IMPORTANT NOTICE

NOT TO BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON.

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER QIBS OR A NON-U.S. PERSON OUTSIDE UNITED STATES (EACH AS DEFINED BELOW).

IF YOU DO NOT AGREE TO THE TERMS AND CONDITIONS CONTAINED IN THIS DISCLAIMER YOU SHOULD NOT READ THE ATTACHED OFFERING CIRCULAR AND SHOULD DELETE THIS ELECTRONIC TRANSMISSION.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular dated January 13, 2016 (the "Offering Circular"), and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. If you are not the intended recipient, please notify us immediately (by reply e-mail) and delete this e-mail and the attached Offering Circular from your system. You agree you will not forward this electronic transmission or the attached Offering Circular to any other person.

Attached for your information is a copy of the Offering Circular in connection with the offering outside Japan of certain securities (the "Securities") of the initial purchasers set forth in the attached Offering Circular (the "Initial Purchasers").

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE SUCH OFFER OR SALE IS UNLAWFUL. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED OFFERING CIRCULAR IS PERSONAL TO YOU, IS CONFIDENTIAL AND MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS REQUIREMENT MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED TO AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Please refer to additional restrictions in the section entitled "Plan of Distribution—Selling Restrictions" in the Offering Circular.

By receiving and accepting this e-mail and accessing the attached Offering Circular, you will be deemed to have represented to us that you agree to comply with the restrictions set forth in this disclaimer and in the attached Offering Circular.

Confirmation of Your Representation: In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the Securities, investors must either be Qualified Institutional Buyers ("QIBs") (within the meaning of Rule 144A under the Securities Act) or a non-U.S. person outside the United States (within the meaning of Regulation S under the Securities Act). You have been sent the attached Offering Circular on the basis that you have confirmed that (a) you and any customers you represent are either QIBs or a non-U.S. person outside the United States and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; (b) if in a member state of the European Economic Area, you are a “Qualified Investor” (within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC, as amended)); and (c) in addition, if in the United Kingdom, you are a Qualified Investor who is (i) a person who has professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”), (ii) a high net worth entity falling within Article 49 of the Order, or (iii) any other person to whom the attached Offering Circular may otherwise lawfully be communicated under the Order. By accepting this e-mail and accessing the attached Offering Circular, you will be deemed to have made the above representation and that you consent to delivery of such document by electronic transmission.

You are reminded that no representation or warranty, expressed or implied, is made or given by or on behalf of the Initial Purchasers, nor any person who controls them nor any director, officer, employee or agent of it, or affiliate of any such person as to the accuracy, completeness or fairness of the information or opinions contained in the attached Offering Circular and such persons do not accept responsibility or liability for any such information or opinions.

The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers nor any person who controls any of them nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CONFIDENTIAL

NISSAY

US$1,500,000,000
Nippon Life Insurance Company
(a Japanese mutual company)
4.70% Step-up Callable Subordinated Notes due 2046

We are offering $1,500,000,000 aggregate principal amount of 4.70% step-up callable subordinated notes due 2046 (the "Notes"). The interest payment dates will be January 20 and July 20 of each year (each an "interest payment date"), beginning on July 20, 2016, until the Notes are fully redeemed. The Notes will bear interest at a fixed rate of 4.70% *per annum* from, and including, January 20, 2016 to, but excluding, January 20, 2026 (the "first call date"), payable semi-annually in arrears on each interest payment date. The rate of interest of the Notes will be reset on the first call date and every date which falls five, or a multiple of five, years thereafter (each a "reset date"), until all Notes are fully redeemed. From, and including, each reset date to, but excluding, the next following reset date or the date on which the Notes are finally redeemed, whichever is the earlier, the interest rate *per annum* on the Notes will be equal to the "reset interest rate", which is the sum of the applicable 5-year mid-swap rate (as defined herein) and 3.75% *per annum*, payable semi-annually in arrears on each interest payment date, beginning on July 20, 2026. Payment of interest is subject to optional deferral at our election and mandatory deferral in the case of a capital deficiency event (as defined herein) or any payment deferral in relation to the Notes or any liquidation parity security (as defined herein). The Notes do not restrict our ability to make payments on foundation funds obligations or distributions to our policyholders. In the event of a deferral of a payment of interest on the Notes, arrears of interest (as defined herein) shall accrue on a cumulative basis and remain payable for so long as they remain unpaid, and, in the case of optional deferral (but not mandatory deferral) shall bear interest at a rate equivalent to the applicable fixed or reset interest rate for the relevant deferral period, as the case may be. See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest."

The Notes will mature on January 20, 2046, subject to certain conditions. The Notes are subject to redemption in whole, but not in part, at our option and sole discretion on the first call date or any reset date or at any time in the event of certain changes in Japanese tax law, Japanese regulatory capital requirements or equity credit criteria of a rating agency, in each case subject to compliance with regulatory requirements, including prior consent of the Financial Services Agency of Japan, if then required. See "Description of the Notes—Redemption."

The Notes will constitute our irrevocable, direct, unsecured and subordinated obligations. Upon the occurrence of a subordination event (as defined herein), any amounts payable under the Notes will be subordinated in right of payment to the prior payment of all of our senior indebtedness (as defined herein). See "Description of the Notes—Status of the Notes; Subordination."

Payment of the principal of the Notes may be accelerated (subject to subordination) only in the case of a subordination event, which would only occur in the event of our liquidation, bankruptcy, reorganization or rehabilitation. There is no right of acceleration of the payment of principal of the Notes upon a default in the payment of principal of or interest on the Notes, upon the non-performance of any covenant by us in relation to the Notes or upon the happening of any other event in relation to the Notes other than a subordination event. See "Description of the Notes—Events of Acceleration; Limited Rights of Acceleration." The Notes will be issued only in registered form with a minimum denomination of $200,000 and integral multiples of $1,000 in excess thereof.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 15.

Offering Price: 100% plus accrued interest, if any
Interest on the Notes will accrue from January 20, 2016

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or other securities laws. The Notes are being offered or sold within the United States only to qualified institutional buyers in reliance on an exemption from registration provided by Rule 144A under the Securities Act and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. The Notes are not transferable except in accordance with the restrictions described under "Transfer Restrictions."

Approval in-principle has been received for the listing of the Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering circular. Admission of the Notes to the official list of the SGX-ST is not to be taken as an indication of our merits or the merits of the Notes.

It is expected that delivery of the Notes will be made to investors in book-entry form through The Depository Trust Company and its participants, including Euroclear Bank, S.A./N.V. and Clearstream Banking S.A., on or about January 20, 2016.

Joint Lead Managers and Joint Bookrunners

Goldman, Sachs & Co. **Citigroup**

Morgan Stanley

Co-Managers

Daiwa Capital Markets **J.P. Morgan** **SMBC Nikko**

Barclays **BofA Merrill Lynch** **Mizuho Securities** **Nomura**

Offering Circular dated January 13, 2016.

This offering circular is confidential and is being provided exclusively to prospective purchasers of the Notes. Investors should read this offering circular before making a decision whether to purchase any Notes. Investors must not:

- use this offering circular for any other purpose;
- make copies of any part of this offering circular or give a copy of it to any other person; or
- disclose any information in this offering circular to any other person.

We have prepared this offering circular and are responsible for its contents. Potential investors in the Notes are responsible for making their own examination of our business and their own assessment of the merits and risks of investing in the Notes. By purchasing any Notes, investors will be deemed to have acknowledged that:

- they have reviewed this offering circular; and
- the initial purchasers are not responsible for, and are not making any representation to investors concerning, our future performance or the accuracy or completeness of this offering circular.

We are not providing investors with any legal, business, tax or other advice in this offering circular. Investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Notes.

Investors must comply with all applicable laws that apply in any jurisdiction in which they buy, offer or sell any Notes or possess this offering circular. Investors must also obtain any consents or approvals necessary in order to purchase any Notes. The initial purchasers and we are not responsible for investors' compliance with any such legal requirements.

No action has been or will be taken to permit a public offering of the Notes in any jurisdiction where action would be required for that purpose. This offering circular may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. This offering circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. Persons into whose possession this offering circular comes must inform themselves about and observe any applicable legal requirements.

IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION OF OUR BUSINESS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY U.S. FEDERAL OR STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY. FURTHERMORE, THESE AUTHORITIES HAVE NOT REVIEWED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

This offering circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Notes. Distribution of this offering circular to any person other than the offeree and any persons retained to advise the offeree with respect thereto is unauthorized, and any disclosure of its contents, without our prior written consent, is prohibited.

By receiving this offering circular you acknowledge that:

- you have not relied on any initial purchaser, any U.S. selling agent, the trustee or any of their affiliates in connection with your investigation of the accuracy of the information in this offering circular or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the Notes offered hereby other than as contained in this offering circular and, if given or made, that other information or representation should not be relied upon as having been authorized by us, any initial purchaser, the trustee or any U.S. selling agent or any of their affiliates.

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA") and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act"). The Notes may not be offered or sold in Japan to, or for the benefit of, any person resident in Japan (including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale directly or indirectly in Japan, or to, or for the benefit of, any person resident in Japan for Japanese securities law purposes except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, as part of the initial distribution by the initial purchasers, the Notes are not at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient. A "Gross Recipient" for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that, in either case, is a person having a special relationship with the issuer of the Notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act (a "specially-related person of the issuer"), (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order for Enforcement of the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No. 43 of 1957, as amended) (the "Cabinet Order") that will hold Notes for its own proprietary account (a "Designated Financial Institution") or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order. **By subscribing for the Notes, an investor will be deemed to have represented that it is a Gross Recipient.**

The Notes have not been and will not be registered under the Securities Act or with any securities authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Notes have not been and will not be offered or sold within the United States until 40 days after the later of the commencement of the sale of the Notes and the date of the original issuance of the Notes, except if the Notes are being offered:

- in the United States only to qualified institutional buyers ("QIBs") in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; and
- outside the United States in offshore transactions to non-U.S. persons as defined in, and in accordance with, Regulation S.

You are hereby notified that sellers of the Notes may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A.

Interest payments on the Notes will be subject to Japanese withholding tax unless the holder establishes that the Notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that, in either case, is a specially-related person of the issuer, or (ii) a Designated Financial Institution that complies with the requirement for tax exemption under Article 6 of the Special Taxation Measures Act.

