
Financial Results for the Six Months Ended September 30, 2019

Nippon Life Insurance Company (the “Company,” President: Hiroshi Shimizu) announces financial results for the six months ended September 30, 2019.

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Attached: Supplementary Materials for the Six Months Ended September 30, 2019

1. Business Highlights

(1) Annualized Premium

- Policies in Force

- (100 Million Yen, %)

| | As of September 30, 2019 | | As of March 31, 2019 |
|---|--------------------------|--------------------------------------|----------------------|
| | | As a percentage of March 31, 2019 | |
| Individual insurance | 27,153 | 99.2 | 27,383 |
| Individual annuities | 10,299 | 102.0 | 10,096 |
| Total | 37,453 | 99.9 | 37,479 |
| Medical coverages, living benefits, and others | 6,488 | 101.6 | 6,383 |

- New Policies

- (100 Million Yen, %)

| | Six months ended September 30, 2019 | | Six months ended September 30, 2018 |
|---|-------------------------------------|--|--|
| | | As a percentage of six months ended September 30, 2018 | |
| Individual insurance | 765 | 79.9 | 957 |
| Individual annuities | 387 | 135.2 | 286 |
| Total | 1,152 | 92.7 | 1,243 |
| Medical coverages, living benefits, and others | 294 | 124.8 | 235 |

Notes: 1. The amount of annualized premium is calculated by multiplying a single premium payment by a factor according to the premium payment method (for single premium policies, the annualized 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 premium includes net increases due to conversions.

(2) Amount of Policies in Force and New Policies

• Policies in Force

| | As of September 30, 2019 | | | | As of March 31, 2019 | |
|----------------------|--------------------------|---------------------------------------|--------------------|---------------------------------------|-----------------------------------|---|
| | Number of policies | | Amount of policies | | Number of policies (thousands) | Amount of policies (100 million yen) |
| | (thousands) | As a percentage of March 31, 2019 (%) | (100 million yen) | As a percentage of March 31, 2019 (%) | | |
| Individual insurance | 28,521 | 102.2 | 1,336,330 | 98.7 | 27,907 | 1,353,326 |
| Individual annuities | 4,010 | 101.2 | 243,731 | 101.8 | 3,964 | 239,372 |
| Group insurance | — | — | 980,462 | 101.0 | — | 971,022 |
| Group annuities | — | — | 133,397 | 101.2 | — | 131,770 |

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

• New Policies

| | Six months ended September 30, 2019 | | | | | | Six months ended September 30, 2018 | | | |
|----------------------|-------------------------------------|--|--------------------|--|--------------|----------------------------|-------------------------------------|--------------------|--------------|---------------------------------------|
| | Number of policies | | Amount of policies | | | | Number of policies (thousands) | Amount of policies | | |
| | (thousands) | As a percentage of six months ended September 30, 2018 (%) | (100 million yen) | As a percentage of six months ended September 30, 2018 (%) | New policies | Net increase by conversion | | (100 million yen) | New policies | Net increase (decrease) by conversion |
| Individual insurance | 2,361 | 98.3 | 29,659 | 90.3 | 29,277 | 382 | 2,402 | 32,853 | 32,275 | 577 |
| Individual annuities | 121 | 115.0 | 8,849 | 134.0 | 8,741 | 108 | 105 | 6,606 | 6,578 | 27 |
| Group insurance | — | — | 1,232 | 24.4 | 1,232 | | — | 5,048 | 5,048 | |
| Group annuities | — | — | 2 | 71.3 | 2 | | — | 3 | 3 | |

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. Overview of General Accounts Asset Management for the Six Months Ended September 30, 2019

(1) Investment Environment

In the six months ended September 30, 2019, the Japanese economy remained on a gradual growth path, mainly underpinned by firm domestic demand. Meanwhile, there were some signs of weakness in foreign demand due to the factors, such as trade friction between the United States (U.S.) and China.

- The Nikkei Stock Average started the fiscal year at ¥21,205. Subsequently, the index declined to ¥20,261 based on concerns about a possible economic slowdown, against the backdrop of factors, such as the U.S.-China trade friction. Supported by an accommodative monetary policy environment and other conditions; however, the index finished at ¥21,755 on September 30, 2019.
- The yield rate on 10-year government bonds started the fiscal year at minus 0.10%. Thereafter, interest rates declined around the world as the central banks of various countries strengthened their accommodative monetary policy stance based on concerns about a possible economic slowdown, against the backdrop of factors, such as the U.S.-China trade friction. In this environment, the yield rate declined to minus 0.23% at the end of September 2019.
- The yen-U.S. dollar exchange rate started the fiscal year at the ¥110 level. Thereafter, the Federal Reserve System, the central bank of the U.S., decided to shift course and lower the policy interest rate. This decision had the effect of narrowing the spread between Japanese and the U.S. interest rates. As a result, the yen appreciated to ¥107.92 against the U.S. dollar at the end of September 2019.

The yen-euro exchange rate started the fiscal year at the ¥124 level. Subsequently, amid increased uncertainty about the withdrawal of the UK from the European Union, and rising concerns about a slowdown in the European economy, the European Central Bank reduced its policy interest rate. As a result, the yen appreciated to ¥118.02 against the euro at the end of September 2019.

(2) Investment Policy

Based on the Company's Asset Liability Management philosophy of comprehensively controlling assets and liabilities, the Company has built a portfolio geared towards medium- to long-term investment and formulated an investment plan considering the outlook of the investment environment.

Specifically, to provide the stable rate of return that the Company promised to policyholders in the long term, the Company has positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the Company's core assets. Also, while focusing on its profitability and dividend situation from a medium- to long-term viewpoint and taking into account business stability, the Company has invested in stocks and foreign securities within the scope of acceptable risk. From the perspective of diversifying profit-making opportunities, while continuously paying enough attention to asset allocation and risks, the Company is steadily pursuing investments that can yield surplus income, such as corporate bonds and securitized products, and investment areas, such as private equities and hedge funds.

(3) Status of Investment Income/Expense

Investment income was ¥806.0 billion, a decrease from ¥859.2 billion in the six months ended September 30, 2018. The main factor behind this decrease was a decline in gain on sales of domestic stocks.

Investment expenses amounted to ¥169.0 billion, a decrease from ¥176.5 billion in the six months ended September 30, 2018. The main factors behind this decrease were decline in loss on sale of foreign stocks and loss on derivative financial instruments, net.

As a result, the Company's net investment income decreased by ¥45.7 billion, compared with the same period of the previous fiscal year, to ¥636.9 billion.

3. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

| | As of September 30, 2019 | | As of March 31, 2019 | |
|---|--------------------------|-------|----------------------|-------|
| | Amount | % | Amount | % |
| Cash, deposits, and call loans | 11,330 | 1.6 | 10,793 | 1.6 |
| Receivables under resale agreements | — | — | — | — |
| Receivables under securities borrowing transactions | — | — | — | — |
| Monetary receivables purchased | 2,134 | 0.3 | 2,440 | 0.4 |
| Proprietary trading securities | — | — | — | — |
| Assets held in trust | 107 | 0.0 | 131 | 0.0 |
| Investments in securities: | 570,423 | 82.8 | 555,143 | 83.1 |
| Domestic bonds | 237,208 | 34.4 | 235,275 | 35.2 |
| Domestic stocks | 88,857 | 12.9 | 89,554 | 13.4 |
| Foreign securities: | 209,909 | 30.5 | 198,595 | 29.7 |
| Foreign bonds | 145,290 | 21.1 | 138,710 | 20.8 |
| Foreign stocks and other securities | 64,619 | 9.4 | 59,884 | 9.0 |
| Other securities | 34,448 | 5.0 | 31,717 | 4.7 |
| Loans: | 74,555 | 10.8 | 74,387 | 11.1 |
| Policy loans | 5,669 | 0.8 | 5,827 | 0.9 |
| Industrial and consumer loans | 68,885 | 10.0 | 68,559 | 10.3 |
| Real estate: | 16,490 | 2.4 | 16,496 | 2.5 |
| Investment properties | 10,541 | 1.5 | 10,484 | 1.6 |
| Deferred tax assets | — | — | — | — |
| Other assets | 13,840 | 2.0 | 8,919 | 1.3 |
| Allowance for doubtful accounts | (31) | (0.0) | (44) | (0.0) |
| Total assets (general account): | 688,850 | 100.0 | 668,267 | 100.0 |
| Foreign currency-denominated assets | 200,337 | 29.1 | 187,195 | 28.0 |

Notes: 1. The assets above include cash received as collateral under securities lending transactions. Cash collateral received through these transactions is also recorded in liabilities as cash received as collateral under securities lending transactions (¥10.8 billion and ¥32.6 billion as of September 30, 2019, and March 31, 2019, respectively).

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

(2) Increases/Decreases in Assets

(100 Million Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2018 |
|---|-------------------------------------|-------------------------------------|
| Cash, deposits, and call loans | 536 | (366) |
| Receivables under resale agreements | — | — |
| Receivables under securities borrowing transactions | — | — |
| Monetary receivables purchased | (306) | (207) |
| Proprietary trading securities | — | — |
| Assets held in trust | (23) | (56) |
| Investments in securities: | 15,280 | 16,700 |
| Domestic bonds | 1,932 | 6,442 |
| Domestic stocks | (697) | 2,591 |
| Foreign securities: | 11,314 | 5,850 |
| Foreign bonds | 6,579 | 1,435 |
| Foreign stocks and other securities | 4,734 | 4,415 |
| Other securities | 2,730 | 1,815 |
| Loans: | 168 | 144 |
| Policy loans | (158) | (175) |
| Industrial and consumer loans | 326 | 320 |
| Real estate: | (5) | 45 |
| Investment properties | 56 | (23) |
| Deferred tax assets | — | — |
| Other assets | 4,921 | (1,491) |
| Allowance for doubtful accounts | 12 | 1 |
| Total assets (general account): | 20,583 | 14,770 |
| Foreign currency-denominated assets | 13,141 | 7,090 |

Notes: 1. Increases/decreases in cash received as collateral under securities lending transactions are as follows: ¥(21.7) billion and ¥553.4 billion for the six months ended September 30, 2019 and 2018, respectively.
2. Real estate amount is the sum of land, buildings, and construction in progress.

(3) Investment Income

(100 Million Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2018 |
|--|-------------------------------------|-------------------------------------|
| Interest, dividends, and other income: | 7,172 | 7,237 |
| Interest on deposits and savings | 31 | 17 |
| Interest on securities and dividends | 6,021 | 6,121 |
| Interest on loans | 616 | 611 |
| Real estate rental income | 440 | 403 |
| Other income | 61 | 83 |
| Gain on proprietary trading securities | — | — |
| Gain from assets held in trust, net | — | — |
| Gain on trading securities | — | — |
| Gain on sales of securities: | 865 | 1,234 |
| Gain on sales of domestic bonds, including national government bonds | 317 | 141 |
| Gain on sales of domestic stocks and other securities | 74 | 743 |
| Gain on sales of foreign securities | 467 | 350 |
| Other gains | 5 | — |
| Gain on redemptions of securities | 15 | 8 |
| Gain on derivative financial instruments, net | — | — |
| Foreign exchange gains, net | — | 109 |
| Reversal of allowance for doubtful accounts | 2 | — |
| Reversal of allowance for investment loss | — | — |
| Other investment income | 4 | 2 |
| Total | 8,060 | 8,592 |

(4) Investment Expenses

(100 Million Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2018 |
|--|-------------------------------------|-------------------------------------|
| Interest expenses | 161 | 143 |
| Loss on proprietary trading securities | — | — |
| Loss from assets held in trust, net | 32 | 93 |
| Loss on trading securities | — | — |
| Loss on sales of securities: | 151 | 661 |
| Loss on sales of domestic bonds, including national government bonds | 0 | 7 |
| Loss on sales of domestic stocks and other securities | 23 | 32 |
| Loss on sales of foreign securities | 127 | 621 |
| Other losses | 0 | 0 |
| Loss on valuation of securities: | 496 | 43 |
| Loss on valuation of domestic bonds, including national government bonds | — | — |
| Loss on valuation of domestic stocks and other securities | 217 | 4 |
| Loss on valuation of foreign securities | 279 | 39 |
| Other losses | — | — |
| Loss on redemptions of securities | 37 | 48 |
| Loss on derivative financial instruments, net | 341 | 530 |
| Foreign exchange losses, net | 224 | — |
| Provision for allowance for doubtful accounts | — | 17 |
| Provision for allowance for investment loss | 25 | 25 |
| Write-offs of loans | — | — |
| Depreciation of real estate for rental use and other assets | 86 | 77 |
| Other investment expenses | 132 | 123 |
| Total | 1,690 | 1,765 |

(5) Net Valuation Gains/Losses on Trading Securities

(100 Million Yen)

| | As of September 30, 2019 | | As of March 31, 2019 | |
|--------------------|--------------------------|--|----------------------|--|
| | Balance sheet amount | Valuation gains (losses) included in profit and loss | Balance sheet amount | Valuation gains (losses) included in profit and loss |
| Trading securities | 93 | 18 | 110 | (15) |

