Subsequently, the index declined at times in response to the outcome of the U.K. national referendum in June. The index then began to increase owing to the Bank of Japan's policies to support stock prices and the stronger U.S. dollar reflecting positive expectations for the policies of the U.S. President Donald Trump. The index finished at ¥18,909 at the end of March.
- The yield rate on 10-year government bonds started the fiscal year at -0.05%. It then declined further to around -0.3% in July, mainly due to a stronger risk-off stance among investors reflecting the outcome of the U.K. national referendum. Thereafter, the rate showed signs of rising due to the introduction of a policy of quantitative and qualitative monetary easing with yield curve control by the Bank of Japan. However, the yield rate has remained at a low level, finishing at 0.07% at the end of March.
- The yen-U.S. dollar exchange rate started the fiscal year at the ¥112 level. Thereafter, the rate temporarily dipped below U.S.$1=¥100 in response to the outcome of the U.K. national referendum. In the second half of the fiscal year, the yen temporarily depreciated to the ¥118 level following an interest rate hike by the Federal Reserve Board and positive expectations for the Trump administration. Thereafter, however, the outlook for the policies of the Trump administration became increasingly uncertain. Consequently, the yen-U.S. dollar exchange rate finished at the ¥112.19 at the end of March.

  The yen-euro exchange rate started the fiscal year at the ¥127 level. Subsequently, in response to the outcome of the U.K. national referendum, the yen temporarily appreciated to the ¥109 level. Thereafter, excessive concerns about the U.K. leaving the EU subsided, and the yen returned to the ¥124 level. However, a sense of caution lingered over the European political climate, including the French presidential election. The yen-euro rate finished at ¥119.79 at the end of March.

(2) Investment Policy

The Company's general account assets increased by ¥1,422.3 billion compared to the end of the fiscal year ended March 31, 2016, totaling ¥63,498.2 billion as of March 31, 2017 (2.3% increase compared to the previous fiscal year-end).

The Company has positioned yen-denominated assets that can be expected to provide stable income, such as bonds, as its core assets. From the perspective of improving profits in the mid- to long-term, the Company invested in assets such as stocks and foreign securities within the scope of acceptable risk while taking into account business stability.

- Considering the low interest rate environment, the Company limited the additional accumulation of outstanding domestic bond balances.
- The Company focused on safe and stable prime lending by accurately assessing credit risks.
- For domestic stocks, the Company strove to enhance the profitability of its portfolio by replacing certain stocks, while focusing the Company's attention on the overall state including corporate profitability and dividends from the point of view of investing for the medium- to long-term.
- Regarding foreign securities, the Company invested in foreign currency-denominated bonds based on currency movements. Also, the Company invested in foreign bonds with foreign exchange hedges, taking into consideration the advantages against other yen interest rate assets.

(3) Status of Investment Income/Expense

Investment income was ¥1,626.8 billion, up from ¥1,500.1 billion in the fiscal year ended March 31, 2016. The increase mainly reflected an increase in gain on sales of domestic stocks.

Investment expenses amounted to ¥388.0 billion, up from ¥185.4 billion in the fiscal year ended March 31, 2016. This increase mainly reflected an increase in loss on sales of securities, primarily of foreign securities.

As a result, the Company's net investment income balance decreased by ¥75.8 billion from the previous fiscal year, to ¥1,238.8 billion.

(4) Investment Risk Management

Investment risk refers to the risk of incurring losses when the value of the Company's assets and liabilities fluctuates. It can be categorized into market risk, credit risk and real estate investment risk. The long-term nature of life insurance policies requires a long-term approach based on liability characteristics to managing risks associated with investment. Hence, we seek to manage our portfolio efficiently based on risk-return analyses that emphasize the importance of generating investment returns over the medium and long terms. The Company has therefore established an Investment Risk Management Department within the Risk Management Department, and, by maintaining and upgrading its rigorous system for managing risks, the Company seeks to limit losses to acceptable levels while pursuing stable returns.

a. Market risk management

Market risk refers to the risk of incurring losses when the fair value of invested assets and liabilities fluctuates due to such factors as fluctuations in interest rates, exchange rates or stock prices. To avoid excessive losses from financing and investment transactions, the Company manages market risk by setting and monitoring investment limits for each type of asset and holding purpose as necessary. In doing so, the Company strives to build a portfolio that gives due consideration to the diversification of risk. In addition, to control the market risk of the Company's portfolio, the Company reasonably calculates the market value-at-risk and conducts appropriate asset allocation within acceptable boundaries of risk.

b. Credit risk management

Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of the party to whom credit has been extended. In managing credit risk, the Company continues to build a sound portfolio by rigorous examinations of each transaction by the Credit Department, which is independent of the departments handling investment and finance activities, setting terms appropriate to the level of credit risk involved, and setting and monitoring credit ceilings to ensure that credit risk is not excessively concentrated in a particular company or group, or country. In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the Company's portfolio as a whole and monitors whether the magnitude of risk stays within an appropriate range.

c. Real estate investment risk management

Real estate investment risk refers to the risk of reduced returns caused by such factors as rent decline as well as incurring losses when real estate values decline due to market deterioration and other factors. The Company's approach to managing real estate investment risk involves the rigorous examination of each investment by the Credit Department, which is independent of the departments handling investment and finance activities. The Company also adheres to a system involving warning levels for investment returns and prices. This enables the Company to appropriately focus management efforts on properties with low profitability.

(5) ALM

For life insurance companies to carry out stable management in the long term, it is important to use the Asset Liability Management (ALM) approach as a basis for understanding the situation of liabilities that pay future insurance benefits (policy reserves) and investment assets, as well as for adjusting investment periods. The Company analyzes and evaluates liability cash flows, risk of falling short of assumed interest rates, and level of allowed risk for each product, and decides the medium-to long-term investment plan at the Managing Directors' Meetings and the Risk Management Committee Meetings.

(6) Self-Assessment and Allowance for Doubtful Accounts

Asset self-assessment refers to evaluating individual assets based on the financial condition of each borrower and its collateral. Assets are classified into four categories (Noncategorized, II, III, or IV).

To ensure the objectivity of the self-assessment process, the Company has established a highly reliable framework that includes:

- Strict assessment standards based on the Inspection Manual for Insurance Companies of the Financial Services Agency
- Internal audit by the Auditing Department, which is independent from the groups handling the actual

assessment

- External audit by external auditors (certified public accountants)

In the fiscal year ended March 31, 2017, the Company recorded an appropriate allowance for doubtful accounts according to the same allowance standards as the previous fiscal year.

Allowance for doubtful accounts standard:

- Normal: General allowance for doubtful accounts based on actual loan losses in the previous fiscal year.
- On caution: General allowance for doubtful accounts based on the accumulated actual loan loss ratio (ratio of losses incurred from loans within three years from a certain date) for the previous three fiscal years. Substandard: Corporate loans are divided into two categories: those that are not secured by collateral and guarantees and others, and the actual loan loss ratio is calculated.
- For doubtful, quasi-bankrupt and bankrupt loans, the necessary amount, concerning the balance calculated by subtracting the estimated collectible amount based on collateral and guarantees from total loans, is provided as a specific allowance for doubtful accounts. The portion of the amount in “Category IV” is directly deducted from total loans.

3. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of March 31, 2017		As of March 31, 2016	
	Amount	%	Amount	%
Cash, deposits, and call loans	10,779	1.7	10,037	1.6
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	3,262	0.5	4,199	0.7
Proprietary trading securities	—	—	—	—
Assets held in trust	33	0.0	19	0.0
Investments in securities:	518,715	81.7	501,337	80.8
Domestic bonds	224,601	35.4	233,548	37.6
Domestic stocks	86,952	13.7	81,076	13.1
Foreign securities:	188,550	29.7	171,581	27.6
Foreign bonds	143,794	22.6	134,251	21.6
Foreign stocks and other securities	44,756	7.0	37,330	6.0
Other securities	18,610	2.9	15,130	2.4
Loans:	77,495	12.2	81,214	13.1
Policy loans	6,547	1.0	6,958	1.1
Industrial and consumer loans	70,948	11.2	74,256	12.0
Real estate:	16,192	2.6	16,779	2.7
Investment property	10,223	1.6	10,796	1.7
Deferred tax assets	—	—	—	—
Other assets	8,531	1.3	7,206	1.2
Allowance for doubtful accounts	(28)	(0.0)	(35)	(0.0)
Total assets (general account):	634,982	100.0	620,758	100.0
Foreign currency-denominated assets	170,361	26.8	151,783	24.5

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 (¥674.0 billion and ¥661.8 billion as of March 31, 2017 and 2016, respectively).

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

(2) Increases/Decreases in Assets

(100 Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
Cash, deposits, and call loans	741	(9)
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	(936)	(788)
Proprietary trading securities	—	—
Assets held in trust	14	19
Investments in securities:	17,378	12,997
Domestic bonds	(8,946)	7,003
Domestic stocks	5,875	(9,676)
Foreign securities:	16,969	10,132
Foreign bonds	9,543	13,478
Foreign stocks and other securities	7,425	(3,345)
Other securities	3,479	5,537
Loans:	(3,719)	(2,361)
Policy loans	(411)	(406)
Industrial and consumer loans	(3,307)	(1,954)
Real estate:	(586)	(186)
Investment property	(573)	(3)
Deferred tax assets	—	—
Other assets	1,325	(638)
Allowance for doubtful accounts	6	30
Total assets (general account):	14,223	9,063
Foreign currency-denominated assets	18,578	11,995

Notes: 1. Increases/decreases in cash received as collateral under securities lending transactions are as follows: ¥12.2 billion and ¥131.8 billion for the fiscal years ended March 31, 2017 and 2016, respectively.

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

(3) Investment Income

(100 Million Yen)

		Year ended March 31, 2017	Year ended March 31, 2016
Interest, dividends, and other income:		13,656	13,961
	Interest on deposits and savings	0	2
	Interest on securities and dividends	11,278	11,446
	Interest on loans	1,411	1,533
	Real estate rental income	844	856
	Other income	120	122
Gain on proprietary trading securities		—	—
Gain from assets held in trust, net		—	—
Gain on trading securities		—	—
Gain on sales of securities:		2,540	941
	Gain on sales of domestic bonds, including national government bonds	275	126
	Gain on sales of domestic stocks and other securities	1,941	759
	Gain on sales of foreign securities	322	56
	Other gains	—	—
Gain on redemptions of securities		58	71
Gain on derivative financial instruments, net		—	—
Foreign exchange gains, net		—	—
Reversal of allowance for doubtful accounts		7	22
Reversal of allowance for investment loss		—	—
Other investment income		7	4
Total		16,268	15,001

(4) Investment Expenses

(100 Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
Interest expenses	189	144
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	19	0
Loss on trading securities	—	—
Loss on sales of securities:	1,187	135
Loss on sales of domestic bonds, including national government bonds	11	6
Loss on sales of domestic stocks and other securities	81	6
Loss on sales of foreign securities	1,093	123
Other losses	0	0
Loss on valuation of securities:	277	357
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	136	146
Loss on valuation of foreign securities	140	209
Other losses	0	2
Loss on redemptions of securities	329	239
Loss on derivative financial instruments, net	1,191	558
Foreign exchange losses, net	12	0
Provision for allowance for doubtful accounts	—	—
Provision for allowance for investment loss	252	—
Write-offs of loans	—	0
Depreciation of rental real estate and other assets	153	156
Other investment expenses	266	259
Total	3,880	1,854

(5) Investment Indicators

1) Yield on primary assets

(%)

	Year ended March 31, 2017	Year ended March 31, 2016
Cash, deposits, and call loans	(0.00)	0.08
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	0.08
Monetary receivables purchased	2.00	2.01
Proprietary trading securities	—	—
Assets held in trust	(94.29)	(63.56)
Investments in securities:	2.35	2.70
Domestic bonds	1.93	1.88
Domestic stocks	7.54	5.42
Foreign securities:	1.57	3.30
Foreign bonds	1.12	2.49
Foreign stocks and other securities	3.31	6.06
Loans:	1.76	1.85
Industrial and consumer loans	1.50	1.57
Real estate:	2.89	2.82
Investment property	4.51	4.40
General account total:	2.19	2.42
Overseas investments	1.58	3.21

Notes: 1. Yields are calculated by dividing investment income less investment expenses by the daily average book value balance.
2. The amount of overseas investments is the sum of assets denominated in foreign currencies and yen.

2) Daily average balance

(100 Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
Cash, deposits, and call loans	4,066	6,858
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	1,867
Monetary receivables purchased	3,596	4,697
Proprietary trading securities	—	—
Assets held in trust	20	0
Investments in securities:	446,708	414,630
Domestic bonds	226,389	225,894
Domestic stocks	43,736	41,943
Foreign securities:	161,610	136,252
Foreign bonds	128,191	105,328
Foreign stocks and other securities	33,419	30,924
Loans:	80,214	82,610
Industrial and consumer loans	73,476	75,461
Real estate:	16,633	16,913
Investment property	10,654	10,828
General account total:	566,887	542,290
Overseas investments	167,557	142,095

(6) Net Valuation Gains/Losses on Trading Securities

(100 Million Yen)

	As of March 31, 2017		As of March 31, 2016	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Trading securities	28	(19)	9	(0)

Notes: 1. The balance sheet amounts of assets held in trust included in trading securities and valuation gains (losses) included in profit and loss include net gains/losses on derivative transactions.

2. Figures above do not include cash, deposits and call loans held within assets held in trust that are included in trading securities.

