
Financial Results for the Six Months Ended September 30, 2016
(With Notes to the Unaudited Consolidated Financial Statements)

Sumitomo Life Insurance Company announces financial results for the six months ended September 30, 2016.

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[Note]

The Financial Results are summarized English translations of the original disclosure in Japanese.

1. Unaudited Consolidated Financial Statements

a. Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2016	As of September 30, 2016
ASSETS:		
Cash and deposits	524,140	652,437
Call loans	105,000	145,784
Monetary claims bought	206,301	200,237
Securities	26,695,820	27,029,677
Loans	2,817,173	2,676,974
Tangible fixed assets	624,054	622,729
Intangible fixed assets	326,184	259,356
Due from agents	77	73
Reinsurance receivables	1,422	644
Other assets	426,339	619,177
Net defined benefit assets	113	102
Deferred tax assets	70,939	132,088
Customers' liabilities under acceptances and guarantees	1,000	1,000
Allowance for possible loan losses	(1,518)	(1,412)
Total assets	31,797,049	32,338,871
LIABILITIES:		
Policy reserves and other reserves	28,363,448	28,588,222
Reserve for outstanding claims	169,100	160,380
Policy reserves	27,935,119	28,150,735
Policyholders' dividend reserves	259,228	277,107
Reinsurance payables	4,176	5,144
Corporate bonds	235,442	291,496
Other liabilities	1,123,499	1,361,104
Net defined benefit liabilities	30,200	31,523
Accrued retirement benefits for directors	15	-
Reserve for price fluctuation	352,221	459,429
Deferred tax liabilities	29,658	54,907
Deferred tax liabilities for land revaluation	16,997	16,916
Acceptances and guarantees	1,000	1,000
Total liabilities	30,156,659	30,809,745
NET ASSETS:		
Foundation funds	200,000	170,000
Reserve for redemption of foundation funds	439,000	469,000
Reserve for revaluation	2	2
Surplus	339,926	289,882
Total funds, reserve and surplus	978,929	928,884
Net unrealized gains on available-for-sale securities	723,567	732,372
Deferred gains(losses) on derivatives under hedge accounting	-	2,632
Land revaluation differences	(64,505)	(64,711)
Foreign currency translation adjustments	(11,877)	(86,010)
Remeasurements of defined benefit plans	14,111	15,804
Total accumulated other comprehensive income	661,295	600,087
Non-controlling interests	165	153
Total net assets	1,640,390	1,529,125
Total liabilities and net assets	31,797,049	32,338,871

b. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Ordinary income	1,833,394	2,183,600
Insurance premiums and other	1,490,829	1,723,652
Investment income	287,162	402,848
Interest, dividends and other income	283,019	326,831
Gains on trading securities	32	642
Gains on sales of securities	3,566	72,744
Other ordinary income	55,402	57,099
Ordinary expenses	1,729,617	2,045,809
Benefits and other payments	1,351,317	1,032,900
Claims paid	271,568	260,458
Annuity payments	277,713	358,792
Benefits payments	160,327	162,600
Surrender benefits	593,663	211,584
Provision for policy reserves and other reserves	52,221	691,143
Provision for reserve for outstanding claims	12,158	-
Provision for policy reserves	39,860	691,042
Provision for interest on policyholders' dividend reserves	202	101
Investment expenses	63,098	52,100
Interest expenses	2,392	3,860
Losses on sales of securities	2,096	5,596
Losses on valuation of securities	524	1,299
Investment losses on separate accounts	43,470	24,901
Operating expenses	162,905	196,448
Other ordinary expenses	100,075	73,215
Ordinary profit	103,777	137,791
Extraordinary gains	523	5,912
Gains on disposals of fixed assets	523	5,912
Extraordinary losses	63,804	108,070
Losses on disposals of fixed assets	289	108
Impairment losses	748	140
Provision for reserve for price fluctuation	62,113	107,208
Payments to social responsibility reserve	653	612
Surplus before income taxes	40,496	35,634
Income taxes		
Current	38,710	48,361
Deferred	(32,438)	(46,473)
Total income taxes	6,272	1,888
Net surplus	34,223	33,746
Net surplus attributable to non-controlling interests	1	2
Net surplus attributable to the Parent Company	34,221	33,744

c. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net surplus	34,223	33,746
Other comprehensive income(loss)	(145,758)	(61,015)
Net unrealized gains(losses) on available-for-sale securities	(133,292)	8,940
Deferred gains(losses) on derivatives under hedge accounting	(15,153)	2,632
Land revaluation differences	-	(0)
Foreign currency translation adjustments	13	(66,473)
Remeasurements of defined benefit plans	4,598	1,693
Share of other comprehensive income(loss) of associates under the equity method	(1,923)	(7,808)
Comprehensive income(loss)	(111,534)	(27,269)
Comprehensive income(loss) attributable to the Parent Company	(111,536)	(27,258)
Comprehensive income(loss) attributable to non-controlling interests	1	(11)

d. Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
I Cash flows from operating activities:		
Surplus before income taxes	40,496	35,364
Depreciation	12,783	17,866
Impairment losses	748	140
Amortization of goodwill	-	1,255
Increase(Decrease) in reserve for outstanding claims	12,158	(6,080)
Increase(Decrease) in policy reserves	39,860	788,316
Provision for interest on policyholders' dividend reserves	202	101
Increase(Decrease) in allowance for possible loan losses	(155)	(103)
Increase(Decrease) in net defined benefit liabilities	7,719	3,688
Increase(Decrease) in reserve for price fluctuation	62,113	107,208
Interest, dividends and other income	(283,019)	(326,831)
Losses(Gains) on securities	68,713	(18,711)
Interest expenses	2,392	3,860
Losses(Gains) on tangible fixed assets	187	(526)
Others, net	(4,188)	(29,283)
Subtotal	(39,989)	576,534
Interest, dividends and other income received	325,932	381,088
Interest paid	(2,316)	(4,519)
Policyholders' dividends paid	(35,448)	(33,770)
Others, net	(648)	(612)
Income taxes paid	(23,310)	(37,932)
Net cash provided by operating activities	224,220	880,789
II Cash flows from investing activities:		
Net decrease(increase) in deposits	94,106	(75,325)
Purchase of monetary claims bought	(242,097)	(62,899)
Proceeds from sales and redemption of monetary claims bought	208,325	67,257
Purchase of securities	(1,698,374)	(3,204,446)
Proceeds from sales and redemption of securities	1,495,660	1,902,703
Loans made	(120,238)	(158,480)
Proceeds from collection of loans	135,633	196,590
Others, net	(23,958)	455,491
Total investment activities (II a)	(150,942)	(879,109)
[I + II a]	[73,277]	[1,679]
Purchase of tangible fixed assets	(7,476)	(7,742)
Proceeds from sales of tangible fixed assets	874	1,392
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	600	-
Others, net	(3,992)	(4,287)
Net cash used in investing activities	(160,936)	(889,746)
III Cash flows from financing activities:		
Proceeds from issuance of debt	-	30,873
Proceeds from issuance of corporate bonds	-	100,000
Redemption of corporate bonds	-	(30,873)
Redemption of foundation funds	(70,000)	(30,000)
Payment of interest on foundation funds	(3,371)	(2,445)
Others, net	(569)	(533)
Net cash used in financing activities	(73,940)	67,020
IV Effect of foreign exchange rate changes on cash and cash equivalents	(0)	(5,008)
V Net increase(decrease) in cash and cash equivalents	(10,658)	53,054
VI Cash and cash equivalents at the beginning of the period	52,724	86,331
VII Cash and cash equivalents at the end of the period	42,065	139,386

e. Unaudited Consolidated Statements of Changes in Net Assets

Six months ended September 30, 2015

(Millions of Yen)

	Funds, reserve and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserve and surplus
Beginning balance	270,000	369,000	2	402,827	1,041,829
Changes in the period					
Additions to policyholders' dividend reserves				(59,358)	(59,358)
Additions to reserve for redemption of foundation funds		70,000		(70,000)	-
Payment of interest on foundation funds				(3,371)	(3,371)
Net surplus attributable to the Parent Company				34,221	34,221
Redemption of foundation funds	(70,000)				(70,000)
Reversal of land revaluation differences				238	238
Net changes, excluding funds, reserve and surplus					
Net changes in the period	(70,000)	70,000	-	(98,270)	(98,270)
Ending balance	200,000	439,000	2	304,556	943,559

	Accumulated other comprehensive income(loss)						Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred gains(losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	896,074	-	(61,310)	9,891	13,750	858,406	60	1,900,296
Changes in the period								
Additions to policyholders' dividend reserves								(59,358)
Additions to reserve for redemption of foundation funds								-
Payment of interest on foundation funds								(3,371)
Net surplus attributable to the Parent Company								34,221
Redemption of foundation funds								(70,000)
Reversal of land revaluation differences								238
Net changes, excluding funds, reserve and surplus	(133,331)	(15,153)	(238)	(1,871)	4,598	(145,996)	1	(145,995)
Net changes in the period	(133,331)	(15,153)	(238)	(1,871)	4,598	(145,996)	1	(244,265)
Ending balance	762,742	(15,153)	(61,548)	8,019	18,349	712,409	61	1,656,030

Six months ended September 30, 2016

(Millions of Yen)

	Funds, reserve and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserve and surplus
Beginning balance	200,000	439,000	2	339,926	978,929
Changes in the period					
Additions to policyholders' dividend reserves				(51,548)	(51,548)
Additions to reserve for redemption of foundation funds		30,000		(30,000)	-
Payment of interest on foundation funds				(2,445)	(2,445)
Net surplus attributable to the Parent Company				33,744	33,744
Redemption of foundation funds	(30,000)				(30,000)
Reversal of land revaluation differences				205	205
Net changes, excluding funds, reserve and surplus					
Net changes in the period	(30,000)	30,000	-	(50,044)	(50,044)
Ending balance	170,000	469,000	2	289,882	928,884

	Accumulated other comprehensive income(loss)						Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred gains(losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	723,567	-	(64,505)	(11,877)	14,111	661,295	165	1,640,390
Changes in the period								
Additions to policyholders' dividend reserves								(51,548)
Additions to reserve for redemption of foundation funds								-
Payment of interest on foundation funds								(2,445)
Net surplus attributable to the Parent Company								33,744
Redemption of foundation funds								(30,000)
Reversal of land revaluation differences								205
Net changes, excluding funds, reserve and surplus	8,805	2,632	(205)	(74,132)	1,693	(61,207)	(11)	(61,219)
Net changes in the period	8,805	2,632	(205)	(74,132)	1,693	(61,207)	(11)	(111,264)
Ending balance	732,372	2,632	(64,711)	(86,010)	15,804	600,087	153	1,529,125

Notes to the Unaudited Consolidated Financial Statements

Policies of Presenting the Unaudited Consolidated Financial Statements for the Six Months Ended September 30, 2016

1. Consolidated subsidiaries

The number of consolidated subsidiaries was 23 as of September 30, 2016.

