

November 24, 2017

Financial Results for the Six Months Ended September 30, 2017

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the six months ended September 30, 2017

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1. Business Highlights

(1) Policies in Force and New Policies

(i) Policies in Force

	As of March 31, 2017		As of September 30, 2017			
	Number of policies (Thousands)	Amount(100 millions of Yen)	Number of policies (Thousands)	Amount (100 millions of Yen)		
				Changes (%, Pre-FYE)	Changes (%, Pre-FYE)	
Individual insurance	7,173	181,705	7,161	99.8	173,412	95.4
Individual annuities	615	26,820	601	97.7	25,944	96.7
Group insurance	-	13,286	-	-	13,141	98.9
Group annuities	-	187	-	-	182	97.3

Notes:

1. Policy amounts for individual annuities are equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced and (b) the amount of policy reserves for an annuity for which payments have commenced.
2. Policy amount in force for group annuities is equal to the amount of outstanding policy reserves.
3. Number of policies includes number of each unit with regard to "Hoken-ou", "Hoken-ou Plus", etc.

(ii) New Policies

	Six months ended September 30, 2016			
	Number of policies (Thousands)	Amount (100 millions of Yen)		
		New policies	Net increase by conversion	
Individual insurance	356	733	1,945	(1,211)
Individual annuities	13	434	513	(78)
Group insurance	-	14	14	-
Group annuities	-	-	-	-

	Six months ended September 30, 2017					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)	Changes (%, YoY)	New policies	Net increase by conversion	
Individual insurance	337	94.7	590	80.5	1,587	(997)
Individual annuities	-	-	(79)	-	-	(79)
Group insurance	-	-	125	894.1	125	-
Group annuities	-	-	-	-	-	-

Notes:

1. Number of new policies is the sum of new policies and policies after conversion.
2. Amount of new policies for individual annuities, both new policies and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence.
3. Number of policies includes number of each unit with regard to "Hoken-ou", "Hoken-ou Plus", etc.

(2) Annualized Premiums

(i) Policies in Force

(100 millions of Yen)

	As of March 31, 2017	As of September 30, 2017	
			Changes (%, Pre-FYE)
Individual insurance	3,764	3,754	99.7
Individual annuities	1,594	1,549	97.1
Total	5,359	5,303	99.0
Third-sector products	1,978	2,022	102.2

(ii) New Policies

(100 millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	Changes
			(%, YoY)
Individual insurance	150	131	87.1
Individual annuities	15	(1)	-
Total	165	129	78.1
Third-sector products	119	109	92.1

Notes:

1. Annualized premiums are calculated by using coefficients based on the premium payment method. (For single premium contracts, the amount is calculated by dividing the premium by the coverage period.)
2. Figures for third-sector products represent portion of annualized premiums corresponding to the medical benefits (hospitalization benefits, surgery benefits, etc.), living benefits (specific illness benefits, nursing care benefits, etc.) and waiver benefits (excluding disability benefits, but including specific illness benefits, nursing care benefits).

(3) Selected Financial Data

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017	Changes
			(%, YoY)
Premium and other income	190,720	188,839	99.0
Investment income	73,094	87,450	119.6
Claims and other payments	223,750	215,048	96.1
Investment expenses	18,762	18,800	100.2

(4) Total Assets

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017	
			Changes (%, Pre-FYE)
Total assets	5,398,207	5,546,036	102.7

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2017		As of September 30, 2017	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	152,480	2.8	215,034	3.9
Monetary claims bought	33,202	0.6	31,564	0.6
Securities	4,125,107	76.8	4,271,483	77.4
Domestic bonds	2,895,636	53.9	2,914,725	52.8
Domestic stocks	282,959	5.3	317,603	5.8
Foreign securities	869,024	16.2	948,551	17.2
Foreign bonds	642,030	12.0	682,119	12.4
Foreign stocks and other foreign securities	226,993	4.2	266,432	4.8
Other securities	77,487	1.4	90,603	1.6
Loans	557,761	10.4	512,233	9.3
Policy loans	57,577	1.1	53,639	1.0
Industrial and consumer loans	500,184	9.3	458,594	8.3
Real estate	401,557	7.5	399,308	7.2
Deferred tax assets	22,725	0.4	13,700	0.2
Others	76,821	1.4	72,494	1.3
Allowance for possible loan losses	(487)	(0.0)	(419)	(0.0)
Total	5,369,169	100.0	5,515,400	100.0
Foreign currency-denominated assets	908,336	16.9	1,086,623	19.7

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

(2) Changes(Increases/Decreases) in Assets

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
	Amount	Amount
Cash, deposits, call loans	(26,981)	62,554
Monetary claims bought	(5,342)	(1,638)
Securities	(35,200)	146,376
Domestic bonds	(415)	19,089
Domestic stocks	(2,758)	34,644
Foreign securities	(31,309)	79,527
Foreign bonds	(37,678)	40,088
Foreign stocks and other foreign securities	6,369	39,438
Other securities	(718)	13,115
Loans	(33,663)	(45,528)
Policy loans	(6,054)	(3,937)
Industrial and consumer loans	(27,608)	(41,590)
Real estate	(8,965)	(2,248)
Deferred tax assets	2,786	(9,025)
Others	726	(4,327)
Allowance for possible loan losses	58	68
Total	(106,582)	146,231
Foreign currency-denominated assets	11,775	178,286

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

(3) Investment Income

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Interest, dividends and other income	52,808	54,358
Interest on deposits	0	0
Interest and dividends on securities	38,674	41,295
Interest on loans	5,332	4,469
Rent revenue from real estate	8,266	8,153
Other interest and dividends	535	439
Gains on trading securities	-	-
Gains on sales of securities	16,567	26,863
Gains on sales of domestic bonds	9,934	25,670
Gains on sales of domestic stocks and other securities	2,032	1,014
Gains on sales of foreign securities	4,599	178
Others	-	-
Gains on derivative financial instruments, net	45	-
Foreign exchange gains, net	-	423
Reversal of allowance for possible loan losses	59	61
Other investment income	3,613	3,641
Total	73,094	85,349

(4) Investment Expenses

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Interest expenses	1,868	2,223
Losses on trading securities	-	-
Losses on sales of securities	3,604	1,154
Losses on sales of domestic bonds	-	205
Losses on sales of domestic stocks and other securities	0	3
Losses on sales of foreign securities	3,604	945
Others	-	-
Losses on valuation of securities	11	49
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks and other securities	6	49
Losses on valuation of foreign securities	5	-
Others	-	-
Losses on derivative financial instruments, net	-	7,531
Foreign exchange losses, net	4,791	-
Provision for allowance for possible loan losses	-	-
Write-offs of loans	0	0
Depreciation of rental real estate and other assets	2,736	2,799
Other investment expenses	5,043	5,042
Total	18,055	18,800

(5) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2017		As of September 30, 2017	
	Amount	Net valuation gains(losses) included in the statements of income	Amount	Net valuation gains(losses) included in the statements of income
Trading securities	-	-	-	-