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

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

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

(100 Million Yen)

| | As of September 30, 2019 | | | | | As of March 31, 2019 | | | | |
|--|--------------------------|------------|------------------|------------------|---------|----------------------|------------|------------------|------------------|---------|
| | Book value | Fair value | Net gains/losses | Net gains/losses | | Book value | Fair value | Net gains/losses | Net gains/losses | |
| | | | | Gains | Losses | | | | Gains | Losses |
| Policy-reserve-matching bonds* | 208,396 | 252,249 | 43,853 | 43,919 | (66) | 206,963 | 247,738 | 40,774 | 40,777 | (2) |
| Held-to-maturity debt securities | — | — | — | — | — | — | — | — | — | — |
| Investments in subsidiaries and affiliates | 1,328 | 2,232 | 904 | 904 | — | 640 | 1,368 | 728 | 728 | — |
| Available-for-sale securities: | 275,032 | 349,236 | 74,203 | 77,559 | (3,355) | 269,616 | 337,085 | 67,469 | 70,368 | (2,898) |
| Domestic bonds | 29,260 | 31,904 | 2,643 | 2,660 | (17) | 28,953 | 31,307 | 2,353 | 2,364 | (10) |
| Domestic stocks | 42,761 | 83,509 | 40,747 | 43,456 | (2,709) | 42,682 | 84,459 | 41,777 | 43,862 | (2,084) |
| Foreign securities: | 170,159 | 197,660 | 27,501 | 28,119 | (617) | 166,482 | 187,236 | 20,753 | 21,533 | (780) |
| Foreign bonds | 124,334 | 144,116 | 19,782 | 20,115 | (332) | 123,905 | 137,743 | 13,837 | 14,350 | (512) |
| Foreign stocks and other securities | 45,825 | 53,544 | 7,719 | 8,004 | (284) | 42,576 | 49,492 | 6,916 | 7,183 | (267) |
| Other securities | 30,245 | 33,549 | 3,304 | 3,316 | (11) | 28,270 | 30,854 | 2,584 | 2,606 | (22) |
| Monetary receivables purchased | 277 | 284 | 6 | 6 | (0) | 434 | 434 | 0 | 1 | (0) |
| Negotiable certificates of deposit | 2,328 | 2,327 | (0) | 0 | (0) | 2,793 | 2,792 | (0) | 0 | (0) |
| Total | 484,757 | 603,718 | 118,961 | 122,383 | (3,422) | 477,219 | 586,192 | 108,972 | 111,874 | (2,901) |
| Domestic bonds | 234,564 | 280,903 | 46,339 | 46,417 | (77) | 232,921 | 275,912 | 42,990 | 43,001 | (10) |
| Domestic stocks | 42,761 | 83,509 | 40,747 | 43,456 | (2,709) | 42,682 | 84,459 | 41,777 | 43,862 | (2,084) |
| Foreign securities: | 172,721 | 201,177 | 28,456 | 29,079 | (623) | 168,103 | 189,618 | 21,515 | 22,297 | (782) |
| Foreign bonds | 125,577 | 145,411 | 19,833 | 20,172 | (338) | 124,895 | 138,767 | 13,871 | 14,386 | (514) |
| Foreign stocks and other securities | 47,143 | 55,766 | 8,622 | 8,907 | (284) | 43,207 | 50,851 | 7,643 | 7,911 | (267) |
| Other securities | 30,254 | 33,559 | 3,305 | 3,317 | (11) | 28,279 | 30,864 | 2,585 | 2,607 | (22) |
| Monetary receivables purchased | 2,127 | 2,240 | 112 | 113 | (0) | 2,439 | 2,544 | 104 | 106 | (1) |
| Negotiable certificates of deposit | 2,328 | 2,327 | (0) | 0 | (0) | 2,793 | 2,792 | (0) | 0 | (0) |

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

* Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups (classified by insurance type, maturity period, and investment policy) of insurance products, such as individual insurance and annuities, workers' asset-formation insurance and annuities, and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the Japanese Institute of Certified Public Accountants (JICPA).

[Book Value of Securities Whose Fair Value is Extremely Difficult to be Determined]

(100 Million Yen)

| | As of September 30, 2019 | As of March 31, 2019 |
|---|--------------------------|----------------------|
| Policy-reserve-matching bonds | — | — |
| Held-to-maturity debt securities: | — | — |
| Unlisted foreign bonds | — | — |
| Others | — | — |
| Investments in subsidiaries and affiliates | 10,529 | 10,251 |
| Available-for-sale securities: | 5,525 | 5,398 |
| Unlisted domestic stocks (excluding over-the-counter stocks) | 571 | 532 |
| Unlisted foreign stocks (excluding over-the-counter stocks) | 750 | 1,200 |
| Unlisted foreign bonds | — | — |
| Others | 4,204 | 3,665 |
| Total | 16,054 | 15,650 |

Note: Of securities whose fair value is extremely difficult to be determined, the net gains (losses) on currency exchange valuation of assets denominated in foreign currencies were as follows:
¥(32.1) billion and ¥3.6 billion as of September 30, 2019, and March 31, 2019, respectively.

(7) Fair Value Information of Assets Held in Trust

(100 Million Yen)

| | As of September 30, 2019 | | | | | As of March 31, 2019 | | | | |
|----------------------|--------------------------|------------|------------------|--------|----------------------|----------------------|------------------|--------|--|--|
| | Balance sheet amount | Fair value | Net gains/losses | | Balance sheet amount | Fair value | Net gains/losses | | | |
| | | | Gains | Losses | | | Gains | Losses | | |
| Assets held in trust | 107 | 107 | — | — | 131 | 131 | — | — | | |

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

- Assets Held in Trust for Trading Purposes

(100 Million Yen)

| | As of September 30, 2019 | | As of March 31, 2019 | |
|---|--------------------------|--|----------------------|--|
| | 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 | 107 | 18 | 131 | (15) |

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

- Assets Held in Trust Classified as Policy-Reserve-Matching, Held-to-Maturity, and Available-for-Sale
There were no ending balances as of September 30, 2019, and March 31, 2019.

4. Nonconsolidated Balance Sheets

(Million Yen)

| | As of September 30, 2019 | As of March 31, 2019 |
|--|--------------------------|----------------------|
| Assets: | | |
| Cash and deposits | 1,070,209 | 977,580 |
| Call loans | 462,992 | 429,912 |
| Monetary receivables purchased | 213,431 | 244,043 |
| Assets held in trust | 10,798 | 13,157 |
| Investments in securities: | 57,840,760 | 56,383,725 |
| National government bonds | 21,213,769 | 21,140,721 |
| Local government bonds | 747,783 | 790,372 |
| Corporate bonds | 2,092,714 | 1,969,571 |
| Domestic stocks | 9,021,534 | 9,110,036 |
| Foreign securities | 21,241,433 | 20,121,556 |
| Loans: | 7,455,541 | 7,438,736 |
| Policy loans | 566,972 | 582,774 |
| Industrial and consumer loans | 6,888,569 | 6,855,961 |
| Tangible fixed assets | 1,676,032 | 1,680,589 |
| Intangible fixed assets | 191,254 | 192,502 |
| Reinsurance receivables | 178 | 587 |
| Other assets | 1,188,411 | 688,042 |
| Customers' liability for acceptances and guarantees | 74,656 | 69,893 |
| Allowance for doubtful accounts | (3,198) | (4,463) |
| Allowance for investment loss | (32,150) | (29,597) |
| Total assets | 70,148,916 | 68,084,710 |
| Liabilities: | | |
| Policy reserves and other reserves: | 57,079,335 | 56,347,264 |
| Reserve for outstanding claims | 206,698 | 238,428 |
| Policy reserves | 55,749,343 | 55,088,621 |
| Reserve for dividends to policyholders | 1,123,292 | 1,020,213 |
| Reinsurance payables | 189 | 624 |
| Corporate bonds | 1,028,889 | 1,028,889 |
| Other liabilities: | 2,441,362 | 1,694,384 |
| Income taxes payable | 43,150 | 40,348 |
| Lease obligations | 8,272 | 9,341 |
| Asset retirement obligations | 4,857 | 4,850 |
| Other liabilities | 2,385,081 | 1,639,844 |
| Accrued bonuses for directors, and audit and supervisory board members | 38 | 106 |
| Accrued retirement benefits | 371,393 | 365,897 |
| Accrued retirement benefits for directors, and audit and supervisory board members | 4,044 | 4,225 |
| Reserve for program points | 9,654 | 9,203 |
| Reserve for price fluctuations in investments in securities | 1,435,604 | 1,381,653 |
| Deferred tax liabilities | 631,884 | 496,857 |
| Deferred tax liabilities for land revaluation | 103,497 | 103,748 |
| Acceptances and guarantees | 74,656 | 69,893 |
| Total liabilities | 63,180,550 | 61,502,747 |

4. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

| | As of September 30, 2019 | As of March 31, 2019 |
|--|--------------------------|----------------------|
| Net assets: | | |
| Foundation funds | 100,000 | 100,000 |
| Reserve for redemption of foundation funds | 1,300,000 | 1,250,000 |
| Reserve for revaluation | 651 | 651 |
| Surplus: | 274,590 | 434,526 |
| Legal reserve for deficiencies | 18,394 | 17,578 |
| Other surplus reserves: | 256,196 | 416,948 |
| Equalized reserve for dividends to policyholders | — | 10,000 |
| Contingency funds | 71,917 | 71,917 |
| Reserve for social public welfare assistance | 351 | 351 |
| Reserve for reduction entry of real estate | 63,729 | 49,836 |
| Reserve for reduction entry of real estate to be purchased | 14,790 | 28,603 |
| Other reserves | 170 | 170 |
| Unappropriated surplus | 105,236 | 256,070 |
| Total foundation funds and others | 1,675,241 | 1,785,178 |
| Net unrealized gains on available-for-sale securities | 5,349,840 | 4,882,692 |
| Deferred losses on derivatives under hedge accounting | (2,638) | (31,216) |
| Land revaluation losses | (54,076) | (54,690) |
| Total valuations, conversions, and others | 5,293,125 | 4,796,785 |
| Total net assets | 6,968,366 | 6,581,963 |
| Total liabilities and net assets | 70,148,916 | 68,084,710 |

Note: Unappropriated surplus on the condensed balance sheet as of March 31, 2019, represents the current-year unappropriated surplus.

Notes to the Nonconsolidated Balance Sheet as of September 30, 2019

1. (1) Securities (including items, such as deposits and monetary receivables purchased which are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ* Statement No. 10) and securities within assets held in trust) are valued as follows:
 - 1) Trading securities are stated at fair value at the balance sheet date. The moving average method is used for calculating cost of securities sold.
 - 2) Held-to-maturity debt securities are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.
 - 3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA.
 - 4) Investments in subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.
 - 5) Available-for-sale securities
 - a. Regarding securities with fair value, stocks (including foreign stocks) are measured at the average fair value based on quoted market prices during the period of one month before the balance sheet date (cost of securities sold is calculated using the moving average method). Other securities with fair value are measured at the fair value at the balance sheet date (cost of securities sold is calculated using the moving average method).
 - b. Of securities of which their fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are measured at amortized cost using the moving average method. The cost of those bonds is amortized on a straight-line basis. Other securities without readily determinable fair values are stated at cost using the moving average method.

* ASBJ: The Accounting Standards Board of Japan

- (2) Unrealized gains/losses of available-for-sale securities are recorded as a separate component of net assets.
2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA.
- The Company has specified the following types of insurance policies and set those as subcategories:
- (1) All insurance policies for products other than single payment products and group annuities
 - (2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance
 - (3) All insurance policies for group annuities other than guaranteed fixed-term rate products
 - (4) All single payment products (denominated in U.S. dollars) other than the foregoing
 - (5) All single payment products (denominated in Australian dollars) other than the foregoing
 - (6) All single payment products (denominated in euros) other than the foregoing
3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value based on quoted market prices.
4. (1) Tangible fixed assets are depreciated based on the following methods:
- a. Tangible fixed assets (except for lease assets)
 - (i) Buildings
Straight-line method
 - (ii) Assets other than the above
Declining-balance method
Certain other tangible fixed assets with an acquisition cost of less than ¥200,000 are depreciated over three years on a straight-line basis
 - b. Lease assets
 - (i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee
The same depreciation method applied to fixed assets owned by the Company
 - (ii) Lease assets related to financial leases that do not transfer ownership of the leased property to the lessee
Straight-line method over the lease term
- (2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.
5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the “Accounting Standards for Foreign Currency Transactions” (Business Accounting Council).

Foreign currency-denominated available-for-sale securities with exchange rates which have significantly fluctuated and where those recoveries are not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The translation difference is recorded as a loss on valuation of securities.

6. (1) An allowance for doubtful accounts is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule as follows:
 - 1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (3) below).
 - 2) An allowance for loans to borrowers who are not currently legally bankrupt but have a high possibility of bankruptcy is recognized at the amounts deemed necessary considering the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - 3) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average percentage of bad debt for a certain period.
 - (2) All credits are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.
 - (3) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥2,639 million (including ¥81 million of credits secured and/or guaranteed) as of September 30, 2019.
7. To provide for losses on investments, an allowance for investment loss is recognized for the securities of which the fair value is extremely difficult to be determined, but expected to have loss in future and measured at the amount of the estimated losses that could arise in the future in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.
 8. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.

9. (1) Accrued retirement benefits are recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of March 31, 2020, for future severance payments to employee that have been accrued as of the balance sheet date.
 - (2) The accounting methods used for retirement benefit obligations and benefit costs are as follows:
 - 1) Attribution method for estimated retirement benefits: Benefit formula basis
 - 2) Period of amortizing actuarial gains/losses: Five years
 - 3) Period of amortizing prior service costs: Five years
10. Accrued retirement benefits for directors, and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.
11. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.
12. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.
13. Hedge accounting is applied based on the following methods:
 - 1) The Company mainly applies the following hedge accounting methods:
 - The exceptional accounting treatment (“*Tokurei-shori*”) is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in Japanese yen and foreign currencies;
 - Deferred hedge accounting is applied to interest rate swaps to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, “Accounting and Auditing Treatments Related to Application of Accounting for Financial Instruments in the Insurance Industry” issued by the JICPA;
 - Deferred hedge accounting and designated hedge accounting (“*Furiate-shori*”) are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company;

- Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
- Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

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

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

14. All transactions are accounted for exclusive of consumption taxes and local consumption taxes; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.
15. Effective from the six months ended September 30, 2019, the consolidated taxation system has been applied with the Company as the parent company for consolidated taxation purposes.
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 policies subject to the standard policy reserve are computed in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).