The major subsidiaries as of September 30, 2016 were listed as follows:

Medicare Life Insurance Co., Ltd. (Japan)
Sumisei Building Management Co., Ltd. (Japan)
Sumisei Bussan K.K. (Japan)
Sumisei Business Service Co., Ltd. (Japan)
Shinjuku Green Building Kanri K.K. (Japan)
SUMISEI Harmony K.K. (Japan)
Sumitomo Life Information Systems Co., Ltd. (Japan)
CSS Co., Ltd. (Japan)
SUMISEI Insurance Service Corporation (Japan)
Izumi Life Designers Co., Ltd. (Japan)
SUMISEI-Support & Consulting Co., Ltd. (Japan)
Symetra Financial Corporation (U.S.A.)

One subsidiary of Symetra Financial Corporation was excluded from the scope of the consolidation due to completion of liquidation in the period ended September 30, 2016.

2. Affiliates

The number of affiliates under the equity method was 8 as of September 30, 2016.

The major affiliates as of September 30, 2016 were listed as follows:

Sumitomo Mitsui Asset Management Company, Limited (Japan)
Nippon Building Fund Management Ltd. (Japan)
Japan Pension Navigator Co., Ltd. (Japan)
Baoviet Holdings (Vietnam)
PT BNI Life Insurance (Indonesia)

Japan Pension Service Co., Ltd., is excluded from affiliates under the equity method because its effect is immaterial, individually and in aggregate, on the consolidated net income and consolidated surplus.

3. Interim closing dates of consolidated subsidiaries

The interim closing dates of CSS Co., Ltd. and foreign subsidiaries are September 25 and June 30, respectively.

The consolidated financial statements include the accounts of the subsidiaries as of their interim

closing dates, with appropriate adjustments made for material transactions between their interim closing dates and the balance sheet date.

Notes to the Unaudited Consolidated Balance Sheet as of September 30, 2016

1. Securities held by SUMITOMO LIFE INSURANCE COMPANY ("the Company") are classified and accounted for as follows:

Trading securities are stated at the market value on the balance sheet date. The cost of the securities sold is calculated using the moving average method.

Held-to-maturity debt securities are stated at amortized cost and the cost of the securities sold is calculated using the moving average method. Amortization is calculated using the straight-line method.

Policy-reserve-matching bonds (defined in Note 2 below) are stated at amortized cost in accordance with 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. The cost of the bonds sold is calculated using the moving average method and amortization is calculated using the straight-line method.

Investments in unconsolidated subsidiaries and affiliated companies (defined in Article 110 Clause 2 of the Insurance Business Act) are stated at cost.

Equity securities with the readily determinable market values classified as available-for-sale securities are stated at the market value which is determined as the average of the market value in September, 2016. The other available-for-sale securities with determinable readily market values are stated at the market value on the balance sheet date. Available-for-sale securities for which determination of the fair value is impracticable are stated at cost. The cost of these securities sold is calculated using the moving average method.

Certain demand deposits, monetary claims bought and securities in money-held-in-trusts deemed equivalent to investment in securities are stated using the same methods described above.

Unrealized gains and losses on available-for-sale securities are reported net of income taxes, as a separate component of net assets in the consolidated balance sheets.

2. The Company classifies debt securities held in order to match their duration to the duration of the corresponding subsections - segregated by type of insurance, remaining coverage period and investment policy - of the liabilities provided for future payments of insurance claims in individual insurance, individual annuities and group annuities as policy-reserve-matching bonds in accordance with 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.

3. The Company revalued certain parcels of land owned for operating use as of March 31, 2001, as permitted by the Act on Revaluation of Land.

The difference in value before and after revaluation is directly included in net assets and presented as land revaluation differences, net of income taxes presented as deferred tax liabilities for land revaluation in the consolidated balance sheets.

The revaluation method is stipulated in Article 3 Clause 3 of the Act on Revaluation of Land.

Pursuant to the Article, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2 Paragraph 1 of the Order for Enforcement of the Act on Revaluation

of Land ("the Order")) and appraisal value (detailed in Article 2 Paragraph 5 of the Order) for the revaluation.

4. Tangible fixed assets owned by the Company are depreciated as follows:
 - 1) Buildings
Calculated using the straight-line method.
 - 2) Lease assets related to financial leases where ownership is not transferred
Calculated using the straight-line method over the lease period.
 - 3) Other tangible fixed assets
Calculated using the declining-balance method.
5. The Company's assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese Yen at the exchange rates on the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese Yen at the exchange rates on the dates of acquisition.
6. The Company's allowance for possible loan losses is provided pursuant to its standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses. For loans to borrowers that are legally bankrupt ("bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt ("substantially bankrupt borrowers"), an allowance is provided based on the total amount of the loans after deduction of charge-offs and any amounts expected to be collected through disposal of collaterals and execution of guarantees. For loans to borrowers that are likely to become bankrupt ("borrowers likely to become bankrupt"), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection through disposal of collaterals and execution of guarantees. For the other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company's actual default experience for a certain period in the past.

All loans are assessed based on the Company's standards for the self-assessment of asset quality and the assessment results are reviewed by a department independent of the department that performs and is responsible for the self-assessment. The allowance for possible loan losses is provided based on the assessment results.

For loans to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals and execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the period was ¥205 million.