(6) Fair Value Information on Securities (with fair value, other than trading securities)

(Millions of Yen)

	As of March 31, 2017					As of September 30, 2017				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
			Gains	Losses				Gains	Losses	
Held-to-maturity debt securities	371,278	416,896	45,617	45,701	(83)	362,367	408,484	46,117	46,179	(61)
Policy-reserve-matching bonds	2,161,957	2,494,257	332,299	348,124	(15,824)	2,124,635	2,428,827	304,191	323,707	(19,516)
Stocks of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,417,128	1,503,956	86,828	131,145	(44,316)	1,582,353	1,709,954	127,600	166,069	(38,468)
Domestic bonds	550,475	551,345	870	8,259	(7,388)	610,863	614,620	3,756	8,927	(5,171)
Domestic stocks	152,037	263,893	111,855	117,840	(5,984)	157,077	298,524	141,447	148,907	(7,460)
Foreign securities	636,825	611,229	(25,595)	2,440	(28,035)	726,301	706,206	(20,095)	4,300	(24,396)
Foreign bonds	506,871	486,287	(20,584)	1,744	(22,329)	544,152	526,785	(17,366)	2,901	(20,268)
Foreign stocks and other foreign securities	129,953	124,942	(5,010)	695	(5,706)	182,148	179,420	(2,728)	1,398	(4,127)
Other securities	77,789	77,487	(302)	2,605	(2,907)	88,110	90,603	2,492	3,933	(1,440)
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	3,950,364	4,415,109	464,745	524,970	(60,225)	4,069,356	4,547,266	477,909	535,955	(58,046)
Domestic bonds	2,894,765	3,240,626	345,860	369,135	(23,274)	2,910,969	3,230,722	319,753	344,482	(24,728)
Domestic stocks	152,037	263,893	111,855	117,840	(5,984)	157,077	298,524	141,447	148,907	(7,460)
Foreign securities	792,568	796,222	3,653	31,689	(28,035)	881,635	892,471	10,836	35,232	(24,396)
Foreign bonds	662,615	671,279	8,664	30,993	(22,329)	699,486	713,051	13,565	33,833	(20,268)
Foreign stocks and other foreign securities	129,953	124,942	(5,010)	695	(5,706)	182,148	179,420	(2,728)	1,398	(4,127)
Other securities	77,789	77,487	(302)	2,605	(2,907)	88,110	90,603	2,492	3,933	(1,440)
Monetary claims bought	33,202	36,880	3,677	3,699	(21)	31,564	34,943	3,379	3,399	(20)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Act.

* Book value of securities without fair value is as follows:

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stocks of subsidiaries	5,093	5,093
Available-for-sale securities	116,024	100,998
Unlisted domestic stocks (except over-the-counter stocks)	13,972	13,985
Unlisted foreign stocks (except over-the-counter stocks)	102,051	87,012
Unlisted foreign bonds	-	-
Others	-	-
Total	121,117	106,091

(Reference)

The table below shows the sum of securities with fair value and without fair value (in case that securities without fair value are foreign currency-denominated, the fair value is calculated as the sum of book value and net gains (losses) on foreign exchange valuation).

(Millions of Yen)

	As of March 31, 2017					As of September 30, 2017				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	371,278	416,896	45,617	45,701	(83)	362,367	408,484	46,117	46,179	(61)
Policy-reserve-matching bonds	2,161,957	2,494,257	332,299	348,124	(15,824)	2,124,635	2,428,827	304,191	323,707	(19,516)
Stocks of subsidiaries	5,093	5,093	-	-	-	5,093	5,093	-	-	-
Available-for-sale securities	1,533,152	1,619,979	86,827	131,145	(44,317)	1,683,351	1,810,951	127,600	166,069	(38,469)
Domestic bonds	550,475	551,345	870	8,259	(7,388)	610,863	614,620	3,756	8,927	(5,171)
Domestic stocks	166,010	277,865	111,855	117,840	(5,984)	171,062	312,510	141,447	148,907	(7,460)
Foreign securities	738,876	713,280	(25,596)	2,440	(28,036)	813,314	793,218	(20,096)	4,300	(24,396)
Foreign bonds	506,871	486,287	(20,584)	1,744	(22,329)	544,152	526,785	(17,366)	2,901	(20,268)
Foreign stocks and other foreign securities	232,004	226,993	(5,011)	695	(5,707)	269,161	266,432	(2,729)	1,398	(4,128)
Other securities	77,789	77,487	(302)	2,605	(2,907)	88,110	90,603	2,492	3,933	(1,440)
Monetary claims bought	-	-	-	-	-	-	-	-	-	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,071,481	4,536,226	464,744	524,970	(60,226)	4,175,448	4,653,356	477,908	535,955	(58,047)
Domestic bonds	2,894,765	3,240,626	345,860	369,135	(23,274)	2,910,969	3,230,722	319,753	344,482	(24,728)
Domestic stocks	171,103	282,959	111,855	117,840	(5,984)	176,155	317,603	141,447	148,907	(7,460)
Foreign securities	894,620	898,273	3,652	31,689	(28,036)	968,647	979,483	10,835	35,232	(24,396)
Foreign bonds	662,615	671,279	8,664	30,993	(22,329)	699,486	713,051	13,565	33,833	(20,268)
Foreign stocks and other foreign securities	232,004	226,993	(5,011)	695	(5,707)	269,161	266,432	(2,729)	1,398	(4,128)
Other securities	77,789	77,487	(302)	2,605	(2,907)	88,110	90,603	2,492	3,933	(1,440)
Monetary claims bought	33,202	36,880	3,677	3,699	(21)	31,564	34,943	3,379	3,399	(20)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Act.

(7) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

(8) Fair Value Information on Real estate (land)

(Millions of Yen)

	As of March 31, 2017			As of September 30, 2017		
	Book value	Fair value	Gains/losses	Book value	Fair value	Gains/losses
Land	245,232	244,851	(380)	245,012	244,752	(259)

Notes:

1. Fair Value is calculated based on appraisal value for property tax and others.
2. The amount above includes leasehold.