- 2) Reserves for other policies are computed based on the net level premium method. Effective from the fiscal year ended March 31, 2019, the Company has provided additional policy reserves over a five-year period to cover a possible deficiency in the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥62,299 million, while ordinary profit and surplus before income taxes decreased by ¥62,299 million, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the six months ended September 30, 2019.
17. The corporate tax, inhabitant tax, and income tax adjustments for the six months ended September 30, 2019, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders due to the appropriation of surplus in the current fiscal year.

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): | 232,799 | 232,799 | — |
| Available-for-sale securities | 232,799 | 232,799 | — |
| Monetary receivables purchased: | 213,431 | 224,009 | 10,578 |
| Policy-reserve-matching bonds | 184,994 | 195,572 | 10,578 |
| Available-for-sale securities | 28,436 | 28,436 | — |
| Assets held in trust: | 10,798 | 10,798 | — |
| Trading securities | 10,798 | 10,798 | — |
| Investments in securities: | 56,241,345 | 60,713,430 | 4,472,084 |
| Trading securities | 798,400 | 798,400 | — |
| Policy-reserve-matching bonds | 20,647,697 | 25,029,370 | 4,381,673 |
| Investments in subsidiaries and affiliates | 132,806 | 223,217 | 90,410 |
| Available-for-sale securities | 34,662,440 | 34,662,440 | — |
| Loans (*3): | 7,453,484 | 7,718,958 | 265,473 |
| Policy loans | 566,815 | 566,815 | — |
| Industrial and consumer loans | 6,886,669 | 7,152,143 | 265,473 |
| Derivative financial instruments (*4): | 71,479 | 71,479 | — |
| Hedge accounting not applied | 75,171 | 75,171 | — |
| Hedge accounting applied | (3,691) | (3,691) | — |
| Corporate bonds (*3 and *5) | (1,028,889) | (1,075,528) | (46,639) |
| Payables under repurchase agreements (*5) | (1,044,828) | (1,044,828) | — |
| Loans payable (*5) | (330,753) | (334,276) | (3,523) |

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

(*2) For securities for which impairment losses were recognized in the six months ended September 30, 2019, the fair value is the balance sheet amount net of the impairment losses recognized.

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

(*4) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables are presented in parentheses.

(*5) Corporate bonds, payables under repurchase agreements, and loans payable are recorded in liabilities and presented in parentheses.

- (2) Fair value measurement methods for major financial instruments are as follows:
- 1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)
 - a. Items with a market price

Fair value is measured based on the closing market price at the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.
 - b. Items without a market price

Fair value is measured by discounting future cash flows to present value or valuations obtained from external parties.
 - 2) Loans
 - a. Policy loans

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

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

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

- 3) Derivative financial instruments
 - a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price at the balance sheet date.
 - b. Fair value of equity options is measured mainly based on liquidation value or closing market price at the balance sheet date or valuations obtained from external parties.
 - c. Fair value of interest rate swaps, interest rate swaptions, foreign exchange contracts, currency options, currency swaps, and forward contracts is measured mainly based on valuations obtained from external parties.

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

- 5) Corporate bonds
Corporate bonds are stated at fair value at the balance sheet date.

- 6) Payable under repurchase agreements
Fair value is measured at the book value of payables under repurchase agreements due to their short-term settlement terms.

- 7) Loans payable
Fair value of variable interest rate loans payable is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured, in principle, by discounting future cash flows to present value; however, loans payable financed by means of public offerings employing securitization schemes are measured at the fair value of the corporate bonds issued to back the loans payable.

- (3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1). Balance sheet amounts by holding purpose were ¥1,052,914 million for stocks of subsidiaries and affiliates, and ¥546,500 million for available-for-sale securities as of September 30, 2019.

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

1) Trading securities

Derivative financial instruments within assets held in trust and investments in securities for separate accounts are classified as trading securities. Valuation losses of those instruments included in profit and loss were ¥5,473 million for the six months ended September 30, 2019.

2) Held-to-maturity debt securities

There were no balances as of September 30, 2019.

3) Policy-reserve-matching bonds

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

(Million Yen)

| | Type | Balance sheet amount | Fair value | Difference |
|---|--------------------------------|----------------------|------------|------------|
| Fair value exceeds the balance sheet amount | Monetary receivables purchased | 179,472 | 190,109 | 10,637 |
| | Domestic bonds | 20,210,817 | 24,586,457 | 4,375,640 |
| | Foreign securities | 114,245 | 126,379 | 12,133 |
| | Subtotal | 20,504,535 | 24,902,946 | 4,398,411 |
| Fair value does not exceed the balance sheet amount | Monetary receivables purchased | 5,521 | 5,462 | (59) |
| | Domestic bonds | 319,504 | 313,418 | (6,086) |
| | Foreign securities | 3,129 | 3,115 | (13) |
| | Subtotal | 328,155 | 321,996 | (6,159) |
| Total | | 20,832,691 | 25,224,943 | 4,392,251 |

4) Available-for-sale securities

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

(Million Yen)

| | Type | Acquisition cost or amortized cost | Balance sheet amount | Difference |
|---|--|------------------------------------|----------------------|------------|
| Balance sheet amount exceeds acquisition cost or amortized cost | Cash and deposits (negotiable certificates of deposit) | 132,800 | 132,800 | 0 |
| | Monetary receivables purchased | 15,660 | 16,332 | 672 |
| | Domestic bonds | 2,845,124 | 3,111,220 | 266,095 |
| | Domestic stocks | 3,238,823 | 7,584,499 | 4,345,676 |
| | Foreign securities | 15,491,895 | 18,303,827 | 2,811,932 |
| | Other securities | 2,946,851 | 3,278,458 | 331,607 |
| | Subtotal | 24,671,154 | 32,427,139 | 7,755,984 |
| Balance sheet amount does not exceed acquisition cost or amortized cost | Cash and deposits (negotiable certificates of deposit) | 100,000 | 99,999 | (0) |
| | Monetary receivables purchased | 12,104 | 12,103 | (1) |
| | Domestic bonds | 80,971 | 79,267 | (1,703) |
| | Domestic stocks | 1,037,376 | 766,455 | (270,921) |
| | Foreign securities | 1,524,028 | 1,462,239 | (61,788) |
| | Other securities | 77,650 | 76,471 | (1,178) |
| | Subtotal | 2,832,131 | 2,496,538 | (335,593) |
| Total | | 27,503,286 | 34,923,677 | 7,420,391 |

* Securities totaling ¥546,500 million, whose fair value is extremely difficult to determine, are not included in the table above.

Impairment losses of ¥21,664 million were recognized for securities with a fair value during the six months ended September 30, 2019.

Regarding stocks (including foreign stocks) with fair values, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on the average fair value of the month preceding September 30, 2019, in principle. However, in the case of a security that meets certain criteria, such as a security for which the fair value has declined significantly and the decline in the fair value in the month preceding September 30, 2019, is significant, impairment losses are recognized based on the fair value as of September 30, 2019.

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

- a. A security for which the average fair value in the month preceding September 30, 2019, is 50% or less of the acquisition cost.

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

i). The average fair value in the month preceding September 30, 2019, exceeds 50% but equal to or less than 70% of the acquisition cost.

ii). The historical market price, the business conditions of the issuing company, and other aspects are subject to certain requirements.

19. As of September 30, 2019, there were no significant changes in the balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

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 ¥31,011 million as of September 30, 2019. The details of those balances were as follows:

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,176 million and ¥28,077 million, respectively, as of September 30, 2019.

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

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

2) There were no loans delinquent for over three months as of September 30, 2019.

Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans to bankrupt borrowers and delinquent loans.

3) The balance of restructured loans was ¥1,757 million as of September 30, 2019.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥1,982 million and ¥657 million, respectively, as of September 30, 2019.

21. The amount of accumulated depreciation of tangible fixed assets was ¥1,127,052 million as of September 30, 2019.
22. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,263,849 million as of September 30, 2019, and a corresponding liability is recorded in the same amount.
23. Changes in the reserve for dividends to policyholders for the six months ended September 30, 2019, were as follows:

| | Million Yen |
|--|--|
| | <u>Six months ended September 30, 2019</u> |
| a. Balance at the beginning of the current fiscal year | ¥1,020,213 |
| b. Transfer to reserve from surplus for the previous fiscal year | ¥211,818 |
| c. Dividends paid to policyholders during the current six-month period | ¥119,677 |
| d. Increase in interest | ¥10,937 |
| e. Balance at the end of the current six-month period (a+b-c+d) | <u>¥1,123,292</u> |

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

The Company's corporate bond issuance dates and callable dates for currency swaps under designated hedge accounting are as follows:

| 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 |
| January 2016 | Tenth anniversary date after the issue date and on each fifth anniversary date thereafter |
| September 2017 | Tenth anniversary date after the issue date and on each fifth anniversary date thereafter |

25. Other liabilities include subordinated loans payable of ¥310,000 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.

The Company has decided to take out the following yen-denominated subordinated loan on November 21, 2019.

| | |
|------------------|--|
| Principal amount | ¥80 billion |
| Interest rate | Fixed rate of 0.85% per annum before November 21, 2029, and a fixed rate with step-up thereafter (reset every five years) |
| Repayment date | The third bank business day preceding November 21, 2049 (The loan is callable on the third bank business day preceding November 21, 2029, and the third bank business day preceding each fifth anniversary date thereafter, until the loan is fully redeemed at the discretion of the Company, subject to prior approval by the regulatory authorities.) |
| Use of funds | General working capital |

26. Assets pledged as collateral in the form of investments in securities, land, and buildings as of September 30, 2019, were ¥1,819,738 million, ¥252 million, and ¥44 million, respectively. The total amount of liabilities covered by the assets pledged was ¥1,055,710 million as of September 30, 2019.

These amounts included ¥975,202 million of sale of securities under repurchase agreements, ¥1,044,828 million of payables under repurchase agreements, ¥10,026 million of investments in securities deposited, and ¥10,878 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2019.

27. The Company has offered foundation funds (kikin) of ¥50,000 million as provided in Article 60 of the Insurance Business Act during the six months ended September 30, 2019.
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 as of September 30, 2019.

29. The total amount of stocks and investments in subsidiaries and affiliates was ¥1,185,721 million as of September 30, 2019.
30. The amount of securities lent under lending agreements was ¥3,300,356 million as of September 30, 2019.
31. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥349,607 million at fair value as of September 30, 2019.
32. The unused amount of commitments related to loans and similar loans agreements was ¥377,119 million as of September 30, 2019.
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 ¥75,368 million as of September 30, 2019. The amount contributed to the corporation above was recorded as operating expenses.
34. Revaluation of land used in the operations is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between the book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences are recognized as land revaluation losses within the net assets section.

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

35. The amount of policy reserves provided for the portion of reinsurance (the “policy reserves for ceded reinsurance”) as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥227 million as of September 30, 2019.

5. Nonconsolidated Statements of Income

(Million Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2018 |
|---|--|--|
| Ordinary income: | 3,209,611 | 3,152,524 |
| Revenues from insurance and reinsurance: | 2,302,623 | 2,185,364 |
| Insurance premiums | 2,302,434 | 2,185,129 |
| Investment income: | 817,911 | 892,155 |
| Interest, dividends, and other income | 717,262 | 723,744 |
| Gain on sales of securities | 86,550 | 123,489 |
| Gain on separate accounts, net | 11,841 | 32,896 |
| Other ordinary income | 89,076 | 75,004 |
| Ordinary expenses: | 3,046,953 | 2,910,372 |
| Benefits and other payments: | 1,787,126 | 1,711,074 |
| Death and other claims | 501,134 | 511,741 |
| Annuity payments | 376,768 | 371,928 |
| Health and other benefits | 361,639 | 335,151 |
| Surrender benefits | 442,027 | 419,753 |
| Other refunds | 105,182 | 72,157 |
| Provision for policy reserves: | 671,659 | 611,947 |
| Provision for policy reserves | 660,721 | 600,816 |
| Provision for interest on reserve for dividends to policyholders | 10,937 | 11,130 |
| Investment expenses: | 169,094 | 176,512 |
| Interest expenses | 16,162 | 14,311 |
| Loss from assets held in trust, net | 3,260 | 9,340 |
| Loss on sales of securities | 15,154 | 66,171 |
| Loss on valuation of securities | 49,682 | 4,374 |
| Loss on derivative financial instruments, net | 34,172 | 53,023 |
| Operating expenses | 301,273 | 298,462 |
| Other ordinary expenses | 117,800 | 112,375 |
| Ordinary profit | 162,657 | 242,152 |
| Extraordinary gains: | 1,366 | 325 |
| Gain on disposals of fixed assets | 1,366 | 325 |
| Extraordinary losses: | 59,927 | 115,332 |
| Loss on disposals of fixed assets | 1,520 | 1,141 |
| Impairment losses | 1,455 | 1,426 |
| Provision for reserve for price fluctuations in investments in securities | 53,951 | 109,914 |
| Contributions for assisting social public welfare | 3,000 | 2,850 |
| Surplus before income taxes | 104,097 | 127,146 |
| Income taxes - current | 71,787 | 52,113 |
| Income taxes - deferred | (70,540) | (46,136) |
| Total income taxes | 1,246 | 5,976 |
| Net surplus | 102,850 | 121,169 |

Notes to the Nonconsolidated Statement of Income for the Six Months Ended September 30, 2019

1. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥31,709 million, ¥8,082 million, and ¥46,758 million, respectively, for the six months ended September 30, 2019.
2. Loss on sales of securities includes losses on sales of domestic stocks and foreign securities of ¥2,362 million and ¥12,792 million, respectively, for the six months ended September 30, 2019.
3. Loss on valuation of securities includes losses on valuation of domestic stocks and foreign securities of ¥21,723 million and ¥27,959 million, respectively, for the six months ended September 30, 2019.
4. Provision for policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥51 million for the six months ended September 30, 2019.
5. Breakdown of interest, dividends, and other income for the six months ended September 30, 2019, is as follows:

| | Million Yen |
|--------------------------------------|--|
| | Six months ended September 30, 2019 |
| Interest on deposits and savings | ¥3,172 |
| Interest on securities and dividends | ¥602,181 |
| Interest on loans | ¥61,654 |
| Real estate rental income | ¥44,096 |
| Other income | ¥6,157 |
| Total | ¥717,262 |

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

- 3) Breakdown of asset groups for which impairment losses were recognized for the six months ended September 30, 2019, is as follows:

| Purpose of use | Million Yen | | | Total |
|-----------------|-------------|-----------------------------|-----------|--------|
| | Land | Leasehold interests in land | Buildings | |
| Idle properties | ¥843 | ¥168 | ¥443 | ¥1,455 |
| Total | ¥843 | ¥168 | ¥443 | ¥1,455 |

- 4) Measurement of recoverable amount

The recoverable amount is based on either the value in use or net selling price of the asset depending on the type of asset.