An allowance for possible loan losses of the consolidated subsidiaries is provided mainly pursuant to their standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses which each consolidated subsidiary sets and maintains consistently with those of the Company.
7. Net defined benefit liabilities, supposed to be incurred as of September 30, 2016, are provided based

on the projected benefit obligations and plan assets as of the balance sheet date.

Assumptions used in accounting for the defined benefit plans for the period ended September 30, 2016 were as follows:

Method of attributing benefits to period of service	Benefits formula basis
Amortization period for actuarial losses (Commencing in the following fiscal year after they are incurred)	8 years

8. Under accounting principles generally accepted in Japan (“Japanese GAAP”), the deferred hedge method and the fair value hedge method are fundamental hedge accounting methods allowed. Under the fair value hedge method, which is allowed only when available-for-sale securities are hedged items, hedging instruments' gains and losses on changes in the fair value are recognized in earnings together with hedged items' corresponding gains and losses attributable to risks being hedged.
- In addition, for certain derivative instruments, exceptional hedge accounting methods are allowed under Japanese GAAP as follows:
- Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts and currency swaps are allowed to be translated at the foreign exchange rate stipulated in the forward contract agreements and the currency swap agreements. Accordingly, the foreign exchange forward contracts and the currency swaps used as hedging instruments are not recognized as an asset or liability measured at the fair value either on initial recognition or subsequent reporting dates (the allocation method).
- Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at the fair value, but the net amounts paid or received under the swap agreements are recognized and included in interest expense or income of the hedged items (the exceptional method). The Company mainly adopts the fair value hedge method and the allocation method to hedge foreign currency risks of assets and liabilities denominated in foreign currencies.
- The Company also adopts the exceptional method to hedge interest rate risk primarily of floating rate loans.
- Hedge effectiveness is assessed by comparing the cumulative changes in the fair values or cash flows of the hedged items and the hedging instruments.
9. Derivatives are stated at the fair value.
10. Reserve for price fluctuation is calculated pursuant to Article 115 of the Insurance Business Act.
11. National and local consumption taxes are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as other assets and amortized over a five-year period on the straight-line basis pursuant to the Corporation Tax Act.
12. Policy reserves of the Company are provided pursuant to Article 116 of the Insurance Business Act. Premium reserves, a main component of policy reserves, are calculated according to the following methods:

1) For contracts which are subject to the standard policy reserve requirements, premium reserves are calculated using the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996).

2) For contracts which are not subject to the standard policy reserve requirements, premium reserves are calculated using the net level premium method.

Policy reserves of the consolidated foreign subsidiaries are provided pursuant to accounting principles generally accepted in the United States of America.

The Company adopted its accounting policy for premium reserves for existing individual annuity contracts whose annuity payments commenced on or after April 1, 2006, effective from the year ended March 31, 2007, as follows:

For individual annuity contracts which commenced on or after April 1, 2006, the Company has regarded their commencement dates of annuity payments as the contract dates, and applied the calculation basis stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996). (For contracts which commenced by March 31, 2007, assumed mortality rates on the 2007 life insurance standard life table have been used.)

13. Capitalized software for internal use owned by the Company (included in intangible fixed assets) is amortized using the straight-line method over the estimated useful lives.
14. The corporate income taxes and inhabitant taxes of the Company for the period are calculated based on the assumption of provisions to policyholders' dividend reserves and payments of interest on foundation funds due to appropriation of surplus in the current fiscal year.

15. The following table shows the carrying amounts in the consolidated balance sheet, the fair values and their differences of financial instruments as of September 30, 2016.

	Millions of Yen		
	Balance sheet amount	Fair value	Difference
Cash and deposits	652,437	652,437	—
[Available-for-sale securities] * ¹	[443,692]	[443,692]	—
Call loans	145,784	145,784	—
Monetary claims bought	200,237	202,735	2,497
[Available-for-sale securities] * ¹	[166,214]	[166,214]	—
Securities * ²	26,593,655	29,492,209	2,898,553
Trading securities	1,372,774	1,372,774	—
Held-to-maturity debt securities	2,049,184	2,472,275	423,091
Policy-reserve-matching bonds	11,371,640	13,832,678	2,461,037
Investments in unconsolidated subsidiaries and affiliated companies	24,947	39,372	14,424
Available-for-sale securities	11,775,108	11,775,108	—
Loans	2,676,974		
Allowance for possible loan losses * ³	(922)		
	2,676,051	2,740,971	64,919
Corporate bonds	291,496	306,714	15,218
Payables under securities borrowing transactions	457,493	457,493	—
Derivative transactions * ⁴	301,575	301,575	—
Hedge accounting not applied	33,715	33,715	—
Hedge accounting applied	267,859	267,859	—

*1 Available-for-sale securities are shown in [].

*2 This table does not include financial instruments for which the fair values are not practically determinable, such as unlisted securities. The consolidated balance sheet amount of these securities was ¥436,021 million as of September 30, 2016.

*3 The allowance for possible loan losses earmarked for loans is deducted from the carrying amount of loans.

*4 Debits and credits arising from derivative transactions are netted, and the net credit position is shown in ().

Note 1: The Company's valuation methods for financial instruments

Assets

1) Cash and deposits and call loans

In principle, the book value is deemed as the fair value.

As for certain deposits regarded as securities pursuant to "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10), the fair value is measured based on the closing market price on the balance sheet date.

2) Monetary claims bought

The fair value is measured based on the closing market price on the balance sheet date.