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
Assets:		
Cash and deposits	32,100	33,471
Call loans	122,000	183,000
Monetary claims bought	33,202	31,564
Securities:	4,152,349	4,300,337
National government bonds	1,929,361	1,879,205
Local government bonds	55,807	55,876
Corporate bonds	916,978	986,490
Domestic stocks	293,841	329,114
Foreign securities	878,872	959,046
Loans:	557,761	512,233
Policy loans	57,577	53,639
Industrial and consumer loans	500,184	458,594
Tangible fixed assets	406,105	403,360
Intangible fixed assets	33,521	34,694
Reinsurance receivables	194	689
Other assets	38,719	33,390
Deferred tax assets	22,725	13,700
Customers' liabilities under acceptances and guarantees	14	12
Allowance for possible loan losses	(487)	(419)
Total assets	5,398,207	5,546,036

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities:		
Policy reserves and other reserves:	4,768,371	4,717,538
Reserve for outstanding claims	27,364	26,745
Policy reserves	4,700,145	4,650,845
Reserve for dividends to policyholders	40,861	39,947
Reinsurance payables	127	122
Bonds payable	40,349	40,349
Other liabilities:	138,429	287,166
Income taxes payable	1,435	5,759
Lease obligations	2,015	1,579
Asset retirement obligations	240	242
Others	134,737	279,585
Reserve for employees' retirement benefits	37,307	36,656
Reserve for price fluctuation	36,580	37,680
Deferred tax liabilities for land revaluation	18,091	18,052
Acceptances and guarantees	14	12
Total liabilities	5,039,270	5,137,577
Net assets:		
Foundation funds	126,000	126,000
Reserve for redemption of foundation funds	131,000	131,000
Reserve for revaluation	281	281
Surplus:	76,313	94,185
Reserve for future losses	242	266
Other surplus:	76,071	93,919
Reserve for fund redemption	36,000	48,600
Equalized reserve for dividends to policyholders	8,718	9,678
Unappropriated surplus (loss)	31,353	35,641
Total foundation funds and others	333,595	351,467
Net unrealized gains (losses) on available-for-sale securities, net of tax	71,104	102,851
Land revaluation differences	(45,762)	(45,861)
Total valuation and translation adjustments	25,341	56,990
Total net assets	358,937	408,458
Total liabilities and net assets	5,398,207	5,546,036

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Ordinary income:	325,659	334,661
Premium and other income:	190,720	188,839
Insurance premiums	190,667	188,129
Investment income:	73,094	87,450
Interest, dividends and other income	52,808	54,358
Gains on sales of securities	16,567	26,863
Gains on derivative financial instruments	45	-
Investment gains on separate accounts	-	2,100
Other ordinary income	61,844	58,372
Ordinary expenses:	310,097	301,583
Claims and other payments:	223,750	215,048
Claims	66,551	62,084
Annuities	59,402	61,025
Benefits	45,941	43,625
Surrender benefits	47,647	45,408
Other payments	4,110	2,695
Provision for policy reserves and other reserves:	21	2
Provision for interest on policyholders' dividend reserves	21	2
Investment expenses:	18,762	18,800
Interest expenses	1,868	2,223
Losses on sales of securities	3,604	1,154
Losses on valuation of securities	11	49
Losses on derivative financial instruments	-	7,531
Investment losses on separate accounts	706	-
Operating expenses	50,314	50,927
Other ordinary expenses	17,248	16,804
Ordinary profit	15,562	33,078
Extraordinary gains	907	68
Extraordinary losses	3,201	1,387
Surplus before income taxes	13,268	31,758
Income taxes including deferred taxes	2,532	6,965
Total income taxes	2,532	6,965
Net surplus	10,736	24,793

5. Unaudited Non-consolidated Statements of Changes in Net Assets

Six months ended September 30, 2016

(Millions of Yen)

	Foundation funds and others								Total foundation funds and others
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Surplus			Total surplus	
					Other surplus				
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Interim Unappropriated surplus (loss)		
Beginning balance	126,000	120,000	281	219	35,500	10,485	18,163	64,368	310,650
Changes in the period:									
Issuance of foundation funds	11,000								11,000
Additions to reserve for dividends to policyholders							(1,767)	(1,767)	(1,767)
Additions to reserve for future losses				23			(23)		
Additions to reserve for redemption of foundation funds		11,000			(11,000)			(11,000)	
Payment of interest on foundation funds							(5,787)	(5,787)	(5,787)
Net surplus							10,736	10,736	10,736
Redemption of foundation funds	(11,000)								(11,000)
Additions to reserve for fund redemption					11,500		(11,500)		
Reversal of equalized reserve for dividends to policyholders						(1,767)	1,767		
Reversal of land revaluation differences							746	746	746
Net changes, excluding foundation funds and others									
Net changes in the period	-	11,000	-	23	500	(1,767)	(5,826)	(7,071)	3,928
Ending balance	126,000	131,000	281	242	36,000	8,718	12,337	57,297	314,579

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available- for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	62,953	(44,527)	18,426	329,077
Changes in the period:				
Issuance of foundation funds				11,000
Additions to reserve for dividends to policyholders				(1,767)
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				(5,787)
Net surplus				10,736
Redemption of foundation funds				(11,000)
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				746
Net changes, excluding foundation funds and others	(5,031)	(746)	(5,777)	(5,777)
Net changes in the period	(5,031)	(746)	(5,777)	(1,848)
Ending balance	57,922	(45,273)	12,649	327,228

Six months ended September 30, 2017

(Millions of Yen)

	Foundation funds and others								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Surplus			Total surplus	Total foundation funds and others
					Other surplus				
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Interim Unappropriated surplus (loss)		
Beginning balance	126,000	131,000	281	242	36,000	8,718	31,353	76,313	333,595
Changes in the period:									
Additions to reserve for dividends to policyholders							(1,519)	(1,519)	(1,519)
Additions to reserve for future losses				24			(24)		
Payment of interest on foundation funds							(5,499)	(5,499)	(5,499)
Net surplus							24,793	24,793	24,793
Additions to reserve for fund redemption					12,600		(12,600)		
Additions to equalized reserve for dividends to policyholders						960	(960)		
Reversal of land revaluation differences							98	98	98
Net changes, excluding foundation funds and others									
Net changes in the period	-	-	-	24	12,600	960	4,288	17,872	17,872
Ending balance	126,000	131,000	281	266	48,600	9,678	35,641	94,185	351,467

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	71,104	(45,762)	25,341	358,937
Changes in the period:				
Additions to reserve for dividends to policyholders				(1,519)
Additions to reserve for future losses				
Payment of interest on foundation funds				(5,499)
Net surplus				24,793
Additions to reserve for fund redemption				
Additions to equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				98
Net changes, excluding foundation funds and others	31,747	(98)	31,648	31,648
Net changes in the period	31,747	(98)	31,648	49,521
Ending balance	102,851	(45,861)	56,990	408,458

I. Presentation of Unaudited Non-consolidated Financial Statements

Basis of Presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the “Company”) in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with semi-annual accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the non-consolidated financial statements include information which is not required under semi-annual accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

In preparing the accompanying non-consolidated financial statements, certain reclassifications have been made to the non-consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

II. Notes to Unaudited Non-consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

The valuation of securities, including deposits and monetary claims bought which are equivalent to securities is as follows:

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee

Report No. 21 issued by the Japanese Institute of Certified Public Accountants (“JICPA”).

- iv) Investments in subsidiaries and affiliates are stated at cost.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the balance sheet date, except for domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied. Such securities are stated based on the average of the market value during the final month of the reporting period. Costs of sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

Available-for-sale securities whose fair values are deemed extremely difficult to determine are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method.

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance and individual annuities as policy-reserve-matching bonds in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the JICPA on November 16, 2000).

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

■ Date of revaluation: March 31, 2001

■ Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

(5) Depreciation of tangible fixed assets

Depreciation of the Company's tangible fixed assets is calculated by the following methods.

(For the interim reporting purposes, the amount for the semi-annual period is determined.)

■ Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings are depreciated using the straight-line method.

■ Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date, except for foreign exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied categorized as available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the reporting period.

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

- i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrower's balance as the estimated uncollectible amounts. The amount written-off was ¥206 million as of September 30, 2017.

- (8) Accounting for employees' retirement benefits and method of amortizing retirement benefit expenses

Reserve for employees' retirement benefits is presented for the employees' retirement benefits based on projected benefit obligation and pension plan assets at the balance sheet date.

The Company uses the following methods of accounting in relation to retirement benefits.

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of seven years starting from the following year.
- Prior service cost is charged to income when incurred.

- (9) Reserve for price fluctuation

Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

- (10) Accounting for hedging activities

Hedging activities are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10).

The Company applies deferred hedge accounting and the exceptional accounting treatment ("Tokurei-shori") for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to

foreign exchange rate fluctuation exposures on certain bonds and investment trusts denominated in foreign currencies.

The Company also applies designated hedge accounting (“Furiate-shori”) for currency swaps used to hedge foreign exchange rate fluctuation exposures on the foreign currency-denominated bonds issued by the Company.

The Company also applies designated hedge accounting (“Furiate-shori”) for the foreign currency-denominated transactions other than the above.

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

The Company accounts for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as other assets and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense for the current interim period.

(12) Policy reserves

Policy reserves are based on Article 116 of the Insurance Business Act and the premium reserve at the end of the reporting period is calculated by the following method:

In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public Notice No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserves, the net level premium method is applied.

(13) Software

Capitalized software for internal use owned by the Company is amortized using the straight-line method over the estimated useful lives.

2. Financial Instruments

The balance sheet amounts, fair values and the differences between them of major financial assets and liabilities as of September 30, 2017 were as follows:

	Millions of Yen		
	As of September 30, 2017		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 33,471	¥ 33,471	¥ -
Call loans	183,000	183,000	-
Monetary claims bought	31,564	34,943	3,379
Trading securities	-	-	-
Held-to-maturity debt securities	31,564	34,943	3,379
Policy-reserve-matching bonds	-	-	-
Available-for-sale securities	-	-	-
Securities	4,194,247	4,541,176	346,929
Trading securities	28,853	28,853	-
Held-to-maturity debt securities	330,802	373,540	42,737
Policy-reserve-matching bonds	2,124,635	2,428,827	304,191
Available-for-sale securities	1,709,954	1,709,954	-
Loans	512,233	524,331	12,098
Policy loans	53,639	53,639	-
Industrial and consumer loans	458,594	470,692	12,098
Total assets	4,954,516	5,316,924	362,407
Bonds payable	40,349	43,357	3,007
Loans payable	97,000	96,444	(555)
Total liabilities	137,349	139,801	2,452
Derivative financial instruments	(16,283)	(16,283)	-
Hedge accounting not applied	(976)	(976)	-
Hedge accounting applied	(15,306)	(15,306)	-

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

- (1) Securities including deposits and monetary claims bought which are treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10).

As for available-for-sale securities of which market value is readily available, domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied are stated at the average of the market value during the final month of the reporting period. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

Unlisted stocks and others of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because it is regarded as extremely difficult to determine their fair value.

The amount of the unlisted stocks and others reported in the non-consolidated balance sheet was ¥106,090 million as of September 30, 2017.

(2) Loans and loans payable

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company considers book value as fair value with the assumption that fair value approximates book value in light of factors such as projected repayment period and interest terms.

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers is stated at the amounts by deducting estimated losses from the book value before direct write-offs.

(3) Bonds payable

The fair value of bonds payable is based on the market value, etc. as of September 30, 2017

(4) Derivative financial instruments

The fair value of options traded over the counter is based on the quoted prices offered by counterparty financial institutions.

The fair value of foreign currency forward contracts is stated at theoretical prices based on the TTM at the balance sheet date.

Regarding the derivative transactions for which designated hedge accounting (“Furiate-shori”) of currency swaps is applied, its fair value is included in bonds payable since they are treated together with hedged bonds payable.

3. Investments and Rental Properties

The fair value of investment and rental properties is omitted because there have been no significant changes compared with the corresponding fair values at the end of the previous fiscal year.

4. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥129,145 million as of September 30, 2017.

5. Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which included in loans, was ¥1,045 million as of September 30, 2017.

i) Loans to bankrupt borrowers were ¥0 million as of September 30, 2017.

- ii) Delinquent loans were ¥886 million as of September 30, 2017.
- iii) Delinquent loans three or more months past due were ¥121 million as of September 30, 2017.
- iv) Restructured loans were ¥37 million as of September 30, 2017.

Loans to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96, Paragraph 1, Items 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accruing interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payments or for other reasons.

Accruing interest on delinquent loans is not recorded as income due to the same reasons as described above, and delinquent loans exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their businesses.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers and delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

The direct write-offs related to loans decreased the amount of loans to bankrupt borrowers described above by ¥14 million as of September 30, 2017.

In addition, the direct write-offs related to loans decreased delinquent loans described above by ¥191 million as of September 30, 2017.

6. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥30,727 million as of September 30, 2017. The amount of separate account liabilities was the same as separate account assets.

7. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended September 30, 2017 was as follows:

	Millions of Yen	
	Six months ended September 30, 2017	
Balance at the beginning of the reporting period	¥	40,861
Transfer to reserve from surplus in the previous fiscal year		1,519
Dividends to policyholders paid out during the reporting period		2,435
Increase in interest		2
Balance at the end of the reporting period	¥	39,947

8. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held was ¥5,093 million as of September 30, 2017.

9. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥18,488 million as of September 30, 2017.

10. Policy Reserves for the Reinsurance Contracts

Policy reserves for the reinsurance contracts provided in accordance with Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “policy reserves for ceded reinsurance”) were ¥110 million as of September 30, 2017.

11. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or mortgaged was ¥34,932 million as of September 30, 2017. No assets were mortgaged as of September 30, 2017.

12. Commitment Line

As of September 30, 2017, there were unused commitment line agreements under which the Company is the lender of ¥3,500 million.

13. Subordinated Bonds

As of September 30, 2017, bonds payable are subordinated bonds, for which the repayments are subordinated to other obligations.

14. Subordinated Loans

As of September 30, 2017, other liabilities included subordinated loans of ¥97,000 million, for which the repayments are subordinated to other obligations.

15. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were ¥9,750 million as of September 30, 2017. These contributions are charged as operating expenses in the reporting period in which they are paid.

III. Notes to Unaudited Non-consolidated Statement of Income

1. Investment Income and Expenses

The major components of gains on sales of securities were as follows:

	<u>Millions of Yen</u>	
	Six months ended September 30, 2017	
Domestic bonds	¥	25,670
Domestic stocks and other securities		1,014
Foreign securities		178

The major components of losses on sales of securities were as follows:

	<u>Millions of Yen</u>	
	Six months ended September 30, 2017	
Domestic bonds	¥	205
Domestic stocks and other securities		3
Foreign securities		945

The major components of losses on valuation of securities were as follows:

	<u>Millions of Yen</u>	
	Six months ended September 30, 2017	
Domestic stocks and other securities	¥	49

2. Policy Reserves for the Reinsurance Contracts

Reversal of policy reserves for ceded reinsurance considered in calculating reversal of policy reserves for the reporting period ended September 30, 2017 was ¥20 million.