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 3.0%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

6. Nonconsolidated Statements of Changes in Net Assets

For the six months ended September 30, 2019

(Million Yen)

| | Foundation funds and others | | | | | | | | | | | | Total foundation funds and others |
|---|-----------------------------|--|-------------------------|--------------------------------|--|-------------------|--|--|--|----------------|------------------------|---------------|-----------------------------------|
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Legal reserve for deficiencies | Surplus | | | | | | | Total surplus | |
| | | | | | Other surplus reserves | | | | | | | | |
| | | | | | Equalized reserve for dividends to policyholders | Contingency funds | Reserve for social public welfare assistance | Reserve for reduction entry of real estate | Reserve for reduction entry of real estate to be purchased | Other reserves | Unappropriated surplus | | |
| Beginning balance | 100,000 | 1,250,000 | 651 | 17,578 | 10,000 | 71,917 | 351 | 49,836 | 28,603 | 170 | 256,070 | 434,526 | 1,785,178 |
| Increase/decrease: | | | | | | | | | | | | | |
| Issuance of foundation funds | 50,000 | | | | | | | | | | — | — | 50,000 |
| Additions to reserve for dividends to policyholders | | | | | | | | | | | (211,818) | (211,818) | (211,818) |
| Additions to legal reserve for deficiencies | | | | 816 | | | | | | | (816) | — | — |
| Additions to reserve for redemption of foundation funds | | 50,000 | | | | | | | | | (50,000) | (50,000) | — |
| Interest on foundation funds | | | | | | | | | | | (355) | (355) | (355) |
| Net surplus | | | | | | | | | | | 102,850 | 102,850 | 102,850 |
| Redemption of foundation funds | (50,000) | | | | | | | | | | | | (50,000) |
| Reversal of equalized reserve for dividends to policyholders | | | | | (10,000) | | | | | | 10,000 | — | — |
| Additions to reserve for social public welfare assistance | | | | | | | 3,000 | | | | (3,000) | — | — |
| Reversal of reserve for social public welfare assistance | | | | | | | (3,000) | | | | 3,000 | — | — |
| Additions to reserve for reduction entry of real estate | | | | | | | | 15,163 | | | (15,163) | — | — |
| Reversal of reserve for reduction entry of real estate | | | | | | | | (1,270) | | | 1,270 | — | — |
| Additions to reserve for reduction entry of real estate to be purchased | | | | | | | | | 663 | | (663) | — | — |
| Reversal of reserve for reduction entry of real estate to be purchased | | | | | | | | | (14,476) | | 14,476 | — | — |
| Reversal of land revaluation losses | | | | | | | | | | | (613) | (613) | (613) |
| Net change, excluding foundation funds and others | | | | | | | | | | | | | |
| Net change | — | 50,000 | — | 816 | (10,000) | — | — | 13,893 | (13,812) | — | (150,833) | (159,936) | (109,936) |
| Ending balance | 100,000 | 1,300,000 | 651 | 18,394 | — | 71,917 | 351 | 63,729 | 14,790 | 170 | 105,236 | 274,590 | 1,675,241 |

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

For the six months ended September 30, 2019

(Million Yen)

| | Valuations, conversions, and others | | | | Total net assets |
|---|---|---|-------------------------|---|------------------|
| | Net unrealized gains on available-for-sale securities | Deferred losses on derivatives under hedge accounting | Land revaluation losses | Total valuations, conversions, and others | |
| Beginning balance | 4,882,692 | (31,216) | (54,690) | 4,796,785 | 6,581,963 |
| Increase/decrease: | | | | | |
| Issuance of foundation funds | | | | | 50,000 |
| Additions to reserve for dividends to policyholders | | | | | (211,818) |
| Additions to legal reserve for deficiencies | | | | | — |
| Additions to reserve for redemption of foundation funds | | | | | — |
| Interest on foundation funds | | | | | (355) |
| Net surplus | | | | | 102,850 |
| Redemption of foundation funds | | | | | (50,000) |
| Reversal of equalized reserve for dividends to policyholders | | | | | — |
| Additions to reserve for social public welfare assistance | | | | | — |
| Reversal of reserve for social public welfare assistance | | | | | — |
| Additions to reserve for reduction entry of real estate | | | | | — |
| Reversal of reserve for reduction entry of real estate | | | | | — |
| Additions to reserve for reduction entry of real estate to be purchased | | | | | — |
| Reversal of reserve for reduction entry of real estate to be purchased | | | | | — |
| Reversal of land revaluation losses | | | | | (613) |
| Net change, excluding foundation funds and others | 467,147 | 28,578 | 613 | 496,339 | 496,339 |
| Net change | 467,147 | 28,578 | 613 | 496,339 | 386,403 |
| Ending balance | 5,349,840 | (2,638) | (54,076) | 5,293,125 | 6,968,366 |

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

For the six months ended September 30, 2018

(Million Yen)

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

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

For the six months ended September 30, 2018

(Million Yen)

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

7. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2018 |
|---|--|--|
| Core operating profit (A) | 331,531 | 362,634 |
| Capital gains: | 153,114 | 135,512 |
| Gain on proprietary trading securities | — | — |
| Gain from assets held in trust, net | — | — |
| Gain on trading securities | — | — |
| Gain on sales of securities | 86,550 | 123,489 |
| Gain on derivative financial instruments, net | — | — |
| Foreign exchange gains, net | — | 10,968 |
| Other capital gains | 66,564 | 1,054 |
| Capital losses: | 204,698 | 151,355 |
| Loss on proprietary trading securities | — | — |
| Loss from assets held in trust, net | 3,260 | 9,340 |
| Loss on trading securities | — | — |
| Loss on sales of securities | 15,154 | 66,171 |
| Loss on valuation of securities | 49,682 | 4,374 |
| Loss on derivative financial instruments, net | 34,172 | 53,023 |
| Foreign exchange losses, net | 22,439 | — |
| Other capital losses | 79,988 | 18,445 |
| Net capital losses (B) | (51,583) | (15,843) |
| Core operating profit, including net capital losses (A+B) | 279,947 | 346,791 |
| Nonrecurring gains: | 1,076 | — |
| Reinsurance revenue | — | — |
| Reversal of contingency reserve | — | — |
| Reversal of specific allowance for doubtful accounts | 1,076 | — |
| Other nonrecurring gains | — | — |
| Nonrecurring losses: | 118,366 | 104,638 |
| Reinsurance premiums | — | — |
| Provision for contingency reserve | 53,514 | 100,119 |
| Provision for specific allowance for doubtful accounts | — | 1,966 |
| Provision for allowance for specific overseas loans | — | — |
| Write-offs of loans | — | — |
| Other nonrecurring losses | 64,852 | 2,553 |
| Net nonrecurring losses (C) | (117,290) | (104,638) |
| Ordinary profit (A+B+C) | 162,657 | 242,152 |

(Reference) Breakdown of “Other” items

(Million Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2018 |
|--|--|--|
| Core operating profit | 13,424 | 17,391 |
| Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes | 8,626 | 6,794 |
| Impact of market exchange rate movements related to foreign currency-denominated insurance policies | (66,564) | 11,651 |
| Impact of movements in surrender benefits related to market value adjustment | 71,362 | (1,054) |
| Other capital gains | 66,564 | 1,054 |
| Interest income related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes | — | — |
| Impact of market exchange rate movements related to foreign currency-denominated insurance policies | 66,564 | — |
| Impact of movements in surrender benefits related to market value adjustment | — | 1,054 |
| Other capital losses | 79,988 | 18,445 |
| Interest expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes | 8,626 | 6,794 |
| Impact of market exchange rate movements related to foreign currency-denominated insurance policies | — | 11,651 |
| Impact of movements in surrender benefits related to market value adjustment | 71,362 | — |
| Other nonrecurring gains | — | — |
| Reversal of allowance for investment loss | — | — |
| Other nonrecurring losses | 64,852 | 2,553 |
| Provision for allowance for investment loss | 2,553 | 2,553 |
| Provision for policy reserves pursuant to Article 69 Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act in Japan. | 62,299 | — |

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

(Million Yen, %)

| | As of September 30, 2019 | As of March 31, 2019 |
|-----------------------------------|--------------------------|----------------------|
| Bankrupt and quasi-bankrupt loans | 11,980 | 10,066 |
| Doubtful loans | 17,274 | 19,678 |
| Substandard loans | 1,757 | 1,930 |
| Subtotal | 31,012 | 31,675 |
| [Percentage of total, %] | [0.29] | [0.29] |
| Normal loans | 10,825,403 | 10,830,912 |
| Total | 10,856,416 | 10,862,587 |

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

Supplemental information for borrowers' classification

- Classifications and calculation methods used in this table are based on the Ordinance for Enforcement of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customers' liability for acceptances and guarantees.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of September 30, 2019, and March 31, 2019, were ¥2,639 million and ¥2,019 million, respectively.

9. Status of Risk-Monitored Loans

(Million Yen, %)

| | As of September 30, 2019 | As of March 31, 2019 |
|---|--------------------------|----------------------|
| Loans to bankrupt borrowers | 1,176 | 1,289 |
| Delinquent loans | 28,077 | 28,454 |
| Loans that are delinquent for over three months | — | — |
| Restructured loans | 1,757 | 1,930 |
| Total | 31,011 | 31,673 |
| [Percentage of total loans, %] | [0.42] | [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. Such loans to bankrupt borrowers and delinquent loans were ¥1,982 million and ¥657 million, respectively, as of September 30, 2019 and ¥1,935 million and ¥84 million, respectively, as of March 31, 2019.
 2. Loans to bankrupt borrowers are loans for which interest is not accrued as income since the recovery of principal or interest on the loan is unlikely due to the fact that the principal repayments or interest payments are overdue for a significant period of time or for other reasons; and loans are extended to any of (a) borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act; (b) borrowers that have notes suspended from being traded; or (c) borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.
 3. Delinquent loans are loans for which interest is not accrued other than the loans to bankrupt borrowers and those with interest payments extended with the objective of restructuring or supporting the borrowers.
 4. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans to bankrupt borrowers and delinquent loans.
 5. Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans to bankrupt borrowers, delinquent loans, and loans that are delinquent for over three months.
 6. Accrued interest for the following loans is not recorded as revenue: loans to borrowers who are bankrupt, substantially bankrupt, or potentially bankrupt based on the result of asset self-assessment.

10. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

| | Six months ended September 30, 2019 | Year ended March 31, 2019 | Difference |
|--|--|---------------------------|------------|
| (1) Breakdown of allowance for doubtful accounts | | | |
| (A) General allowance for doubtful accounts | 1,619 | 794 | 824 |
| (B) Specific allowance for doubtful accounts | 1,579 | 3,669 | (2,090) |
| (C) Allowance for specific overseas loans | — | — | — |
| (2) Specific allowance for doubtful accounts | | | |
| (A) Provision | 4,218 | 5,689 | (1,470) |
| (B) Reversal | 5,295 | 1,283 | 4,011 |
| [excluding reversals with write-offs] | | | |
| (C) Net provision | (1,076) | 4,405 | (5,482) |
| (3) Allowance for specific overseas loans | | | |
| (A) Number of countries | — | — | — |
| (B) Loan amount | — | — | — |
| (C) Provision | — | — | — |
| (D) Reversal | — | — | — |
| (4) Write-offs | — | — | — |

Reference

Status of Borrower Classification

(100 Million Yen, %)

| | As of September 30, 2019 | | As of March 31, 2019 | |
|------------------------------------|--------------------------|------------|----------------------|------------|
| | | Percentage | | Percentage |
| Loan balances | 74,555 | 100.0 | 74,387 | 100.0 |
| (Net of write-offs in category IV) | | | | |
| Noncategorized | 74,306 | 99.7 | 74,115 | 99.6 |
| Category II | 240 | 0.3 | 241 | 0.3 |
| Category III | 9 | 0.0 | 30 | 0.0 |
| Category IV | — | — | — | — |

- Notes: 1. Specific allowances for doubtful accounts in Category III were ¥0.6 billion and ¥2.6 billion as of September 30, 2019 and March 31, 2019, respectively.
2. Total amounts of direct write-offs in Category IV were ¥2.6 billion and ¥2.0 billion for the periods ended September 30, 2019, and March 31, 2019, respectively.