3) Securities

As for stocks with the market prices, the fair value is measured based on the average market price in September, 2016.

As for the other securities with the market prices, the fair value is measured based on the closing market price on the balance sheet date.

4) Loans

As for policy loans, the book value is deemed as the fair value since the fair value approximates the book value, considering that the loan amount is limited within surrender value with no contractual maturity and given their estimated repayment period and interest rate terms.

As for general loans, the fair value is measured mainly as the present value of estimated future cash flows from the loans.

As for loans to legally or substantially bankrupt borrowers and borrowers likely to become bankrupt, the fair value is, in principle, measured as the carrying amounts less the allowance for possible loan losses.

Liabilities

1) Corporate bonds

The fair value is mainly measured based on the closing market price on the balance sheet date.

2) Payables under securities borrowing transactions

The book value is deemed as the fair value since the fair value approximates the book value.

Derivative transactions

The fair value is measured based on the closing market price on the balance sheet date.

The fair values of foreign currency forward contracts and currency swaps under the allocation method are included in the fair values of related securities, loans and corporate bonds since they are accounted for as integrated transactions.

The fair values of certain interest rate swaps under the exceptional method are included in the fair values of related loans since they are accounted for as integrated transactions.

Note 2: Matters related to securities, including certain deposits regarded as securities pursuant to “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10)

The following tables show the carrying amounts in the consolidated balance sheet, the fair values and their differences of held-to-maturity debt securities and policy-reserve-matching bonds as of September 30, 2016.

1) Held-to-maturity debt securities

Millions of Yen				
	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	530,189	583,893	53,703
	Foreign securities (bonds)	1,517,295	1,886,703	369,407
Fair value does not exceed the balance sheet amount	Bonds	998	978	(19)
	Foreign securities (bonds)	700	699	(0)
Total		2,049,184	2,472,275	423,091

2) Policy-reserve-matching bonds

Millions of Yen				
	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	10,817,317	13,282,804	2,465,486
	Foreign securities (bonds)	109,254	113,753	4,498
Fair value does not exceed the balance sheet amount	Bonds	427,486	418,796	(8,690)
	Foreign securities (bonds)	17,582	17,324	(257)
Total		11,371,640	13,832,678	2,461,037

The following tables show the acquisition costs or amortized costs, the carrying amounts in the consolidated balance sheet and their differences of available-for-sale securities as of September 30, 2016.

3) Available-for-sale securities

				Millions of Yen
	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
	Negotiable certificates of deposit	—	—	—
Balance sheet amount exceeds acquisition cost or amortized cost	Monetary claims bought	141,958	155,286	13,328
	Bonds	1,325,188	1,440,230	115,041
	Stocks	619,576	1,208,247	588,671
	Foreign securities	7,451,362	7,830,871	379,509
	Foreign bonds	7,382,889	7,755,930	373,041
	Other foreign securities	68,472	74,940	6,467
	Other securities	19,862	29,170	9,308
	Negotiable certificates of deposit	443,700	443,692	(7)
Balance sheet amount does not exceed acquisition cost or amortized cost	Monetary claims bought	10,999	10,927	(72)
	Bonds	64,882	64,554	(328)
	Stocks	163,046	131,631	(31,415)
	Foreign securities	1,088,182	1,054,708	(33,474)
	Foreign bonds	1,077,960	1,045,011	(32,949)
	Other foreign securities	10,222	9,697	(525)
	Other securities	17,762	15,694	(2,068)
	Total	11,346,522	12,385,014	1,038,492

16. As of September 30, 2016, the note of the fair value of investment and rental properties was omitted since there were no significant changes in the balance sheet amounts and the fair values of investment and rental properties from the end of the previous fiscal year.

17. As of September 30, 2016, the aggregate amount of risk-monitored loans, which was comprised of loans to bankrupt borrowers, loans in arrears, loans in arrears for three months or longer and restructured loans, was ¥904 million. The details are as follows:

The amount of loans to bankrupt borrowers was nil and the amount of loans in arrears was ¥904 million.

The amount of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheet was ¥27 million for loans in arrears.

Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikeliness of repayments of principal or payments of interest resulting from delinquency of principal or interest for a certain period or other reasons ("non-accrual loans") and also meet the conditions stipulated in

Article 96 Paragraph 1 Item 3 or 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

Loans in arrears represent non-accrual loans excluding loans to bankrupt borrowers and loans of which interest payments are postponed in order to support the borrowers' recovery from financial difficulties. Loans in arrears also represent non-accrual loans to substantially bankrupt borrowers or borrowers likely to become bankrupt in self-assessment of asset quality.

The amount of loans in arrears for three months or longer was ¥0 million.

Loans in arrears for three months or longer represent the loans on which payments of principal or interest are past due over three months from the day following the contractual due date. Loans in arrears for three months or longer do not include loans classified as loans to bankrupt borrowers or loans in arrears.

The amount of restructured loans was nil.

Restructured loans represent the loans which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for the borrowers in order to support their recovery from financial difficulties. Restructured loans do not include loans classified as loans in arrears for three months or longer, loans in arrears or loans to bankrupt borrowers.

18. The total amount of assets held in separate accounts defined in Article 118 of the Insurance Business Act was ¥1,389,289 million as of September 30, 2016. The total amount of separate account liabilities was the same as this.