3. Interest and Dividend Income

The breakdown of interest, dividends and other income was as follows:

	Millions of Yen	
	Six months ended September 30, 2017	
Interest on deposits	¥	0
Interest and dividends from securities		41,295
Interest on loans		4,469
Rental revenues from properties		8,153
Other interest and dividends		439
Total	¥	<u>54,358</u>

4. Income Tax Expense

The simplified method is applied for tax effect accounting to calculate income tax expense for the interim period ended September 30. Therefore, deferred taxes are included in income taxes.

6. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Fundamental profit A	7,699	14,764
Capital gains	16,612	27,287
Gains on money held in trust	-	-
Gains on trading securities	-	-
Gains on sales of securities	16,567	26,863
Gains on derivative financial instruments	45	-
Foreign exchange gains	-	423
Other capital gains	-	-
Capital losses	8,407	8,734
Losses on money held in trust	-	-
Losses on trading securities	-	-
Losses on sales of securities	3,604	1,154
Losses on valuation of securities	11	49
Losses on derivative financial instruments	-	7,531
Foreign exchange losses	4,791	-
Other capital losses	-	-
Net capital gains (losses) B	8,204	18,553
Fundamental profit plus net capital gains (losses) A+B	15,904	33,317
Other one-time gains	58	60
Reinsurance revenue	-	-
Reversal of contingency reserve	-	-
Reversal of specific allowance for possible loan losses	58	60
Others	-	-
Other one-time losses	400	300
Reinsurance premiums	-	-
Provision for contingency reserve	400	300
Provision for specific allowance for possible loan losses	-	-
Provision for allowance for specified overseas loans	-	-
Write-offs of loans	0	0
Others	-	-
Other one-time gains (losses) C	(341)	(239)
Ordinary profit A+B+C	15,562	33,078

7. Disclosed Claims Based on Categories of Obligors

(Millions of Yen, %)

	As of March 31, 2017	As of September 30, 2017
Claims against bankrupt and quasi-bankrupt obligors	733	651
Claims with collection risk	307	257
Claims for special attention	155	163
Subtotal	1,196	1,071
(Percentage of total)	(0.21)	(0.17)
Claims against normal obligors	558,825	642,355
Total	560,022	643,427

Notes:

1. Claims against bankrupt and quasi-bankrupt obligors are claims to obligors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other obligors in serious financial difficulties.
2. Claims with collection risk are claims to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the claims will be recovered.
3. Claims for special attention are claims on which principal and/or interest are past due for three months or more and claims with a concessionary interest rate, as well as claims with renegotiated conditions in favor of the borrower, including renegotiated schedule and/or waivers, in each case, other than the claims described in note 1. or 2. above.
4. Claims against normal obligors are all other claims.

8. Risk-monitored Loans

(Millions of Yen, %)

	As of March 31, 2017	As of September 30, 2017
Loans to bankrupt borrowers	0	0
Delinquent loans	1,015	886
Delinquent loans three or more months past due	112	121
Restructured loans	38	37
Total	1,166	1,045
(Percentage of total loans)	(0.21)	(0.20)

Notes:

1. For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after the deductions of amount expected to be collected through the disposal of collateral or the execution of guarantees are written-off directly from the borrower's balance as the estimated uncollectible amounts. The amounts written-off related to loans to bankrupt borrowers were ¥14 million as of September 30, 2017 and ¥22 million as of March 31, 2017. The amounts written-off related to delinquent loans were ¥191 million as of September 30, 2017 and ¥193 million as of March 31, 2017.
2. Loans to bankrupt borrowers represent non-accrual loans to borrowers which are subject to bankruptcy, corporate reorganization or rehabilitation or other similar, including but not limited to foreign, proceedings. Accruing interest on these loans is not recorded as income after determining that principal or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest repayments or for other reasons.
3. Delinquent loans are loans whose accruing interest is not recorded as income and exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their business.
4. Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers or delinquent loans.
5. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

9. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2017	As of September 30, 2017
Total solvency margin	(A)	700,120	773,007
Foundation funds and surplus		326,576	347,647
Reserve for price fluctuation		36,580	37,680
Contingency reserve		30,082	30,382
General allowance for possible loan losses		14	13
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		78,144	114,840
Net unrealized gains on land × 85% (in case of losses: × 100%)		(28,052)	(28,067)
Excess amount of policy reserves based on full-time Zillmer method		111,415	117,447
Qualifying subordinated debt		137,349	136,949
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		-	-
Deduction		-	-
Others		8,011	16,116
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	188,516	205,071
Insurance risk	R_1	15,177	14,788
Third sector insurance risk	R_8	9,176	9,311
Risk of assumed yield	R_2	82,034	80,509
Minimum guarantee risk	R_7	1,096	1,090
Investment risk	R_3	99,628	117,554
Operational risk	R_4	4,142	4,465
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	742.7%	753.8%

Notes:

1. The figures above are calculated based on Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and the Public Notice No. 50 of the Ministry of Finance of 1996.
2. "Excess amount of policy reserves based on full-time Zillmer method", "Qualifying subordinated debt" and "Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin" are calculated based on the Public Notice No.25 of the Financial Service Agency of 2011.
3. "Minimum guarantee risk" is calculated by standard method.

10. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
	Amount	Amount
Individual variable insurance	29,199	30,727
Individual variable annuities	-	-
Group annuity products	-	-
Total	29,199	30,727

(2) Policies in Force

	As of March 31, 2017		As of September 30, 2017	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed-term)	0	9	0	5
Individual variable insurance (whole life)	14	102,134	14	100,388
Total	14	102,143	14	100,393

	As of March 31, 2017		As of September 30, 2017	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable annuities	-	-	-	-
Total	-	-	-	-

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Ordinary income	327,218	336,542
Ordinary profit	15,520	32,993
Net surplus attributable to the Parent Company	10,635	24,709
Comprehensive income	6,074	56,752

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
Total assets	5,398,884	5,547,280
Solvency margin ratio	748.0%	759.1%