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

(100 Million Yen)

	As of March 31, 2017					As of March 31, 2016				
	Book value	Fair value	Net gains/ losses	Gains	Losses	Book value	Fair value	Net gains/ losses	Gains	Losses
Policy-reserve-matching bonds*	196,592	233,314	36,721	36,823	(101)	205,613	250,527	44,914	44,914	(0)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	142	875	733	733	—	77	669	592	592	—
Available-for-sale securities:	253,308	316,587	63,279	67,020	(3,741)	226,222	291,383	65,161	67,305	(2,143)
Domestic bonds	29,547	31,428	1,881	1,945	(64)	29,911	32,596	2,684	2,696	(11)
Domestic stocks	40,273	83,215	42,942	43,879	(937)	39,710	76,277	36,567	38,098	(1,531)
Foreign securities:	159,325	176,343	17,018	19,524	(2,506)	136,128	160,169	24,040	24,536	(496)
Foreign bonds	132,366	143,245	10,878	13,214	(2,336)	114,806	133,533	18,727	19,032	(304)
Foreign stocks and other securities	26,958	33,098	6,140	6,310	(169)	21,322	26,636	5,313	5,504	(191)
Other securities	16,794	18,231	1,436	1,669	(232)	12,913	14,781	1,867	1,972	(104)
Monetary receivables purchased	391	392	0	0	(0)	254	255	1	1	(0)
Negotiable certificates of deposit	6,976	6,976	0	0	(0)	7,303	7,302	(0)	0	(0)
Total	450,043	550,777	100,734	104,577	(3,842)	431,912	542,580	110,667	112,812	(2,144)
Domestic bonds	222,720	261,025	38,304	38,470	(166)	230,863	278,029	47,166	47,177	(11)
Domestic stocks	40,273	83,215	42,942	43,879	(937)	39,710	76,277	36,567	38,098	(1,531)
Foreign securities:	160,008	177,781	17,773	20,279	(2,506)	136,923	161,591	24,667	25,163	(496)
Foreign bonds	132,916	143,816	10,899	13,235	(2,336)	115,523	134,285	18,761	19,066	(304)
Foreign stocks and other securities	27,091	33,965	6,873	7,043	(169)	21,399	27,305	5,905	6,096	(191)
Other securities	16,803	18,240	1,436	1,669	(232)	12,913	14,781	1,867	1,972	(104)
Monetary receivables purchased	3,261	3,539	277	277	(0)	4,198	4,597	399	399	(0)
Negotiable certificates of deposit	6,976	6,976	0	0	(0)	7,303	7,302	(0)	0	(0)

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

* Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line).
Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups (classified by insurance type, maturity period, and investment policy) of insurance products, such as individual insurance and annuities, workers' asset-formation insurance and annuities, and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

[Book Value of Securities of which the Fair Value is extremely difficult to be determined]

(100 Million Yen)

		As of March 31, 2017	As of March 31, 2016
Policy-reserve-matching bonds		—	—
Held-to-maturity debt securities:		—	—
	Unlisted foreign bonds	—	—
	Others	—	—
Investments in subsidiaries and affiliates		8,234	6,920
Available-for-sale securities:		7,243	8,637
	Unlisted domestic stocks (excluding over-the-counter stocks)	551	1,047
	Unlisted foreign stocks (excluding over-the-counter stocks)	4,282	5,257
	Unlisted foreign bonds	—	—
	Others	2,410	2,333
Total		15,478	15,558

Note: Of securities of which the fair value is extremely difficult to be determined, the net gains on currency exchange valuation of assets denominated in foreign currencies were as follows:
¥46.7 billion and ¥37.4 billion as of March 31, 2017 and 2016, respectively.

(8) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of March 31, 2017					As of March 31, 2016				
	Balance sheet amount	Fair value	Net gains/losses			Balance sheet amount	Fair value	Net gains/losses		
				Gains	Losses				Gains	Losses
Assets held in trust	33	33	—	—	—	19	19	—	—	—

Notes: 1. Fair value is based on a reasonably calculated price by the trustee of the assets held in trust.
2. The balance sheet amount includes net gains/losses on derivative transactions within assets held in trust.

- Assets Held in Trust for Trading Purposes

(100 Million Yen)

	As of March 31, 2017		As of March 31, 2016	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Assets held in trust for trading purposes	33	(19)	19	(0)

Note: The balance sheet amounts and valuation gains (losses) included in profit and loss include net gains/losses on derivative transactions.

- Assets Held in Trust Classified as Policy-Reserve-Matching, Held-to-Maturity, and Available-for-Sale
  No ending balance as of March 31, 2017 or 2016.

4. Policies in Force by Type of Benefits as of March 31, 2017

		Individual insurance		Individual annuities		Group insurance		Total	
		Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Death protection	General	24,691	1,424,970	—	—	26,499	943,113	51,191	2,368,083
	Disaster	3,110	166,085	95	1,894	2,777	32,876	5,983	200,856
	Others	173	2,059	—	—	69	1,235	243	3,295
Pure endowment		294	7,399	3,805	232,306	9	150	4,109	239,856
Hospitalization coverage	Disaster	6,698	429	271	12	1,374	14	8,344	456
	Illness	6,687	428	269	12	—	—	6,956	440
	Others	6,846	468	60	2	58	0	6,965	471
Disability coverage		7,192	—	67	—	2,489	—	9,748	—
Surgical coverage		10,076	—	269	—	—	—	10,346	—

	Group annuities		Workers' asset-formation insurance/annuities		Total	
	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Pure endowment	9,727	126,254	183	4,520	9,910	130,774

	Medical care insurance	
	Number of policies (thousands)	Amount (100 million yen)
Hospitalization coverage	850	36

	Disability income insurance	
	Number of policies (thousands)	Amount (100 million yen)
Disability income coverage	533	324

Notes:
1. The number of policies for "Group insurance," "Group annuities," "Workers' asset-formation insurance/annuities," "Medical care insurance" (group type), and "Disability income insurance" represents the number of insureds.
2. The amount in "Pure endowment" for "Individual annuities," "Group insurance" (annuity riders), and "Workers' asset-formation annuities" (excluding workers' asset-formation savings annuities) represents the total of (a) annuity resources at the start of the annuities for policies bound prior to the start of the annuity payments and (b) policy reserves for policies bound after the start of the annuity payments. The amount in "Pure endowment" for "Group annuities," "Workers' asset-formation insurance," and workers' asset-formation savings annuities represents the amount of corresponding policy reserves.
3. The amount in "Hospitalization coverage" represents the amount of daily hospitalization benefits.
4. The amount in "Hospitalization coverage" of medical care insurance represents the amount related to hospitalization from illness.
5. The amount in disability income insurance represents the amount of monthly disability benefit payments.
6. The number of insureds and amount of policies for reinsurance written were 31,000 people and ¥31.7 billion, respectively.

5. Nonconsolidated Balance Sheets

(Million Yen)

	As of March 31, 2017	As of March 31, 2016
Assets:		
Cash and deposits:	917,055	953,962
Cash	270	288
Deposits	916,784	953,673
Call loans	270,000	120,000
Monetary receivables purchased	326,256	419,915
Assets held in trust	3,397	1,934
Investments in securities:	53,025,060	51,297,396
National government bonds	19,724,839	20,101,494
Local government bonds	959,375	1,284,844
Corporate bonds	2,290,236	2,490,960
Domestic stocks	8,879,181	8,285,950
Foreign securities	19,201,698	17,477,392
Other securities	1,969,730	1,656,754
Loans:	7,749,527	8,121,484
Policy loans	654,701	695,878
Industrial and consumer loans	7,094,826	7,425,606
Tangible fixed assets:	1,641,001	1,694,878
Land	1,107,241	1,152,488
Buildings	471,770	500,025
Lease assets	11,738	6,209
Construction in progress	40,283	25,446
Other tangible fixed assets	9,968	10,708
Intangible fixed assets:	173,302	169,515
Software	80,949	77,577
Other intangible fixed assets	92,353	91,938
Reinsurance receivables	523	496
Other assets:	691,712	637,272
Accounts receivable	79,970	84,478
Prepaid expenses	13,651	10,484
Accrued income	279,876	266,865
Money on deposit	34,280	35,979
Deposits for futures transactions	10,371	9,099
Futures transactions variation margin	34	112
Derivative financial instruments	218,327	186,240
Suspense	20,412	33,751
Other assets	34,789	10,258
Customers’ liability for acceptances and guarantees	44,267	40,503
Allowance for doubtful accounts	(2,882)	(3,524)
Allowance for investment loss	(25,219)	—
Total assets	64,814,005	63,453,836

5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2017	As of March 31, 2016
Liabilities:		
Policy reserves and other reserves:	53,999,143	52,767,560
Reserve for outstanding claims	347,747	316,631
Policy reserves	52,650,294	51,435,915
Reserve for dividends to policyholders	1,001,102	1,015,013
Reinsurance payables	605	572
Corporate bonds	840,825	650,825
Other liabilities:	1,567,152	1,627,269
Cash received as collateral under securities lending transactions	674,067	661,819
Loans payable	26,649	25,057
Income taxes payable	8,020	16,841
Accounts payable	195,211	268,239
Accrued expenses	63,839	68,056
Deferred income	19,100	22,601
Deposits received	102,065	100,038
Guarantee deposits received	78,799	83,662
Futures transactions variation margin	17	368
Derivative financial instruments	270,838	255,165
Cash collateral received for financial instruments	103,383	100,406
Lease obligations	11,835	6,257
Asset retirement obligations	2,191	2,322
Suspense receipts	11,085	16,325
Other liabilities	48	105
Accrued bonuses for directors and audit and supervisory board members	79	87
Accrued retirement benefits	358,630	358,762
Accrued retirement benefits for directors and audit and supervisory board members	4,498	4,391
Reserve for program points	9,013	9,420
Reserve for price fluctuations in investments in securities	1,116,795	947,384
Deferred tax liabilities	563,323	644,586
Deferred tax liabilities for land revaluation	106,432	109,383
Acceptances and guarantees	44,267	40,503
Total liabilities	58,610,767	57,160,746

5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2017	As of March 31, 2016
Net assets:		
Foundation funds	150,000	200,000
Reserve for redemption of foundation funds	1,150,000	1,100,000
Reserve for revaluation	651	651
Surplus:	440,635	479,830
Legal reserve for deficiencies	16,042	15,163
Other surplus reserves:	424,593	464,667
Equalized reserve for dividends to policyholders	50,000	50,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	328	305
Reserve for reduction entry of real estate	51,196	50,187
Reserve for reduction entry of real estate to be purchased	5,643	—
Other reserves	170	170
Unappropriated surplus	245,337	292,087
Total foundation funds and others	1,741,286	1,780,481
Net unrealized gains on available-for-sale securities	4,585,298	4,722,733
Deferred losses on derivatives under hedge accounting	(65,262)	(123,923)
Land revaluation losses	(58,084)	(86,202)
Total valuations, conversions, and others	4,461,951	4,512,608
Total net assets	6,203,237	6,293,089
Total liabilities and net assets	64,814,005	63,453,836

Notes to Presenting the Nonconsolidated Balance Sheet as of March 31, 2017

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

1) Trading securities are stated at fair value on the balance sheet date. The moving average method is used for calculating cost basis.

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 or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.

5) Available-for-sale securities

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

b. Regarding securities of which the fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are stated at cost using the moving average method, net of accumulated amortization (straight-line). Other securities without readily determinable fair values are stated at cost using the moving average method.

* ASBJ: The Accounting Standards Board of Japan
** JICPA: Japanese Institute of Certified Public Accountants

(2) Unrealized gains/losses, net of applicable taxes for available-for-sale securities, are recorded as a separate component of net assets.

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

3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair 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.

Certain other tangible fixed assets with an acquisition price of less than ¥200,000 are depreciated over a 3 year period on a straight-line basis.

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.

(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) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (3) below).
2) An allowance for loans to borrowers who are not currently legally bankrupt but have a 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) An allowance for loans to 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 Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

(3) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥531 million (including ¥94 million of credits secured and/or guaranteed) as of March 31, 2017.

7. To provide for losses on investments, an allowance for investment loss is recognized for the securities of which the fair value is extremely difficult to be determined but expected to have loss in future, and measured at the amount of the estimated losses that could arise in the future in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.

8. Accrued bonuses for directors and audit and supervisory board members are recognized based on amounts estimated to be paid.

9. (1) Accrued retirement benefits are recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets for future severance payments to employee on the balance sheet date of the current fiscal year.

(2) The accounting methods used for retirement benefit obligations and benefit costs are as follows:
1) Attribution method for estimated retirement benefits: Benefit formula basis
2) Period of amortizing actuarial gains/losses: 5 years
3) Period of amortizing prior service costs: 5 years

10. Accrued retirement benefits for directors and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

11. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.

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

13. Financial leases where ownership is not transferred are capitalized based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).

14. Hedge accounting is applied based on the following methods:

1) The Company mainly applies the following hedge accounting methods: The exceptional accounting treatment (*"Tokurei-shori"*) for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry" issued by the JICPA; deferred hedge accounting and designated hedge accounting (*"Furiate-shori"*) for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company; fair value hedge accounting for foreign exchange forward contracts are applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and fair value hedge accounting for equity forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments
Equity forward contracts	Domestic stocks

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

15. 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 are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.

16. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premiums reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies.
    1) Reserves for 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.

17. Effective from the fiscal year ended March 31, 2017, the Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) (hereinafter, the "Implementation Guidance on Recoverability") and has partially revised its accounting method of recoverability of deferred tax assets.
    With respect to the application of the Implementation Guidance on Recoverability, the Company has adopted the transitional treatments provided in Paragraph 49 (4) of the Implementation Guidance on Recoverability. Accordingly, the Company has calculated the difference between the amounts of deferred tax assets and deferred tax liabilities determined by applying Paragraph 49 (3), Items 1-3 of the Implementation Guidance on Recoverability as of the beginning of the fiscal year ended March 31, 2017 (April 1, 2016), and the amounts of deferred tax assets and deferred tax liabilities as of the previous fiscal year end, and added the difference to surplus as of April 1, 2016.
    As a result, as of April 1, 2016, deferred tax assets increased by ¥1,873 million and unappropriated surplus increased by ¥1,873 million.

18. Regarding the investment of general accounts (except separate accounts as provided in Article 118, Paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, the Company has built a portfolio geared towards mid- to long-term investment and formulated an investment plan considering the outlook of the investment environment.
    Based on this, in order to reliably pay benefits and other payments in the future, 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, and from the viewpoint of improving profit in the mid- to long-term, the Company invests in stocks and foreign securities. Also, from the viewpoint of effective investment, the Company mainly uses derivative transactions for controlling asset investment risks. Specifically, the Company uses interest rate swaps for the Company's interest rate-related investments, foreign exchange forward contracts and currency options and swaps for the Company's currency-related investments, and equity forward contracts, equity index

futures and equity index options for the Company's equity-related investments, and hedge accounting is applied with respect to a portion thereof.

The Company mainly applies the following hedge accounting methods: The exceptional accounting treatment (*"Tokurei-shori"*) for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry" issued by the JICPA; deferred hedge accounting and designated hedge accounting (*"Furiate-shori"*) for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company; fair value hedge accounting for foreign exchange forward contracts are applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and fair value hedge accounting for equity forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks. The effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company's internal risk management policies.