Payment of interest on the Notes paid on or after January 1, 2016 to an individual resident of Japan or a Japanese corporation (except for (i) a financial institution designated by the Cabinet Order which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (ii) a public corporation, a Japanese financial institution or a Japanese financial instruments firm as provided in Article 3-3, Paragraph (6) of the Special Taxation Measures Act which receives the interest payments through its payment handling agent in Japan and complies with the requirement for tax exemption under that Paragraph), or to an individual non-resident of Japan or a non-Japanese corporation that is a specially-related person of the issuer will be subject to Japanese income tax at the rate of 15.315% (until December 31, 2037, and at the rate of 15% thereafter) of the amount of such interest.

NOTICE CONCERNING THE UNITED KINGDOM

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 (the “FSMA”), with respect to anything done by any person in relation to the Notes in, from or otherwise involving, the United Kingdom must be observed. See “Plan of Distribution.”

This offering circular is for distribution in the United Kingdom only to persons who (i) are investment professionals, as defined in Article 19(5) of the FSMA (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”), or (ii) are persons falling within Article 49(2)(a) to (e) “high net worth companies, unincorporated associations, etc.” of the Financial Promotion Order (all of these persons together being referred to as “relevant persons” for purposes of this Notice Concerning the United Kingdom). This offering circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO INVESTORS IN HONG KONG

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

NOTICE TO INVESTORS IN SINGAPORE

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust, shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) or (in the case of such trust) where the transfer arises from an offer referred to Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

NOTICE TO INVESTORS IN CANADA

The offer and sale of the Notes in Canada will only be made in the provinces of Alberta, British Columbia, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan or to residents thereof and not in, or to the residents of, any other province or territory of Canada. Such offers and sales will be made only under exemptions from the requirement to file a prospectus in the above mentioned provinces.

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this global offering.

Prospective Canadian-resident investors should refer to the information under the heading "Plan of Distribution—Selling Restrictions—Canada" in this offering circular for additional information.

THIS OFFERING CIRCULAR MAY NOT BE DISTRIBUTED TO ANY PERSON IN ANY OF THE STATES OF ALABAMA OR NEW MEXICO OR THE COMMONWEALTH OF PUERTO RICO. THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, NOR A SOLICITATION OF ANY OFFER TO PURCHASE, ANY OF THE NOTES, AND NO OFFERING OR SALE OF THE NOTES MAY BE MADE TO ANY PERSON, IN ANY OF THE STATES OF ALABAMA OR NEW MEXICO OR THE COMMONWEALTH OF PUERTO RICO.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We have prepared this offering circular in reliance upon a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," "Nippon Life" and words of similar import, we are referring to Nippon Life Insurance Company itself, or to Nippon Life Insurance Company and its consolidated subsidiaries, as the context may require. Nippon Life is also referred to as "Nissay," which derives from the common abbreviation of our name in Japanese. In this offering circular, references to the "Board" or "Board of Directors" refer to our board of directors.

In this offering circular, except as otherwise indicated, currency amounts are expressed in Japanese yen ("yen" or "¥"), in U.S. dollars ("dollars" or "$") or in Australian dollars ("A$"). Except as otherwise indicated, for the convenience of the reader, yen amounts expressed in dollars in this offering circular have been translated at the rate of ¥119.96 = $1.00 and A$ amounts expressed in yen have been translated at the rate of A$1.00 = ¥85, in each case the approximate rates of exchange prevailing as of September 30, 2015. Unless otherwise specified, where information is presented in billions of yen, amounts of less than one hundred million yen have been truncated, and where information is presented in millions of dollars, amounts of less than one hundred thousand dollars have been rounded. All percentages have been rounded to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be. In some cases, figures presented in tables in this offering circular may not total due to such truncation or rounding.

Our fiscal year end is March 31. This offering circular includes audited consolidated financial statements and audited nonconsolidated financial statements as of and for the years ended March 31, 2013, 2014 and 2015 with the audit report thereon and unaudited interim consolidated financial statements and unaudited interim nonconsolidated financial statements as of March 31, 2015 and September 30, 2015 and for the six months ended September 30, 2014 and 2015. Our financial statements are prepared in accordance with the provisions of the Insurance Business Act of Japan (Act No. 105 of 1995, as amended) (the "Insurance Business Act") and related regulations thereunder and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain significant respects from accounting principles generally accepted in other countries or regions.

Disclosure requirements for financial and other information applicable to Japanese mutual companies differ in certain respects from those applicable to Japanese public companies, whose securities are listed on a Japanese stock exchange and are required to comply with the continuous disclosure requirements of the FIEA. For example, Japanese mutual companies are not subject to requirements applicable to such Japanese public companies to prepare quarterly consolidated financial statements or to make timely disclosure of material corporate developments and events.

Except as otherwise specified, the discussion and analysis of our financial condition and results of operations and all financial information set forth in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" are provided on a consolidated basis. Except as otherwise specified, financial information other than in that section is presented on a nonconsolidated basis.

As of September 30, 2015, our nonconsolidated total assets and total net assets represented 99.4% and 98.9% of our consolidated total assets and total net assets, respectively. For the year ended March 31, 2015, our nonconsolidated ordinary profit and net surplus represented 98.2% and 98.6% of our consolidated ordinary profit and net surplus, respectively.

Japan Post Insurance Co., Ltd. ("Japan Post Insurance") and other cooperative insurers are not included in any of the life insurance industry data appearing in this offering circular, unless otherwise stated herein.

Our investments are divided into our general account and separate accounts. Payments to customers for products providing a fixed benefit are made from investments in our general account. We bear the risk that investments in the general account will not yield sufficient returns to cover benefits paid for products for which premiums are calculated based on a fixed assumed yield. In contrast, products for which customers bear the investment risk are paid from funds managed in our separate accounts. Such products include individual variable insurance, individual variable annuities and group annuities with separate account policy riders. Some of the information presented in this offering circular reflects our general account on a stand-alone basis and excludes separate account assets and liabilities. Such information is specifically identified in this offering circular as general account information. Where no such identification is made, the information provided herein includes both general account and separate account assets and liabilities. Of our ¥62,049.3 billion of nonconsolidated total assets as of September 30, 2015, ¥60,626.5 billion, or 97.7%, represented general account assets. The balance consisted of separate account assets in the amount of ¥1,422.8 billion.

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements. Such statements include statements regarding our intent, belief or current expectations or those of our management with respect to our business, financial condition and results of operations. In some cases, forward-looking statements can be identified by terms such as "aim," "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or the negative of these terms or other similar terminology. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those discussed in forward-looking statements. In addition, forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties.

Potential risks and uncertainties include, without limitation:

- adverse financial market and economic conditions in Japan and elsewhere;

- investment risks associated with our portfolio of investment securities, including changes in the value of equity securities, interest rate risk, foreign exchange risk, credit risk, liquidity risk and real estate risk;
- a reduction or perceived reduction in our financial strength, including as a result of any downgrade of our credit or financial strength ratings or outlook, or any negative events related to our business or the Japanese life insurance industry;
- changes having an adverse effect on the market for individual life insurance products;
- differences between future claims and benefits and the actuarial assumptions used in pricing and establishing reserves for insurance and annuity products;
- any failure of risk management policies and procedures to be effective;
- a reduction of our deferred tax assets;
- changes in relationships with or performance of our strategic partners or investee companies;
- risks associated with our overseas operations and continuing overseas expansion;
- a failure or delay in completing our proposed acquisition of MLC Limited ("MLC");
- failure to achieve the anticipated benefits from our recent acquisition of Mitsui Life Insurance Company Limited ("Mitsui Life"), or our proposed acquisition of MLC, if and when it is completed;
- impairment of goodwill realized in connection with our acquisitions;
- risks associated with acquisitions, joint ventures, strategic alliances and other transactions intended to complement or expand our business;
- inability to hire, train or retain a sufficient number of qualified sales representatives and other personnel or to contract with effective third-party sales agencies;
- failure to maintain sales through the bancassurance channel;
- risks associated with any failure of information technology systems;
- misconduct by sales representatives, other employees, third-party sales agencies or third-party service providers, misuse or loss of customers' information, and disruption of operations due to catastrophes;
- declines in our pension assets or revisions in actuarial assumptions;
- the adverse effects on our business of demographic trends in Japan;
- an inability to compete effectively in the increasingly competitive Japanese financial services industry;
- changes in Japanese laws and regulations or regulatory sanctions that could adversely affect our business; and
- increases in our contribution to the industry-wide policyholder protection fund.

Potential risks and uncertainties also include those identified and discussed in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere in this offering circular. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering circular. We do not undertake to revise forward-looking statements to reflect future events or circumstances.

AVAILABLE INFORMATION

While any Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, if, at any time, we are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will furnish, upon request, to any holder of a Note, or any prospective purchaser designated by a holder of a Note, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a mutual company established under the laws of Japan. Most of our directors and corporate auditors reside in Japan. All or a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, investors may be unable to effect service of process within the United States or elsewhere outside Japan upon us or such persons or to enforce against us or them judgments obtained in United States courts or elsewhere predicated upon the civil liability provisions of the federal or state securities laws of the United States. We have been advised by our Japanese counsel that there is doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated solely upon U.S. federal or state securities laws.

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information and financial statements contained elsewhere in this offering circular. For a discussion of certain risks that prospective investors should consider in connection with an investment in the Notes, see "Risk Factors."

Nippon Life Insurance Company

Overview

We are the largest private life insurance company in Japan in terms of both assets and revenues. We operate primarily in Japan and offer a wide range of products, including life insurance, annuities and other insurance products, to over 11.5 million insured persons and approximately 24,600 corporate customers in Japan that have more than 100 employees, as of March 31, 2015.

Our core business is life insurance for individuals in Japan's retail market. Our innovative *Mirai no Katachi* product lineup allows customers to combine a wide variety of coverage into personally tailored insurance portfolios. We also sell individual annuity, group insurance and group annuity products. On a consolidated basis, our business includes asset management, investment trust management and information technology products and services. Also, we have been expanding our overseas operations in an effort to secure revenue sources outside of the Japanese market and to capture the growth of overseas markets.