19. Changes in policyholders' dividend reserves for the period ended September 30, 2016 were as follows:

	Millions of Yen
Balance at the beginning of the period	259,228
Transfer from surplus in the previous fiscal year	51,548
Dividend payments to policyholders during the period	(33,770)
Interest accrued during the period	101
Balance at the end of the period	277,107

20. Assets pledged as collateral were securities in the amount of ¥787,483 million as of September 30, 2016.

21. On November 15, 2016, the Company decided that it may issue subordinated bonds with an upper limit of ¥150,000 million by March 31, 2017, the repayments of which are subordinated to other obligations.

22. The Company redeemed ¥30,000 million of foundation funds and transferred the same amount of reserve for fund redemption to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act.

23. Securities loaned under security lending agreements amounted to ¥1,145,119 million as of September 30, 2016.

24. The amount of loan commitments outstanding was ¥21,568 million as of September 30, 2016.
25. The amount of corporate bonds in liabilities included ¥264,973 million of subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations, as of September 30, 2016.
26. Other liabilities included payables under securities borrowing transactions of ¥457,493 million as of September 30, 2016.
27. The Company and a domestic life insurance business subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥40,989 million as of September 30, 2016, pursuant to Article 259 of the Insurance Business Act.
The contributions are recognized as operating expenses when they are made.

Notes to the Unaudited Consolidated Statement of Income for the Six Months Ended September 30, 2016

1. The details of the Company's impairment losses on fixed assets were as follows:

Accumulated impairment losses on fixed assets are directly deducted from amounts of their respective assets.

1) Method for grouping the assets

The Company groups all the fixed assets held and utilized for its insurance business as one asset group for the impairment test.

For real estate for investment and idle assets, each item is treated as an independent asset group for the impairment test.

2) Description of impairment losses recognized

For the period ended September 30, 2016, the Company recognized impairment losses on real estate for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in the fair value. For these assets, the Company reduced the carrying amount to a recoverable amount, and recognized impairment losses as extraordinary losses in the consolidated statement of income.

3) Details of fixed assets causing impairment losses

Asset Group	Asset Categories	Millions of Yen
Real estate for investment	Land and buildings	94
Idle assets	Land and buildings	46
Total		140

4) The recoverable amount

The recoverable amounts of real estate for investment are determined at net realizable value or value in use. The recoverable amounts for idle assets are determined at net realizable value. Net realizable value is calculated based on an estimated selling value, appraisal value based on the Real Estate Appraisal Standards, or publicly announced value. Value in use is determined as the estimated future cash flows discounted at 5.0%.

Notes to the Unaudited Consolidated Statement of Cash Flows for the Six Months Ended September 30, 2016

1. In the consolidated statement of cash flows, cash and cash equivalents are comprised of cash on hand, deposits (except deposits bearing interest of the Company and domestic consolidated subsidiaries, and restricted cash of foreign consolidated subsidiaries), and short-term investment securities of foreign consolidated subsidiaries.
2. Reconciliation of cash and deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows as of September 30, 2016 was as follows:

	Millions of Yen
Cash and deposits	652,437
Deposits bearing interest of the Company and domestic consolidated subsidiaries	(512,108)
Restricted cash of foreign consolidated subsidiaries	(942)
Short-term investment securities of foreign consolidated subsidiaries	0
Cash and cash equivalents	139,386

2. Solvency Margin Ratio on a Consolidated Basis

(Millions of Yen)

	As of March 31, 2016	As of September 30, 2016
Solvency margin gross amount (A)	3,008,173	3,335,892
Foundation funds and others	624,723	669,287
Reserve for price fluctuation	352,221	459,429
Contingency reserve	323,583	349,261
Unusual contingency reserve	-	-
General allowance for possible loan losses	1,018	922
(Net unrealized gains (losses) on available-for-sale securities (before income tax effect adjustments) and deferred gains (losses) on derivatives under hedge accounting (before income tax effect adjustments)) × 90% (Multiplied by 100% if losses)	902,773	925,683
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	(12,174)	(4,797)
Total amount of unrecognized actuarial gains (losses) and unrecognized past service costs	19,558	21,912
Excess of continued Zillmerized reserve	645,885	660,825
Qualifying subordinated debt	149,480	249,480
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	-	-
Deduction clause	(70,994)	(67,290)
Others	72,100	71,176
Total amount of risk $\sqrt{(R_1^2 + R_5^2 + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	753,288	771,379
Insurance risk R_1	98,046	94,560
General insurance risk R_5	-	-
Large disaster risk R_6	-	-
Third-sector insurance risk R_8	64,959	64,565
Insurance risk of small-amount, short-term insurer R_9	-	-
Risk of assumed yield R_2	210,145	207,726
Minimum guarantee risk R_7^{**}	34,880	29,983
Investment risk R_3	472,368	498,763
Operational risk R_4	17,608	17,911
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	798.6%	864.9%

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

Note: The amounts and figures in the table above are calculated based on Article 130 of the Insurance Business Act, Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and Financial Services Agency Public Notice No.23 of 2011.