11. Solvency Margin Ratio

(Million Yen)

| | As of September 30, 2019 | As of March 31, 2019 |
|---|--------------------------|----------------------|
| Solvency margin gross amount (A): | 14,983,745 | 14,177,668 |
| Foundation funds (<i>kikin</i>) and other reserve funds: | 5,203,372 | 4,992,846 |
| Foundation funds and others | 1,675,241 | 1,573,004 |
| Reserve for price fluctuations in investments in securities | 1,435,604 | 1,381,653 |
| Contingency reserve | 1,830,625 | 1,777,111 |
| General allowance for doubtful accounts | 1,619 | 794 |
| Others | 260,282 | 260,282 |
| Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90% | 6,590,870 | 5,995,119 |
| Net unrealized gains on real estate × 85% | 359,152 | 358,288 |
| Excess of continued Zillmerized reserve | 1,604,525 | 1,566,354 |
| Qualifying subordinated debt | 1,338,889 | 1,248,889 |
| Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations | — | — |
| Deduction clause | (34,712) | (13,021) |
| Others | (78,352) | 29,191 |
| Total amount of risk (B): | | |
| $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ | 3,045,633 | 3,038,049 |
| Underwriting risk (R ₁) | 116,712 | 117,577 |
| Underwriting risk of third-sector insurance (R ₈) | 80,558 | 81,303 |
| Anticipated yield risk (R ₂) | 361,703 | 364,647 |
| Minimum guarantee risk (R ₇) | 5,542 | 5,576 |
| Investment risk (R ₃) | 2,608,397 | 2,597,831 |
| Business management risk (R ₄) | 63,458 | 63,338 |
| Solvency margin ratio | | |
| $\frac{(A)}{(1/2) \times (B)} \times 100$ | 983.9% | 933.3% |

Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50 of 1996.
2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

12. Status of Separate Accounts

(1) Balance of Separate Account Assets

(Million Yen)

| | As of September 30, 2019 | As of March 31, 2019 |
|-------------------------------|--------------------------|----------------------|
| Individual variable insurance | 106,684 | 110,135 |
| Individual variable annuities | 38,277 | 41,251 |
| Group annuities | 1,118,887 | 1,106,612 |
| Separate account total | 1,263,849 | 1,257,999 |

(2) Policies in Force

- Individual Variable Insurance

| | As of September 30, 2019 | | As of March 31, 2019 | |
|--|--------------------------|----------------------------------|----------------------|----------------------------------|
| | Number of policies | Amount of policies (million yen) | Number of policies | Amount of policies (million yen) |
| Variable insurance (defined term type) | 10,362 | 6,580 | 8,395 | 6,510 |
| Variable insurance (whole life type) | 31,653 | 443,430 | 31,966 | 449,867 |
| Total | 42,015 | 450,011 | 40,361 | 456,377 |

- Individual Variable Annuities

| | As of September 30, 2019 | | As of March 31, 2019 | |
|-------------------------------|--------------------------|----------------------------------|----------------------|----------------------------------|
| | Number of policies | Amount of policies (million yen) | Number of policies | Amount of policies (million yen) |
| Individual variable annuities | 35,517 | 38,276 | 33,554 | 41,240 |

13. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2018 |
|--|-------------------------------------|-------------------------------------|
| Ordinary income | 41,022 | 40,099 |
| Ordinary profit | 1,537 | 2,675 |
| Net surplus attributable to the parent company | 1,337 | 1,414 |
| Comprehensive income | 6,857 | 1,254 |

| | As of September 30, 2019 | As of March 31, 2019 |
|-----------------------|--------------------------|----------------------|
| Total assets | 811,561 | 788,095 |
| Solvency margin ratio | 1055.8% | 997.3% |

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

| | As of September 30, 2019 |
|---|--------------------------|
| Number of consolidated subsidiaries | 18 |
| Number of subsidiaries not consolidated but accounted for under the equity method | 0 |
| Number of affiliates accounted for under the equity method | 14 |
| Changes in significant subsidiaries and affiliates during the period Please refer to “(3) Policies for Preparing the Consolidated Financial Statements for the Six Months Ended September 30, 2019.” | |

(3) Policies for Preparing the Consolidated Financial Statements for the Six Months Ended September 30, 2019

1) Consolidated subsidiaries

Number of consolidated subsidiaries: 18 entities

Major consolidated subsidiaries

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)

TAIJU LIFE INSURANCE COMPANY LIMITED

Nippon Wealth Life Insurance Company Limited

HANASAKU LIFE INSURANCE Co., Ltd.

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)

Reliance Nippon Life Asset Management Limited (RNAM)

HANASAKU LIFE INSURANCE Co., Ltd., which has started its operation as a life insurance company, is included in the scope of consolidation starting from the six months ended September 30, 2019, due to its increased materiality.

RNAM, which was an affiliate accounted for under the equity method in the previous fiscal year, and its four affiliated companies, were included in the scope of consolidation starting from the six months ended September 30, 2019, due to the Company's additional acquisition of RNAM shares.

Major unconsolidated subsidiaries are Nippon Life Global Investors Americas, Inc.; Nissay Trading Corporation; and Nissay Insurance Agency Co., Ltd. Unconsolidated subsidiaries have minimal balances or amounts of total assets, revenue, net income, and surplus for the six months ended September 30, 2019, which are immaterial enough to be excluded from consolidation given that they would not affect reasonable judgements to be made on the financial position and financial results of Nippon Life Group.

2) Equity method affiliates

Number of unconsolidated equity method affiliates: None

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

Major affiliates accounted for under the equity method as of September 30, 2019, are listed as follows:

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

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

Great Wall Changsheng Life Insurance Co., Ltd. (China)

Bangkok Life Assurance Public Company Limited (Thailand)

Reliance Nippon Life Insurance Company Limited (India)

Post Advisory Group, LLC (U.S.A.)

PT Sequis (Indonesia)

PT Asuransi Jiwa Sequis Life (Indonesia)

The TCW Group, Inc.

RNAM became a consolidated subsidiary due to the Company's additional acquisition of RNAM shares. Accordingly, RNAM was excluded from the scope of application of the equity method starting from the six months ended September 30, 2019. Meanwhile, one affiliate of RNAM was included in the scope of application of the equity method starting from the six months ended September 30, 2019.

Unconsolidated subsidiaries, including Nippon Life Global Investors Americas, Inc. and Nissay Trading Corporation, as well as affiliates other than those listed above, such as SL Towers Co., Ltd., are not accounted for under the equity method as respective and aggregate effects of such companies on the Company's consolidated net income and surplus for the six months ended September 30, 2019, are immaterial.

3) Reporting date for consolidated subsidiaries

The interim reporting dates for consolidated overseas subsidiaries are June 30 and September 30. In preparing the interim consolidated financial statements, consolidated overseas subsidiaries with interim reporting date of June 30 are consolidated using the interim financial statements as of and for the interim period ended June 30, and necessary adjustments are made to reflect significant transactions that occurred between June 30 and September 30, the Company's interim reporting date.

(4) Consolidated Balance Sheets

(Million Yen)

| | As of September 30, 2019 | As of March 31, 2019 |
|--|--------------------------|----------------------|
| Assets: | | |
| Cash and deposits | 1,667,950 | 1,541,390 |
| Call loans | 462,992 | 429,912 |
| Monetary receivables purchased | 366,573 | 401,938 |
| Assets held in trust | 10,998 | 13,357 |
| Investments in securities | 65,908,262 | 64,458,905 |
| Loans | 8,518,442 | 8,510,520 |
| Tangible fixed assets | 1,907,083 | 1,907,653 |
| Intangible fixed assets | 441,811 | 263,513 |
| Reinsurance receivables | 59,100 | 9,368 |
| Other assets | 1,735,324 | 1,199,998 |
| Deferred tax assets | 7,306 | 9,140 |
| Customers' liability for acceptances and guarantees | 75,648 | 71,016 |
| Allowance for doubtful accounts | (5,372) | (7,198) |
| Total assets | 81,156,121 | 78,809,517 |
| Liabilities: | | |
| Policy reserves and other reserves: | 66,359,354 | 65,483,705 |
| Reserve for outstanding claims | 271,633 | 302,778 |
| Policy reserves | 64,905,347 | 64,100,386 |
| Reserve for dividends to policyholders (mutual company) | 1,123,292 | 1,020,213 |
| Reserve for dividends to policyholders (limited company) | 59,080 | 60,326 |
| Reinsurance payables | 7,657 | 8,424 |
| Corporate bonds | 1,175,589 | 1,175,589 |
| Other liabilities | 3,252,570 | 2,518,762 |
| Accrued bonuses for directors, and audit and supervisory board members | 38 | 106 |
| Net defined benefit liability | 438,022 | 440,556 |
| Accrued retirement benefits for directors, and audit and supervisory board members | 4,705 | 4,905 |
| Reserve for program points | 9,654 | 9,203 |
| Reserve for price fluctuations in investments in securities | 1,516,663 | 1,460,182 |
| Deferred tax liabilities | 741,788 | 555,094 |
| Deferred tax liabilities for land revaluation | 103,497 | 103,748 |
| Acceptances and guarantees | 75,648 | 71,016 |
| Total liabilities | 73,685,191 | 71,831,296 |

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

| | As of September 30, 2019 | As of March 31, 2019 |
|---|--------------------------|----------------------|
| Net assets: | | |
| Foundation funds | 100,000 | 100,000 |
| Reserve for redemption of foundation funds | 1,300,000 | 1,250,000 |
| Reserve for revaluation | 651 | 651 |
| Consolidated surplus | 498,553 | 629,555 |
| Total foundation funds and others | 1,899,204 | 1,980,206 |
| Net unrealized gains on available-for-sale securities | 5,470,005 | 4,943,922 |
| Deferred losses on derivatives under hedge accounting | (3,571) | (31,643) |
| Land revaluation losses | (54,076) | (54,690) |
| Foreign currency translation adjustments | (20,464) | (4,853) |
| Remeasurement of defined benefit plans | (8,476) | (13,494) |
| Total accumulated other comprehensive income | 5,383,417 | 4,839,241 |
| Share acquisition rights | 515 | — |
| Noncontrolling interests | 187,792 | 158,772 |
| Total net assets | 7,470,930 | 6,978,221 |
| Total liabilities and net assets | 81,156,121 | 78,809,517 |

Notes to the Consolidated Balance Sheets as of September 30, 2019

1. (1) Securities of the Company and its certain consolidated subsidiaries (including items such as deposits and monetary receivables purchased which are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10) and securities within assets held in trust) are valued as follows:
 - 1) Trading securities are stated at fair value at the balance sheet date. The moving average method is used for calculating cost of securities sold.
 - 2) Held-to-maturity debt securities are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.
 - 3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA.
 - 4) Investments in subsidiaries and affiliates that are not consolidated nor accounted for under the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.
 - 5) Available-for-sale securities
 - a. Regarding securities with a fair value, stocks (including foreign stocks) are measured at the average fair value based on quoted market prices during the period of one month before the balance sheet date (cost of securities sold is calculated using the moving average method). Other securities with a fair value are measured at the fair value at the balance sheet date (cost of securities sold is calculated using the moving average method).
 - b. Of securities of which fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are measured at amortized cost using the moving average method. The cost of those bonds is amortized on a straight-line basis. Other securities without readily determinable fair values are stated at cost using the moving average method.
- (2) Unrealized gains/losses of available-for-sale securities are recorded as a separate component of net assets.

2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA.

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

(1) The Company

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

(2) TAIJU LIFE INSURANCE COMPANY LIMITED

- 1) Whole life insurance and annuity insurance (up to 40 years) (the component of future cash flows generated from whole life insurance (including whole life insurance with term rider) and annuity insurance for up to 40 years)
- 2) Insured contributory pension plans (up to 27 years) (future cash flows generated from insured contributory pension plans for the period up to 27 years)
- 3) Foreign currency-denominated single payment endowment insurance (U.S. dollar) (foreign currency-denominated, U.S. dollar, single payment endowment insurance commencing on or after January 1, 2019)
- 4) Foreign currency-denominated single payment endowment insurance (Australian dollar) (foreign currency-denominated, Australian dollar, single payment endowment insurance commencing on or after October 1, 2017)

(3) Nippon Wealth Life Insurance Company Limited

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

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

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

a. Tangible fixed assets (except for lease assets)

(i) Buildings

Straight-line method.

(ii) Assets other than the above

Primarily the declining-balance method.

Certain other tangible fixed assets with an acquisition cost of less than ¥200,000 of the Company and its certain consolidated subsidiaries are depreciated over three years on a straight-line basis.

b. Lease assets

(i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee
The same depreciation method applied to self-owned fixed assets.

(ii) Lease assets other than the above

Straight-line method over the lease term

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

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the “Accounting Standards for Foreign Currency Transactions” (Business Accounting Council).

Foreign currency-denominated available-for-sale securities of the Company with exchange rates that have significantly fluctuated and where those recoveries are not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The translation difference is recorded as a loss on valuation of securities.

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

6. (1) An allowance for doubtful accounts for the Company is recognized in accordance with the Company’s internal Asset Valuation Regulation and Write-off/Provision Rule as follows:
- 1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (4) below).
 - 2) An allowance for loans to borrowers who are not currently legally bankrupt but have a high possibility of bankruptcy is recognized at the amounts deemed necessary considering the borrowers’ overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
 - 3) An allowance for loans to borrowers other than the above is provided based on the borrowers’ balance multiplied by the historical average percentage of bad debt for a certain period.
- (2) All credits extended by the Company are assessed by responsible sections in accordance with the Company’s internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.
- (3) For consolidated subsidiaries, the Company and its consolidated subsidiaries record allowance for doubtful accounts deemed necessary mainly in accordance mainly with the Company’s internal Asset Valuation Regulation and Write-off/Provision Rule.
- (4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt

borrowers. The estimated uncollectible amount was ¥ 3,927 million (including ¥ 83 million of credits secured and/or guaranteed) as of September 30, 2019.

7. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.
8. (1) Net defined benefit liability is recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of September 30, 2019, for future payment of employee retirement benefits that have been accrued.

(2) Basis used for accounting for retirement benefits of the Company and its certain consolidated subsidiaries is as follows:
 - 1) Attribution method for estimated retirement benefits: Benefit formula basis
 - 2) Amortizing period for actuarial gains/losses: Five years
 - 3) Amortizing period for prior service costs: Five years
9. Accrued retirement benefits for directors, and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.
10. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.
11. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.
12. In finance leases where the Company's consolidated subsidiary is the lessor that do not transfer ownership of the leased property to the lessee, the consolidated subsidiary recognizes sales revenue and cost of sale at the time of receiving the lease payments.

13. Hedge accounting is applied by the Company and its certain consolidated subsidiaries based on the following methods:

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

2) Hedging instruments and hedged items

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

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

14. All transactions are accounted for exclusive of consumption taxes and local consumption taxes of the Company and its certain consolidated subsidiaries; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred in the six months ended September 30, 2019.
15. Effective from the six months ended September 30, 2019, the Company and certain subsidiaries have applied the consolidated taxation system with the Company as the parent company for consolidated taxation purposes.
16. (1) Policy reserves of the Company and its consolidated subsidiaries that are domestic life insurance companies are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies.
- 1) Reserves for policies subject to the standard policy reserve are calculated in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
 - 2) Reserves for other policies are calculated based on the net level premium method.
- In addition, the Company and its certain consolidated life insurance companies in Japan provided additional policy reserves in the six months ended September 30, 2019. As a result, policy reserves increased by ¥68,819 million, while ordinary profit and surplus before income taxes decreased by ¥68,819 million.
- a. The Company

Effective from the fiscal year ended March 31, 2019, the Company has provided additional policy reserves over a five-year period to cover a possible deficiency in the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥62,299 million, while ordinary profit and surplus before income taxes decreased by ¥62,299 million, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the six months ended September 30, 2019.
 - b. TAIJU LIFE INSURANCE COMPANY LIMITED

TAIJU LIFE INSURANCE COMPANY LIMITED has provided additional policy reserves to cover a possible deficiency in the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥6,520 million, while ordinary profit and surplus before income taxes decreased by ¥6,520 million, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the six months ended September 30, 2019.
- (2) Policy reserves of consolidated overseas life insurance companies are recorded as the amounts calculated in accordance with the accounting standards of each country, such as Australian accounting standards.

17. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the six months ended September 30, 2019, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders (mutual company) due to the appropriation of surplus in the current fiscal year.

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

(Million Yen)

| | Consolidated balance sheet amount (*1) | Fair value (*2) | Difference |
|---|--|-----------------|------------|
| Cash and deposits (negotiable certificates of deposit): | 301,299 | 301,299 | — |
| Available-for-sale securities | 301,299 | 301,299 | — |
| Monetary receivables purchased: | 366,573 | 383,298 | 16,725 |
| Held-to-maturity debt securities | 39,181 | 40,256 | 1,074 |
| Policy-reserve-matching bonds | 257,823 | 273,474 | 15,650 |
| Available-for-sale securities | 69,568 | 69,568 | — |
| Assets held in trust: | 10,998 | 10,998 | — |
| Trading securities | 10,798 | 10,798 | — |
| Available-for-sale securities | 200 | 200 | — |
| Investments in securities: | 64,946,708 | 70,209,563 | 5,262,854 |
| Trading securities | 1,393,167 | 1,393,167 | — |
| Held-to-maturity debt securities | 375,586 | 401,095 | 25,509 |
| Policy-reserve-matching bonds | 24,244,005 | 29,301,905 | 5,057,900 |
| Investments in subsidiaries and affiliates | 43,772 | 223,217 | 179,445 |
| Available-for-sale securities | 38,890,176 | 38,890,176 | — |
| Loans (*3): | 8,515,622 | 8,815,393 | 299,770 |
| Policy loans | 620,245 | 620,245 | — |
| Industrial and consumer loans | 7,895,376 | 8,195,147 | 299,770 |
| Derivative financial instruments (*4): | 143,737 | 143,737 | — |
| Hedge accounting not applied | 142,242 | 142,242 | — |
| Hedge accounting applied | 1,495 | 1,495 | — |
| Corporate bonds (*3 and *5) | (1,175,589) | (1,224,057) | (48,468) |
| Payables under repurchase agreements (*5) | (1,196,298) | (1,196,298) | — |
| Loans payable (*3 and *5) | (527,425) | (532,175) | (4,749) |

- (*1) For transactions for which an allowance for doubtful accounts was recorded, the amounts are presented net of the allowance.
- (*2) For securities for which impairment losses were recognized in the six months ended September 30, 2019, the fair value is the consolidated balance sheet amount net of the impairment losses recognized.
- (*3) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment (“*Tokurei-shori*”) is applied or currency swaps to which designated hedge accounting (“*Furiate-shori*”) is applied are included in the fair values of loans, corporate bonds, and loans payable because they are accounted for as an integral part of the loans, corporate bonds, and loans payable that are the hedged items.
- (*4) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables in total are presented in parentheses.
- (*5) Corporate bonds, payables under repurchase agreements, and loans payable are recorded in liabilities and presented in parentheses.

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

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

a. Items with a market price

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

b. Items without a market price

Fair value is measured by discounting future cash flows to present value or valuations obtained from external parties.

2) Loans

a. Policy loans

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

b. Industrial and consumer loans

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

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

- 3) Derivative financial instruments
- a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price at the balance sheet date.
 - b. Fair value of equity options is measured mainly based on liquidation value or closing market price at the balance sheet date or valuations obtained from external parties.
 - c. Fair value of interest rate swaps, interest rate swaptions, foreign exchange contracts, currency options, currency swaps, and forward contracts is measured mainly based on valuations obtained from external parties.

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

- 5) Corporate bonds
- Corporate bonds are stated at fair value at the balance sheet date.

- 6) Payables under repurchase agreements
- The book value is used as fair value due to their short-term settlement.

- 7) Loans payable
- Fair value of variable interest rate loans payable is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured, in principle, by discounting future cash flows to present value; however, loans payable financed by means of public offerings employing securitization schemes are measured at the fair value of the corporate bonds issued to back the loans payable.

- (3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1). The consolidated balance sheet amount of the foregoing was ¥ 961,553 million as of September 30, 2019.

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

1) Trading securities

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

Valuation gains/losses of those instruments included in profit and loss were gains of ¥ 14,530 million for the six months ended September 30, 2019.

2) Held-to-maturity debt securities

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

(Million Yen)

| | Type | Consolidated balance sheet amount | Fair value | Difference |
|---|-----------------------------------|--------------------------------------|------------|------------|
| Fair value exceeds the consolidated balance sheet amount | Monetary receivables purchased | 24,863 | 26,096 | 1,233 |
| | Domestic bonds | 68,206 | 69,808 | 1,601 |
| | Foreign securities | 293,762 | 317,704 | 23,941 |
| | Subtotal | 386,832 | 413,609 | 26,776 |
| Fair value does not exceed the consolidated balance sheet amount | Monetary receivables purchased | 14,318 | 14,159 | (158) |
| | Domestic bonds | 1,100 | 1,100 | — |
| | Foreign securities | 12,516 | 12,482 | (34) |
| | Subtotal | 27,935 | 27,742 | (192) |
| Total | | 414,767 | 441,351 | 26,584 |

3) Policy-reserve-matching bonds

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

(Million Yen)

| | Type | Consolidated balance sheet amount | Fair value | Difference |
|---|-----------------------------------|--------------------------------------|------------|------------|
| Fair value exceeds the consolidated balance sheet amount | Monetary receivables purchased | 251,615 | 267,325 | 15,710 |
| | Domestic bonds | 22,987,188 | 27,944,990 | 4,957,802 |
| | Foreign securities | 894,544 | 1,001,270 | 106,726 |
| | Subtotal | 24,133,348 | 29,213,587 | 5,080,238 |
| Fair value does not exceed the consolidated balance sheet amount | Monetary receivables purchased | 6,208 | 6,148 | (59) |
| | Domestic bonds | 332,445 | 326,210 | (6,234) |
| | Foreign securities | 29,827 | 29,433 | (393) |
| | Subtotal | 368,480 | 361,792 | (6,688) |
| Total | | 24,501,829 | 29,575,379 | 5,073,550 |

4) Available-for-sale securities

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

(Million Yen)

| | Type | Acquisition cost or amortized cost | Consolidated balance sheet amount | Difference |
|--|--|------------------------------------|-----------------------------------|------------|
| Consolidated balance sheet amount exceeds acquisition cost or amortized cost | Cash and deposits (negotiable certificates of deposit) | 132,800 | 132,800 | 0 |
| | Monetary receivables purchased | 45,132 | 47,162 | 2,030 |
| | Domestic bonds | 3,903,594 | 4,224,532 | 320,937 |
| | Domestic stocks | 3,355,658 | 7,725,070 | 4,369,411 |
| | Foreign securities | 17,103,317 | 19,992,055 | 2,888,737 |
| | Other securities | 3,068,303 | 3,406,898 | 338,595 |
| | Subtotal | 27,608,806 | 35,528,519 | 7,919,712 |
| Consolidated balance sheet amount does not exceed acquisition cost or amortized cost | Cash and deposits (negotiable certificates of deposit) | 168,500 | 168,499 | (0) |
| | Monetary receivables purchased | 22,497 | 22,405 | (91) |
| | Assets held in trust | 200 | 200 | — |
| | Domestic bonds | 198,833 | 193,566 | (5,266) |
| | Domestic stocks | 1,293,578 | 967,429 | (326,148) |
| | Foreign securities | 2,381,189 | 2,278,234 | (102,954) |
| | Other securities | 104,583 | 102,388 | (2,194) |
| | Subtotal | 4,169,381 | 3,732,725 | (436,656) |
| Total | | 31,778,187 | 39,261,244 | 7,483,056 |

* Securities totaling ¥634,491 million, whose fair value is extremely difficult to determine, are not included in the table above.

Impairment losses of ¥22,033 million were recognized for securities with a fair value during the six months ended September 30, 2019. Regarding stocks (including foreign stocks) with fair values of the Company and certain consolidated subsidiaries, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on the average fair value of the month preceding September 30, 2019. However, in the case of a security that meets certain criteria, such as a security for which the fair value has declined significantly and the decline in the fair value in the month preceding September 30, 2019, is significant, impairment losses are recognized based on the fair value as of September 30, 2019.

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

- a. A security for which the average fair value in the month preceding September 30, 2019, is 50% or less of the acquisition cost.

b. The average fair value in the month preceding September 30, 2019, exceeds 50%, but equal to or less than 70% of the acquisition cost.

19. As of September 30, 2019, there were no significant changes in the consolidated balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

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 ¥ 31,319 million as of September 30, 2019. The details of those balances were as follows:

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥ 1,177 million and ¥ 28,384 million, respectively, as of September 30, 2019.

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

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

2) There were no loans delinquent for over three months as of September 30, 2019.

Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans classified as loans to bankrupt borrowers and delinquent loans.

3) The balance of restructured loans was ¥1,757 million as of September 30, 2019.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥3,194 million and ¥733 million, respectively, as of September 30, 2019.

21. The amount of accumulated depreciation of tangible fixed assets was ¥1,166,952 million as of September 30, 2019.

22. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,485,545 million as of September 30, 2019, and a corresponding liability is recorded in the same amount.

23. Changes in the reserve for dividends to policyholders (mutual company) for the six months ended September 30, 2019, were as follows:

| | Million Yen |
|---|--|
| | <u>Six months ended September 30, 2019</u> |
| a. Balance at the beginning of the current fiscal year | ¥1,020,213 |
| b. Transfer to reserve from surplus for the previous fiscal year | ¥211,818 |
| c. Dividends paid to policyholders (mutual company) during the current six-month period | ¥119,677 |
| d. Increase in interest | ¥10,937 |
| e. Balance at the end of the current six-month period (a+b-c+d) | <u>¥1,123,292</u> |

24. Changes in the reserve for dividends to policyholders (limited company) for the six months ended September 30, 2019, were as follows:

| | Million Yen |
|--|--|
| | <u>Six months ended September 30, 2019</u> |
| a. Balance at the beginning of the current fiscal year | ¥60,326 |
| b. Dividends paid to policyholders (limited company) during the current six-month period | ¥7,449 |
| c. Increase in interest | ¥5 |
| d. Provision for reserve for dividends to policyholders (limited company) | ¥6,197 |
| e. Balance at the end of the current six-month period (a-b+c+d) | <u>¥59,080</u> |

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 issuer, subject to the pre-approval of the regulatory authorities and other conditions.

The Company's corporate bond issuance dates and callable dates for currency swaps under designated hedge accounting are as follows:

| 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 |
| January 2016 | Tenth anniversary date after the issue date and on each fifth anniversary date thereafter |
| September 2017 | Tenth anniversary date after the issue date and on each fifth anniversary date thereafter |

26. Other liabilities include subordinated loans payable of ¥426,500 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations.