According to Sigma World Insurance, Japan is the second largest life insurance market in the world by premium volume. It is also a highly concentrated and mature market, with the top five private life insurance companies accounting for 59.8% of the market share by premium income, excluding Japan Post Insurance, for the year ended March 31, 2015, according to public disclosures. We hold the largest market share in Japan with 17.1% by premium income among private life insurance companies for the year ended March 31, 2015 and aim to strengthen our position as Japan's leading private life insurance company.

On a consolidated basis, our total assets as of March 31, 2015 and September 30, 2015 amounted to ¥62,648.6 billion and ¥62,413.2 billion, respectively, and our revenues from insurance and reinsurance amounted to ¥5,370.8 billion and ¥2,912.6 billion, respectively, for the year ended March 31, 2015 and the six months ended September 30, 2015. As of September 30, 2015, we had a consolidated solvency margin ratio of 934.5% (approximately 4.7 times the minimum regulatory requirement), and we currently have financial strength ratings of A+ (stable outlook) from Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), A1 (stable outlook) from Moody's Investors Service, Inc., a subsidiary of Moody's Corporation ("Moody's Investors Service"), A (stable outlook) from Fitch Ratings ("Fitch"), A+ (stable outlook) from A.M. Best, AA (stable outlook) from Rating and Investment Information, Inc. and AAp (stable outlook) from Japan Credit Rating Agency, Ltd.

Strengths

Stable operating performance with steady improvement in sales activities

We have an established track record of operating success. We have long been the largest private life insurance company in Japan in terms of both assets and revenues and rank highly among our global peers in terms of revenues. For the year ended March 31, 2015 we recorded revenues from insurance and reinsurance premiums of ¥5,337.1 billion and core operating profit of ¥679.0 billion on a nonconsolidated basis, representing growth of 10.6% and 14.6% over the previous year, respectively. We have maintained a core operating profit of more than ¥500 billion in each fiscal year since the year ended March 31, 2008. We have successfully mitigated the effects of a prolonged low interest rate environment on our core operating profit by making efforts to maintain our interest gains at consistent levels.

We attribute our operating success in large part to the strength of our multi-channel distribution platform and the contributions of our sales representatives, over-the-counter bank and other financial institution sales ("bancassurance"), and third-party sales agencies, which accounted for 75.7%, 15.7% and 8.5%, respectively, of our annualized premiums from new policies for the year ended March 31, 2015. With over 11.5 million insured persons and approximately 24,600 corporate customers in Japan that have more than 100 employees as of March 31, 2015, we believe that we have a stable base of operations from which to pursue further profit growth. We believe that our profitability will continue to be positively affected, among other things, by the high profit margins on insurance premiums that are characteristic of the Japanese life insurance market.

We have steadily improved our persistency rates for insurance policies, which have demonstrated an upward trend since March 31, 2007. As of March 31, 2008, our 13-month and 25-month persistency rates were 86.5% and 71.7%, respectively. As of March 31, 2015, our persistency rates stood at or near historical highs of 97.1% for six-month contracts, 94.8% for 13-month contracts and 84.6% for 25-month contracts. At the same time, our surrender and lapse ratio with respect to individual insurance and annuities in the aggregate has declined year on year since March 31, 2007 to 4.5% as of March 31, 2015. See "Business—Sales and Marketing—Sales Support."

We attribute this strong performance in customer retention to the trust and loyalty of our customers. Among other customer-oriented measures, we have successfully improved our customer service offerings, including through increased emphasis on face-to-face service centered on follow-up consultations that we call Policy Details Confirmation Activities ("PDCA"), enhanced after-sales services through our *Zutto Motto* Service and innovative programs offered in conjunction with our business partners, such as our specialist physician referral service operated by Best Doctors, Inc. ("Best Doctors"). Improving customer service remains a top priority. For example, in April 2012, we launched the Care Guidance Service to provide customers in the comfort of their own homes with consulting services from expert customer care managers of the Nichii group, in April 2013, we launched the Child-raising Advice Hotline to provide around-the-clock telephone counseling with specialists regarding the health and care of children, and in March 2014, we launched Wellness-dial *f* to provide female customers with a hotline for advice on women-specific symptoms and syndromes. These services are offered through Life Care Partners Co., Ltd. See "Business—Customer Support Services."

We believe that the strength of our sales representative channel, combined with our innovative *Mirai no Katachi* product lineup and Mitsui Life's non-participating insurance product lineup, will continue to contribute to maintaining high levels of persistency and customer satisfaction, supporting profitability. See "Business—Products and Services—Individual Insurance."

Stable asset management with prudent risk management

We are dedicated to managing our assets in the best interests of our customers and with an eye toward stability over the long term. We have successfully maintained a high-quality asset portfolio, with more than 70% of our general account assets concentrated in yen-denominated fixed income assets, which include domestic bonds, domestic loans and currency-hedged foreign fixed income securities. We believe this high-quality asset portfolio supports secure and stable returns over the mid- to long-term. Domestic bonds accounted for 37.2% of our total general account assets as of September 30, 2015, while domestic stocks accounted for only 13.8%. The majority of our domestic and foreign bond holdings have received either a AAA or AA rating from rating agencies. As of September 30, 2015, 10.4% of our total bonds, excluding Japanese government bonds ("JGBs"), were rated as AAA, 66.9% as AA, 13.1% as A, 6.2% as BBB and the rest as below BB or unrated. We also reduce our risk exposure by diversifying our portfolio by asset type, maturity, country and currency.

We regularly monitor our asset portfolio from a long-term "Surplus asset liability management" perspective. Asset liability management ("ALM") is a mechanism employed to manage our investment assets in a manner appropriate to our liabilities, primarily insurance products. We divide our long-term portfolio into a number of segments including general, group annuities and single-premium accounts. For the general segment, our strategy is to achieve asset and liability management that enables us to expand long-term investment returns, within appropriate risk buffers, while taking into consideration the specific nature of our liabilities. For group annuities and single-premium accounts, where most of our policyholder assets for bancassurance channel are primarily being managed, our policy is generally to achieve asset and liability management that enables us to manage interest rate risk based on our prediction of the relevant segment's payment liabilities. As part of our asset management strategy, investments in higher risk assets such as equity and real estate are made within the appropriate risk buffers in order to optimize yields.

Our initiatives to increase the duration of our investments, particularly domestic bond investments, have been successful, with 69.9% of our domestic bond holdings having a maturity of over ten years as of September 30, 2015, up from 39.5% as of March 31, 2008. We manage the risks of both increased and decreased interest rates in the domestic market by diversifying the mix of asset types, currencies and maturities of our investments. In addition, most of our domestic bond portfolio is classified as policy-reserve-matching bonds, which decreases the impact of interest rate fluctuations. We also engage in risk management to control the risks related to a rise in the Japanese yen or a decrease in share prices. See "Business—Investments—Management of Investments."

Solid capital base and financial soundness

We have successfully maintained a strong capital base, although the global economy and financial markets have been buffeted by extreme volatility in recent years, from the global financial crisis starting in September 2008 to the Great East Japan Earthquake in 2011 and recurring sovereign debt crises in the Eurozone. Notwithstanding these challenging conditions and an economic outlook which remains uncertain despite recent signs of positive growth in Japan and elsewhere, we recorded capital of ¥4,668.2 billion as of September 30, 2015. For a detailed breakdown of our capital, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources."

We believe that our consolidated and nonconsolidated solvency margin ratios of 934.5% and 920.4%, respectively, as of September 30, 2015 are adequate and well in excess of the legally required minimum of 200%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Solvency Margin Ratio."

Strategies

In recent years, there have been pronounced structural demographic changes in the domestic market, such as population decline, a falling birthrate and the aging of society, as well as the concentration of the population in urban areas. At the same time, customer needs have been diversifying. We have seen other trends such as a decline in the ratio of policyholders in our young customer sector, diversification in enrollment channels and fierce competition in urban areas. In order to respond to these and other changing market conditions, we intend to expand in the domestic market where we believe there is still ample space to grow and focus on growth as a group, including our overseas businesses.

To this end, in April 2015, we began implementing our new three-year management plan, which we call the *Zen Shin* Project. It follows our previous three-year mid-term plan, *Mirai Sozo* (Future Creation) Project, under which we endeavored to increase sales based on a new integration strategy, build a stronger base for financial soundness and profitability and develop our human resources.

Our primary objective under our new three-year management plan is to build a solid business foundation that will support our business over the next decade and beyond. Under the *Zen Shin* Project, we intend to pursue the following strategies:

- Expand our domestic life insurance business and customer base by:
  - continuing to introduce new and more flexible products and services to meet the diversifying needs of our customers; and
  - enhancing our multi-channel distribution platform and upgrading our after-sales and other customer support services.
- Strengthen our group-wide businesses, focusing on our overseas insurance business, asset management business and businesses instrumental to the domestic life insurance business.

- Further enhance our financial base for future growth by maintaining a stable and diversified asset portfolio and increasing our capital to support investment into new businesses and growth sectors.

Through these strategies, we aim to:

- achieve the number one share in new policy sales across all metrics, specifically the number of new policies, the amount of coverage, and annualized premiums on new policies;
- generate mid-single digit growth in annualized premiums from policies in force, a metric that is highly correlated with earnings and assets;
- expand the number of customers we serve while continuing to serve our existing customer base of over 11.5 million people;
- increase profits across the entire Nippon Life group with the aim of achieving greater net income contribution from our domestic and overseas subsidiaries and affiliates engaged in the insurance business, asset management business and businesses instrumental to the development of our life insurance operations in Japan;
- streamline our cost structure to reduce fixed costs; and
- bolster our capital base to ensure we can meet our responsibilities to our customers over the long term.

Expand our Domestic Life Insurance Business and Customer Base

Continue to introduce new and more flexible products and services to meet diversifying customer needs

We believe that our flexible products and services position us to capture the diverse needs of our changing customer base. Our goal is to offer greater convenience to customers by maintaining a more advanced product lineup and infrastructure than any of our peers and provide more sophisticated services to meet the needs of seniors, women and the younger generation, as well as core customers.

Diverse customer needs demand the rethinking of traditional insurance products and services. We continually review, update and expand our product offerings while maintaining a focus on individual life insurance. In recent years, taking advantage of a relaxation of Japanese regulatory barriers, we have introduced a robust selection of third-sector products, including medical, cancer and nursing care insurance products. We believe that the third-sector market provides significant growth opportunities as the insurance needs of Japan's shrinking population shift away from traditional mortality insurance into more diversified and personally tailored insurance portfolios.