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
Assets:		
Cash and deposits	35,511	37,029
Call loans	122,000	183,000
Monetary claims bought	33,202	31,564
Securities	4,148,686	4,296,575
Loans	557,761	512,233
Tangible fixed assets	406,159	403,413
Intangible fixed assets	33,285	34,540
Reinsurance receivables	194	689
Other assets	39,595	34,617
Net defined benefit assets	11	21
Deferred tax assets	22,947	14,002
Customers' liabilities under acceptances and guarantees	14	12
Allowance for possible loan losses	(487)	(419)
Total assets	5,398,884	5,547,280
Liabilities:		
Policy reserves and other reserves:	4,768,371	4,717,538
Reserve for outstanding claims	27,364	26,745
Policy reserves	4,700,145	4,650,845
Reserve for dividends to policyholders	40,861	39,947
Reinsurance payables	127	122
Bonds payable	40,349	40,349
Other liabilities	139,189	288,582
Net defined benefit liabilities	37,757	36,836
Reserve for price fluctuation	36,580	37,680
Deferred tax liabilities for land revaluation	18,091	18,052
Acceptances and guarantees	14	12
Total liabilities	5,040,479	5,139,174
Net assets:		
Foundation funds	126,000	126,000
Reserve for redemption of foundation funds	131,000	131,000
Reserve for revaluation	281	281
Consolidated surplus	76,065	93,854
Total foundation funds and others	333,347	351,136
Net unrealized gains (losses) on available-for-sale securities, net of tax	71,105	102,852
Land revaluation differences	(45,762)	(45,861)
Accumulated remeasurements of defined benefit plans	(358)	(82)
Total accumulated other comprehensive income	24,983	56,909
Non-controlling interests	73	60
Total net assets	358,404	408,106
Total liabilities and net assets	5,398,884	5,547,280

(3) Unaudited Consolidated Statements of Income and Statements of Comprehensive Income

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Ordinary income:	327,218	336,542
Premium and other income	190,720	188,839
Investment income:	72,855	87,210
Interest, dividends and other income	52,581	54,131
Gains on sales of securities	16,567	26,864
Gains on derivative financial instruments	45	-
Investment gains on separate accounts	-	2,100
Other ordinary income	63,642	60,491
Ordinary expenses:	311,697	303,548
Claims and other payments:	223,750	215,048
Claims	66,551	62,084
Annuities	59,402	61,025
Benefits	45,941	43,625
Surrender benefits	47,647	45,408
Other payments	4,110	2,695
Provision for policy reserves and other reserves:	21	2
Provision for interest on policyholders' dividend reserves	21	2
Investment expenses:	18,761	18,800
Interest expenses	1,868	2,223
Losses on sales of securities	3,604	1,154
Losses on valuation of securities	11	49
Losses on derivative financial instruments	-	7,531
Investment losses on separate accounts	706	-
Operating expenses	52,018	52,927
Other ordinary expenses	17,145	16,769
Ordinary profit	15,520	32,993
Extraordinary gains	907	68
Extraordinary losses	3,202	1,387
Surplus before income taxes	13,225	31,674
Income taxes including deferred taxes	2,574	6,945
Total income taxes	2,574	6,945
Net surplus	10,651	24,728
Net surplus attributable to non-controlling interests	15	19
Net surplus attributable to the Parent Company	10,635	24,709

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net surplus	10,651	24,728
Other comprehensive income:	(4,576)	32,023
Net unrealized gains (losses) on available-for-sale securities, net of tax	(5,032)	31,747
Remeasurements of defined benefit plans	455	276
Comprehensive income:	6,074	56,752
Comprehensive income attributable to the Parent Company	6,059	56,733
Comprehensive income attributable to non-controlling interests	15	19

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
I. Cash flows from operating activities		
Surplus before income taxes	13,225	31,674
Depreciation of rental real estate and other assets	2,736	2,799
Depreciation	4,941	4,854
Impairment losses	1,155	157
Increase (decrease) in reserve for outstanding claims	(196)	(619)
Increase (decrease) in policy reserves	(51,655)	(49,300)
Provision for interest on policyholders' dividend reserves	21	2
Increase (decrease) in allowance for possible loan losses	(59)	(61)
Increase (decrease) in net defined benefit liabilities	(519)	(651)
Increase (decrease) in reserve for price fluctuation	980	1,100
Interest, dividends and other income	(52,581)	(54,131)
(Gains) losses on securities	(12,244)	(27,761)
(Gains) losses on derivative financial instruments	(45)	7,531
Interest expenses	1,868	2,223
Foreign exchange (gains) losses, net	4,790	(423)
(Gains) losses on tangible fixed assets	(359)	(63)
Others, net	2,641	(3,724)
Subtotal	(85,298)	(86,394)
Interest, dividends and other income received	57,360	56,747
Interest paid	(2,258)	(2,531)
Dividends to policyholders paid	(2,782)	(2,435)
Income taxes (paid) refunded	(1,226)	(2,690)
Net cash provided by (used in) operating activities	(34,206)	(37,304)
II. Cash flows from investing activities		
Purchases of monetary claims bought	(500)	(500)
Proceeds from sales and redemptions of monetary claims bought	5,839	2,135
Proceeds from deceases in money held in trust	9	-
Purchases of securities	(554,453)	(352,898)
Proceeds from sales and redemptions of securities	514,739	328,920
Disbursements for loans	(32,080)	(26,094)
Proceeds from collections of loans	58,866	70,643
Proceeds from derivative financial instruments	75,497	3,005
Increase (decrease) in payables under securities borrowing transactions	(53,610)	88,803
① Total of investing activities	14,308	114,015
[I + ①]	(19,898)	76,711
Purchases of tangible fixed assets	(3,451)	(2,494)
Proceeds from sales of tangible fixed assets	7,089	161
Others, net	(4,067)	(5,870)
Net cash provided by (used in) investing activities	13,878	105,812
III. Cash flows from financing activities		
Proceeds from issuance of foundation funds	11,000	-
Redemption of foundation funds	(11,000)	-
Payment of interest on foundation funds	(5,787)	(5,499)
Dividends paid to non-controlling interests	(37)	(31)
Others, net	(427)	(458)
Net cash provided by (used in) financing activities	(6,252)	(5,989)
IV. Net increase (decrease) in cash and cash equivalents	(26,579)	62,518
V. Cash and cash equivalents at the beginning of the period	217,133	157,511
VI. Cash and cash equivalents at the end of the period	190,553	220,029

Note:

Cash and cash equivalents in consolidated cash flow statements includes cash in hand, cash at bank and short-term investments with redemption period of three months and less than three months, which can be withdrawn anytime and can be converted to cash with ease.

(5) Unaudited Consolidated Statements of Changes in Net Assets

Six months ended September 30, 2016

(Millions of 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	126,000	120,000	281	64,102	310,384
Changes in the period:					
Issuance of foundation funds	11,000				11,000
Additions to reserve for dividends to policyholders				(1,767)	(1,767)
Additions to reserve for redemption of foundation funds		11,000		(11,000)	
Payment of interest on foundation funds				(5,787)	(5,787)
Net surplus attributable to the Parent Company				10,635	10,635
Redemption of foundation funds	(11,000)				(11,000)
Reversal of land revaluation differences				746	746
Net changes, excluding foundation funds and others					
Net changes in the period	-	11,000	-	(7,172)	3,827
Ending balance	126,000	131,000	281	56,929	314,211