The Company has decided to take out the following yen-denominated subordinated loan on November 21, 2019.

| | |
|------------------|--|
| Principal amount | ¥80 billion |
| Interest rate | Fixed rate of 0.85% per annum before November 21, 2029, and a fixed rate with step-up thereafter (reset every five years) |
| Repayment date | The third bank business day preceding November 21, 2049 (The loan is callable on the third bank business day preceding November 21, 2029, and the third bank business day preceding each fifth anniversary date thereafter, until the loan is fully redeemed at the discretion of the Company, subject to prior approval by the regulatory authorities.) |
| Use of funds | General working capital |

27. Assets pledged as collateral in the form of cash and deposits, investments in securities, land, buildings and lease receivables as of September 30, 2019, were ¥59 million, ¥2,004,254 million, ¥252 million, ¥44 million and ¥13,346 million, respectively. The total amount of liabilities covered by the assets pledged was ¥1,220,035 million as of September 30, 2019. These amounts included ¥1,102,815 million of sale of securities under repurchase agreements, ¥1,196,298 million of payables under repurchase agreements, ¥10,026 million of investments in securities deposited, and ¥10,878 million of cash received as collateral under securities lending transactions secured by cash as of September 30, 2019.
28. Foundation funds (kikin) of ¥50,000 million were offered pursuant to Article 60 of the Insurance Business Act during the six months ended September 30, 2019.
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 six months ended September 30, 2019.
30. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥ 370,834 million. On September 10, 2019, the Company made an investment of ¥ 2,256 million in Grand Guardian Life Insurance Company Limited (“GGLI”), acquiring approximately 35.0% of GGLI’s shares. In addition, GGLI changed its name to Grand Guardian Nippon Life Insurance Company Limited on September 11, 2019.

31. Matters concerning stock options are as follows:

- (1) Stock option-related expenses of ¥140 million and profit related to the forfeiture of unexercised stock options of ¥2 million were recorded as gains on equity method investments and presented in other ordinary income.

(2) Description of stock options

| | RNAM | | | |
|--|---|---|---|---|
| | 2017 First Series of Share Acquisition Rights | 2017 Second Series of Share Acquisition Rights | 2017 Third Series of Share Acquisition Rights | 2019 First Series of Share Acquisition Rights |
| Title and number of grantees | Representative Director: 1 Employees: 84 | Representative Director: 1 Employees: 137 | Representative Director: 1 Employees: 157 | Representative Director: 1 Employees: 156 |
| Number of stock options granted by class of shares* ¹ | Common shares: 4,944,246 | Common shares: 4,598,135 | Common shares: 11,190,706 | Common shares: 18,081,008 |
| Grant date | August 8, 2017 | April 25, 2018 | April 29, 2019 | August 1, 2019 |
| Vesting conditions | 25% of the stock options are vested every year after being granted.* ² | 25% of the stock options are vested every year after being granted. | 25% of the stock options are vested every year after being granted. | 25% of the stock options are vested every year after being granted. |
| Requisite service period | From the grant date to the date when the vesting conditions are satisfied | From the grant date to the date when the vesting conditions are satisfied | From the grant date to the date when the vesting conditions are satisfied | From the grant date to the date when the vesting conditions are satisfied |
| Exercise period | From August 8, 2018 to August 7, 2024 | From April 25, 2019 to April 24, 2025 | From April 29, 2020 to April 28, 2026 | From August 1, 2020 to July 31, 2026 |

*1 The number of stock options granted has been converted into the number of shares.

*2 The stock options granted to the representative director will vest at once three years after the grant date.

(3) Volume and changes in stock options

a. Number of stock options

(Unit: Stocks)

| | RNAM | | | |
|----------------------|---|--|---|---|
| | 2017 First Series of Share Acquisition Rights | 2017 Second Series of Share Acquisition Rights | 2017 Third Series of Share Acquisition Rights | 2019 First Series of Share Acquisition Rights |
| Before vesting | | | | |
| As of March 31, 2019 | 3,880,220 | 4,464,829 | — | — |
| Granted | — | — | 11,190,706 | 18,081,008 |
| Forfeited | 192,436 | 217,207 | 103,179 | 34,568 |
| Vested | 820,463 | 1,116,207 | — | — |
| Outstanding | 2,867,321 | 3,131,415 | 11,087,527 | 18,046,440 |
| After vesting | | | | |
| As of March 31, 2019 | 884,608 | — | — | — |
| Vested | 820,463 | 1,116,207 | — | — |
| Exercised | 37,460 | — | — | — |
| Forfeited | 64,145 | 72,402 | — | — |
| Exercisable | 1,603,466 | 1,043,805 | — | — |

* The table above shows changes at RNAM from the end of the previous fiscal year.

b. Price information

(Unit: Indian rupees)

| | RNAM | | | |
|------------------------------------|---|--|---|---|
| | 2017 First Series of Share Acquisition Rights | 2017 Second Series of Share Acquisition Rights | 2017 Third Series of Share Acquisition Rights | 2019 First Series of Share Acquisition Rights |
| Exercise price | 204.25 | 256.10 | 202.50 | 223.32 |
| Average stock price when exercised | 227.05 | — | — | — |
| Fair value on the grant date | 10.82 | 45.71 | 38.94 | 43.06 |

(4) Valuation technique for fair value of stock options

a. Valuation technique

Black-Scholes option-pricing model

b. Principal parameters used in the option-pricing model

| | RNAM | | | |
|--|---|--|---|---|
| | 2017 First Series of Share Acquisition Rights | 2017 Second Series of Share Acquisition Rights | 2017 Third Series of Share Acquisition Rights | 2019 First Series of Share Acquisition Rights |
| Expected volatility ^{*1} | 13.92%–20.81% | 14.21%–20.81% | 16.66% | 16.46% |
| Expected remaining life ^{*2} | 4.0–5.5 years | 4.0–5.5 years | 4.0–5.5 years | 4.0–5.5 years |
| Expected dividends rates ^{*3} | 3.09% | 3.25% | 2.97% | 3.22% |
| Risk-free interest rate ^{*4} | 6.20%–6.34% | 7.06%–7.15% | 6.32%–6.55% | 6.22%–6.45% |

*1 Calculated based on indexes provided by the National Stock Exchange of India.

*2 The expected remaining life is calculated as a half of the sum of the shortest and longest exercise periods after stock options are granted.

*3 Expected dividend rates are based on historical dividend performance.

*4 The risk-free interest rate is based on the yields on government bond in India for bond with a remaining terms equal to the expected remaining life of the stock options.

(5) Method of estimating the number of stock options vested

The estimate basically reflects only the actual number of forfeited stock options because it is difficult to reasonably estimate the actual number of stock options that will be forfeited in the future.

32. Matters concerning business combinations through acquisitions are as follows:

1) Overview of the business combination

a. Name and business of the acquiree

Name: RNAM

Business: Asset management

b. Main reasons for executing the business combination

RNAM's trust assets under management have grown steadily, and the Company intends to support RNAM's attempt to enhance presence in the Indian asset management market, which is expected to show future growth driven by the solid economic growth.

c. Date of business combination

September 30, 2019 (deemed acquisition date)

d. Legal form of the business combination

Open offer to the public shareholders as per Indian regulations and share acquisition based on an agreement with Reliance Capital Limited (RCAP) to acquire shares of RNAM held by RCAP (the "Open Offer").

e. Name of company after business combination

RNAM

(Scheduled to be renamed, subject to approval by the relevant authorities and other conditions)

f. Percentage of voting rights acquired

Percentage of voting rights held before the Open Offer

42.875%

Percentage of voting rights acquired based on the Open Offer*

32.125%

Percentage of voting rights after the acquisition

75%

* Reflects the impact of changes in the percentage of voting rights due to the exercise of stock options for RNAM shares after the open offer.

g. Main rationale for determining the acquirer

It is clear that the Company will control the decision-making body of the acquiree by obtaining the majority of voting rights.

- 2) Period for which the acquiree's business results were included in the consolidated statement of income for the six months ended September 30, 2019

On the consolidated statement of income for the six months ended September 30, 2019, profit or loss related to the acquiree from April 1, 2019 to September 30, 2019 is recorded as gain on equity method investments and presented in other ordinary income.

- 3) Acquisition cost and breakdown

Consideration for acquisition:

Fair value of RNAM shares held right before the Open Offer

¥92,940 million

Additional cash payment for RNAM shares acquired through the Open Offer

¥68,759 million

Acquisition cost

¥161,699 million

- 4) Difference between the acquisition cost and the total cost of individual transactions before obtaining control Gain on step acquisitions

¥48,730 million

- 5) Description and the amount of main acquisition-related costs

Advisory fees and others

¥215 million

- 6) Amount of and reasons for recognizing goodwill, and amortization method and period

- a. Amount of goodwill

¥98,115 million

The figure is a provisional amount estimated based on currently available information as the allocation of the acquisition cost has not yet been completed as of the end of September 2019.

- b. Reasons

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

- c. Amortization method and period

Straight-line amortization over 20 years

- 7) Amounts of the assets acquired and the liabilities assumed on the date of business combination and their main components
- Total assets: ¥116,050 million
(including the amount allocated to intangible assets other than goodwill of ¥74,674 million)
- Total liabilities: ¥30,755 million
(including deferred tax liabilities of ¥26,050 million)
- 8) Amount of acquisition cost allocated to intangible assets other than goodwill and amortization period
- Amount of intangible assets other than goodwill: ¥74,674 million,
Amortization period: 19 years
(including contract-related assets of ¥74,674 million and amortization period of 19 years)
- The figures are provisional amounts and amortization periods estimated based on currently available information, as the allocation of the acquisition cost has not yet been completed as of the end of September 2019.
- 9) Estimated amount of impact on the consolidated statements of income for the six months ended September 30, 2019 and calculation method, assuming that the business combination was completed as of the beginning of the six months ended September 30, 2019
- Ordinary income was ¥10,150 million, ordinary profit was ¥204 million, and net surplus attributable to the parent company was ¥47,718.
- The estimated amounts of the impact represent the difference between gain on equity method investments and gain on step acquisitions recorded by the Company for the six months ended September 30, 2019, based on RNAM's ordinary income, ordinary profit, and net surplus attributable to the parent company for the six months ended September 30, 2019. In addition, amortization and related amounts are calculated based on the assumption that goodwill recognized at the time of the business combination as well as intangible assets were recognized as of the beginning of the six months ended September 30, 2019. The estimated amounts do not represent RNAM's ordinary income, ordinary profit, and net surplus attributable to the parent company that would have been recorded if the business combination had actually been completed as of the beginning of the six months ended September 30, 2019.
- This note has not received audit certification.
33. The amount of securities lent under lending agreements was ¥3,383,198 million as of September 30, 2019.
34. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥349,607 million at fair value as of September 30, 2019.

35. The unused amount of commitments related to loans and similar loan agreements was ¥310,119 million as of September 30, 2019.
36. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company and its certain consolidated subsidiaries was estimated to be ¥89,563 million as of September 30, 2019. The amount contributed to the corporation above was recorded as operating expenses.
37. Revaluation of land used in the operations of the Company is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between the book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences are recognized as land revaluation losses within the net assets section.

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

38. TAIJU LIFE INSURANCE COMPANY, the Company's subsidiary, has concluded a modified coinsurance agreement (commencement date of reinsurance agreement: July 1, 2019) covering foreign currency-denominated single payment endowment insurance (U.S. dollar) and foreign currency-denominated single payment endowment insurance (Australian dollar).
Through this modified coinsurance agreement, insurance risk has been transferred, and reinsurance premiums, including additional policy reserves associated with market price adjustments upon interest rate fluctuations, have been recorded and presented in revenues from insurance and reinsurance.
The outstanding balance of reinsurance accounts receivable related to this modified coinsurance agreement stood at ¥50,106 million as of September 30, 2019. The outstanding balance of the policy reserve component associated with the modified coinsurance agreement stood at ¥704,676 million as of September 30, 2019.

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

(Million Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2018 |
|--|--|--|
| Ordinary income: | 4,102,239 | 4,009,947 |
| Revenues from insurance and reinsurance | 2,950,348 | 2,778,123 |
| Investment income: | 995,495 | 1,090,814 |
| Interest, dividends, and other income | 796,468 | 802,447 |
| Gain on trading securities | 28,143 | 8,927 |
| Gain on sales of securities | 105,155 | 131,020 |
| Gain on derivative financial instruments, net | 48,095 | — |
| Foreign exchange gains, net | — | 103,506 |
| Gain from separate accounts, net | 14,822 | 43,016 |
| Other ordinary income | 156,395 | 141,009 |
| Ordinary expenses: | 3,948,483 | 3,742,385 |
| Benefits and other payments: | 2,250,651 | 2,192,250 |
| Death and other claims | 619,463 | 647,099 |
| Annuity payments | 468,568 | 460,393 |
| Health and other benefits | 449,771 | 435,007 |
| Surrender benefits | 537,199 | 531,435 |
| Other refunds | 127,173 | 96,153 |
| Provision for policy reserves: | 829,684 | 735,737 |
| Provision for policy reserves | 818,741 | 724,600 |
| Provision for interest on reserve for dividends to policyholders (mutual company) | 10,937 | 11,130 |
| Provision for interest on reserve for dividends to policyholders (limited company) | 5 | 6 |
| Investment expenses: | 291,686 | 248,051 |
| Interest expenses | 18,509 | 16,676 |
| Loss from assets held in trust, net | 3,260 | 9,340 |
| Loss on sales of securities | 18,499 | 70,894 |
| Loss on valuation of securities | 50,121 | 4,386 |
| Loss on derivative financial instruments, net | — | 114,930 |
| Foreign exchange losses, net | 171,322 | — |
| Operating expenses | 405,496 | 402,122 |
| Other ordinary expenses | 170,964 | 164,223 |
| Ordinary profit | 153,756 | 267,562 |

[Consolidated Statements of Income] (Continued)

(Million Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2018 |
|---|--|--|
| Extraordinary gains: | 51,767 | 13,498 |
| Gain on disposals of fixed assets | 3,036 | 3,151 |
| Gain on bargain purchase | — | 10,347 |
| Gain on step acquisitions | 48,730 | — |
| Extraordinary losses: | 63,301 | 118,526 |
| Loss on disposals of fixed assets | 1,754 | 2,013 |
| Impairment losses | 2,065 | 1,449 |
| Provision for reserve for price fluctuations in investments in securities | 56,480 | 112,213 |
| Contributions for assisting social public welfare | 3,000 | 2,850 |
| Provision for reserve for dividends to policyholders (limited company) | 6,197 | 6,394 |
| Surplus before income taxes | 136,024 | 156,139 |
| Income taxes - current | 73,728 | 60,373 |
| Income taxes - deferred | (69,837) | (48,268) |
| Total income taxes | 3,890 | 12,105 |
| Net surplus | 132,133 | 144,033 |
| Net (deficit) surplus attributable to noncontrolling interests | (1,634) | 2,612 |
| Net surplus attributable to the parent company | 133,768 | 141,421 |

1. Impairment losses are as follows:

1) Method for grouping the assets

Real estate for rental use and idle properties of the Company and certain consolidated subsidiaries are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group for each operation.