In response to feedback from customers, we work to simplify our product offerings to ensure that our insurance policies are transparent and readily understood by potential customers and that insurance claims and benefits are properly paid to policyholders. For example, the concept behind our *Mirai no Katachi* lineup is to simplify and repackage our product lineup for *"buffet style"* consumption. We believe that the flexibility of our *Mirai no Katachi* product lineup, which allows customers to combine a wide variety of coverage into personally tailored insurance portfolios, is critical to our capturing of growth opportunities in the senior, female and young customer segments. We improved our *Mirai no Katachi* product lineup by providing a "higher discount system" under which a discount on the premium is provided in correlation to the policy amount, enabling our customers to design insurance plans with a lower premium rate and, in April 2015, added a new type of insurance for the three dread diseases: cancer, heart disease and strokes, which is provided as our *Nissay Mirai no Katachi* "Five Stars" plan. We intend to market this new plan especially to our female and young customer segments. See "Business—Products and Services—Individual Insurance." We also work to maintain agile, market-responsive product development for bancassurance and other distribution channels.

Enhance our multi-channel distribution platform and upgrade our after-sales and customer support services

One of our core strategies is the diversification of our multi-channel distribution system. Our approximately 50,000 sales representatives in Japan have long been the key channel for sales of our products, and due to the importance of face-to-face contact in life insurance sales in Japan, sales representatives will remain a critical distribution channel. However, in recent years we have seen an increase in the number and variety of distribution channels available to supplement our sales representatives, including more than 13,000 third-party sales agencies, more than 300 financial institutions in our bancassurance channel, 98 Nissay Life Plazas, call centers and the Internet. Under the *Zen Shin* Project, we are committed to building systems that can cater to the diversifying needs of our customers and to increasing the convenience with which potential customers can gain access to our products in response to evolving lifestyles and demographics of the Japanese workforce. To that end, we are developing a variety of sales and service channels to support and complement our sales representative channel. These include Nissay Life Plazas for servicing walk-in customers, corporate support teams, insurance agencies and financial institutions. To help ensure that customers receive optimal insurance coverage for them, we will also seek to improve our consulting abilities a step further. We will take steps to increase our market shares in sales channels other than the sales representative channel, including insurance agencies and financial institutions. We also have entered into the independent agency retail market to reach customers that we have not been able to gain access to through our conventional sales and service channels. We foster an open corporate culture and engage in enhanced training of our sales representatives to enable them to pursue sales activities more efficiently and improve customer consulting skills. We also aim to increase the number of our sales representatives over the mid- to long-term.

A critical aspect of our achieving improved persistency rates and reduced surrender and lapse ratios in recent years has been our dedication to providing superior customer service, including after-sales service. Among other initiatives in this area, in recent years we have introduced a number of consulting, referral and advisory services. We have expanded our support systems to allow for broader and more thorough face-to-face interaction with our customers. Whether via Nissay Life Plazas, sales representatives, call centers or our new Internet profile, featuring greater social media presence and expanded user support, our customers now have a variety of well-integrated points of contact to support their unique desires and needs. See “Business—Customer Support Services.”

Through these efforts, we plan to proactively expand our customer base.

Strengthen group-wide businesses, focusing on our overseas insurance business, asset management business and businesses instrumental to the domestic life insurance market.

To establish a foundation for medium- to long-term growth, we will seek to expand our share of the domestic life insurance market while also working to expand the group’s overall earnings capacity through our overseas insurance business, asset management business, and other businesses that will further cultivate our domestic life insurance business. Under our new three-year management plan, we have been making efforts to strengthen our group-wide businesses and to establish a business structure through which we can achieve net income contribution from our group companies of ¥100 billion within ten years. Our acquisition of Mitsui Life and our proposed acquisition of MLC form a part of such efforts.

In the domestic life insurance market, we are building systems at the group level to facilitate the development of more flexible insurance products to meet diverse customer needs, while also upgrading our networks with financial institutions and agencies in line with the increasing diversification of our domestic sales channels. As part of our domestic growth strategy, on November 6, 2015 we entered into a management integration agreement with Mitsui Life and on December 29, 2015 we completed settlement of a tender offer for the outstanding shares of Mitsui Life, thereby making it our majority-owned subsidiary as of December 31, 2015. After making Mitsui Life our wholly owned subsidiary through squeeze out procedures under Japanese law, we intend to sell shares representing an aggregate of approximately 17% of Mitsui Life’s ordinary shares to certain former shareholders of Mitsui Life and certain other parties associated with the Mitsui corporate group. We also continuously seek opportunities to expand our profit base through alliances with other financial institutions and other corporate groups in Japan and by forging long-term partnerships with prominent companies in other countries around the world as part of our strategy to steadily expand our operations further. In evaluating such opportunities, we take into account the manner and scale of investment best suited for each particular market. For example, we have recently entered into partnerships with NTT Docomo Inc. (“NTT Docomo”) and Nitori Holdings Co., Ltd. (“Nitori Holdings”) to further strengthen our sales channels in Japan. See “Business—Domestic Strategic Alliances and Investments.”

In our overseas insurance business, we will continue to evaluate and selectively pursue opportunities to strengthen our existing overseas operations including through acquisitions, as evidenced by our proposed acquisition of life insurance business of National Australia Bank Limited ("NAB") conducted by MLC, through which we expect to become strategic partners with NAB in developing MLC's life insurance business in Australia. As part of the acquisition, NAB and MLC have agreed to enter into a 20-year distribution agreement, pursuant to which NAB will help to grow the MLC business in partnership with us by utilizing its advisor and bancassurance channels. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments" for more information about the MLC acquisition. We also plan to introduce additional regional support enterprises to our existing systems for providing support by region, share expertise between local subsidiaries, strengthen our business development channels and expand operations using strategies customized to regional and market-specific characteristics. Currently, we are engaged in the life insurance business in China, India, Thailand, Indonesia and the United States through capital investments or joint venture arrangements, and we intend to selectively expand our overseas life insurance business, including by taking majority positions. In November 2015, we also reached an agreement with Reliance Capital Limited ("Reliance Capital") to increase our current 26% equity ownership of Reliance Life Insurance Company Limited ("Reliance Life") to up to 49%. See "Business—Overseas Operations and Strategic Alliances."

We also plan to enhance the position of our domestic and overseas asset management business as a core group business because of its compatibility with our life insurance business and its strong growth potential. In Japan, we plan to work to expand our assets under management in the areas of mutual funds and annuities in close collaboration with Nissay Asset Management Corporation ("NAM") and other domestic and overseas business alliances, while further enhancing product development that leverages the group's asset management expertise. Overseas, we intend to capture high market growth through a combination of new investments and efforts to build on existing alliances with our overseas investment partners. In February 2015, we increased our equity holdings in Reliance Capital Asset Management Limited ("Reliance Capital Asset Management"), a subsidiary of Reliance Capital, from 26% to 35% and in October 2015 we reached a definitive agreement with Reliance Capital to further increase our equity holdings to up to 49%.

Further strengthen our financial base for future growth by maintaining a stable and diversified asset portfolio and increasing our capital to support investment into new businesses and growth sectors

We are seeking to build a foundation for medium- to long-term growth that will allow us to continue to succeed over the next decade and beyond. A key part of that growth strategy is to further strengthen our financial base. To do so, we plan to increase our capital so that we can meet our insurance-related liabilities over the long term, while ensuring our ability to generate steady returns on managed assets. In accumulating capital, our objectives are to enhance our capacity to mitigate necessary risks associated with our accelerated growth strategy, and to prepare for prospective changes in international capital requirements. We have set a medium- to long-term target for capital of ¥6.5 trillion. Our asset management approach is based on portfolio diversification from a long-term standpoint. We will respond to the current extended period of low interest rates by continuing to increase investment in overseas and corporate bonds to build a better overall portfolio risk-return profile. In addition, we plan to expand our investments in sectors of high forecast growth, such as the environmental and infrastructure sectors, over the next 3–5 years. By engaging in constructive, purposeful dialogue with investee companies, we will also seek to contribute to the sustained growth of the Japanese economy by promoting corporate development. Finally, we will further promote enterprise risk management plans to set targets for profits and financial soundness, introduce economic value-based indicators with reference to the international trend in insurance capital requirements, implement a flexible rebalancing of resources and capital, and conduct an integral management of risk and return, while also seeking to improve our operational efficiency on a continual basis.

Our registered head office is located at 5-12, Imabashi 3-chome, Chuo-ku, Osaka-shi, Osaka, 541-8501, Japan. Our English website address is *www.nissay.co.jp/english/*. For the avoidance of doubt, the information appearing on our website does not constitute a part of this offering circular.

The Offering

Securities Offered	$1,500,000,000 aggregate principal amount 4.70% step-up callable subordinated notes due 2046. The Notes have not been registered with the U.S. Securities and Exchange Commission (the "SEC"), and are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and inside the United States to QIBs in reliance on Rule 144A.
Status of Notes/Ranking.	The Notes will constitute our irrevocable, direct, unsecured and subordinated obligations. Claims in respect of the Notes shall at all times rank *pari passu* and without any preference among themselves and *pari passu* with liquidation parity securities as to priority of liquidation payment and in priority to (i) claims of holders of interests in our foundation funds (*kikin*) and (ii) claims of any other instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment. See "Description of the Notes—Status of the Notes; Subordination." The holders of the Notes will not have the benefit of any security interest.
Minimum Denomination	The Notes will be issued in fully registered form, without coupons, with a minimum denomination of $200,000 in principal amount and integral multiples of $1,000 in excess thereof.
Interest on the Notes.	*Pre-first call date interest period:* From, and including, January 20, 2016 to, but excluding, January 20, 2026, the Notes will bear interest at 4.70% *per annum*, payable semi-annually in arrears on January 20 and July 20 of each year, beginning on July 20, 2016, subject to certain adjustments as described in "Description of the Notes—General." *Reset interest periods:* The rate of interest of the Notes will be reset on the first call date and each reset date, until the Notes are fully redeemed. From, and including, each reset date to, but excluding, the next following reset date or the date on which the Notes are finally redeemed, whichever is the earlier, the interest rate *per annum* on the Notes will be equal to the "reset interest rate", which is the sum of the applicable 5-year mid-swap rate and 3.75% *per annum*, payable semi-annually in arrears on January 20 and July 20 of each year, beginning on July 20, 2026, subject to certain adjustments as described in "Description of the Notes—General." *Interest calculation basis:* Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