Securities are mainly exposed to market risk and credit risk, loans are exposed to credit risk, and derivative transactions are exposed to market risk and credit risk. Market risk refers to the risk of incurring losses when the fair value of investment assets declines due to such factors as fluctuations in interest rates, exchange rates, or stock prices. Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of the party to whom credit has been extended. It includes country risk. These risks are managed according to rules and regulations regarding investment risks.

To manage market risk, the Company has implemented investment limits based on the nature of the assets in order to avoid excessive losses from financing and investment transactions. In addition, the Company monitors and regularly reports on the status of compliance to the Risk Management Committee, the advisory body of the Management Committee, and has developed a system to control risk within acceptable levels in the event of a breach of the internal rules. Also, to control market risk in the Company's portfolio, the Company uses a statistical analysis method to rationally calculate the market value-at-risk of the portfolio as a whole and conducts appropriate asset allocation within acceptable boundaries of risk.

To manage credit risk, the Company has built a thorough monitoring system involving the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company also continues to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns the Company obtains are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the Company's portfolio as a whole and monitors whether the magnitude of risk stays within an appropriate range.

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

(Million Yen)

	Balance sheet amount (*1)	Fair value (*2)	Difference
Cash and deposits (negotiable certificates of deposit):	697,601	697,601	—
Available-for-sale securities	697,601	697,601	—
Monetary receivables purchased:	326,256	353,953	27,696
Policy-reserve-matching bonds	287,005	314,702	27,696
Available-for-sale securities	39,251	39,251	—
Assets held in trust:	3,397	3,397	—
Trading securities	3,397	3,397	—
Investments in securities:	51,461,932	55,179,731	3,717,799
Trading securities	1,153,506	1,153,506	—
Policy-reserve-matching bonds	19,372,276	23,016,736	3,644,459
Investments in subsidiaries and affiliates	14,251	87,590	73,339
Available-for-sale securities	30,921,898	30,921,898	—
Loans (*3):	7,747,748	8,060,437	312,689
Policy loans	654,537	654,537	—
Industrial and consumer loans	7,093,210	7,405,899	312,689
Derivative financial instruments (*4):	(52,511)	(52,511)	—
Hedge accounting not applied	11,201	11,201	—
Hedge accounting applied	(63,713)	(63,713)	—
Corporate bonds (*3,*5)	(840,825)	(890,476)	(49,651)
Cash received as collateral under securities lending transactions (*5)	(674,067)	(674,067)	—

(*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 fiscal year ended March 31, 2017, the fair value is the balance sheet amount after the impairment losses are deducted.

(*3) The fair 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 fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.

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

(*5) Corporate bonds and cash received as collateral under securities lending transactions are recorded in liabilities and presented in parentheses.

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

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

a. Items with a market price

Fair value is measured based on the closing market price on the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

b. Items without a market price

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

2) Loans

a. Policy loans

Fair value is deemed to approximate book value, due to expected repayment periods, interest rate requirements, and other characteristics. These loans have no repayment date either in form or in substance because stated due dates can be extended if the loan amount is within a certain range of its surrender benefit. Thus, the book value is used as the fair value of the policy loans.

b. Industrial and consumer loans

Fair 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, book value is used as fair value for variable interest rate loans.

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

Fair value of loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectible amount from the book value prior to direct write-offs.

3) Derivative financial instruments

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

b. Fair value of equity options is measured by the liquidation value or closing market price on the balance sheet date or the price calculated by the Company based on volatility and other data obtained mainly from external information vendors.

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

d. Fair value of interest rate swaps and currency swaps is measured based on present values calculated by discounting the differences between future cash inflows and outflows using published market interest rates and other data.

e. Fair value of forward contracts is measured based on present values calculated by discounting future cash flows using published market interest rates and other data.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust, in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

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

6) Cash received as collateral under securities lending transactions

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

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1).

Balance sheet amounts by holding purpose were ¥823,477 million for stocks of subsidiaries and affiliates, and ¥739,650 million for available-for-sale securities as of March 31, 2017.

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

1) Trading securities

Derivative financial instruments within assets held in trust and investments in securities for separate accounts are classified as trading securities as of March 31, 2017.

Valuation gains/losses included in profit and loss were gains of ¥69,952 million for derivative financial instruments within assets held in trust and investments in securities related to separate accounts for the current fiscal year.

2) Held-to-maturity debt securities

No ending balance as of March 31, 2017.

3) Policy-reserve-matching bonds

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

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	283,224	310,953	27,728
	Domestic bonds	19,055,356	22,707,836	3,652,479
	Foreign securities	54,979	57,114	2,135
	Subtotal	19,393,560	23,075,904	3,682,343
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	3,781	3,749	(31)
	Domestic bonds	261,940	251,784	(10,155)
	Subtotal	265,721	255,534	(10,187)
Total		19,659,282	23,331,438	3,672,156

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	Cash and deposits (negotiable certificates of deposit)	587,600	587,601	1
	Monetary receivables purchased	2,717	2,786	68
	Domestic bonds	2,523,610	2,718,192	194,582
	Domestic stocks	3,283,750	7,671,718	4,387,968
	Foreign securities	10,020,827	11,973,295	1,952,467
	Other securities	905,547	1,072,503	166,956
	Subtotal	17,324,053	24,026,098	6,702,045
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	110,000	109,999	(0)
	Monetary receivables purchased	36,466	36,464	(1)
	Domestic bonds	431,162	424,690	(6,472)
	Domestic stocks	743,549	649,817	(93,732)
	Foreign securities	5,911,682	5,661,076	(250,605)
	Other securities	773,892	750,603	(23,288)
	Subtotal	8,006,753	7,632,652	(374,101)
Total		25,330,807	31,658,751	6,327,943

* Securities totaling ¥739,650 million, whose fair value is extremely difficult to determine are not included.

¥13,659 million in impairment losses was recognized for securities with a fair value during the fiscal year ended March 31, 2017.

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

The criteria by which the fair value of a stock is deemed to have declined significantly are as follows:

a. A security for which the ratio of the average fair 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 fair value in the month preceding the balance sheet date is between 50% and 70% of its acquisition cost.
2. The historical fair value, the business conditions of the issuing company, and other aspects are subject to certain requirements.

(5) Scheduled repayment amounts for the main monetary claims and liabilities and redemption amounts for securities with maturities are as follows:

(Million Yen)

	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	697,600	—	—	—
Available-for-sale securities	697,600	—	—	—
Monetary receivables purchased:	36,000	7,614	27,855	254,374
Policy-reserve-matching bonds	—	7,373	27,631	251,656
Available-for-sale securities	36,000	240	223	2,717
Investments in securities:	996,932	4,189,432	8,961,694	25,165,526
Policy-reserve-matching bonds	469,887	1,238,127	4,250,506	13,302,332
Available-for-sale securities	527,045	2,951,304	4,711,187	11,863,193
Loans	1,068,023	2,688,067	1,633,464	1,700,346
Corporate bonds	—	—	—	840,825
Cash received as collateral under securities lending transactions	674,067	—	—	—

* Assets such as policy loans, which do not have a stated maturity date, are not included.
Also, ¥3,919 million in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy is not included.

20. The balance sheet amount for investment and rental properties was ¥1,126,760 million, with a fair value of ¥1,307,396 million as of March 31, 2017.
The Company owns rental office buildings and commercial facilities, the fair value of which as of March 31, 2017 was the amount measured based mainly on the "Real Estate Appraisal Standards."
The amount corresponding to asset retirement obligations that were included in the balance sheet amounts of investment and rental properties was ¥492 million as of March 31, 2017.

21. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥32,058 million as of March 31, 2017.

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,764 million and ¥27,122 million, respectively, as of March 31, 2017.
Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.
Delinquent loans are loans for which interest is not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.

2) There were no loans delinquent for over three months as of March 31, 2017.
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 ¥3,171 million as of March 31, 2017.
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 ¥399 million and ¥132 million, respectively, as of March 31, 2017.

22. The amount of accumulated depreciation of tangible fixed assets was ¥1,152,571 million as of March 31, 2017.

23. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,315,792 million as of March 31, 2017, and a corresponding liability is recorded in the same amount.

24. The total amount of credits and debits to subsidiaries and affiliates were ¥90,028 million and ¥3,852 million, respectively as of March 31, 2017.

25. Changes in the reserve for dividends to policyholders for the fiscal year ended March 31, 2017, were as follows:

		Million Yen
		Year ended March 31, 2017
a.	Balance at the beginning of the current fiscal year	¥1,015,013
b.	Transfer to reserve from surplus in the previous fiscal year	¥229,857
c.	Dividends paid to policyholders	¥266,227
d.	Increase in interest	¥22,458
e.	Balance at the end of the current fiscal year (a+b-c+d)	¥1,001,102

26. Corporate bonds within liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The corporate bonds are callable at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

Issue date	Callable date
October 2012	Each interest payment date on or after October 2022
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
April 2015	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
April 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter
November 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter

On April 19, 2017, the Company issued corporate bonds as follows:

Yen-denominated subordinated and unsecured corporate bonds due 2047 with interest deferral options and call option (the corporate bonds are to be first issued to qualified institutional investors and a small number of investors in domestic securities markets with a restriction on a bond split)

Issue price	100% of principal amount
Principal amount	¥100.0 billion
Interest rate	A fixed rate of 1.05% per annum before April 19, 2027, and a fixed rate with step-up thereafter (reset every 5 years).
Maturity	April 19, 2047 (The corporate bonds are callable on April 19, 2027, and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.)
Collateral and guarantees	The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.
Use of funds	General working capital

27. Assets pledged as collateral in the form of investments in securities, land, and buildings as of March 31, 2017, were ¥1,402,770 million, ¥252 million, and ¥50 million, respectively. The total amount of liabilities covered by the aforementioned assets was ¥674,122 million as of March 31, 2017.
These amounts included ¥726,324 million of investments in securities deposited and ¥674,116 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2017.

28. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act for the fiscal year ended March 31, 2017.

29. The total amount of stocks and investments in subsidiaries and affiliates was ¥837,729 million as of March 31, 2017.

30. The amount of securities lent under lending agreements was ¥2,423,266 million as of March 31, 2017.

31. Assets that can be sold or resecured are marketable securities borrowed under lending agreements. These assets were held without being sold or resecured and totaled ¥601,117 million at fair value as of March 31, 2017.

32. The amount of commitments related to loans and loans outstanding was ¥249,880 million as of March 31, 2017.

33. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company was estimated to be ¥81,509 million as of March 31, 2017.
The amount contributed to the aforementioned corporation was recorded within operating expenses.

34. Information relating to retirement benefits is as follows:
(1) Summary of retirement benefit plans
In terms of defined benefit plans, the Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan for non-sales personnel and sales management personnel, etc.
In terms of defined contribution plans, the Company has a defined contribution pension plan.
The Company also has a defined benefit plan for sales representatives, etc., in the form of a lump-sum retirement payment plan and an in-house pension plan.

(2) Defined benefit plan
1) Reconciliation of retirement benefit obligations at the beginning and end of the fiscal year

		Million Yen
		Year ended March 31, 2017
a.	Retirement benefit obligations at the beginning of the year	¥665,416
b.	Service costs	¥25,826
c.	Interest cost	¥3,992
d.	Actuarial losses accrued during the year	¥1,375
e.	Retirement benefit payments	¥(45,331)
f.	Retirement benefit obligations at the end of the year (a+b+c+d+e)	¥651,278

2) Reconciliation of pension plan assets at the beginning and end of the fiscal year

		Million Yen
		Year ended March 31, 2017
a.	Pension plan assets at the beginning of the year	¥267,698
b.	Expected return on plan assets	¥4,283
c.	Actuarial gains accrued during the year	¥398
d.	Contributions by business proprietor	¥6,223
e.	Retirement benefit payments	¥(17,734)
f.	Pension plan assets at the end of the year (a+b+c+d+e)	¥260,869

3) Reconciliation of retirement benefit obligations, pension plan assets, and accrued retirement benefits on the nonconsolidated balance sheet

		Million Yen
		Year ended March 31, 2017
a.	Retirement benefit obligations for funded plans	¥290,160
b.	Pension plan assets	¥(260,869)
		¥29,291
c.	Retirement benefit obligations for non-funded plans	¥361,117
d.	Unrecognized actuarial gains	¥(31,777)
e.	Accrued retirement benefits (a+b+c+d)	¥358,630

4) Losses (gains) relating to retirement benefits

		Million Yen
		Year ended March 31, 2017
a.	Service costs	¥25,826
b.	Interest cost	¥3,992
c.	Expected return on plan assets	¥(4,283)
d.	Amortization of actuarial losses for the period	¥8,152
e.	Benefit cost for defined benefit plans (a+b+c+d)	¥33,688

5) Pension plan assets consist of the following:

a.	General account of Nippon Life	52.3%
b.	Domestic bonds	23.2 %
c.	Foreign securities	20.4 %
d.	Domestic stocks	2.7 %
e.	Cash and deposits	1.4 %
f.	Total (a+b+c+d+e)	100.0%

6) Calculation method for long-term expected rate of return on plan assets

To determine the long-term expected rate of return on pension plan assets, the Company takes into consideration present and forecasted allocation of the pension plan assets, and present and long-term rates of return that are expected from the portfolio of assets that comprise the pension plan assets.

7) Matters relating to the basis for actuarial calculations

The main items in the basis for actuarial calculations as of March 31, 2017 are as follows:

a.	Discount rate	0.6%
b.	Long-term expected rate of return on plan assets	1.6%

(3) Defined contribution plans

The Company contributed ¥2,166 million to defined contribution plans during the fiscal year ended March 31, 2017.

35. (1) Total deferred tax assets were ¥1,330,324 million and total deferred tax liabilities were ¥1,840,138 million as of March 31, 2017. Among deferred tax assets, the deduction for the valuation allowance was ¥53,509 million. The major components resulting in deferred tax assets were policy reserves and other reserves of ¥785,164 million, reserve for price fluctuations in investments in securities of ¥312,176 million, accrued retirement benefits of ¥100,141 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥1,764,473 million.

(2) The statutory tax rate was 28.2% for the fiscal year ended March 31, 2017. The main factors for the difference between the statutory tax rate and the effective income tax rate were a decrease of 17.0% due to the amount of reserve for dividends to policyholders.

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

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

37. 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 ¥275 million as of March 31, 2017.

38. The amount per Article 30, Paragraph 2 of the Ordinance for Enforcement of the Insurance Business Act was ¥4,520,687 million as of March 31, 2017.