2) Recognition of impairment losses

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

3) Breakdown of asset groups for which impairment losses were recognized for the six months ended September 30, 2019, is as follows:

| Purpose of use | Million Yen | | | Total |
|----------------------------|-------------|--------------------------------|-------------------------|--------|
| | Land | Leasehold interests in land | Buildings and others | |
| Real estate for rental use | ¥29 | — | ¥580 | ¥610 |
| Idle properties | ¥843 | ¥168 | ¥443 | ¥1,455 |
| Total | ¥872 | ¥168 | ¥1,024 | ¥2,065 |

4) Measurement of recoverable amount

The recoverable amount is based on either the value in use or net selling price of the asset.

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 3.0% to 3.3%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

2. Reinsurance premiums included in revenues from insurance and reinsurance of TAIJU LIFE INSURANCE COMPANY, the Company's subsidiary, include reinsurance premiums of ¥78,753 million related to the modified coinsurance agreement for foreign currency-denominated single payment endowment insurance (U.S. dollar) and foreign currency-denominated single payment endowment insurance (Australian dollar). The breakdown of these premiums is as follows:

- | | |
|---|-----------------|
| a. Adjustment to policy reserve for ceded reinsurance (excluding b.): | ¥24,130 million |
| b. Additional policy reserves associated with market price adjustments: | ¥50,564 million |
| c. Others: | ¥4,058 million |

With the implementation of this reinsurance, ordinary profit and surplus before income taxes increased by ¥50,106 million each.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2018 |
|---|--|--|
| Net surplus | 132,133 | 144,033 |
| Other comprehensive (loss) income: | 553,588 | (18,574) |
| Net unrealized gains on available-for-sale securities | 533,289 | 49,287 |
| Deferred gains (losses) on derivatives under hedge accounting | 28,547 | (35,172) |
| Foreign currency translation adjustments | (12,993) | (21,459) |
| Remeasurement of defined benefit plans | 5,084 | 3,999 |
| Share of other comprehensive loss of associates accounted for under the equity method | (339) | (15,229) |
| Comprehensive income: | 685,722 | 125,459 |
| Comprehensive income attributable to the parent company | 677,330 | 128,764 |
| Comprehensive income (loss) attributable to noncontrolling interests | 8,391 | (3,305) |

(6) Consolidated Statements of Cash Flows

(Million Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2018 |
|--|--|--|
| I. Cash flows from operating activities: | | |
| Surplus before income taxes | 136,024 | 156,139 |
| Depreciation of real estate for rental use and other assets | 10,008 | 9,120 |
| Depreciation | 33,367 | 25,617 |
| Impairment losses | 2,065 | 1,449 |
| Amortization of goodwill | 1,238 | 1,337 |
| Gain on bargain purchase | — | (10,347) |
| Net decrease in reserve for outstanding claims | (30,688) | (23,833) |
| Net increase in policy reserve | 814,370 | 719,807 |
| Provision for interest on reserve for dividends to policyholders (mutual company) | 10,937 | 11,130 |
| Provision for interest on reserve for dividends to policyholders (limited company) | 5 | 6 |
| Provision for reserve for dividends to policyholders (limited company) | 6,197 | 6,394 |
| Net (decrease) increase in allowance for doubtful accounts | (588) | 2,757 |
| Net decrease in accrued bonuses for directors, and audit and supervisory board members | (68) | (57) |
| Net increase in net defined benefit liability | 4,357 | 1,554 |
| Net decrease in accrued retirement benefits for directors, and audit and supervisory board members | (200) | (880) |
| Net increase in reserve for price fluctuations in investments in securities | 56,480 | 112,213 |
| Interest, dividends, and other income | (796,468) | (802,447) |
| Net gains on investments in securities | (34,332) | (51,804) |
| Interest expenses | 18,509 | 16,676 |
| Net losses (gains) on tangible fixed assets | 309 | (1,415) |
| Gains from separate accounts | (14,822) | (43,016) |
| Gain on step acquisitions | (48,730) | — |
| Others, net | (20,536) | (37,273) |
| Subtotal | 147,437 | 93,129 |
| Interest, dividends, and other income received | 838,736 | 850,252 |
| Interest paid | (17,513) | (14,892) |
| Dividends paid to policyholders (mutual company) | (98,514) | (95,924) |
| Dividends paid to policyholders (limited company) | (7,449) | (8,287) |
| Others, net | (6,375) | 2,494 |
| Income taxes paid | (68,295) | (88,021) |
| Net cash provided by operating activities | 788,025 | 738,749 |

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

| | Six months ended September 30, 2019 | Six months ended September 30, 2018 |
|---|--|--|
| II. Cash flows from investing activities: | | |
| Net increase in deposits | 0 | 28 |
| Purchases of monetary receivables purchased | (3,328) | (4,775) |
| Proceeds from sales and redemptions of monetary receivables purchased | 24,340 | 28,549 |
| Purchases of assets held in trust | (1,000) | (3,700) |
| Proceeds from decrease in assets held in trust | 99 | 0 |
| Purchases of securities | (4,519,982) | (6,969,044) |
| Proceeds from sales and redemptions of securities | 3,333,996 | 5,861,977 |
| Disbursements for loans | (758,781) | (753,904) |
| Proceeds from collections of loans | 665,449 | 769,097 |
| Others, net | 653,767 | 274,428 |
| Total of asset management activities | (605,439) | (797,343) |
| [Sum of operating activities and asset management activities] | 182,586 | (58,594) |
| Purchases of tangible fixed assets | (25,354) | (16,674) |
| Proceeds from sales of tangible fixed assets | 3,670 | 10,598 |
| Payments for acquisition of subsidiary's shares resulting in change in the scope of consolidation | (55,886) | (49,960) |
| Others, net | (24,956) | (22,788) |
| Net cash used in investing activities | (707,965) | (876,169) |
| III. Cash flows from financing activities: | | |
| Proceeds from debt borrowing | 133,514 | 297,330 |
| Repayments of debt | (47,284) | (88,866) |
| Proceeds from issuance of foundation funds | 50,000 | — |
| Redemption of foundation funds | (50,000) | (50,000) |
| Interest payments on foundation funds | (355) | (790) |
| Others, net | 963 | (5,364) |
| Net cash provided by financing activities | 86,838 | 152,310 |
| IV. Effect of exchange rate changes on cash and cash equivalents | (11,475) | 13,531 |
| V. Net increase in cash and cash equivalents | 155,422 | 28,422 |
| VI. Cash and cash equivalents at the beginning of the period | 2,011,931 | 1,897,011 |
| VII. Increase in cash and cash equivalents resulting from change in scope of consolidation | 3,621 | — |
| VIII. Cash and cash equivalents at the end of the period | 2,170,976 | 1,925,434 |

Notes to the Consolidated Statement of Cash Flows for the Six Months Ended September 30, 2019

1. Cash and cash equivalents

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

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

Major assets and liabilities of RNAM and its four affiliated companies at the time of acquisition, as well as the acquisition cost and the net payment for the acquisition are as follows:

| | <u>Million Yen</u> |
|--|--------------------|
| Total assets: | ¥116,050 |
| (including the amount allocated to intangible assets other than goodwill of ¥74,674 million) | |
| Goodwill | ¥98,115 |
| Total liabilities: | ¥(30,755) |
| (including deferred tax liabilities of ¥(26,050) million) | |
| Share acquisition rights | ¥(515) |
| Noncontrolling interests | ¥(21,194) |
| Acquisition cost | ¥161,699 |
| Gain on step acquisitions | ¥(48,730) |
| Acquisition cost before obtaining control | ¥(44,209) |
| Cash and cash equivalents of the acquiree | ¥(12,873) |
| Net payments for the acquisition | <u>¥55,886</u> |

(7) Consolidated Statements of Changes in Net Assets

For the six months ended September 30, 2019

(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 | 100,000 | 1,250,000 | 651 | 629,555 | 1,980,206 |
| Increase/decrease: | | | | | |
| Issuance of foundation funds | 50,000 | | | | 50,000 |
| Additions to reserve for dividends to policyholders (mutual company) | | | | (211,818) | (211,818) |
| Additions to reserve for redemption of foundation funds | | 50,000 | | (50,000) | — |
| Interest on foundation funds | | | | (355) | (355) |
| Net surplus attributable to the parent company | | | | 133,768 | 133,768 |
| Redemption of foundation funds | (50,000) | | | | (50,000) |
| Reversal of land revaluation losses | | | | (613) | (613) |
| Changes in the scope of consolidation and application of the equity method | | | | (1,982) | (1,982) |
| Net change, excluding foundation funds and others | | | | | |
| Net change | — | 50,000 | — | (131,002) | (81,002) |
| Ending balance | 100,000 | 1,300,000 | 651 | 498,553 | 1,899,204 |

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

For the six months ended September 30, 2019

(Million Yen)

| | Accumulated other comprehensive income | | | | | | Share acquisition rights | Non-controlling interests | Total net assets |
|--|---|---|-------------------------|--|---|--|--------------------------|---------------------------|------------------|
| | Net unrealized gains on available-for-sale securities | Deferred losses on derivatives under hedge accounting | Land Revaluation losses | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Beginning balance | 4,943,922 | (31,643) | (54,690) | (4,853) | (13,494) | 4,839,241 | — | 158,772 | 6,978,221 |
| Increase/decrease: | | | | | | | | | |
| Issuance of foundation funds | | | | | | | | | 50,000 |
| Additions to reserve for dividends to policyholders (mutual company) | | | | | | | | | (211,818) |
| Additions to reserve for redemption of foundation funds | | | | | | | | | — |
| Interest on foundation funds | | | | | | | | | (355) |
| Net surplus attributable to the parent company | | | | | | | | | 133,768 |
| Redemption of foundation funds | | | | | | | | | (50,000) |
| Reversal of land revaluation losses | | | | | | | | | (613) |
| Changes in the scope of consolidation and application of the equity method | | | | | | | | | (1,982) |
| Net change, excluding foundation funds and others | 526,083 | 28,072 | 613 | (15,610) | 5,017 | 544,176 | 515 | 29,019 | 573,711 |
| Net change | 526,083 | 28,072 | 613 | (15,610) | 5,017 | 544,176 | 515 | 29,019 | 492,709 |
| Ending balance | 5,470,005 | (3,571) | (54,076) | (20,464) | (8,476) | 5,383,417 | 515 | 187,792 | 7,470,930 |

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

For the six months ended September 30, 2018

(Million Yen)

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

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

For the six months ended September 30, 2018

(Million Yen)

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

Notes to Statements of Changes in Net Assets

1. Matters concerning share acquisition rights

(Million Yen)

| Classification | Breakdown of share acquisition rights | Balance as of September 30, 2019 |
|----------------|--|----------------------------------|
| RNAM | Share acquisition rights provided as stock options | 515 |

(8) Consolidated Solvency Margin Ratio

(Million Yen)

| | As of September 30, 2019 | As of March 31, 2019 |
|---|--------------------------|----------------------|
| Solvency margin gross amount (A): | 15,886,153 | 15,040,262 |
| Foundation funds (<i>kikin</i>) and other reserve funds: | 5,543,027 | 5,437,605 |
| Foundation funds and others | 1,881,202 | 1,888,331 |
| Reserve for price fluctuations in investments in securities | 1,516,663 | 1,460,182 |
| Contingency reserve | 1,880,766 | 1,825,914 |
| Extraordinary contingency reserve | — | — |
| General allowance for doubtful accounts | 3,237 | 2,213 |
| Others | 261,157 | 260,963 |
| Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90% | 6,750,268 | 6,083,208 |
| Net unrealized gains on real estate × 85% | 376,752 | 374,311 |
| Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost | (11,757) | (18,717) |
| Excess of continued Zillmerized reserve | 1,836,927 | 1,798,965 |
| Qualifying subordinated debt | 1,602,089 | 1,512,089 |
| Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations | — | — |
| Deduction clause | (204,365) | (249,621) |
| Others | (6,788) | 102,421 |
| Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2} + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ | 3,009,226 | 3,015,936 |
| Underwriting risk (R ₁) | 161,359 | 164,973 |
| General underwriting risk (R ₅) | — | — |
| Huge disaster risk (R ₆) | — | — |
| Underwriting risk of third-sector insurance (R ₈) | 92,443 | 93,010 |
| Underwriting risk related to small amount and short-term insurance providers (R ₉) | — | — |
| Anticipated yield risk (R ₂) | 429,203 | 432,609 |
| Minimum guarantee risk (R ₇) | 9,254 | 9,302 |
| Investment risk (R ₃) | 2,496,047 | 2,498,757 |
| Business management risk (R ₄) | 63,766 | 63,973 |
| Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$ | 1,055.8% | 997.3% |

Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and the Financial Services Agency Public Notice No. 23 of 2011.
2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

(9) Segment Information

For the six months ended September 30, 2019, 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 related information are omitted because there are no other significant segments to be reported.