Interest Deferral	*Optional deferral:* We may, at our sole discretion, elect to defer payment of all (and no less than all) of the interest accrued on the Notes on any interest payment date (as defined herein), so long as such interest payment date is not a mandatory interest deferral date (as defined herein). *Mandatory deferral:* We shall be required to defer payment of all (and no less than all) of the interest accrued on the Notes if, as of the fifth business day prior to the interest payment record date (as defined herein) for any interest payment date, either (i) a capital deficiency event (as defined below) has occurred and is continuing, or (ii) any payment in relation to the Notes or a liquidation parity security has been deferred and continues to be in deferral. A "capital deficiency event" shall be deemed to have occurred if, as of the relevant date, (i) the capital adequacy condition (as defined below) is not met or would not be met as a result of such payment of interest on the Notes or (ii) the Commissioner of the Financial Services Agency of Japan (the "FSA") has issued any order of prompt corrective action (*souki-zesei-sochi*) in relation to regulatory capital requirements to us and such order remains in effect. The "capital adequacy condition" shall be met if, as of the relevant date, (i) our solvency margin ratio (or such other measure of capital adequacy then used by the applicable regulatory requirements) meets or exceeds the regulatory minimum capital requirements (as described below), and (ii) a deferral of interest on the Notes is not required under the then applicable regulatory requirements in Japan (or an official application or interpretation of such regulations, including a decision of a court or a tribunal in Japan). "Regulatory minimum capital requirements" means, as of any date, the then applicable solvency margin ratio (or such other measure of capital adequacy then used by the applicable regulatory requirements) required to be maintained under the Insurance Business Act and related regulations (including any successor laws and regulations) or any other solvency margin or capital adequacy regulations or regulatory capital rules of the FSA or other applicable governmental authority then in effect that are applicable to us, falling below which could trigger the issuance of an order of prompt corrective action by the Commissioner of the FSA or other equivalent action taken by the applicable governmental authority and which is, as of the date of the Indenture (as defined herein), a solvency margin ratio of 200% (on a consolidated or nonconsolidated basis). See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest."
Payment Stoppage	If we have given notice to defer interest payments on the Notes but the relevant interest has not become payable, or if any

payment in relation to the Notes has been deferred and continues to be in deferral, we shall not, and shall cause our subsidiaries not to, make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of our securities that are liquidation parity securities or any of our instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment (other than foundation funds obligations).

For the avoidance of doubt, no terms of the Notes will be deemed to restrict in any manner the ability of any of our subsidiaries to pay dividends or make any distributions to us or our ability to make payments on foundation funds obligations or distributions to our policyholders (*shain haitou*).

Arrears of Interest .... Arrears of interest on the Notes shall accrue on a cumulative basis and remain payable for so long as they remain unpaid, and, for the avoidance of doubt, any claims thereon shall rank *pari passu* with the Notes. Interest on arrears of interest deferred at our election shall compound semi-annually at 4.70% *per annum* to, but excluding, the first call date, and at the applicable reset interest rate for each reset interest period thereafter. Arrears of mandatorily deferred interest shall bear no interest.

At our option, arrears of interest on the Notes may be paid in whole or in part to the persons in whose names the Notes are registered as of the close of business on the 15th calendar day (whether or not such date is a business day) immediately preceding the date on which payment of such arrears of interest is made, at any time upon the expiration of not more than 15 nor less than five business days' written notice to the trustee, the paying agent and the holders of the Notes to such effect (which written notice shall specify the amount of such arrears of interest), provided that such payments (i) shall be subject to any applicable regulatory requirements or approvals, (ii) shall be conditional upon no capital deficiency event having occurred and continuing to occur and (iii) shall be conditional upon no payment in relation to liquidation parity securities having been deferred and continuing to be in deferral, in each case, as of the time of such written notice. Notwithstanding (iii) above or the provisions set forth under, "Description of the Notes—Optional Deferral of Interest Payments", "Description of the Notes—Mandatory Deferral of Interest Payments", and "Description of the Notes—Payment Stoppage", even if any payment in relation to a liquidation parity security has been deferred and continues to be in deferral, we may make payment of all or any portion of the interest on the Notes that shall have accrued as of the most recent interest payment date, if we also make substantially concurrent *pro rata* payments of interest that shall have accrued as of the most recent interest payment date of such liquidation parity securities, it being understood that if such a substantially concurrent payment is not permitted under the terms of the liquidation parity securities, such payment may be made on the next applicable interest payment date for such liquidation parity securities. See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest—Arrears of Interest."

Additional Amounts	All payments of principal and interest in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law or by the authority. Subject to certain exceptions, if we are required to make any such withholding or deduction under Japanese law, we shall pay such additional amounts as will result in the receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required. See "Description of the Notes—Taxation and Additional Amounts."
Maturity Date	January 20, 2046.
Redemption	The Notes are subject to final redemption, optional redemption and redemption in certain other circumstances as described below. *Final redemption:* Unless previously redeemed or purchased and cancelled and subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), each Note will be finally redeemed on January 20, 2046 at the principal amount of the Notes then outstanding together with accrued interest (including any arrears of interest) and any additional amounts thereon, provided that (i) our solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) we procure qualifying financing, which includes issuance of foundation funds and subordinated debt financing, in an amount not less than the amount of the redemption. In the event that the Notes are not redeemed as a result of the failure of the conditions above, interest will continue to accrue and be paid on each interest payment date until the first interest payment date following January 20, 2046 on which the conditions above are fulfilled, which will be the final maturity date when the Notes will be finally redeemed. *Optional redemption:* The Notes may be redeemed at our option and sole discretion in whole, but not in part, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), on the first call date or any reset date, on not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes, which notice shall be irrevocable, at the principal amount of the Notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon.

Optional additional amounts redemption:

The Notes may be redeemed at any time at our option and sole discretion in whole, but not in part, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), on not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes, which notice shall be irrevocable, at the principal amount of the Notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon, if:

- we have been or will be obligated to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Japan (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) or any political subdivision or any authority thereof or therein having power to tax, or any change in application or change or the stating of an official interpretation of such laws or regulations, which change or amendment becomes effective (or, in the case of the stating of an official interpretation, is announced) on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), and
- such obligation cannot be avoided by us through the taking of reasonable measures available to us.

No notice of redemption for an additional amounts event (as defined herein) shall be given sooner than 90 days prior to the earliest date on which we would actually be obliged to pay such additional amounts.

Optional special event redemption:

The Notes may be redeemed at any time at our option and sole discretion in whole, but not in part, if a special event has occurred and is continuing, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), on not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes, which notice shall be irrevocable, at a redemption price equal to (i) in the case of a redemption prior to the first call date, the make-whole amount (as defined herein) and any additional amounts thereon and (ii) in the case of a redemption on or after the first call date, the principal amount of the Notes, together with interest accrued (including arrears of interest) to the date fixed for redemption, and any additional amounts thereon.

A "special event" means:

- a "regulatory event", which means any amendment or change to the Insurance Business Act or related regulations (including any successor laws and regulations), or any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, that is publicly announced after the date of the issuance of the Notes and that results or will result (for the avoidance of doubt, including after giving effect to any applicable grandfathering or similar provisions) in the Notes (in whole or in part) no longer qualifying as subordinated debt (*fusaisei shihon*) under the Insurance Business Act included in the determination of Nippon Life's solvency margin ratio or as a similar class of regulatory capital included in the determination of such other measure of capital adequacy then used by the applicable regulatory requirements, and, in each case, such disqualification cannot be avoided by us through the taking of reasonable measures available to us,

- a "tax deductibility event", which means the occurrence of a more than insubstantial increase in the risk that interest payable by us on the Notes is not or will not be deductible by us, in whole or in part, for Japanese (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) tax purposes, as a result of (i) any change (including any officially announced proposed changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Japan (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), or (ii) any administrative decision, judicial decision, administrative action or other official pronouncement interpreting or applying such laws, regulations or rulings that is announced on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), and, in each case, such non-deductibility cannot be avoided by us through the taking of reasonable measures available to us, or
- a "rating agency event", which means a publication by Standard & Poor's, Moody's Investors Service or Fitch (including any successors to their respective ratings businesses), that an amendment, clarification or change has occurred or will occur in the equity credit criteria, guidelines or methodology of such rating agency, which amendment, clarification or change results or will result in (i) the shortening of the length of time the Notes are assigned a particular level of equity credit by such rating agency as compared to the length of time the Notes would have been assigned that level of equity credit by such rating agency on the date of the issuance of the Notes, or (ii) a lower equity credit for the Notes than the equity credit assigned by such rating agency on the date of the issuance of the Notes.

No notice of redemption shall be given sooner than (i) in the case of a tax deductibility event, 90 days prior to the earliest date on which such additional tax liability as a result of such non-deductibility would actually become due with respect to our interest payments on the Notes, (ii) in the case of a regulatory event, 90 days prior to the earliest date on which such disqualification would actually become effective with respect to the Notes or (iii) in the case of a rating agency event, 90 days prior to the earliest date on which such amendment, clarification or change would actually apply with respect to the Notes.

Any optional redemption, optional additional amounts redemption or optional special event redemption may be permitted only if (i) our solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) we procure qualifying financing, which includes issuance of foundation funds and subordinated debt financing, in an amount not less than the amount of the redemption.

See "Description of the Notes—Redemption."

Limited Rights of Acceleration .... The Notes may not be accelerated upon a default in the payment of principal of or interest on the Notes, upon the non-performance of any covenant by us in relation to the Notes or upon the happening of any other event in relation to the Notes other than a subordination event, which would only occur in the event that liquidation, bankruptcy, reorganization or rehabilitation shall have commenced with respect to us or we shall have become subject to other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, and in such cases, payment on the Notes would remain subject to subordination.

See "Description of the Notes—Events of Acceleration; Limited Rights of Acceleration."

Use of Proceeds .... We intend to use the net proceeds from the offering of the Notes for general corporate purposes.

Global Securities .... The Notes will be initially represented by one or more global certificates in fully registered form without interest coupons (the "global securities"). The global securities will be deposited upon issuance with the custodian for The Depository Trust Company ("DTC") and registered in the name of DTC or its nominee. Beneficial interests in the global securities may be held only through DTC (or any successor clearing system that holds global securities) and its participants, including Euroclear Bank, S.A./N.V. ("Euroclear") and Clearstream Banking S.A. ("Clearstream").