6. Nonconsolidated Statements of Income

(Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
Ordinary income:	6,452,675	7,744,877
Revenues from insurance and reinsurance:	4,647,334	6,080,915
Insurance premiums	4,646,209	6,079,922
Reinsurance revenue	1,125	993
Investment income:	1,661,965	1,500,162
Interest, dividends, and other income:	1,365,628	1,396,181
Interest on deposits and savings	76	251
Interest on securities and dividends	1,127,836	1,144,694
Interest on loans	141,124	153,346
Real estate rental income	84,499	85,682
Other income	12,092	12,206
Gain on sales of securities	254,013	94,194
Gain on redemptions of securities	5,805	7,104
Reversal of allowance for doubtful accounts	742	2,230
Other investment income	702	452
Gain from separate accounts, net	35,072	—
Other ordinary income:	143,375	163,799
Income from annuity riders	9,442	10,297
Income from deferred benefits	106,290	118,134
Other ordinary income	27,642	35,367

6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
Ordinary expenses:	5,994,211	7,207,367
Benefits and other payments:	3,529,231	3,749,890
Death and other claims	1,018,393	966,870
Annuity payments	836,311	826,229
Health and other benefits	658,966	702,169
Surrender benefits	801,780	847,635
Other refunds	212,024	405,400
Reinsurance premiums	1,754	1,585
Provision for policy reserves:	1,267,952	2,376,344
Provision for reserve for outstanding claims	31,116	118,701
Provision for policy reserves	1,214,378	2,234,601
Provision for interest on reserve for dividends to policyholders	22,458	23,041
Investment expenses:	388,005	216,646
Interest expenses	18,996	14,477
Loss from assets held in trust, net	1,976	65
Loss on sales of securities	118,770	13,596
Loss on valuation of securities	27,738	35,783
Loss on redemptions of securities	32,958	23,947
Loss on derivative financial instruments, net	119,127	55,888
Foreign exchange losses, net	1,209	91
Provision for allowance for investment loss	25,219	—
Write-offs of loans	—	21
Depreciation of rental real estate and other assets	15,337	15,649
Other investment expenses	26,670	25,935
Loss from separate accounts, net	—	31,190
Operating expenses	572,159	574,672
Other ordinary expenses:	236,861	289,814
Deferred benefit payments	126,767	178,733
Taxes	44,541	47,323
Depreciation	47,578	45,566
Other ordinary expenses	17,974	18,191

6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
Ordinary profit	458,464	537,509
Extraordinary gains:	38,895	8,608
Gain on disposals of fixed assets	38,895	8,608
Extraordinary losses:	191,348	186,317
Loss on disposals of fixed assets	14,630	9,887
Impairment losses	4,328	4,791
Provision for reserve for price fluctuations in investments in securities	169,411	168,661
Loss on reduction entry of real estate	2	—
Contributions for assisting social public welfare	2,977	2,977
Surplus before income taxes	306,011	359,800
Income taxes — current	86,280	113,646
Income taxes — deferred	(48,873)	(41,895)
Total income taxes	37,406	71,750
Net surplus	268,604	288,049

Notes to the Nonconsolidated Statement of Income for the Fiscal Year Ended March 31, 2017

1. The total income and expenses from transactions with subsidiaries and affiliates is ¥33,263 million and ¥34,913 million, respectively, for the fiscal year ended March 31, 2017.

2. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥27,575 million, ¥194,152 million, and ¥32,285 million, respectively, for the fiscal year ended March 31, 2017.

3. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥1,184 million, ¥8,182 million, and ¥109,395 million, respectively, for the fiscal year ended March 31, 2017.

4. Loss on valuation of securities includes losses on the valuation of domestic stocks and foreign securities of ¥13,662 million and ¥14,023 million, respectively, for the fiscal year ended March 31, 2017.

5. Provision for policy reserves for ceded reinsurance that was deducted from the calculation of provision for policy reserves was ¥60 million for the fiscal year ended March 31, 2017.

6. (1) Loss from assets held in trust, net includes net valuation losses of ¥1,974 million for the fiscal year ended March 31, 2017.
   (2) Loss on derivative financial instruments, net includes net valuation losses of ¥11,045 million for the fiscal year ended March 31, 2017.

7. Impairment losses are as follows:
   1) Method for grouping the assets
   Leased property and idle property are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.

   2) Circumstances causing impairment losses
   The Company observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses for the fiscal year ended March 31, 2017.

3) Breakdown of asset groups that recognized impairment losses for the fiscal year ended March 31, 2017, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Leased property	¥1,866	¥608	¥2,475
Idle property	¥1,484	¥368	¥1,852
Total	¥3,351	¥976	¥4,328

4) Calculation method of recoverable amount

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

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

7. Nonconsolidated Statements of Changes in Net Assets

Year Ended March 31, 2016

(Million Yen)

	Foundation funds and others												
				Surplus									
					Other surplus reserves								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contin-gency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappro-priated surplus	Total surplus	Total foundation funds and others
Beginning balance	200,000	1,050,000	651	14,208	50,000	71,917	282	45,882	34	170	317,459	499,954	1,750,605
Increase/decrease:													
Issuance of foundation funds	50,000												50,000
Additions to reserve for dividends to policyholders											(257,299)	(257,299)	(257,299)
Additions to legal reserve for deficiencies				955							(955)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(1,935)	(1,935)	(1,935)
Net surplus											288,049	288,049	288,049
Redemption of foundation funds	(50,000)												(50,000)
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(2,977)				2,977	—	—
Additions to reserve for reduction entry of real estate								4,906			(4,906)	—	—
Reversal of reserve for reduction entry of real estate								(601)			601	—	—
Reversal of reserve for reduction entry of real estate to be purchased									(34)		34	—	—
Reversal of land revaluation losses											1,060	1,060	1,060
Net change, excluding foundation funds and others													
Net change	—	50,000	—	955	—	—	23	4,304	(34)	—	(25,372)	(20,124)	29,875
Ending balance	200,000	1,100,000	651	15,163	50,000	71,917	305	50,187	—	170	292,087	479,830	1,780,481

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

Year Ended March 31, 2016

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	6,016,469	(231,060)	(88,670)	5,696,737	7,447,343
Increase/decrease:					
Issuance of foundation funds					50,000
Additions to reserve for dividends to policyholders					(257,299)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(1,935)
Net surplus					288,049
Redemption of foundation funds					(50,000)
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					1,060
Net change, excluding foundation funds and others	(1,293,735)	107,137	2,468	(1,184,129)	(1,184,129)
Net change	(1,293,735)	107,137	2,468	(1,184,129)	(1,154,253)
Ending balance	4,722,733	(123,923)	(86,202)	4,512,608	6,293,089

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

Year Ended March 31, 2017

(Million Yen)

	Foundation funds and others												
				Surplus									
					Other surplus reserves								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contin-gency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappro-priated surplus	Total surplus	Total foundation funds and others
Beginning balance	200,000	1,100,000	651	15,163	50,000	71,917	305	50,187	—	170	292,087	479,830	1,780,481
Cumulative effect of change in accounting policies											1,873	1,873	1,873
Beginning balance after reflecting accounting policy changes	200,000	1,100,000	651	15,163	50,000	71,917	305	50,187	—	170	293,960	481,703	1,782,355
Increase/decrease:													
Additions to reserve for dividends to policyholders											(229,857)	(229,857)	(229,857)
Additions to legal reserve for deficiencies				879							(879)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(1,698)	(1,698)	(1,698)
Net surplus											268,604	268,604	268,604
Redemption of foundation funds	(50,000)												(50,000)
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(2,977)				2,977	—	—
Additions to reserve for reduction entry of real estate								1,614			(1,614)	—	—
Reversal of reserve for reduction entry of real estate								(606)			606	—	—
Additions to reserve for reduction entry of real estate to be purchased									5,643		(5,643)	—	—
Reversal of land revaluation losses											(28,117)	(28,117)	(28,117)
Net change, excluding foundation funds and others													
Net change	(50,000)	50,000	—	879	—	—	23	1,008	5,643	—	(48,623)	(41,068)	(41,068)
Ending balance	150,000	1,150,000	651	16,042	50,000	71,917	328	51,196	5,643	170	245,337	440,635	1,741,286

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

Year Ended March 31, 2017

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	4,722,733	(123,923)	(86,202)	4,512,608	6,293,089
Cumulative effect of change in accounting policies					1,873
Beginning balance after reflecting accounting policy changes	4,722,733	(123,923)	(86,202)	4,512,608	6,294,963
Increase/decrease:					
Additions to reserve for dividends to policyholders					(229,857)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(1,698)
Net surplus					268,604
Redemption of foundation funds					(50,000)
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					(28,117)
Net change, excluding foundation funds and others	(137,434)	58,660	28,117	(50,656)	(50,656)
Net change	(137,434)	58,660	28,117	(50,656)	(91,725)
Ending balance	4,585,298	(65,262)	(58,084)	4,461,951	6,203,237

8. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

		Year ended March 31, 2017	Year ended March 31, 2016
Core operating profit (A)		634,972	698,134
Capital gains:		254,013	94,194
	Gain on proprietary trading securities	—	—
	Gain from assets held in trust, net	—	—
	Gain on trading securities	—	—
	Gain on sales of securities	254,013	94,194
	Gain on derivative financial instruments, net	—	—
	Foreign exchange gains, net	—	—
	Other capital gains	—	—
Capital losses:		282,954	105,929
	Loss on proprietary trading securities	—	—
	Loss from assets held in trust, net	1,976	65
	Loss on trading securities	—	—
	Loss on sales of securities	118,770	13,596
	Loss on valuation of securities	27,738	35,783
	Loss on derivative financial instruments, net	119,127	55,888
	Foreign exchange losses, net	1,209	91
	Other capital losses	14,131	505
Net capital losses (B)		(28,941)	(11,734)
Core operating profit, including net capital losses (A+B)		606,030	686,399
Nonrecurring gains:		494	1,474
	Reinsurance revenue	—	—
	Reversal of contingency reserve	—	—
	Reversal of specific allowance for doubtful accounts	494	1,474
	Other nonrecurring gains	—	—
Nonrecurring losses:		148,060	150,363
	Reinsurance premiums	—	—
	Provision for contingency reserve	122,841	150,342
	Provision for specific allowance for doubtful accounts	—	—
	Provision for allowance for specific overseas debts	—	—
	Write-offs of loans	—	21
	Other nonrecurring losses	25,219	—
Net nonrecurring losses (C)		(147,566)	(148,889)
Ordinary profit (A+B+C)		458,464	537,509

(Reference) Breakdown of "Other" items

(Million Yen)

		Year ended March 31, 2017	Year ended March 31, 2016
Core operating profit		14,131	505
	Amount of foreign exchange gains and losses related to foreign currency-denominated insurance products	7,508	505
	Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	6,622	—
Other capital gains		—	—
	Amount of foreign exchange gains and losses related to foreign currency-denominated insurance products	—	—
	Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	—	—
Other capital losses		14,131	505
	Amount of foreign exchange gains and losses related to foreign currency-denominated insurance products	7,508	505
	Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	6,622	—
Other nonrecurring gains		—	—
Other nonrecurring losses		25,219	—
	Provision for allowance for investment loss	25,219	—

9. Nonconsolidated Proposed Appropriations of Surplus

(Thousands Yen)

				Year ended March 31, 2017	Year ended March 31, 2016
Unappropriated surplus				245,337,320	292,087,372
Reversal from voluntary surplus reserve:				18,578,397	606,072
	Reversal of equalized reserve for dividends to policyholders			10,000,000	—
	Reversal of reserve for reduction entry of real estate			2,942,005	606,072
	Reversal of reserve for reduction entry of real estate to be purchased			5,636,391	—
Total				263,915,718	292,693,444
Appropriations:				263,915,718	292,693,444
	Reserve for dividends to policyholders			184,086,582	229,857,885
	Net surplus:			79,829,135	62,835,559
		Legal reserve for deficiencies		762,000	879,000
		Reserve for redemption of foundation funds		50,000,000	50,000,000
		Interest on foundation funds		1,198,000	1,698,000
		Voluntary surplus reserve:		27,869,135	10,258,559
			Reserve for social public welfare assistance	3,000,000	3,000,000
			Reserve for reduction entry of real estate	1,453,954	1,614,659
			Reserve for reduction entry of real estate to be purchased	23,415,180	5,643,900
Surplus carried forward				—	—

10. Status of Nonperforming Assets According to Borrower’s Classification

(Million Yen, %)

	As of March 31, 2017	As of March 31, 2016
Bankrupt and quasi-bankrupt loans	10,095	10,370
Doubtful loans	18,796	20,436
Substandard loans	3,171	4,029
Subtotal	32,063	34,836
[Percent of total, %]	[0.31]	[0.37]
Normal loans	10,214,183	9,405,636
Total	10,246,246	9,440,473

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.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of March 31, 2017 and 2016, were ¥531 million and ¥1,036 million, respectively.

11. Status of Risk-Monitored Loans

(Million Yen, %)

	As of March 31, 2017	As of March 31, 2016
Loans to bankrupt borrowers	1,764	1,969
Delinquent loans	27,122	28,828
Loans that are delinquent for over three months	—	—
Restructured loans	3,171	4,029
Total	32,058	34,827
[Percent of total loans, %]	[0.41]	[0.43]

Notes:
1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), an estimated uncollectible amount (calculated by subtracting estimated collectible amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount.
   The amount directly deducted from loans to bankrupt borrowers and delinquent loans were ¥399 million and ¥132 million, respectively, as of March 31, 2017 and ¥843 million and ¥192 million, respectively, as of March 31, 2016.
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).
6. Interest that is not accrued for loans of borrowers who are deemed to be bankrupt, quasi-bankrupt, or doubtful based on the results of asset self-assessment is not recorded as income.

12. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016	Change
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	1,503	1,751	(248)
(B) Specific allowance for doubtful accounts	1,379	1,773	(393)
(C) Allowance for specific overseas debts	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	1,911	2,809	(898)
(B) Reversal	2,405	4,283	(1,877)
[excluding reversals with write-offs]			
(C) Net provision	(494)	(1,474)	979
(3) Allowance for specific overseas debts			
(A) Number of debtor countries	—	—	—
(B) Amounts of credit	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-offs of loans	—	21	(21)

(Reference)

Status of Borrower Classification

(100 Million Yen, %)

	As of March 31, 2017		As of March 31, 2016	
	Money available	Percentage of whole	Money available	Percentage of whole
Loan balances (After direct write-offs of category IV)	77,495	100.0	81,214	100.0
Noncategorized	76,878	99.2	80,437	99.0
Category II	611	0.8	767	0.9
Category III	4	0.0	9	0.0
Category IV	—	—	—	—

Notes: 1. Specific allowances for doubtful accounts of Category III were as follows: ¥0.3 billion and ¥0.7 billion as of March 31, 2017 and 2016, respectively.
2. The amounts of direct write-offs of Category IV were as follows: ¥0.5 billion and ¥1.0 billion as of March 31, 2017 and 2016, respectively.