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	62,954	(44,527)	(2,420)	16,006	79	326,470
Changes in the period:						
Issuance of foundation funds						11,000
Additions to reserve for dividends to policyholders						(1,767)
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						(5,787)
Net surplus attributable to the Parent Company						10,635
Redemption of foundation funds						(11,000)
Reversal of land revaluation differences						746
Net changes, excluding foundation funds and others	(5,032)	(746)	455	(5,322)	(22)	(5,345)
Net changes in the period	(5,032)	(746)	455	(5,322)	(22)	(1,517)
Ending balance	57,922	(45,273)	(1,964)	10,684	57	324,953

Six months ended September 30, 2017

(Millions of 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	126,000	131,000	281	76,065	333,347
Changes in the period:					
Additions to reserve for dividends to policyholders				(1,519)	(1,519)
Payment of interest on foundation funds				(5,499)	(5,499)
Net surplus attributable to the Parent Company				24,709	24,709
Reversal of land revaluation differences				98	98
Net changes, excluding foundation funds and others					
Net changes in the period	-	-	-	17,788	17,788
Ending balance	126,000	131,000	281	93,854	351,136

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	71,105	(45,762)	(358)	24,983	73	358,404
Changes in the period:						
Additions to reserve for dividends to policyholders						(1,519)
Payment of interest on foundation funds						(5,499)
Net surplus attributable to the Parent Company						24,709
Reversal of land revaluation differences						98
Net changes, excluding foundation funds and others	31,747	(98)	276	31,925	(12)	31,912
Net changes in the period	31,747	(98)	276	31,925	(12)	49,701
Ending balance	102,852	(45,861)	(82)	56,909	60	408,106

I. Presentation of Unaudited Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the “Company”) and its consolidated subsidiaries in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with semi-annual accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under semi-annual accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of September 30, 2017 are listed below:

Info Techno Asahi Co., Ltd.
Asahi Life Asset Management Co., Ltd.
Asahi Nvest Investment Advisory Co., Ltd.

The major unconsolidated subsidiary is Asahi Real Estate Management Co., Ltd.

Unconsolidated subsidiaries are excluded from the scope of consolidation, as each one of them is small in terms of its total assets, amount of sales, net income for the period and surplus and is sufficiently immaterial to reasonable judgment with regards to its impact on the financial position and results of operation of the Company’s group.

(2) Application of equity method

Unconsolidated subsidiaries and affiliates (such as Asahi Real Estate Management Co., Ltd, etc.) are immaterial in terms of their impact on consolidated net income and surplus,

and also immaterial as a whole, therefore, the equity method is not applied.

(3) Interim period-end of consolidated subsidiaries

The interim period-end of the consolidated subsidiaries is September 30.

II. Notes to Unaudited Consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

The valuation of securities, including deposits and monetary claims bought which are equivalent to securities is as follows:

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost under the straight-line method, cost being determined by the moving average method.
- iii) Policy-reserve-matching bonds are stated at amortized cost under the straight-line method, cost being determined by the moving average method in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (“JICPA”).
- iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.
- v) Available-for-sale securities with fair market value are stated at fair market value based on the market prices at the balance sheet date, except for domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied. Such securities are stated based on the average of the market value during the final month of the reporting period. Costs of sales are determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

Available-for-sale securities whose fair values are deemed extremely difficult to determine are stated at cost, cost being determined by the moving average method, except for public and corporate bonds including foreign bonds, of which the difference between acquisition cost and face value is considered to be an adjustment of interest. Such bonds are stated at amortized cost under the straight-line method, cost being determined by the moving

average method.

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance and individual annuities as policy-reserve-matching bonds in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the JICPA on November 16, 2000).

(3) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

■ Date of revaluation: March 31, 2001

■ Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

(4) Depreciation of tangible fixed assets

Depreciation of the Company’s tangible fixed assets is calculated by the following methods.

(For the interim reporting purposes, the amount for the semi-annual period is determined.)

■ Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings are depreciated using the straight-line method.

■ Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value

(5) Foreign currency translation

Foreign currency-denominated assets and liabilities (excluding the shares of unconsolidated subsidiaries and affiliates) are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date, except for foreign exchange-traded funds for which hedge accounting is not applied, foreign bond

exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied categorized as available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the reporting period.

(6) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

- i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the borrowers' balance by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For consolidated subsidiaries, the Company records the allowance amounts deemed necessary in accordance mainly with the Company's standards of self-assessment and write-offs and reserves on credit quality.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the borrower's balance as the estimated uncollectible amounts. The amount written-off was ¥206 million as of September 30, 2017.

(7) Accounting for employees' retirement benefits and method of amortizing retirement benefit expenses

Net defined benefit liabilities and assets are presented for the employees' retirement

benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

The Company uses the following methods of accounting in relation to retirement benefits.

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of seven years starting from the following year.
- Prior service cost is charged to income when incurred.

(8) Accounting for hedging activities

Hedging activities are accounted for in accordance with the “Accounting Standards for Financial Instruments” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 10).

The Company applies deferred hedge accounting and the exceptional accounting treatment (“Tokurei-shori”) for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds and investment trusts denominated in foreign currencies.

The Company also applies designated hedge accounting (“Furiate-shori”) for currency swaps used to hedge foreign exchange rate fluctuation exposures on the foreign currency-denominated bonds issued by the Company.

The Company also applies designated hedge accounting (“Furiate-shori”) for the foreign currency-denominated transactions other than the above.

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(9) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(10) Reserve for price fluctuation

Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

(11) Accounting for consumption taxes

The Company and its subsidiaries account for consumption tax and local consumption tax

by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as other assets and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense for the current interim period.

(12) Policy reserves

Policy reserves are based on Article 116 of the Insurance Business Act and the premium reserve at the end of the reporting period is calculated by the following method:

In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public Notice No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserves, the net level premium method is applied.

(13) Software

Capitalized software for internal use owned by the Company and its subsidiaries (included in intangible fixed assets in the consolidated balance sheet) is amortized using the straight-line method over the estimated useful lives.

2. Financial Instruments

The balance sheet amounts, fair values and the differences between them of major financial assets and liabilities as of September 30, 2017 were as follows:

	Millions of Yen		
	As of September 30, 2017		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 37,029	37,029	¥ -
Call loans	183,000	183,000	-
Monetary claims bought	31,564	34,943	3,379
Trading securities	-	-	-
Held-to-maturity debt securities	31,564	34,943	3,379
Policy-reserve-matching bonds	-	-	-
Available-for-sale securities	-	-	-
Securities	4,194,974	4,541,906	346,932
Trading securities	28,853	28,853	-
Held-to-maturity debt securities	331,509	374,250	42,741
Policy-reserve-matching bonds	2,124,635	2,428,827	304,191
Available-for-sale securities	1,709,974	1,709,974	-
Loans	512,233	524,331	12,098
Policy loans	53,639	53,639	-
Industrial and consumer loans	458,594	470,692	12,098
Total assets	4,958,801	5,321,211	362,410
Bonds payable	40,349	43,357	3,007
Loans payable	97,000	96,444	(555)
Total liabilities	137,349	139,801	2,452
Derivative financial instruments	(16,283)	(16,283)	-
Hedge accounting not applied	(976)	(976)	-
Hedge accounting applied	(15,306)	(15,306)	-

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

- (1) Securities including deposits and monetary claims bought which are treated as securities based on “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10).