The security numbers for the Notes are as follows.

For the Notes sold under Regulation S:	
CUSIP No.:	J54675 AC7
ISIN:	USJ54675AC78
Common Code:	134135654
For the Notes sold under Rule 144A:	
CUSIP No.:	654579 AE1
ISIN:	US654579AE17
Common Code:	134135786

	Beneficial interests in the global securities will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants. The sole holder of the Notes represented by a global security will at all times be DTC or its nominee (or a successor to DTC or its nominee), and voting and other consensual rights of holders of the Notes will be exercisable by beneficial owners of the Notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the global securities may not be exchanged for definitive Notes except in the limited circumstances described under "Description of the Notes—Book-entry; Delivery and Form—Exchange of Global Securities for Definitive Notes."
Governing Law	The Notes and the Indenture will be governed by and construed in accordance with the laws of the State of New York.
Ratings	It is expected that the Notes will be assigned with ratings of A3 by Moody's Investors Service and A- by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies.
Listing and Trading	Approval in-principle has been received for the listing of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of $200,000 for so long as the Notes are listed on the SGX-ST.
Trustee, Paying Agent, Calculation Agent, Make-Whole Calculation Agent and Notes Registrar	The Bank of New York Mellon.

RISK FACTORS

Prior to making an investment decision, you should carefully consider the following risks, along with the other information in this offering circular.

Risks Related to Our Business

Adverse financial market and economic conditions in Japan and elsewhere may have a material adverse effect on our business, financial condition and results of operations.

Our business, financial condition and results of operations are materially affected by financial market and economic conditions in Japan and elsewhere. In Japan, market conditions, such as stock prices, have generally improved since 2013 due in part to economic and monetary stimulus measures aimed at overcoming deflation and expectations that structural reform measures would be implemented by the Japanese government to stimulate the economy. However, the future outlook of the Japanese economy remains uncertain. Particular concerns include the prospect for ending deflation, the potential negative consequences of an increasing budget deficit, and stagnating or decreasing consumer demand resulting from the increase in consumption tax from 5% to 8% in April 2014, which appears to have been the primary cause of Japan's dip into recession in the second quarter of 2014, and the scheduled further increase in consumption tax from 8% to 10% in April 2017. Outside of Japan, there is uncertainty over the effect of the interest rate increase by the U.S. Federal Reserve Board (the "Federal Reserve") in the United States in December 2015 and the possibility of further increases. In addition, there is continuing uncertainty about the expected level of growth of a number of emerging countries, and in particular, China in light of its recent series of interest rate cuts in response to an economic slowdown and recent declines and volatility of its stock market, along with concerns about its ability to successfully rebalance its economy toward more consumption and less investment. In Europe, economic conditions continue to be weak notwithstanding the ongoing economic stimulus measures by the European Central Bank and certain countries of the Eurozone. There are also concerns about the potential effects of conflicts in the Middle East and terrorist actions in Europe and elsewhere on global financial markets and economic conditions.

In the event of any economic downturn in Japan or elsewhere, which may be characterized by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for insurance and annuity products could be adversely affected. Policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. We may also experience an elevated incidence of claims and surrenders or lapses of policies. In addition, such downturns generally result in lower interest yields and declines in stock prices and dividends from stocks, which negatively affect our net investment income. Accordingly, adverse or worsening economic conditions in Japan or elsewhere could adversely affect our business, financial condition and results of operations.

Changes in the value of Japanese and foreign equity securities may have a material adverse effect on our business, financial condition and results of operations.

We maintain equity holdings in Japanese and foreign companies. For example, as of September 30, 2015, domestic equity and foreign equity (including foreign bond-type investment trust and yen-denominated preferred securities) accounted for 13.8% and 6.0%, respectively, of the total assets in our general account. Global financial markets, including the Japanese equity markets, have experienced severe volatility in recent years. Although the Nikkei 225 Index has significantly increased since 2012, reaching 20,952.71 on June 24, 2015, it has continued to experience volatility and closed at 18,374.00 on January 5, 2016.

Declines in stock prices may decrease the amount of net unrealized gains on available-for-sale securities, which may negatively affect our net assets, total solvency margin and solvency margin ratio. In addition, declines in stock prices may result in losses on valuation or impairment of securities, losses on sales or disposition of securities or reversal of the reserve for price fluctuations in investments in securities, and thus may also adversely affect our business, financial condition and results of operations.

Changes in interest rates may materially affect our profitability.

In an effort to manage our investment assets in a manner appropriate to our liabilities, which arise from the insurance policies we underwrite, we engage in ALM, which takes into consideration the long-term balance between assets and liabilities in an effort to ensure stable returns. Any failure to conduct ALM activities in an appropriate manner, or any significant changes in market conditions beyond what our ALM activities can reasonably address, could have a material adverse effect on our financial condition.

In general, our liabilities to policyholders have a longer duration than our investment assets. Therefore, during periods of declining interest rates, our average yield on investment declines as maturing investments, along with bonds and loans that are redeemed or prepaid to take advantage of the lower interest rate environment, are replaced with new investments that provide lower yields. This reduces the yield on our investment portfolio while premiums remain generally unchanged on outstanding policies. As a result, our profitability and ability to meet long-term policy commitments can be materially and adversely affected. For example, the significant decline in yen interest rates during the 1990s resulted in a lower average yield on our investment portfolio than the assumed yield used to set premium levels on then-existing policies, a phenomenon known as “negative spread.” In recent years, we have significantly diminished negative spread through reductions in average assumed yield and also improvements in investment portfolio yields. At the closing of accounts for the year ended March 31, 2015, we recorded no negative spread for the fifth consecutive year. However, there can be no assurance that our efforts to avoid or maintain a low level of negative spread will continue to be successful.

An increase in interest rates, while increasing investment yields, also reduces the fair value of fixed-income investments classified as available-for-sale securities acquired prior to such increase, thereby adversely affecting net assets. Such an increase in interest rates may also prompt surrenders of policies, including single-premium individual whole life insurance policies, as policyholders seek investments with higher returns. In October 2014, the Bank of Japan (the “BOJ”) announced an expansion of its monetary easing measures and reaffirmed its 2% inflation target initially set in January 2013. The BOJ further reaffirmed its 2% inflation target in September 2015, and in December 2015 it announced supplementary monetary easing measures to help achieve that target. Because interest rates are often determined by considering inflation trends, inflation may result in an increase in interest rates. In addition, an increasing budget deficit may also result in an increase in interest rates.

As a result, both decreases and increases in interest rates, particularly when they occur suddenly, could have a material adverse effect on our financial condition.

Our investment portfolio exposes us to a number of other risks in addition to risks related to changes in the value of equity securities and changes in interest rates.

Generating stable investment income is important to our operations. We invest in a variety of asset classes, including JGBs and corporate bonds, foreign government and corporate bonds, Japanese stocks, foreign stocks, loans, real estate and alternative investments. These assets are subject to the normal risks associated with these kinds of investments, including the risk that changes in market prices, interest rates, market indices, levels of volatility, price correlations, liquidity or other market factors might result in losses for a specific position or portfolio and the risk that a counterparty to a transaction might fail to perform under its contractual commitment, resulting in our incurring losses, which create significant challenges in managing our large investment portfolio and can result in declines in our revenues and profit margins. Aside from risks related to changes in the value of equity securities and changes in interest rates, which are discussed in separate risk factors above, the material risks to which our investment portfolio exposes us are summarized below.

Foreign exchange risk. Our exposure to fluctuations in foreign exchange rates results mainly from our holdings of stocks and bonds denominated in currencies other than the yen, in particular, the U.S. dollar and the euro. As of September 30, 2015, 23.1% of our general account assets was denominated in foreign currencies. We hedge our foreign exchange risk with respect to a portion of the principal of and interest on our foreign currency-denominated fixed income investments. While many of our non-yen-denominated general account investments have been hedged against foreign exchange risk, the foreign exchange markets have been experiencing significant volatility and significant strengthening of the yen against major foreign currencies may expose us to the risk of significant foreign exchange losses.

Credit risk. Credit risk refers to the risk of incurring losses when the value of assets, primarily bonds and loans, declines or disappears due to deterioration of the financial condition of a party to whom credit has been extended. We are subject to a variety of credit risks, including the risk that issuers of bonds we hold will suffer a decline in creditworthiness or default on principal and interest payments due on their obligations or that the counterparties to the over-the-counter derivative instruments with which we hedge market risk will default. Domestic and foreign bonds represented 37.2% and 20.3% of the total assets in our general account, respectively, as of September 30, 2015. Any decline in the creditworthiness of issuers of bonds we hold or default by such issuers on payments due on their respective obligations or any failure by a counterparty to honor the terms of its derivative instruments with us could lead to losses or reduced gains on valuation or sales of securities. Such losses and reduced gains would have an adverse effect on our financial condition and results of operations. In addition, loans represented 13.7% of the total assets in our general account as of September 30, 2015, with loans to large Japanese corporations (defined as corporations with capitalization of ¥1.0 billion or more and a specified number of full time employees varying by industry (over 50 for retailing or restaurant businesses, over 100 for service industries and wholesale businesses, and over 300 for other industries)) accounting for 65.8% of our total balance of ¥7,348.6 billion in domestic loans as of September 30, 2015. We are exposed to the risk that the financial condition of our borrowers will erode, which could lead to increased credit costs in our lending portfolio. We provide for an allowance for doubtful accounts based on evaluations and estimates regarding borrowers; however, actual losses on loans could exceed the amount of the allowance and, in the event of failures or a deterioration of the creditworthiness of borrowers, we could be required to increase allowance amounts.

Real estate investment risk. As of September 30, 2015, real estate represented 2.8% of the total assets in our general account. Real estate prices (*koji-kakaku*) continued to decrease during the years ended March 31, 2013 and 2014, although in the year ended March 31, 2015 residential property prices decreased at a more moderated pace and commercial property prices were steady, according to the Ministry of Land, Infrastructure, Transport and Tourism of Japan. Average real estate prices in Tokyo, Osaka and Nagoya declined in the year ended March 31, 2013, and although they increased in each of the years ended March 31, 2014 and 2015, remain subject to uncertainty. Our real estate-related income may decrease in the future due to declines in real estate prices or market rents, failure to lease available properties or other factors. Our financial condition and results of operations could be materially and adversely affected as a result.