3. Non-Consolidated Financial Information

a. Overall Composition of Investments (General Account)

(Millions of Yen, %)

	As of March 31, 2016		As of September 30, 2016	
	Amount	% of total	Amount	% of total
Cash, deposits and call loans	448,860	1.7	637,969	2.3
Monetary claims bought	206,301	0.8	200,237	0.7
Investments in securities	22,063,959	85.0	22,990,161	84.4
Domestic bonds	12,982,825	50.0	13,124,282	48.2
Domestic stocks	1,438,497	5.5	1,455,640	5.3
Foreign securities	7,600,287	29.3	8,363,912	30.7
Foreign bonds	6,677,711	25.7	7,455,732	27.4
Other foreign securities	922,576	3.6	908,179	3.3
Other securities	42,349	0.2	46,324	0.2
Loans	2,196,475	8.5	2,132,967	7.8
Policy loans	314,654	1.2	307,384	1.1
Industrial and consumer loans	1,881,821	7.3	1,825,582	6.7
Real estate	614,369	2.4	611,905	2.2
Investment property	429,136	1.7	429,266	1.6
Deferred tax assets	75,322	0.3	136,778	0.5
Other assets	351,018	1.4	536,728	2.0
Allowance for possible loan losses	(1,502)	(0.0)	(1,400)	(0.0)
Total	25,954,805	100.0	27,245,346	100.0
Foreign currency denominated assets	5,725,806	22.1	6,689,785	24.6

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

b. Fair Value Information of Securities (General Account)

(1) Net Valuation Gains and Losses on Trading Securities

No net valuation gains and losses as of March 31, 2016 or September 30, 2016.

(2) Fair Value Information of Securities (With Fair Value except for Trading Securities)

(Millions of Yen)

	As of March 31, 2016					As of September 30, 2016				
	Book value	Fair value	Net gains (losses)	Net gains (losses)		Book value	Fair value	Net gains (losses)	Net gains (losses)	
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	2,041,222	2,440,281	399,058	399,058	-	1,986,550	2,395,755	409,204	409,205	(0)
Policy-reserve-matching bonds	11,339,015	13,821,953	2,482,938	2,483,535	(597)	11,371,640	13,832,678	2,461,037	2,469,985	(8,947)
Investments in subsidiaries and affiliated companies	33,173	30,947	(2,226)	-	(2,226)	33,173	39,372	6,198	6,198	-
Available-for-sale securities	7,240,388	8,225,320	984,931	1,023,014	(38,082)	8,310,571	9,230,265	919,693	982,895	(63,201)
Domestic bonds	1,184,247	1,278,218	93,970	94,116	(145)	1,303,528	1,410,924	107,396	107,496	(99)
Domestic stocks	776,568	1,346,271	569,703	599,181	(29,477)	782,567	1,339,771	557,204	588,619	(31,415)
Foreign securities	4,722,636	5,020,859	298,222	304,894	(6,672)	5,590,193	5,824,798	234,604	264,143	(29,538)
Foreign bonds	4,703,936	5,002,079	298,143	304,459	(6,315)	5,576,847	5,810,899	234,052	263,309	(29,256)
Other foreign securities	18,700	18,779	78	435	(356)	13,346	13,898	551	833	(281)
Other securities	32,812	40,905	8,093	9,858	(1,765)	37,624	44,865	7,240	9,308	(2,068)
Monetary claims bought	155,622	170,586	14,963	14,963	(0)	152,958	166,214	13,256	13,328	(72)
Negotiable certificates of deposit	368,500	368,478	(21)	-	(21)	443,700	443,692	(7)	-	(7)
Others	-	-	-	-	-	-	-	-	-	-
Total	20,653,800	24,518,502	3,864,702	3,905,609	(40,906)	21,701,937	25,498,071	3,796,134	3,868,284	(72,150)
Domestic bonds	12,888,854	15,503,294	2,614,440	2,614,647	(207)	13,016,886	15,620,877	2,603,990	2,612,780	(8,789)
Domestic stocks	776,568	1,346,271	569,703	599,181	(29,477)	782,567	1,339,771	557,204	588,619	(31,415)
Foreign securities	6,431,442	7,088,965	657,522	666,957	(9,434)	7,268,200	7,882,651	614,450	644,247	(29,796)
Foreign bonds	6,379,567	7,039,238	659,670	666,522	(6,851)	7,221,680	7,829,380	607,700	637,216	(29,515)
Other foreign securities	51,874	49,727	(2,147)	435	(2,582)	46,520	53,270	6,750	7,031	(281)
Other securities	32,812	40,905	8,093	9,858	(1,765)	37,624	44,865	7,240	9,308	(2,068)
Monetary claims bought	155,622	170,586	14,963	14,963	(0)	152,958	166,214	13,256	13,328	(72)
Negotiable certificates of deposit	368,500	368,478	(21)	-	(21)	443,700	443,692	(7)	-	(7)
Others	-	-	-	-	-	-	-	-	-	-

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

Book values of securities whose fair value is not practically determinable are as follows:

(Millions of Yen)

	As of March 31, 2016	As of September 30, 2016
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliated companies	581,258	604,907
Available-for-sale securities	372,326	368,632
Unlisted domestic stocks (excluding over-the-counter stocks)	15,599	15,594
Unlisted foreign stocks (excluding over-the-counter stocks)	355,258	351,558
Unlisted foreign bonds	-	-
Others	1,468	1,479
Total	953,585	973,539

c. Fair Value Information of Derivative Transactions (General Account)

(1) Net Gains and Losses on Derivatives

(Millions of Yen)

	As of March 31, 2016						As of September 30, 2016					
	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	929	21,443	-	-	-	22,372	735	265,674	-	-	-	266,409
Hedge accounting not applied	(1,455)	4,476	311	-	-	3,332	(967)	17,227	1,539	-	-	17,798
Total	(525)	25,920	311	-	-	25,705	(232)	282,901	1,539	-	-	284,207

Notes: Net gains (losses) from derivatives with hedge accounting (fair value hedge method) applied, and net gains (losses) from derivatives with hedge accounting not applied are recorded on the statement of income.