13. Solvency Margin Ratio

(Million Yen)

	As of March 31, 2017	As of March 31, 2016
Solvency margin gross amount (A):	12,596,032	12,172,555
Foundation funds (*kikin*) and other reserve funds:	4,454,276	4,164,622
Foundation funds and others	1,556,001	1,548,925
Reserve for price fluctuations in investments in securities	1,116,795	947,384
Contingency reserve	1,523,431	1,400,590
General allowance for doubtful accounts	1,503	1,751
Others	256,544	265,970
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax)× 90%	5,630,908	5,719,951
Net unrealized gains on real estate × 85%	210,229	129,232
Excess of continued Zillmerized reserve	1,415,384	1,459,759
Qualifying subordinated debt	840,825	650,825
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(252)	(357)
Others	44,661	48,522
Total amount of risk (B): $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$	2,811,478	2,693,788
Underwriting risk (R_1)	122,718	124,832
Underwriting risk of third-sector insurance (R_8)	78,064	76,984
Anticipated yield risk (R_2)	386,043	386,141
Minimum guarantee risk (R_7)	5,708	5,759
Investment risk (R_3)	2,353,474	2,237,530
Business management risk (R_4)	58,920	56,624
Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$	896.0%	903.7%

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.

(Reference)

Policy reserve valuation method and ratio for individual insurance and annuities

	As of March 31, 2017	As of March 31, 2016
Policies subject to the standard policy reserve	Net level premium method	Net level premium method
Policies not subject to the standard policy reserve	Net level premium method	Net level premium method
Ratio (excluding contingency reserve)	100.0%	100.0%

Notes: 1. Individual insurance and annuities are subject to the valuation method and ratio. Policy reserves for group insurance and annuities are not included in the above figures due to the absence of an accumulation method.

2. Regarding the valuation ratio, policies subject to the standard policy reserve represent the ratio in accordance with the method that the Prime Minister prescribed by means of Ordinance No. 48 issued by the Ministry of Finance in 1996. Policies not subject to the standard policy reserve represent the ratio for the insurance premiums reserve calculated by the net level premium method and unearned premium.

14. Status of Separate Accounts for the Fiscal Year Ended March 31, 2017

(1) Balance of Separate Account Assets

(Million Yen)

	As of March 31, 2017	As of March 31, 2016
Individual variable insurance	116,005	113,805
Individual variable annuities	41,905	52,973
Group annuities	1,157,881	1,211,177
Separate account total	1,315,792	1,377,955

(2) Status of Separate Accounts for Individual Variable Insurance

1) Policies in Force

	As of March 31, 2017		As of March 31, 2016	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	1,195	5,570	1,627	7,735
Variable insurance (whole life type)	33,300	479,050	33,983	494,469
Total	34,495	484,621	35,610	502,204

2) Breakdown of Separate Account Assets Year-End Balance (Individual Variable Insurance)

(Million Yen, %)

	As of March 31, 2017		As of March 31, 2016	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits, and call loans	4,015	3.5	7,039	6.2
Investments in securities:	103,924	89.6	89,384	78.5
Domestic bonds	23,690	20.4	13,049	11.5
Domestic stocks	42,964	37.0	37,522	33.0
Foreign securities:	37,269	32.1	38,812	34.1
Foreign bonds	9,143	7.9	13,016	11.4
Foreign stocks and other securities	28,126	24.2	25,796	22.7
Other securities	—	—	—	—
Loans	—	—	—	—
Others	8,066	7.0	17,380	15.3
Allowance for doubtful accounts	—	—	—	—
Total	116,005	100.0	113,805	100.0

3) Investment Income and Expenses from Separate Accounts (Individual Variable Insurance)

(Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
	Amount	Amount
Interest, dividends, and other income	1,901	2,139
Gain on sales of securities	4,389	8,556
Gain on redemptions of securities	—	—
Gain on valuation of securities	3,238	(11,528)
Foreign exchange gains, net	—	—
Gain on derivative financial instruments, net	760	—
Other investment income	6	19
Loss on sales of securities	2,744	2,398
Loss on redemptions of securities	—	—
Loss on valuation of securities	(2,297)	3,473
Foreign exchange losses, net	89	102
Loss on derivative financial instruments, net	—	688
Other investment expenses	2	3
Net investment income	9,756	(7,479)

(3) Status of Separate Accounts for Individual Variable Annuities

1) Policies in Force

	As of March 31, 2017		As of March 31, 2016	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	11,497	41,903	7,501	52,972

2) Breakdown of Separate Account Assets Year-End Balance (Individual Variable Annuities)

(Million Yen, %)

	As of March 31, 2017		As of March 31, 2016	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits, and call loans	—	—	—	—
Investments in securities:	40,573	96.8	51,114	96.5
Domestic bonds	10,422	24.9	12,853	24.3
Domestic stocks	—	—	—	—
Foreign securities:	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	30,150	71.9	38,261	72.2
Loans	—	—	—	—
Others	1,332	3.2	1,858	3.5
Allowance for doubtful accounts	—	—	—	—
Total	41,905	100.0	52,973	100.0

3) Investment Income and Expenses from Separate Accounts (Individual Variable Annuities)

(Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
	Amount	Amount
Interest, dividends, and other income	4,318	7,176
Gain on sales of securities	708	455
Gain on redemptions of securities	—	—
Gain on valuation of securities	(2,780)	(8,150)
Foreign exchange gains, net	—	—
Gain on derivative financial instruments, net	—	—
Other investment income	0	0
Loss on sales of securities	29	0
Loss on redemptions of securities	—	—
Loss on valuation of securities	110	—
Foreign exchange losses, net	—	—
Loss on derivative financial instruments, net	—	—
Other investment expenses	0	0
Net investment income	2,105	(519)

15. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
Ordinary income	73,018	80,575
Ordinary profit	5,283	5,613
Net surplus attributable to the parent company	3,019	4,034
Comprehensive income (loss)	2,517	(8,097)

Note: From the fiscal year ended March 31, 2016, “net surplus (net loss)” has been presented as “net surplus (net loss) attributable to the parent company.”

	As of March 31, 2017	As of March 31, 2016
Total assets	724,642	706,079
Solvency margin ratio	933.9%	922.7%

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

	As of March 31, 2017
Number of consolidated subsidiaries	11
Number of subsidiaries not consolidated but accounted for under the equity method	0
Number of affiliates accounted for under the equity method	10
Changes in significant subsidiaries and affiliates during the period	Additions: 1 MLC Limited

(3) Policies of Presenting the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2017

1) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and the Company's subsidiaries. Consolidated subsidiaries as of March 31, 2017, are listed as follows:

Nissay Credit Guarantee Co., Ltd. (Japan)
Nissay Leasing Co., Ltd. (Japan)
Nissay Capital Co., Ltd. (Japan)
Nissay Asset Management Corporation (Japan)
Nissay Information Technology Co., Ltd. (Japan)
Mitsui Life Insurance Company Limited (Japan)
Nippon Life Insurance Company of America (U.S.A.)
NLI Commercial Mortgage Fund, LLC (U.S.A.)
NLI Commercial Mortgage Fund II, LLC (U.S.A.)
NLI US Investments, Inc. (U.S.A.)
MLC Limited (Australia)

MLC Limited has been included within the scope of consolidation for the fiscal year ended March 31, 2017 due to acquisition by the Company.

The major subsidiaries excluded from consolidation are Nippon Life Global Investors Americas, Inc., Nissay Trading Corporation, and Nissay Card 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 fiscal year ended March 31, 2017, are immaterial. This exclusion from consolidation does not prevent a reasonable assessment of the 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 March 31, 2017, are listed as follows:

The Master Trust Bank of Japan, Ltd. (Japan)
Corporate-Pension Business Service Co., Ltd. (Japan)
PanAgora Asset Management, Inc. (U.S.A.)
Nissay-Greatwall Life Insurance Co., Ltd. (China)
Bangkok Life Assurance Public Company Limited (Thailand)
Reliance Nippon Life Insurance Company Limited (India)
Reliance Nippon Life Asset Management Limited (India)
Post Advisory Group, LLC (U.S.A.)
PT Sequis (Indonesia)
PT Asuransi Jiwa Sequis Life (Indonesia)

The subsidiaries not consolidated, such as Nippon Life Global Investors Americas, Inc., and Nissay Trading Corporation, and affiliates other than those listed above, such as SL Towers Co., Ltd. are not accounted for under the equity method. The respective and aggregate effects of such companies on consolidated net income and surplus for the fiscal year ended March 31, 2017, are immaterial.

The numbers of consolidated subsidiaries and affiliates as of March 31, 2017, were as follows:

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

3) The fiscal year-end dates of consolidated subsidiaries

The fiscal year-end date of consolidated overseas subsidiaries is September 30 and December 31. In preparing the consolidated financial statements, consolidated overseas subsidiaries with the fiscal year-end date of September 30 are consolidated using financial statements based on a provisional closing of accounts as of December 31. Consolidated overseas subsidiaries with a closing date of December 31 are consolidated using financial statements based on the fiscal year end of accounts as of December 31. Necessary adjustments are made to reflect significant transactions that occurred between the Company's fiscal year-end date of March 31 and December 31.

4) Amortization of goodwill

Goodwill and the equivalent amount of goodwill from affiliates accounted for under the equity method are amortized under the straight-line method over 20 years.

However, for items that are immaterial, the total amount of goodwill is fully amortized as incurred.

(4) Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2017	As of March 31, 2016
Assets:		
Cash and deposits	1,337,969	1,351,597
Call loans	270,000	120,000
Monetary receivables purchased	337,913	436,630
Assets held in trust	3,597	2,134
Investments in securities	58,262,185	56,100,232
Loans	8,990,370	9,456,217
Tangible fixed assets	1,868,153	1,923,519
Land	1,253,286	1,299,727
Buildings	540,405	568,138
Lease assets	7,580	5,410
Construction in progress	40,311	25,448
Other tangible fixed assets	26,569	24,794
Intangible fixed assets	236,530	177,404
Software	86,168	81,688
Goodwill	53,309	—
Lease assets	6	9
Other intangible fixed assets	97,045	95,706
Reinsurance receivables	12,513	856
Other assets	1,104,003	1,003,987
Deferred tax assets	5,604	4,918
Customers’ liability for acceptances and guarantees	39,935	36,110
Allowance for doubtful accounts	(4,483)	(5,668)
Total assets	72,464,294	70,607,941
Liabilities:		
Policy reserves and other reserves:	60,394,071	58,929,002
Reserve for outstanding claims	394,243	353,480
Policy reserves	58,930,878	57,490,828
Reserve for dividends to policyholders (mutual company)	1,001,102	1,015,013
Reserve for dividends to policyholders (limited company)	67,847	69,681
Reinsurance payables	9,590	761
Corporate bonds	920,825	650,825
Other liabilities	2,243,231	2,291,459
Accrued bonuses for directors and audit and supervisory board members	79	87
Net defined benefit liability	450,558	460,449
Accrued retirement benefits for directors and audit and supervisory board members	5,246	5,208
Reserve for program points	9,013	9,420
Reserve for price fluctuations in investments in securities	1,135,765	963,730
Deferred tax liabilities	620,563	697,450
Deferred tax liabilities for land revaluation	106,432	109,383
Acceptances and guarantees	39,935	36,110
Total liabilities	65,935,313	64,153,887

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2017	As of March 31, 2016
Net assets:		
Foundation funds	150,000	200,000
Reserve for redemption of foundation funds	1,150,000	1,100,000
Reserve for revaluation	651	651
Consolidated surplus	622,388	630,790
Total foundation funds and others	1,923,039	1,931,441
Net unrealized gains on available-for-sale securities	4,588,092	4,721,039
Deferred losses on derivatives under hedge accounting	(65,262)	(123,921)
Land revaluation losses	(58,084)	(86,202)
Foreign currency translation adjustments	30,549	24,893
Remeasurement of defined benefit plans	(24,556)	(29,637)
Total accumulated other comprehensive income	4,470,738	4,506,171
Noncontrolling interests	135,203	16,440
Total net assets	6,528,981	6,454,053
Total liabilities and net assets	72,464,294	70,607,941

Notes to the Consolidated Balance Sheets as of March 31, 2017

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

   1) Trading securities are stated at fair value on the balance sheet date. The moving average method is used for calculating cost basis.

   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 under the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.

   5) Available-for-sale securities

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

      b. Regarding securities of which the fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are stated at cost using the moving average method, net of accumulated amortization (straight-line). Other securities without readily determinable fair values are stated at cost using the moving average method.

   (2) Unrealized gains/losses, net of applicable taxes for available-for-sale securities, are recorded as a separate component of net assets.

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

3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair 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
    Primarily the declining-balance method.
    Certain other tangible fixed assets with an acquisition price of less than ¥200,000 of the Company and certain consolidated subsidiaries are depreciated over a 3 year period on a straight-line basis.

    b. Lease assets

    (i) Lease assets related to financial leases where ownership is transferred
    The same depreciation method applied to self-owned fixed assets.

    (ii) Lease assets related to financial leases where ownership is not transferred
    Straight-line method based on lease period.

   (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.
Moreover, translation differences related to bonds included in translation differences of foreign currency-denominated available-for-sale securities held by certain consolidated subsidiaries are recorded as foreign exchange gains/losses, net, while translation differences related to other foreign currency-denominated available-for-sale securities are recorded as a separate component of net assets.

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

    1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (4) below).
    2) An allowance for loans to borrowers who are not currently legally bankrupt but have a 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) An allowance for loans to 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 extended by the Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

   (3) For consolidated subsidiaries, the Company records allowance amounts deemed necessary in accordance mainly with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.

   (4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥703 million (including ¥112 million of credits secured and/or guaranteed) as of March 31, 2017.

7. Accrued bonuses for directors and audit and supervisory board members are recognized based on amounts estimated to be paid.

8. (1) Net defined benefit liability is the amount of retirement benefit obligations prepared for payment of employee retirement benefits less pension plan assets, based on the projected amounts as of March 31, 2017.