A reduction or perceived reduction in our financial strength, including as a result of any downgrade of our credit or financial strength ratings or outlook, or any negative events related to our business or the Japanese life insurance industry could have a material adverse effect on our business, financial condition and results of operations.

Developments that have the effect of reducing our actual or perceived financial strength could result in increases in policy surrenders and withdrawals, increased funding costs or decreases in new policy sales and other difficulties with respect to our investment, funding and capital-raising activities. Such effects could be caused by an actual or potential downgrade of our credit or financial strength ratings or outlook by credit rating agencies, including as a result of downgrades to Japan's sovereign debt rating, or by a significant decline in our solvency margin ratio, as well as by negative media coverage, rumors or developments concerning our business or the Japanese life insurance industry. Significant declines in our solvency margin ratio, particularly in comparison with other major Japanese life insurance companies, may also result in our being unable to raise financing in the capital markets on favorable terms, or at all, and could have a material adverse effect on our business, financial condition and results of operations.

Differences between future claims and benefits and the actuarial assumptions used in pricing and establishing reserves for insurance and annuity products may have a material adverse effect on our business, financial condition and results of operations.

Our earnings depend significantly upon the extent to which actual claims and benefits are consistent with the assumptions used in pricing our products and determining the appropriate amount of policy reserves. Such assumptions include future mortality and morbidity rates, investment returns and administrative expenses. Actual mortality and morbidity rates that are higher, investment returns that are lower or expenses that are higher than those projected could have a material adverse effect on our business, financial condition and results of operations. In recent years, we have increased our sales efforts with respect to products that insure non-traditional risks, including third-sector insurance products, a term used in Japan to refer to products such as medical insurance, cancer insurance and nursing care insurance products. See "Glossary of Certain Terms." The assumptions used in pricing such products involve an elevated degree of uncertainty, as they are often based on limited experience when compared to assumptions used for life insurance and annuity products covering traditional risks.

Pursuant to the Insurance Business Act, we calculate our required policy reserves periodically and record any necessary changes in those reserves as expenses or revenues. To the extent that actual claims are less favorable than the assumptions originally used, or if changing circumstances require us to modify our underlying assumptions, we could be required to increase our policy reserves for new policies. For example, in recent years, in light of the low interest rate environment, we have decreased the assumed yield used in calculating our standard policy reserve in accordance with applicable regulations. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation—Policy reserves." A decrease in the assumed yield requires us to increase our policy reserves for certain products, which may lead us to increase the pricing of such products based on factors such as the market environment and our business strategy. Accordingly, increases in policy reserves, if significant, could have a material adverse effect on our business, financial condition and results of operations, particularly if we are unable to successfully respond to such requirements from a strategic and competitive perspective.

Our sales are concentrated in individual life insurance policies and individual annuity products.

A high percentage of our sales are derived from the individual life insurance and individual annuity markets. For example, for the year ended March 31, 2015 and the six months ended September 30, 2015, premiums from individual life insurance policies represented 56.9% and 49.4% of our total premium income on a nonconsolidated basis, respectively. For the same periods, premiums from individual annuity products represented 9.5% and 8.4% of our total premium income on a nonconsolidated basis, respectively.

A variety of factors affect the Japanese market for individual life insurance policies and individual annuity products, including:

- long-term demographic trends affecting the composition of Japan's population, such as declining or low birthrates and the overall aging of the population;
- levels of employment and household income in Japan;
- the relative attractiveness of alternative savings and investment products; and
- public perception of the financial strength, integrity and reputation of life insurance companies.

In particular, the market for mortality insurance has continued to shrink in line with Japan's declining population. Changes in these and other factors could result in a decrease in sales of new individual life insurance policies and individual annuity products, an increase in policy surrenders or a decrease in the profitability of our products, any of which would have a material adverse effect on our business, financial condition and results of operations.

Our risk management policies and procedures may be ineffective.

Our risk management policies and procedures are designed to address a broad range of risks, encompassing risks relating to insurance underwriting, investments, liquidity, operations and systems. Many of our methods of managing risks and exposures are based on observed historical market behavior or statistics based on historical data. Such methods may inadequately predict future losses, which could be significantly greater than indicated by the relevant historical data. Other risk management methods depend in part on our evaluation of publicly available information regarding markets, customers or other factors. Such information may not always be accurate, complete, up-to-date or properly evaluated. In addition, our risk management procedures depend in part on the consolidation of information gathered from our numerous branches and other sources, and errors may be introduced during the process of gathering and compiling such information. Management of operational risk requires, among other things, policies and procedures to record and verify a large number of transactions and events, and our policies and procedures may not be entirely effective.

Operational errors by our employees, strategic partners or third-party service providers could result in reputational or financial harm to us or regulatory sanctions. More generally, any failure or ineffectiveness of our risk management policies or procedures could have a material adverse effect on our business, financial condition and results of operations.

In addition, as the domestic and overseas life insurance markets evolve, we intend to broaden and diversify the range of products and services that we offer while expanding our domestic and overseas businesses and customer base. We may encounter difficulty achieving the risk management improvements necessary to manage the risks associated with such product diversification, business expansion and increased scale. Failure to adapt our risk management policies and procedures to changes in our business and in the environment in which we operate could have a material adverse effect on our business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management."

We are exposed to liquidity risk.

Many of our products permit policyholders to make policy withdrawals of a portion of accumulated premiums and to surrender their policies in return for the payment of a predetermined amount. We manage our liabilities and configure our investment portfolios to provide and maintain sufficient liquidity to meet anticipated withdrawal and surrender demands, payments of policy benefits and requests to pledge collateral in relation to derivative contracts with financial and other institutions. However, a portion of our assets, such as real estate, loans, certain alternative investments such as limited partnership interests in private equity funds, and securities that are not publicly traded, are generally illiquid. If we are required to pay significant amounts of cash on short notice, for example, due to unanticipated withdrawal or surrender activities or a catastrophic event such as a pandemic or natural disaster, we could exhaust our liquid assets and be forced to liquidate other assets, possibly on unfavorable terms. In addition, turmoil in financial markets could lead to a liquidity crisis in which we are unable to dispose of our otherwise liquid assets on favorable terms or at all. If we are forced to dispose of assets on unfavorable terms or are unable to dispose of assets, our financial condition and results of operations could be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Liquidity Risk Management."

Our financial condition and results of operations will be negatively affected if we are required to reduce our deferred tax assets.

Pursuant to Japanese GAAP, we establish, with respect to each consolidated entity, deferred tax assets for tax benefits that are expected to be realized during a period that is reasonably foreseeable, net of deferred tax liabilities. The calculation of deferred tax assets is based on various assumptions, including assumptions with respect to future taxable income. Adverse changes in economic conditions or other factors could lead us to decrease our estimated future taxable income which would require us to increase the valuation allowance for our deferred tax assets. As a result, we would recognize additional income tax expense and our results of operations could be materially adversely affected.

In addition, changes in Japanese tax policies could result in the reduction of our deferred tax assets. For example, in June 2014, the Cabinet Office of Japan (the "Cabinet Office") endorsed a new economic and fiscal policy blueprint, and the effective corporate income tax rate of companies generally in Japan was reduced from 34.62% to 32.11% starting in April 2015. Such effective corporate income tax rate is expected to be further reduced to 29.97% in April 2016. In the event our effective statutory tax rate decreases, our results of operations would likely improve in the mid- to long-term. On the other hand, a decrease in our effective statutory tax rate may require us to reverse our deferred tax assets estimated based on the corporate income tax rates in effect prior to the reform, and this could have an adverse effect on our results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates—Deferred Tax Assets and Deferred Tax Liabilities."

Changes in relationships with or performance of strategic partners or investee companies could harm our business, financial condition and results of operations.

In recent years, we have entered into a number of business alliances and other transactions with companies inside and outside the life insurance industry to expand our distribution channels and product offerings, in the interest of increasing our long-term profitability. Domestically, we have entered into business alliances with Aioi Nissay Dowa Insurance Co., Ltd. ("Aioi Nissay Dowa"), a subsidiary of MS&AD Insurance Group Holdings, Inc., and other corporate groups such as the Nichii group. Also, we have recently made majority investments in companies such as Life Salon Co. ("LifeSalon"), Life Plaza Partners Co. ("Life Plaza Partners") and Mitsui Life. Internationally, we have established long-term strategic relationships with overseas companies in the life insurance and asset management industries, such as Reliance Life and Reliance Capital Asset Management, and most recently NAB, in connection with our proposed acquisition of MLC. See "Business—Overseas Operations and Strategic Alliances" and "Business—Domestic Strategic Alliances".

Under our new three-year management plan, we expect to continue to seek such opportunities for investments and strategic business alliances as part of our strategy to strengthen our group-wide businesses. If our strategy does not succeed, for example, due to our strategic partners or investee companies encountering financial or other business difficulties or developing strategic objectives that conflict with ours, it could have an adverse effect on our business, financial condition and results of operations, and it may become difficult for us to terminate the alliance or recover invested capital.

We are subject to risks associated with our international operations, overseas asset management and continuing overseas expansion.

We have been expanding our overseas insurance operations in an effort to secure revenue sources outside of the Japanese market and capture the growth of overseas markets as further evidenced by our proposed acquisition of MLC and our proposed increase in our equity stake in Reliance Life. Through overseas representative offices, subsidiaries and affiliates, as well as through a variety of capital tie-up and joint venture arrangements, we engage in the life insurance business in various markets around the world, including markets such as the United States, China, India, Thailand and Indonesia. While we believe these markets have growth potential, with respect to emerging markets, there can be no assurance that penetration rates for life insurance products will increase to the extent we expect or to the levels seen in more mature markets.

In addition, we are exposed to risks relating to our overseas asset management business as we continue to seek to expand in this area through our subsidiary NAM and our affiliate Reliance Capital Asset Management and through business alliances with overseas asset management companies.