Net gains (losses) from derivatives with hedge accounting (fair value hedge method) applied amounted to gain of ¥20,770 million and gain of ¥253,014 million as of March 31, 2016 and September 30, 2016, respectively.

(2) Interest-related

(Millions of Yen)

Type	As of March 31, 2016				As of September 30, 2016			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Over-the-counter transactions								
Interest rate swaps								
Receipts fixed, payments floating	49,532	33,828	929	929	49,051	40,674	735	735
Interest rate swaptions								
Bought								
Receipts floating, payments fixed	290,000	170,000	167	(1,455)	230,000	70,000	52	(967)
	[1,622]				[1,019]			
Total				(525)				(232)

Notes: 1. Option fees are shown in [].

2. Net gains (losses) represent the fair values for interest rate swaps and the difference between the option fees and the fair values for interest rate swaptions.

(Reference)**Interest rate swaps by contractual maturity dates**

[As of September 30, 2016]

(Millions of Yen, %)

	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Total
Notional amount (receipts fixed, payments floating)	8,376	20,579	13,982	6,090	22	-	49,051
Average fixed rate (receipt)	2.01	1.27	0.91	1.66	0.93	-	1.34
Average floating rate (payment)	0.25	0.24	0.56	1.64	0.56	-	0.51

(3) Currency-related

(Millions of Yen)

Type	As of March 31, 2016				As of September 30, 2016			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Over-the-counter transactions								
Foreign currency forward contracts								
Sold	4,544,584	403,200	21,535	21,535	5,758,650	574,650	272,847	272,847
(U.S. dollar)	2,019,291	146,484	90,937	90,937	3,281,816	402,508	246,268	246,268
(Australian dollar)	1,217,351	256,715	(75,498)	(75,498)	1,177,386	169,651	1,924	1,924
(Euro)	1,186,443	-	(2,158)	(2,158)	1,144,691	-	12,657	12,657
Bought	154,357	-	4,180	4,180	234,004	678	(1,594)	(1,594)
(U.S. dollar)	3,346	-	(0)	(0)	234,004	678	(1,594)	(1,594)
(Euro)	151,010	-	4,180	4,180	-	-	-	-
Currency options								
Sold								
Call	360,000	-			172,500	-		
[U.S. dollar]	[2,225]		1,063	1,161	[55]		4	50
(U.S. dollar)	360,000	-			172,500	-		
[U.S. dollar]	[2,225]		1,063	1,161	[55]		4	50
Bought								
Put	303,000	-			147,000	-		
[U.S. dollar]	[2,453]		823	(1,629)	[1,389]		327	(1,062)
(U.S. dollar)	303,000	-			147,000	-		
[U.S. dollar]	[2,453]		823	(1,629)	[1,389]		327	(1,062)
Currency swaps								
(U.S. dollar)	-	-	-	-	7,462	7,462	(37)	(37)
(U.S. dollar)	-	-	-	-	7,462	7,462	(37)	(37)
Total				25,247				270,203

Notes: 1. Option fees are shown in [].

2. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under foreign currency forward contracts and currency swaps and are reported in yen amounts in the balance sheets, those foreign currency forward contracts and currency swaps are excluded from the table above.

3. Net gains (losses) represent the fair values for foreign currency forward contracts.

(4) Stock-related

(Millions of Yen)

Type	As of March 31, 2016				As of September 30, 2016			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Exchange-traded transactions								
Stock index futures								
Sold	131,563	-	(1,394)	(1,394)	149,813	-	1,550	1,550
Over-the-counter transactions								
Stock index forwards								
Sold	42,600	-	2,188	2,188	-	-	-	-
Stock index options								
Sold								
Call	155,208 [1,543]	-	953	590	32,579 [160]	-	52	107
Bought								
Put	99,999 [1,541]	-	467	(1,073)	24,999 [150]	-	32	(118)
Total				311				1,539

Notes: 1. Option fees are shown in [].

2. Net gains (losses) represent the fair values for future tradings and forward tradings and the difference between the option fees and the fair values for option transactions.

d. Risk-Monitored Loans

(Millions of Yen, %)

	As of March 31, 2016	As of September 30, 2016
Loans to bankrupt borrowers	-	-
Loans in arrears	980	904
Loans in arrears for three months or longer	1	0
Restructured loans	-	-
Total	982	904
(Percentage of total loans)	(0.04)	(0.04)
(Percentage of total assets)	(0.00)	(0.00)

Notes: 1. For loans to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collateral or execution of guarantees is deemed uncollectible and directly deducted. The amount of loans in arrears directly deducted as of March 31, 2016 and September 30, 2016 amounted to ¥29 million and ¥27 million, respectively.

2. Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikelihood of repayment of principal or interest resulting from delinquency of principal or interest for a certain period or other reasons ("non-accrual loans") and also meet the conditions stipulated in Article 96 Paragraph 1 Items 3 and 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97 of 1965).

3. Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties. Loans in arrears also include the non-accrual loans to borrowers classified as "borrowers substantially bankrupt" or "borrowers likely to become bankrupt" in the self-assessment of asset quality.

4. Loans in arrears for three months or longer represent the loans on which payments of principal or interest are past due over three months from the day following the contractual due date. Loans in arrears for three months or longer do not include loans classified as loans to bankrupt borrowers or loans in arrears.

5. Restructured loans represent the loans which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for borrowers in order to support their recovery from financial difficulties. Restructured loans do not include loans classified as loans in arrears for three months or longer, loans in arrears or loans to bankrupt borrowers.