   (2) The accounting methods of the Company and certain consolidated subsidiaries used for retirement benefits are as follows:
    1) Attribution method for estimated retirement benefits: Benefit formula basis
    2) Period of amortizing actuarial gains/ losses: 5 years

3) Period of amortizing prior service costs: 5 years

9. Accrued retirement benefits for directors and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

10. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.

11. 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).
Regarding financial leases where the Company or a consolidated subsidiary is the lessor, and ownership is not transferred, if any, the Company recognizes income and expense at the time of receiving the lease fee as other ordinary income and other ordinary expenses, respectively.

13. Hedge accounting is applied by the Company and certain consolidated subsidiaries based on the following methods:
    1) The Company and certain consolidated subsidiaries mainly apply the following hedge accounting methods: The exceptional accounting treatment ("*Tokurei-shori*") for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry" issued by the JICPA; deferred hedge accounting and designated hedge accounting ("*Furiate-shori*") for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company and certain consolidated subsidiaries; fair value hedge accounting for foreign exchange forward contracts are applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and fair value hedge accounting for equity forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks.

    2) Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies

Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments
Equity forward contracts	Domestic stocks

3) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedged items taken, which is in accordance with the internal risk management policies of the Company and certain consolidated subsidiaries.

14. Consumption taxes and local consumption taxes of the Company and certain consolidated subsidiaries 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 are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.

15. Policy reserves of the Company and certain consolidated subsidiaries are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premiums reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies.
   1) Reserves for 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.
   Policy reserves of consolidated overseas life insurance companies are recorded as the amounts computed in accordance with the accounting standards of each country, such as Australian accounting standards.

16. Effective from the fiscal year ended March 31, 2017, the Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) (hereinafter, the "Implementation Guidance on Recoverability") and has partially revised its accounting method of recoverability of deferred tax assets.
With respect to the application of the Implementation Guidance on Recoverability, the Company has adopted the transitional treatments provided in Paragraph 49 (4) of the Implementation Guidance on Recoverability. Accordingly, the Company has calculated the difference between the amounts of deferred tax assets and deferred tax liabilities determined by applying Paragraph 49 (3), Items 1-3 of the Implementation Guidance on Recoverability as of the beginning of the fiscal year ended March 31, 2017 (April 1, 2016), and the amounts of deferred tax assets and deferred tax liabilities as of the previous fiscal year end, and added the difference to consolidated surplus as of April 1, 2016.
As a result, as of April 1, 2016, deferred tax assets increased by ¥1,884 million, consolidated surplus increased by ¥1,882 million and noncontrolling interests increased by ¥2 million.

17. Regarding the investment of the general accounts of the Company and certain consolidated subsidiaries (except separate accounts as provided in Article 118, Paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, the Company and certain consolidated subsidiaries have built a portfolio geared towards mid- to long-term investment and formulated an investment plan considering the outlook of the investment environment.

    Based on this, in order to reliably pay benefits and other payments in the future, the Company and certain consolidated subsidiaries have positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the core assets of the Company and certain consolidated subsidiaries and from the viewpoint of improving profit in the mid- to long-term, the Company and certain consolidated subsidiaries invest in stocks and foreign securities. Also, from the viewpoint of effective investment, the Company and certain consolidated subsidiaries mainly use derivative transactions for controlling asset investment risks. Specifically, the Company uses interest rate swaps for the interest rate-related investments of the Company and certain consolidated subsidiaries, foreign exchange forward contracts and currency options and swaps for the currency-related investments of the Company and certain consolidated subsidiaries, and equity forward contracts equity index futures and equity index options for the equity-related investments of the Company and certain consolidated subsidiaries, and hedge accounting is applied with respect to a portion thereof.

    The Company and certain consolidated subsidiaries mainly apply the following hedge accounting methods: The exceptional accounting treatment ("*Tokurei-shori*") for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry" issued by the JICPA; deferred hedge accounting and designated hedge accounting ("*Furiate-shori*") for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company and certain consolidated subsidiaries; fair value hedge accounting and deferred hedge accounting for foreign exchange forward contracts are applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments and certain foreign currency-denominated stocks; and fair value hedge accounting for equity forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks. The effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the internal risk management policies of the Company and certain consolidated subsidiaries.

    Securities are mainly exposed to market risk and credit risk, loans are exposed to credit risk, and derivative transactions are exposed to market risk and credit risk. Market risk refers to the risk of incurring losses when the fair value of investment assets declines due to such factors as fluctuations in interest rates, exchange rates, or stock prices. Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of the party to whom credit has been extended. It includes country risk. These risks are managed according to rules and regulations regarding investment risks.

To manage market risk, the Company and certain consolidated subsidiaries have implemented investment limits based on the nature of the assets in order to avoid excessive losses from financing and investment transactions. In addition, the Company and certain consolidated subsidiaries monitor and regularly report on the status of compliance to the Risk Management Committee, the advisory body of the Management Committee, and has developed a system to control risk within acceptable levels in the event of a breach of the internal rules. Also, to control market risk in the portfolio of the Company and certain consolidated subsidiaries, the Company and certain consolidated subsidiaries use a statistical analysis method to rationally calculate the market value-at-risk of the portfolio as a whole and conducts appropriate asset allocation within acceptable boundaries of risk.

To manage credit risk, the Company and certain consolidated subsidiaries have built a thorough monitoring system involving the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company and certain consolidated subsidiaries also continue to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns the Company and certain consolidated subsidiaries obtain are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company and certain consolidated subsidiaries calculate credit value-at-risk as a measurement of the magnitude of credit risk across the portfolio of the Company and certain consolidated subsidiaries as a whole, and monitors whether the magnitude of risk stays within an appropriate range.

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

(Million Yen)

	Balance sheet amount (*1)	Fair value (*2)	Difference
Cash and deposits (negotiable certificates of deposit):	752,601	752,601	—
Available-for-sale securities	752,601	752,601	—
Monetary receivables purchased:	337,913	366,297	28,383
Held-to-maturity debt securities	3,262	3,949	687
Policy-reserve-matching bonds	287,005	314,702	27,696
Available-for-sale securities	47,645	47,645	—
Assets held in trust:	3,597	3,597	—
Trading securities	3,397	3,397	—
Available-for-sale securities	200	200	—
Investments in securities:	57,139,306	61,224,609	4,085,302
Trading securities	1,854,861	1,854,861	—
Held-to-maturity debt securities	45,676	46,132	455
Policy-reserve-matching bonds	21,345,239	25,375,088	4,029,849
Investments in subsidiaries and affiliates	32,594	87,590	54,996
Available-for-sale securities	33,860,935	33,860,935	—
Loans (*3):	8,987,810	9,318,744	330,933
Policy loans	710,377	710,377	—
Industrial and consumer loans	8,277,432	8,608,366	330,933
Derivative financial instruments (*4):	(47,524)	(47,524)	—
Hedge accounting not applied	16,186	16,186	—
Hedge accounting applied	(63,710)	(63,710)	—
Corporate bonds (*3,*5)	(920,825)	(968,282)	(47,457)
Cash received as collateral under securities lending transactions (*5)	(873,773)	(873,773)	—
Loans payable (*3,*5)	(210,192)	(213,408)	(3,216)

(*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 fiscal year ended March 31, 2017, the fair value is the balance sheet amount after the impairment losses are deducted.

(*3) The fair 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 fair values of loans, corporate bonds, and loans payable because they are accounted for as an integral part of the loans, corporate bonds, and loans payable that are the hedged items.

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

(*5) Corporate bonds, cash received as collateral under securities lending transactions, and loans payable are recorded in liabilities and presented in parentheses.

(2) Fair value measurement methods for the major financial instruments of the Company and certain consolidated subsidiaries are as follows:

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

a. Items with a market price

Fair value is measured based on the closing market price on the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

b. Items without a market price

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

2) Loans

a. Policy loans

Fair value is deemed to approximate book value, due to expected repayment periods, interest rate requirements, and other characteristics. These loans have no repayment date either in form or in substance because stated due dates can be extended if the loan amount is within a certain range of its surrender benefit. Thus, the book value is used as the fair value of the policy loans.

b. Industrial and consumer loans

Fair 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, book value is used as fair value for variable interest rate loans.

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

Fair value of loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectible amount from the book value prior to direct write-offs.

3) Derivative financial instruments

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

b. Fair value of equity options is measured primarily by the liquidation value or closing market price on the balance sheet date or the price calculated by the Company based on volatility and other data obtained mainly from external information vendors.

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

d. Fair value of interest rate swaps and currency swaps is measured primarily based on present values calculated by discounting the differences between future cash inflows and outflows using published market interest rates and other data.

e. Fair value of forward contracts is measured primarily based on present values calculated by discounting future cash flows using published market interest rates and other data.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust, in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

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

6) Cash received as collateral under securities lending transactions

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

7) Loans payable

Fair value of variable interest rate loans payable is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured mainly by discounting future cash flows to present value.

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1).

Balance sheet amounts by holding purpose were ¥280,608 million for stocks of subsidiaries and affiliates, and ¥842,270 million for available-for-sale securities as of March 31, 2017.

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

1) Trading securities

Derivative financial instruments within assets held in trust, investments in securities for separate accounts and certain other securities are classified as trading securities as of March 31, 2017.

Valuation gains/losses included in profit and loss were gains of ¥65,537 million for derivative financial instruments within assets held in trust and investments in securities related to separate accounts for the current fiscal year.

2) Held-to-maturity debt securities

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

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	3,262	3,949	687
	Domestic bonds	29,655	30,132	476
	Foreign securities	7,808	7,823	14
	Subtotal	40,727	41,905	1,178
Fair value does not exceed the balance sheet amount	Foreign securities	8,212	8,177	(35)
Total		48,939	50,082	1,142

3) Policy-reserve-matching bonds

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

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	283,224	310,953	27,728
	Domestic bonds	20,991,083	25,031,367	4,040,284
	Foreign securities	54,979	57,114	2,135
	Subtotal	21,329,288	25,399,436	4,070,148
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	3,781	3,749	(31)
	Domestic bonds	299,176	286,606	(12,569)
	Subtotal	302,957	290,355	(12,601)
Total		21,632,245	25,689,791	4,057,546

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	Cash and deposits (negotiable certificates of deposit)	587,600	587,601	1
	Monetary receivables purchased	10,074	11,180	1,106
	Domestic bonds	3,454,533	3,674,457	219,923
	Domestic stocks	3,416,428	7,825,582	4,409,153
	Foreign securities	10,305,344	12,264,480	1,959,135
	Other securities	940,019	1,109,657	169,637
	Subtotal	18,714,000	25,472,958	6,758,958
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	165,000	164,999	(0)
	Monetary receivables purchased	36,466	36,464	(1)
	Assets held in trust	200	200	—
	Domestic bonds	520,295	512,685	(7,609)
	Domestic stocks	988,772	861,846	(126,925)
	Foreign securities	7,122,665	6,796,288	(326,377)
	Other securities	842,552	815,937	(26,615)
	Subtotal	9,675,952	9,188,422	(487,529)
Total		28,389,953	34,661,381	6,271,428

* Securities totaling ¥842,270 million, whose fair value is extremely difficult to determine are not included.

¥13,788 million in impairment losses was recognized for securities with a fair value during the fiscal year ended March 31, 2017.

Regarding stocks (including foreign stocks) with fair values of the Company and certain consolidated subsidiaries, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition price based on the average fair value in the month preceding the balance sheet date, in principle. However, in the case of a security that meets certain criteria, such as a security for which the fair value declines substantially and the decline in the fair value in the month preceding the balance sheet date is substantial, impairment losses are recognized based on the fair value on the balance sheet date.

The criteria by which the fair value of a stock is deemed to have declined significantly are as follows:

a. A security for which the ratio of the average fair 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 fair value in the month preceding the balance sheet date is between 50% and 70% of its acquisition cost.
2. The historical fair value, the business conditions of the issuing company, and other aspects are subject to certain requirements.

(5) Scheduled repayment amounts for the main monetary claims and liabilities and redemption amounts for securities with maturities are as follows:

(Million Yen)

	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	752,600	—	—	—
Available-for-sale securities	752,600	—	—	—
Monetary receivables purchased:	36,000	7,614	27,855	264,993
Held-to-maturity debt securities	—	—	—	3,262
Policy-reserve-matching bonds	—	7,373	27,631	251,656
Available-for-sale securities	36,000	240	223	10,074
Investment in securities:	1,101,601	4,660,991	9,960,948	27,670,693
Held-to-maturity debt securities	14,084	25,816	2,854	2,726
Policy-reserve-matching bonds	469,887	1,250,847	4,371,106	15,049,402
Available-for-sale securities	617,629	3,384,326	5,586,987	12,618,565
Loans (*1)	1,203,554	3,025,880	2,019,155	1,971,086
Corporate bonds	—	—	—	890,825
Cash received as collateral under securities lending transactions	873,773	—	—	—
Loans payable (*2)	31,269	59,808	19,113	—

(*1) Assets such as policy loans, which do not have a stated maturity date, are not included.
Also, ¥6,403 million in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy is not included.

(*2) Liabilities such as subordinated loans payable, which do not have a stated maturity date, are not included.

19. The balance sheet amount for investment and rental properties was ¥1,255,358 million, with a fair value of ¥1,436,985 million as of March 31, 2017.

The Company and certain consolidated subsidiaries own rental office buildings and commercial facilities, the fair value of which as of March 31, 2017 was the amount measured based mainly on the “Real Estate Appraisal Standards.”

The amount corresponding to asset retirement obligations that were included in the balance sheet amounts of investment and rental properties was ¥515 million as of March 31, 2017.

20. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥32,210 million as of March 31, 2017.

   1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,771 million and ¥27,267 million, respectively, as of March 31, 2017.

      Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.

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

   2) There were no loans delinquent for over three months as of March 31, 2017.

      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 ¥3,171 million as of March 31, 2017.

      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 ¥442 million and ¥261 million, respectively, as of March 31, 2017.

21. The amount of accumulated depreciation of tangible fixed assets was ¥1,178,325 million as of March 31, 2017.

22. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,598,901 million as of March 31, 2017, and a corresponding liability is recorded in the same amount.