As for available-for-sale securities of which market value is readily available, domestic stocks, domestic exchange-traded funds, domestic listed real estate investment trusts, foreign exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied are stated at the average of the market value during the final month of the reporting period. Available-for-sale securities of which market value is readily available excluding the securities mentioned above are stated at the market value at the balance sheet date.

Unlisted stocks and others of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because it is regarded as extremely difficult to determine their fair value.

The amount of the unlisted stocks and others reported in the consolidated balance sheet was ¥101,601 million as of September 30, 2017.

(2) Loans and loans payable

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company and its subsidiaries consider book value as fair value with the assumption that fair value approximates book value in light of factors such as projected repayment period and interest terms.

As for industrial and consumer loans and loans payable, the fair value of loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers is stated at the amounts by deducting estimated losses from the book value before direct write-offs.

(3) Bonds payable

The fair value of bonds payable is based on the market value, etc. as of September 30, 2017.

(4) Derivative financial instruments

The fair value of options traded over the counter is based on the quoted prices offered by counterparty financial institutions.

The fair value of foreign currency forward contracts is stated at theoretical prices based on the TTM at the balance sheet date.

Regarding the derivative transactions for which designated hedge accounting (“Furiate-shori”) of currency swaps is applied, its fair value is included in bonds payable since they are treated together with hedged bonds payable.

3. Investments and Rental Properties

The fair value of investment and rental properties is omitted because there have been no significant changes compared with the corresponding fair values at the end of the previous fiscal year.

4. Loans

The total amount of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, was ¥1,045 million as of September 30, 2017.

- i) Loans to bankrupt borrowers were ¥0 million as of September 30, 2017.
- ii) Delinquent loans were ¥886 million as of September 30, 2017.

iii) Delinquent loans three or more months past due were ¥121 million as of September 30, 2017.

iv) Restructured loans were ¥37 million as of September 30, 2017.

Loans to bankrupt borrowers represent loans, excluding the balances already written-off, which meet the conditions prescribed in Article 96, Paragraph 1, Items 3 and 4 of the Enforcement Regulations of the Corporate Tax Act. Moreover, accruing interest on these loans is not recorded as income after determining that principal of or interest on these loans is unlikely to be collected due to the significant delay in repayment of principal or interest payments or for other reasons.

Accruing interest on delinquent loans is not recorded as income due to the same reasons as described above, and delinquent loans exclude loans to bankrupt borrowers and loans for which interest payments have been suspended and rescheduled to assist and support the borrowers in the restructuring of their businesses.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those loans classified as loans to bankrupt borrowers and delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as loans to bankrupt borrowers, delinquent loans and delinquent loans three or more months past due.

The direct write-offs related to loans decreased the amount of loans to bankrupt borrowers described above by ¥14 million as of September 30, 2017.

In addition, the direct write-offs related to loans decreased delinquent loans described above by ¥191 million as of September 30, 2017.

5. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥30,727 million as of September 30, 2017. The amount of separate account liabilities was the same as separate account assets.

6. Reserve for Dividends to Policyholders

The change in reserve for dividends to policyholders for the reporting period ended September 30, 2017 was as follows:

	Millions of Yen
	Six months ended September 30, 2017
Balance at the beginning of the reporting period	¥ 40,861
Transfer to reserve from surplus in the previous fiscal year	1,519
Dividends to policyholders paid out during the reporting period	2,435
Increase in interest	2
Balance at the end of the reporting period	¥ 39,947

7. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥18,488 million as of September 30, 2017.

8. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥129,145 million as of September 30, 2017.

9. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements. The market value of these assets that were not sold or mortgaged was ¥34,932 million as of September 30, 2017. No assets were mortgaged as of September 30, 2017.

10. Commitment Line

As of September 30, 2017, there were unused commitment line agreements under which the Company is the lender of ¥3,500 million.

11. Subordinated Bonds

As of September 30, 2017, bonds payable are subordinated bonds, for which the repayments are subordinated to other obligations.

12. Subordinated Loans

As of September 30, 2017, other liabilities included subordinated loans of ¥97,000 million, for which the repayments are subordinated to other obligations.

13. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were ¥9,750 million as of September 30, 2017. These contributions are charged as operating expenses in the reporting period in which they are paid.

III. Notes to Unaudited Consolidated Statement of Income

1. Investment Income and Expenses

The major components of gains on sales of securities were as follows:

	<u>Millions of Yen</u>	
	Six months ended September 30, 2017	
Domestic bonds	¥	25,670
Domestic stocks and other securities		1,014
Foreign securities		178

The major components of losses on sales of securities were as follows:

	<u>Millions of Yen</u>	
	Six months ended September 30, 2017	
Domestic bonds	¥	205
Domestic stocks and other securities		3
Foreign securities		945

The major components of losses on valuation of securities were as follows:

	<u>Millions of Yen</u>	
	Six months ended September 30, 2017	
Domestic stocks and other securities	¥	49

2. Income Tax Expense

The simplified method is applied for tax effect accounting to calculate income tax expense for the interim period ended September 30. Therefore, deferred taxes are included in income taxes.

(6) Consolidated Solvency Margin Ratio

(Millions of yen)

		As of March 31, 2017	As of September 30, 2017
Total solvency margin	(A)	699,823	773,002
Foundation funds and surplus		326,828	347,914
Reserve for price fluctuation		36,580	37,680
Contingency reserve		30,082	30,382
Catastrophe loss reserve		-	-
General allowance for possible loan losses		15	15
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		78,145	114,841
Net unrealized gains on land × 85% (in case of losses: × 100%)		(28,052)	(28,067)
Sum of unrealized actuarial differences and unrealized past service cost		(501)	(225)
Excess amount of policy reserves based on full-time Zillmer method		111,415	117,447
Qualifying subordinated debt		137,349	136,949
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		-	-
Deduction		(50)	(50)
Others		8,011	16,116
Total amount of risk	$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	187,100	203,653
Insurance risk	R_1	15,177	14,788
Ordinary insurance risk	R_5	-	-
Disaster insurance risk	R_6	-	-
Third sector insurance risk	R_8	9,176	9,311
Small amount short-term insurance provider insurance risk	R_9	-	-
Risk of assumed yield	R_2	82,034	80,509
Minimum guarantee risk	R_7	1,096	1,090
Investment risk	R_3	98,227	116,154
Operational risk	R_4	4,114	4,437
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	748.0%	759.1%

Notes:

- The figures above are calculated based on Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act and the Public Notice No.23 of the Financial Service Agency of 2011.
- "Excess amount of policy reserves based on full-time Zillmer method", "Qualifying subordinated debt" and "Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin" are calculated based on the Public Notice No.25 of the Financial Service Agency of 2011.
- "Minimum guarantee risk" is calculated by standard method.

(7) Segment information

The Company and its consolidated subsidiaries operate investment advisory business, etc., in addition to life insurance business in Japan. However, information on these segments and related information are omitted because they represent such a minor proportion of total segments.