23. Changes in the reserve for dividends to policyholders (mutual company) for the fiscal year ended March 31, 2017, were as follows:

	Million Yen
	Year ended March 31, 2017
a. Balance at the beginning of the current fiscal year	¥1,015,013
b. Transfer to reserve from surplus in the previous fiscal year	¥229,857
c. Dividends paid to policyholders (mutual company)	¥266,227
d. Increase in interest	¥22,458
e. Balance at the end of the current fiscal year (a+b-c+d)	¥1,001,102

24. Changes in the reserve for dividends to policyholders (limited company) for the fiscal year ended March 31, 2017, were as follows:

	Million Yen
	Year ended March 31, 2017
a. Balance at the beginning of the current fiscal year	¥69,681
b. Dividends paid to policyholders (limited company)	¥20,020
c. Increase in interest	¥25
d. Provision for reserve for dividends to policyholders (limited company)	¥18,161
e. Balance at the end of the current fiscal year (a-b+c+d)	¥67,847

25. Corporate bonds within liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The corporate bonds are callable at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

Issue date	Callable date
October 2012	Each interest payment date on or after October 2022
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
April 2015	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
April 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter
July 2016	Each interest payment date on or after July 2021.
	Each interest payment date on or after July 2026.
November 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
	Fifteenth anniversary date after the issue date and on each fifth anniversary date thereafter

On April 19, 2017, the Company issued corporate bonds as follows:

Yen-denominated subordinated and unsecured corporate bonds due 2047 with interest deferral options (the corporate bonds are to be first issued to qualified institutional investors and a small number of investors in domestic securities markets)

Issue price	100% of principal amount
Principal amount	¥100.0 billion
Interest rate	A fixed rate of 1.05% per annum before April 19, 2027, and a fixed rate with step-up thereafter (reset every 5 years).
Maturity	April 19, 2047 (The corporate bonds are callable on April 19, 2027, and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.)
Collateral and guarantees	The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.
Use of funds	General working capital

26. Other liabilities include subordinated loans payable of ¥100,000 million, which is subordinate to the fulfillment of all other debt obligations.

27. Assets pledged as collateral in the form of investments in securities, lease receivables, land, and buildings as of March 31, 2017, were ¥1,645,929 million, ¥22,471 million, ¥252 million, and ¥50 million, respectively. The total amount of liabilities covered by the aforementioned assets was ¥895,060 million as of March 31, 2017. These amounts included ¥894,171 million of investments in securities deposited and ¥873,822 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2017.

28. At a meeting of the Board of Directors held on May 23, 2017, the Company resolved to submit a proposal to the Meeting of Representatives to be held on July 4 for approval of a partial amendment to the Articles of Incorporation in connection with the offering of foundation funds of ¥50,000 million during the fiscal year ending March 31, 2018.

29. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act for the fiscal year ended March 31, 2017.

30. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥313,202 million as of March 31, 2017.

31. Matters concerning business combinations through acquisition are as follows:
    1) Overview of the business combination
        a. Name and business of the acquiree
           Name: MLC Limited
           Business: Life insurance business
        b. Main reasons for executing the business combination
           The Australian life insurance market is forecast to realize high rates of growth over the long term. By entering this market, the Company aims to sustainably expand policyholders' benefits through enhancing steady and sustainable operating profit bases of overseas insurance businesses.
        c. Business combination date
           October 1, 2016 (deemed acquisition date)
        d. Legal form of the business combination
           Share acquisition for cash consideration
        e. Name of company after business combination
           MLC Limited
        f. Percentage of voting rights acquired
           80%
        g. Main rationale for determining the acquirer

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

2) Period for which the acquiree's business results were included in the consolidated statement of income for the fiscal year ended March 31, 2017

From October 1, 2016 to December 31, 2016

3) Acquisition cost

Consideration for acquisition: payment in cash

¥176,246 million

Acquisition cost

¥176,246 million

The figure is a provisional amount as part of the consideration for acquisition has not yet been determined.

4) Description and amount of main acquisition-related costs

Advisory fees

¥3,161 million

5) Amount and rationale for recognizing goodwill, and amortization method and period

a. Amount of goodwill recognized

¥49,299 million

The figure is a provisional amount as the acquisition cost has not yet been determined.

b. Rationale for recognizing goodwill

Goodwill was recognized because equity interest in the net amount of the assets acquired and the liabilities assumed were lower than the acquisition cost.

c. Amortization method and period

Straight-line amortization over 20 years

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

Total assets: ¥470,920 million

(including investments in securities of ¥333,130 million)

Total liabilities: ¥318,876 million

(including policy reserves and other reserves of ¥297,715 million)

7) Estimated impact on the consolidated statement of income for the fiscal year ended March 31, 2017, assuming the business combination had been completed at the beginning of the fiscal year (unaudited)

The estimated amounts of the impact are total ordinary income of ¥483,456 million, ordinary profit of ¥32,924 million, and net surplus attributable to the parent company of ¥14,564 million. The estimated amounts of the impact represent total ordinary income, ordinary profit and net surplus attributable to the parent company calculated based on the annual financial statements for the year ended September 2016 prepared by MLC Limited. The amounts include the amortization of goodwill recognized at the time of the business combination.

These estimates do not represent the total ordinary income, ordinary profit and net surplus attributable to the parent company of MLC Limited assuming that the business combination had actually been completed at the beginning of the fiscal year ended March 31, 2017.

Please note that this note is unaudited.

32. The amount of securities lent under lending agreements was ¥2,696,366 million as of March 31, 2017.

33. Assets that can be sold or resecured are marketable securities borrowed under lending agreements. These assets were held without being sold or resecured and totaled ¥601,117 million at fair value as of March 31, 2017.

34. The amount of commitments related to loans and loans outstanding was ¥184,905 million as of March 31, 2017.

35. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company and certain consolidated subsidiaries was estimated to be ¥93,194 million as of March 31, 2017.

    The amount contributed to the aforementioned corporation was recorded within operating expenses.

36. Information relating to retirement benefits is as follows:

(1) Summary of retirement benefit plans

In terms of defined benefit plans, the Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan for non-sales personnel and sales management personnel, etc.

In terms of defined contribution plans, the Company has a defined contribution pension plan.

The Company also has a defined benefit plan for sales representatives, etc., in the form of a lump-sum retirement payment plan and an in-house pension plan.

Certain consolidated subsidiaries mainly have a lump-sum retirement payment plan as a defined benefit plan and a defined contribution pension plan as a defined contribution plan.

(2) Defined benefit plan

1) Reconciliation of retirement benefit obligations at the beginning and end of the fiscal year

		Million Yen
		Year ended March 31, 2017
a.	Retirement benefit obligations at the beginning of the year	¥737,348
b.	Service costs	¥27,951
c.	Interest cost	¥4,456
d.	Actuarial losses accrued during the year	¥2,210
e.	Retirement benefit payments	¥(51,779)
f.	Retirement benefit obligations at the end of the year (a+b+c+d+e)	¥720,187

2) Reconciliation of pension plan assets at the beginning and end of the fiscal year

	Million Yen
	Year ended March 31, 2017
a. Pension plan assets at the beginning of the year	¥278,723
b. Expected return on plan assets	¥4,613
c. Actuarial gains accrued during the year	¥187
d. Contributions by business proprietor	¥7,181
e. Retirement benefit payments	¥(19,091)
f. Pension plan assets at the end of the year (a+b+c+d+e)	¥271,613

3) Reconciliation of net defined benefit liability at the beginning and end of the fiscal year under the simplified valuation method

	Million Yen
	Year ended March 31, 2017
a. Net defined benefit liability at the beginning of the year	¥1,824
b. Benefit costs	¥243
c. Retirement benefit payments	¥(82)
d. Net defined benefit liability at the end of the year (a+b+c)	¥1,984

4) Reconciliation of retirement benefit obligations, pension plan assets, and net defined benefit liability on the consolidated balance sheet

	Million Yen
	Year ended March 31, 2017
a. Retirement benefit obligations for funded plans	¥303,933
b. Pension plan assets	¥(271,613)
	¥32,319
c. Retirement benefit obligations for non-funded plans	¥418,238
d. Net defined benefit liability recorded in the consolidated balance sheet	¥450,558
e. Net defined benefit liability	¥450,558
f. Net defined benefit liability recorded in the consolidated balance sheet	¥450,558

5) Losses (gains) relating to retirement benefits

		Million Yen
		Year ended March 31, 2017
a.	Service costs	¥27,951
b.	Interest cost	¥4,456
c.	Expected return on plan assets	¥(4,613)
d.	Amortization of actuarial losses for the period	¥8,599
e.	Benefit cost under the simplified valuation method	¥243
f.	Benefit cost for defined benefit plans (a+b+c+d+e)	¥36,636

6) Breakdown of items included in other comprehensive income.

The breakdown of items included in other comprehensive income (before tax) is as follows:

	Million Yen
	Year ended March 31, 2017
Actuarial losses	¥6,575
Total	¥6,575

7) Breakdown of items included in total accumulated other comprehensive income

The breakdown of items included in total accumulated other comprehensive income (before tax) is as follows:

	Million Yen
	Year ended March 31, 2017
Unrecognized actuarial losses	¥34,555
Total	¥34,555

8) Pension plan assets consist of the following:

a.	General account of Nippon Life	50.6%
b.	Domestic bonds	24.6%
c.	Foreign securities	20.3%
d.	Domestic stocks	3.1%
e.	Cash and deposits	1.4%
f.	Other	0.0%
g.	Total (a+b+c+d+e+f)	100.0%

9) Calculation method for long-term expected rate of return on plan assets

To determine the long-term expected rate of return on pension plan assets, the Company takes into consideration present and forecasted allocation of the pension plan assets, and present and long-term rates of return that are expected from the portfolio of assets that comprise the pension plan assets.

10) Matters relating to the basis for actuarial calculations

The main items in the basis for actuarial calculations of the Company and certain consolidated subsidiaries as of March 31, 2017 are as follows:

a. Discount rate	0.6-0.7%
b. Long-term expected rate of return on plan assets	1.6-3.0%

(3) Defined contribution plans

The Company and its consolidated subsidiaries contributed ¥3,732 million to defined contribution plans during the fiscal year ended March 31, 2017.

37. (1) Total deferred tax assets were ¥1,465,350 million and total deferred tax liabilities were ¥1,960,772 million as of March 31, 2017. Among deferred tax assets, the deduction for the valuation allowance was ¥119,537 million. The major components resulting in deferred tax assets were policy reserves and other reserves of ¥804,589 million, reserve for price fluctuations in investments in securities of ¥317,474 million, and net defined benefit liability of ¥126,237 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥1,780,812 million.

(2) The statutory tax rate was 28.2% for the fiscal year ended March 31, 2017. The main factor for the difference between the statutory tax rate and the effective income tax rate was a decrease of 14.7% due to the amount of reserve for dividends to policyholders (mutual company).

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

Revaluation date	March 31, 2002
Revaluation methodology	The amount is calculated by using the listed value of the land and road rate as prescribed by Article 2, Items 1 and 4, 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)

	Year ended March 31, 2017	Year ended March 31, 2016
Ordinary income:	7,301,817	8,057,594
Revenues from insurance and reinsurance	5,236,045	6,262,042
Investment income:	1,805,215	1,527,321
Interest, dividends, and other income	1,458,328	1,421,721
Gain on sales of securities	287,182	95,288
Gain on redemptions of securities	6,000	7,121
Reversal of allowance for doubtful accounts	1,351	2,361
Other investment income	1,919	829
Gain from separate accounts, net	50,432	—
Other ordinary income	260,555	268,229
Ordinary expenses:	6,773,431	7,496,245
Benefits and other payments:	4,151,681	3,948,774
Death and other claims	1,226,875	1,015,417
Annuity payments	936,713	851,543
Health and other benefits	824,505	780,732
Surrender benefits	932,899	890,886
Other refunds	217,639	408,104
Reinsurance premiums	13,048	2,090
Provision for policy reserves:	1,179,180	2,332,142
Provision for reserve for outstanding claims	30,975	117,644
Provision for policy reserves	1,125,720	2,191,448
Provision for interest on reserve for dividends to policyholders (mutual company)	22,458	23,041
Provision for interest on reserve for dividends to policyholders (limited company)	25	8
Investment expenses:	395,127	231,508
Interest expenses	22,388	16,547
Loss from assets held in trust, net	1,976	65
Loss on trading securities	5,371	—
Loss on sales of securities	123,761	14,800
Loss on valuation of securities	27,868	36,748
Loss on redemptions of securities	32,974	23,947
Loss on derivative financial instruments, net	116,229	8,279
Foreign exchange losses, net	16,441	44,314
Write-offs of loans	55	28
Depreciation of rental estate and other assets	17,834	16,011
Other investment expenses	30,224	27,180
Loss from separate accounts, net	—	43,585
Operating expenses	708,262	624,910
Other ordinary expenses	339,179	358,909
Ordinary profit	528,385	561,348

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
Extraordinary gains:	39,856	112,093
Gain on disposals of fixed assets	39,856	9,136
Gain on bargain purchase	—	102,957
Extraordinary losses:	196,275	188,380
Loss on disposals of fixed assets	16,018	10,220
Impairment losses	5,243	5,886
Provision for reserve for price fluctuations in investments in securities	172,034	169,295
Loss on reduction entry of real estate	2	—
Contributions for assisting social public welfare	2,977	2,977
Provision for reserve for dividends to policyholders (limited company)	18,161	4,452
Surplus before income taxes	353,805	480,609
Income taxes - current	99,889	120,484
Income taxes - deferred	(54,372)	(45,007)
Total income taxes	45,517	75,476
Net surplus	308,288	405,132
Net surplus attributable to noncontrolling interests	6,319	1,669
Net surplus attributable to the parent company	301,969	403,463

Note to the Consolidated Statement of Income for the Fiscal Year Ended March 31, 2017

1. Impairment losses are as follows:
   1) Method for grouping the assets

      Leased property and idle property of the Company and certain consolidated subsidiaries are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.

   2) Circumstances causing impairment losses

      The Company and certain consolidated subsidiaries observed a marked decrease in profitability or fair value 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 for the fiscal year ended March 31, 2017.

   3) Breakdown of asset groups that recognized impairment losses for the fiscal year ended March 31, 2017, is as follows:

Purpose of use	Million Yen		
	Land	Buildings and others	Total
Leased property	¥2,146	¥967	¥3,113
Idle property	¥1,644	¥484	¥2,129
Total	¥3,790	¥1,452	¥5,243

   4) Calculation method of recoverable amount

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

      The discount rate used in the calculation of future cash flows is 4.0%-4.4%. 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]

(Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
Net surplus	308,288	405,132
Other comprehensive loss:	(56,533)	(1,214,850)
Net unrealized gains on available-for-sale securities	(136,125)	(1,300,313)
Deferred losses on derivatives under hedge accounting	58,659	107,139
Land revaluation losses	—	3,528
Foreign currency translation adjustments	14,750	(3,385)
Remeasurement of defined benefit plans	4,730	745
Share of other comprehensive income (loss) of associates accounted for under the equity method	1,450	(22,564)
Comprehensive income (loss):	251,754	(809,717)
Comprehensive income (loss) attributable to the parent company	242,367	(811,399)
Comprehensive income attributable to noncontrolling interests	9,387	1,681

Note to the Consolidated Statement of Comprehensive Income for the Fiscal Year Ended March 31, 2017

Breakdown of other comprehensive loss was as follows:

(1) Reclassification adjustments to profit or loss relating to other comprehensive loss

(Million Yen)

Net unrealized gains on available-for-sale securities:		
Losses arising during the year	(111,657)	
Reclassification adjustments to profit or loss	(79,897)	(191,555)
Deferred losses on derivatives under hedge accounting:		
Gains arising during the year	69,253	
Reclassification adjustments to profit or loss	12,161	81,414
Foreign currency translation adjustments:		
Gains arising during the year	14,750	
Reclassification adjustments to profit or loss	—	14,750
Remeasurement of defined benefit plans:		
Losses arising during the year	(2,012)	
Reclassification adjustments to profit or loss	8,588	6,575
Share of other comprehensive income (loss) of associates accounted for under the equity method:		
Gains arising during the year	3,198	
Reclassification adjustments to profit or loss	(1,748)	1,450
Amount before income tax effect		(87,363)
Income tax effect		30,829
Total other comprehensive loss		(56,533)

(2) Income tax effect relating to other comprehensive loss

(Million Yen)

	Before income tax effect	Income tax effect	After income tax effect
Net unrealized gains on available-for-sale securities	(191,555)	55,429	(136,125)
Deferred losses on derivatives under hedge accounting	81,414	(22,755)	58,659
Foreign currency translation adjustments	14,750	—	14,750
Remeasurement of defined benefit plans	6,575	(1,844)	4,730
Share of other comprehensive income of associates accounted for under the equity method	1,450	—	1,450
Total other comprehensive loss	(87,363)	30,829	(56,533)

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
I. Cash flows from operating activities:		
Surplus before income taxes	353,805	480,609
Depreciation of rental real estate and other assets	17,834	16,011
Depreciation	53,632	47,273
Impairment losses	5,243	5,886
Amortization of goodwill	655	—
Gain on bargain purchase	—	(102,957)
Net increase in reserve for outstanding claims	30,950	116,990
Net increase in policy reserve	1,124,400	2,192,346
Provision for interest on reserve for dividends to policyholders (mutual company)	22,458	23,041
Provision for interest on reserve for dividends to policyholders (limited company)	25	8
Provision for reserve for dividends to policyholders (limited company)	18,161	4,452
Net decrease in allowance for doubtful accounts	(1,442)	(2,454)
Net (decrease) increase in accrued bonuses for directors and audit and supervisory board members	(7)	12
Net decrease in net defined benefit liability	(3,313)	(6,914)
Net increase in accrued retirement benefits for directors and audit and supervisory board members	37	90
Net increase in reserve for price fluctuations in investments in securities	172,034	169,295
Interest, dividends and other income	(1,458,328)	(1,421,721)
Losses from assets held in trust, net	1,976	65
Net gains on investments in securities	(108,554)	(30,311)
Net losses on policy loans	119,409	132,085
Losses on derivative financial instruments, net	116,229	8,279
Interest expenses	22,388	16,547
Net foreign exchange losses	16,306	43,806
Net (gains) losses on tangible fixed assets	(23,604)	1,614
Losses (gains) on equity method investments	13,093	(984)
(Gains) losses from separate accounts	(50,432)	43,585
Net increase in reinsurance receivables	(1,513)	(139)
Net increase in other assets (excluding those related to investing activities and financing activities)	(27,039)	(55)
Net increase (decrease) in reinsurance payables	1,904	(365)
Net (decrease) increase in other liabilities (excluding those related to investing activities and financing activities)	(8,829)	13,294
Others, net	(60,522)	(91,580)
Subtotal	346,961	1,657,813
Interest, dividends, and other income received	1,514,948	1,454,091
Interest paid	(22,055)	(16,676)
Dividends paid to policyholders (mutual company)	(181,208)	(186,287)
Dividends paid to policyholders (limited company)	(20,020)	(6,878)
Others, net	10,344	4,518
Income taxes paid	(102,103)	(187,492)
Net cash provided by operating activities	1,546,865	2,719,088

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Year ended March 31, 2017	Year ended March 31, 2016
II. Cash flows from investing activities:		
Net decrease (increase) in deposits	504	(400)
Purchases of monetary receivables purchased	(3,000)	(23,342)
Proceeds from sales and redemptions of monetary receivables purchased	115,125	87,689
Purchases of assets held in trust	(4,700)	(2,000)
Proceeds from decrease in assets held in trust	1,260	—
Purchases of securities	(10,727,182)	(9,868,971)
Proceeds from sales and redemptions of securities	8,800,478	6,493,263
Disbursements for loans	(1,256,954)	(1,098,153)
Proceeds from collections of loans	1,613,276	1,251,891
Net (losses) gains from the settlement of derivative financial instruments	(151,832)	365,475
Net increase (decrease) in cash received as collateral under securities lending transactions	39,684	(114,618)
Others, net	(28,552)	70,872
① Total of investing activities	(1,601,893)	(2,838,295)
[I + II①]	[(55,028)]	[(119,207)]
Purchases of tangible fixed assets	(54,472)	(50,009)
Proceeds from sales of tangible fixed assets	102,076	31,879
Payments for acquisition of subsidiary's shares with change in scope of consolidation	(88,249)	—
Proceeds from acquisition of subsidiary's shares with change in scope of consolidation	—	222,986
Others, net	(41,186)	(30,251)
Net cash used in investing activities	(1,683,724)	(2,663,689)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	253,867	208,841
Repayments of debt	(288,594)	(195,942)
Proceeds from issuance of corporate bonds	270,000	251,235
Proceeds from issuance of foundation funds	—	50,000
Redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(1,698)	(1,935)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	58,198	—
Others, net	19,619	6,302
Net cash provided by financing activities	261,392	268,500
IV. Effect of exchange rate changes on cash and cash equivalents	6,339	(321)
V. Net increase in cash and cash equivalents	130,873	323,578
VI. Cash and cash equivalents at the beginning of the year	1,410,595	1,086,504
VII. Net increase in cash and cash equivalents resulting from change in scope of consolidation	—	513
VIII. Cash and cash equivalents at the end of the year	1,541,468	1,410,595

* 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.

Notes to the Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2017

1. Cash and cash equivalents

   Cash and cash equivalents, for the purpose of reporting consolidated cash flows, are composed of cash in hand, deposits held at call with banks and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present insignificant risk of change in value.

2. Main components of assets and liabilities of newly consolidated subsidiaries through the acquisition of shares

   The main components of the assets and liabilities of MLC Limited at acquisition date, following its conversion into a newly consolidated subsidiary through the acquisition of shares, and the relationship between the acquisition cost of the shares and net payments for the acquisition, are as follows:

Total assets:	¥470,920 million
(including investment in securities of ¥333,130 million)	
Goodwill	¥49,299 million
Total liabilities:	¥(318,876) million
(including policy reserves and other reserves of ¥(297,715) million)	
Foreign currency translation adjustments	¥5,311 million
Noncontrolling interests	¥(30,408) million
Acquisition cost of subsidiary's shares:	¥176,246 million
Cash and cash equivalents of subsidiary:	¥87,997 million
Net payments for the acquisition cost of subsidiary's shares:	¥88,249 million

(7) Consolidated Statements of Changes in Net Assets

Year Ended March 31, 2016

(Million Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	200,000	1,050,000	651	541,573	1,792,225
Increase/decrease:					
Issuance of foundation funds	50,000				50,000
Additions to reserve for dividends to policyholders (mutual company)				(257,299)	(257,299)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(1,935)	(1,935)
Net surplus attributable to the parent company				403,463	403,463
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				1,060	1,060
Change in scope of consolidation and equity method accounting				(6,485)	(6,485)
Change in the parent's ownership interest due to transactions with noncontrolling interests				413	413
Net change, excluding foundation funds and others					
Net change	—	50,000	—	89,216	139,216
Ending balance	200,000	1,100,000	651	630,790	1,931,441

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

Year Ended March 31, 2016 (Million Yen)

	Accumulated other comprehensive income						Noncontrolling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasur-ements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	6,023,903	(231,060)	(88,670)	36,330	(30,381)	5,710,121	15,736	7,518,084
Increase/decrease:								
Issuance of foundation funds								50,000
Additions to reserve for dividends to policyholders (mutual company)								(257,299)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(1,935)
Net surplus attributable to the parent company								403,463
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								1,060
Change in scope of consolidation and equity method accounting								(6,485)
Change in the parent’s ownership interest due to transactions with noncontrolling interests								413
Net change, excluding foundation funds and others	(1,302,864)	107,139	2,468	(11,437)	743	(1,203,950)	703	(1,203,247)
Net change	(1,302,864)	107,139	2,468	(11,437)	743	(1,203,950)	703	(1,064,030)
Ending balance	4,721,039	(123,921)	(86,202)	24,893	(29,637)	4,506,171	16,440	6,454,053

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

Year Ended March 31, 2017

(Million Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	200,000	1,100,000	651	630,790	1,931,441
Cumulative effect of change in accounting policies				1,882	1,882
Beginning balance after reflecting accounting policy changes	200,000	1,100,000	651	632,673	1,933,324
Increase/decrease:					
Additions to reserve for dividends to policyholders (mutual company)				(229,857)	(229,857)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(1,698)	(1,698)
Net surplus attributable to the parent company				301,969	301,969
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				(28,117)	(28,117)
Change in the parent’s ownership interest due to transactions with noncontrolling interests				(2,580)	(2,580)
Net change, excluding foundation funds and others					
Net change	(50,000)	50,000	—	(10,284)	(10,284)
Ending balance	150,000	1,150,000	651	622,388	1,923,039

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

Year Ended March 31, 2017

(Million Yen)

	Accumulated other comprehensive income						Noncontrolling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasur-ements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	4,721,039	(123,921)	(86,202)	24,893	(29,637)	4,506,171	16,440	6,454,053
Cumulative effect of change in accounting policies							2	1,884
Beginning balance after reflecting accounting policy changes	4,721,039	(123,921)	(86,202)	24,893	(29,637)	4,506,171	16,442	6,455,938
Increase/decrease:								
Additions to reserve for dividends to policyholders (mutual company)								(229,857)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(1,698)
Net surplus attributable to the parent company								301,969
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								(28,117)
Change in the parent’s ownership interest due to transactions with noncontrolling interests								(2,580)
Net change, excluding foundation funds and others	(132,947)	58,659	28,117	5,656	5,080	(35,433)	118,761	83,327
Net change	(132,947)	58,659	28,117	5,656	5,080	(35,433)	118,761	73,043
Ending balance	4,588,092	(65,262)	(58,084)	30,549	(24,556)	4,470,738	135,203	6,528,981

(8) Status of Nonperforming Assets According to Borrower's Classification (Consolidated)

(Million Yen, %)

	As of March 31, 2017	As of March 31, 2016
Bankrupt and quasi-bankrupt loans	10,077	10,396
Doubtful loans	18,967	20,622
Substandard loans	3,171	4,029
Subtotal [Percent of total, %]	32,216 [0.27]	35,048 [0.32]
Normal loans	11,726,760	10,965,012
Total	11,758,976	11,000,061

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.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of March 31, 2017 and 2016, were ¥703 million and ¥1,333 million, respectively.

(9) Status of Risk-Monitored Loans (Consolidated)

(Million Yen, %)

	As of March 31, 2017	As of March 31, 2016
Loans to bankrupt borrowers	1,771	1,978
Delinquent loans	27,267	29,031
Loans that are delinquent for over three months	—	—
Restructured loans	3,171	4,029
Total [Percent of total loans, %]	32,210 [0.36]	35,039 [0.37]

Notes: 1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), an estimated uncollectible amount (calculated by subtracting estimated collectible amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount.
The amount directly deducted from loans to bankrupt borrowers and delinquent loans were ¥442 million and ¥261 million, respectively, as of March 31, 2017, and ¥867 million and ¥465 million, respectively, as of March 31, 2016

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).

6. Interest that is not accrued for loans of borrowers who are deemed to be bankrupt, quasi-bankrupt, or doubtful based on the results of asset self-assessment is not recorded as income.

(10) Consolidated Solvency Margin Ratio

(Million Yen)

	As of March 31, 2017	As of March 31, 2016
Solvency margin gross amount (A):	13,078,231	12,479,088
Foundation funds (*kikin*) and other reserve funds:	4,778,735	4,390,194
Foundation funds and others	1,838,692	1,730,592
Reserve for price fluctuations in investments in securities	1,135,765	963,730
Contingency reserve	1,544,254	1,425,637
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	2,624	3,441
Others	257,398	266,792
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax)× 90%	5,644,495	5,730,365
Net unrealized gains on real estate × 85%	217,473	131,422
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(34,071)	(41,133)
Excess of continued Zillmerized reserve	1,565,220	1,604,361
Qualifying subordinated debt	1,020,825	800,825
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(190,878)	(205,561)
Others	76,431	68,614
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2+R_5^2}+R_8+R_9)^2+(R_2+R_3+R_7)^2}+R_4+R_6$	2,800,770	2,704,855
Underwriting risk (R_1)	165,787	145,594
General underwriting risk (R_5)	—	—
Huge disaster risk (R_6)	—	—
Underwriting risk of third-sector insurance (R_8)	88,743	87,509
Underwriting risk related to small amount and short-term insurance providers (R_9)	—	—
Anticipated yield risk (R_2)	444,139	446,886
Minimum guarantee risk (R_7)	13,765	16,854
Investment risk (R_3)	2,271,347	2,173,426
Business management risk (R_4)	59,675	57,405
Solvency margin ratio $\dfrac{(A)}{(1/2)\times(B)}\times 100$	933.9%	922.7%

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

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

(11) Segment Information

For the fiscal years ended March 31, 2017 and 2016 the Company and its consolidated subsidiaries engaged in insurance business and insurance-related businesses (including asset management-related business and general administration-related business) in Japan and overseas. Segment information and its related information are omitted because there are no other significant segments to report.