Our international operations, overseas asset management and continuing overseas expansion, including through our proposed acquisition of MLC, expose us to a number of risks with which we have little or no experience, including:

- unfavorable political or economic factors;
- fluctuations in foreign currency exchange rates;
- potentially adverse tax consequences;
- difficulties and uncertainties in obtaining and maintaining necessary government or regulatory approvals;
- unexpected legal or regulatory changes;
- limited understanding of customer needs, market conditions and local regulations;
- difficulties in recruiting and retaining personnel and managing international operations;
- less developed infrastructures;
- negative economic, social or political developments;
- cultural and societal differences;
- the occurrence of natural or man-made disasters, or acts of violence or war; and
- competition with other multinational or local firms.

Entry into new markets may also bring us into competition with additional multinational firms. Although forming long-term partnerships with prominent overseas insurance and asset management companies and steadily expanding our operations and asset management in other countries around the world is a part of our corporate strategy, because of the risks associated with overseas expansion, including the risks described above, there can be no assurance that this expansion will be successful. We may suffer impairment losses on our overseas investments and could withdraw from markets where we do not achieve our intended goals.

Any failure or delay in completing our proposed acquisition of MLC could adversely impact future business and operations.

On October 28, 2015, we entered into a definitive agreement with NAB to acquire 80% of the outstanding shares of NAB's wholly owned life insurance subsidiary MLC for aggregate consideration of up to approximately A$2.4 billion (approximately ¥204 billion). We currently expect the acquisition to be completed between September and December 2016. However, the proposed acquisition is subject to a number of closing conditions, including approvals or clearances by various governmental authorities, including Japanese and Australian insurance regulators. In addition, the existing investments business will be carved out of MLC prior to the acquisition in the form of an asset transfer, which could be a complex and time consuming process. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments." As a result, there can be no assurance that we will be able to complete the acquisition under the contemplated terms or proposed timeframe or at all. Also, if the proposed acquisition is not completed or is substantially delayed, we may incur unanticipated acquisition-related expenses.

We may not realize the anticipated synergies from our recent acquisition of Mitsui Life or from our proposed acquisition of MLC, if and when it is completed.

On December 29, 2015, we completed a cash tender offer for the outstanding shares of Mitsui Life for a total consideration of ¥322.2 billion and acquired a 96.34% stake, thereby making it our majority-owned subsidiary. Our acquisition of Mitsui Life is a part of our strategy to expand our domestic life insurance business by providing products and services to meet the diversifying needs of our customers, enhancing our multi-channel distribution platform, taking advantage of potential cost synergies between us and Mitsui Life and upgrading our after-sales and other customer support services. However, developing and implementing an integrated strategy can be a time consuming and complicated process, and may not be successful.

Similarly, we believe that our proposed acquisition of MLC, which represents our first overseas majority acquisition, is an important step toward strengthening our group-wide businesses and profitability. However, our experience in operating an overseas life insurance company is limited, so we will be dependent to a significant degree on the retention and future performance of existing and any incoming management in MLC's life insurance business, as well as NAB, which will retain a 20% interest in MLC following the completion of the acquisition and has agreed to enter into a 20-year distribution agreement with MLC, pursuant to which NAB will help to grow the MLC business in partnership with us.

If we are unable to realize the anticipated benefits or synergies from these acquisitions, our business, financial condition and results of operations may be adversely affected.

We expect to realize goodwill as a result of our proposed acquisition of MLC, and changes in future business conditions could cause goodwill to become impaired.

In connection with our proposed acquisition of MLC we expect to amortize the goodwill attributable to the respective acquisition over a period of up to 20 years in accordance with Japanese GAAP. We will be required to evaluate periodically whether such goodwill has become impaired, and the impairment test is based on several factors requiring judgment. If goodwill becomes impaired, we would be required to recognize impairment losses that would adversely affect our financial condition and results of operations.

We may engage in further acquisitions, joint ventures and other strategic transactions intended to complement or expand our business. We may not be able to complete these transactions and, if executed, these transactions could pose major risks and could have a negative effect on our operations.

Our future success depends in part on whether we can acquire other businesses or enter into joint ventures or other strategic transactions that could complement, enhance or expand our current business or that we believe might otherwise offer us growth opportunities. If we are unable to identify suitable targets, we may not be able to achieve growth prospects that meet our current expectations. In addition, in pursuing acquisitions, we may face competition from other companies in the life insurance industry. Our ability to acquire targets may also be limited by applicable antitrust laws and other regulations in Japan and other jurisdictions in which we do business. Any transactions that we are able to identify and complete may involve a number of risks, including our inability to achieve the intended objectives of the transaction, negative impacts on our operating results during the integration process and the diversion of our management's attention from our existing business to integrate the operations and personnel of the acquired business or joint venture.

In addition, to the extent that we are successful in completing such transactions, we may have to expend substantial amounts of cash and incur debt and other types of expenses, and it is not certain that such transactions would actually yield the results we anticipated. We may not be able to successfully or profitably integrate, operate, maintain and manage any newly acquired operations or employees. As a result of any of the foregoing factors, we may be unable to achieve our strategic goals and our business, financial condition and results of operations may be adversely affected.

We may be unable to hire, train or retain a sufficient number of qualified sales representatives and other personnel or to contract with effective third-party sales agencies.

Competition to attract qualified sales representatives is intense in the Japanese life insurance industry. Like many of our competitors, our business depends to a significant extent on our ability to hire, train and retain qualified sales representatives. Sales representatives generate over half of our premium income. There is generally a high rate of turnover among sales representatives in the Japanese life insurance industry. Our efforts to retain or replace productive sales representatives may be unsuccessful. Other employees, including investment and actuarial personnel, also require a high level of expertise, and special efforts are required to attract, train and retain qualified personnel. If we are unable to attract, train and retain qualified and experienced sales representatives and other personnel, or if we find it necessary to offer increased sales incentives to retain sales representatives, this could have a material adverse effect on our business, financial condition and results of operations.

In addition, third-party sales agencies are increasingly important to our business. If we are unable to attract new and retain current third-party sales agencies, this could have a material adverse effect on our business, financial condition and results of operations.

Our plans to maintain sales of life insurance products through the bancassurance channel may be unsuccessful.

We have strengthened our efforts to sell life insurance products through banks and other financial institutions, and we rely in part on this bancassurance channel for new sales, although on a smaller scale than our sales representative channel. We sell individual annuities and single-premium individual whole life insurance through the service counters of the bancassurance channel under agency agreements with over 300 financial institutions throughout Japan, including banks, securities companies and credit unions. Because our relationships with these financial institutions are non-exclusive, the level of sales of our products through these agents depends on the competitiveness of our products relative to those of our competitors, including as to pricing, benefits and other features. As a result, competition among life insurance companies to obtain and maintain bancassurance relationships is intense.

Although we aim to maintain stable sales via this channel, there can be no assurance that we will succeed in maintaining our sales or achieving targeted profitability or that we will be able to compete effectively. In addition, competition between our bancassurance agents and our own sales representatives could increase in the future.

Any failure of information technology systems could harm our business, financial condition and results of operations.

We rely heavily on information technology systems, including those of third-party service providers, to manage customer policies, manage investments in assets, record and maintain statistics and personal information of our customers and in other areas of our operations. As we expand our operations and product offerings, our information technology systems may require additional expenditure. Moreover, since April 2012, we have been using a paperless insurance distribution system through the introduction of a new wireless device called “REVO,” which enables our sales representatives to perform a number of procedures during customer visits.

Our information technology systems could fail due to various causes, including problems affecting the Internet generally or damage to equipment, software or networks as a result of accidents, fires, natural disasters, power loss, high user volume, human error, sabotage, hacking, employee misconduct, software and hardware defects and malfunctions, viruses or network security breaches. Any such failure could disrupt the services that we provide to customers at our branches, our payments and collections, the management of our assets or the use of our REVO devices by our sales representatives, among other things. Such failures could also have other adverse consequences, including reputational damage, customer dissatisfaction and a loss of customer confidence, which could result in increased policy surrenders, a decrease in new policy sales and legal or regulatory sanctions.

In addition, because our operations and information technology and other systems, as well as those of our third-party service providers and business partners, are concentrated in metropolitan areas in Japan, an earthquake, tsunami or other disaster affecting such metropolitan areas could significantly disrupt our operations. There can be no assurance that we or our third-party service providers and business partners would be able to resume service in a timely fashion, or at all, in the event of any such natural disaster.

If our customers’ personal information is lost, accidentally disclosed or misappropriated, or if information security is otherwise breached, we could be subject to reputational harm or legal claims.

We make extensive use of online services and centralized data processing, including through third-party service providers, and the REVO devices carried by our sales representatives handle and transmit personal information of our customers. Secure maintenance and transmission of confidential information is therefore a critical element of our operations. Information security measures that we implement or that are implemented by our third-party sales agencies, our third-party service providers or our business partners may be insufficient to prevent the loss, accidental disclosure or misappropriation of customer information, or the compromise of information and communications systems. Inadvertent loss, disclosure or misappropriation of customer information by our own employees or sales representatives would subject us to similar risks. Japanese media, regulators and consumers have intensified their scrutiny of incidents involving the loss, disclosure or misappropriation of personal information in recent years. In addition, the Personal Information Protection Act of Japan (Act No. 57 of 2003, as amended) (the “Personal Information Protection Act”) imposes stringent regulatory requirements applicable to our handling of customers’ personal information. If we were to lose customers’ personal information or if a third party were able to penetrate our network security, or that of our third-party sales agencies, service providers or business partners, or otherwise misappropriate personal information of our customers, we could be subject to reputational harm, legal claims or sanctions by regulatory authorities.

Misconduct by sales representatives, other employees, third-party sales agencies, third-party service providers or customers could subject us to losses.

Misconduct by sales representatives, other employees, third-party sales agencies or third-party service providers can include, among other things, illegal sales practices, fraud, identity theft and loss or misuse of personal information, which could result in legal violations, regulatory sanctions or reputational or financial harm. The vast majority of our sales representatives, other employees, third-party sales agencies and third-party service providers operate with considerable autonomy. Moreover, our sales representatives, some of our other employees, third-party sales agencies and third-party service providers have direct contact with customers and knowledge of their personal and financial information. Also, customers may engage in fraudulent activities, including fraudulent use of policies or the use of false identities to open policies. Customers who have not revealed that they are members of anti-social groups may also enter into transactions with us. Though we have adopted measures to prevent or detect such fraudulent activities, our efforts may prove ineffective in preventing fraudulent or illegal activity or transactions with anti-social groups. In the event our sales representatives, other employees, third-party sales agencies, third-party service providers or customers engage in any misconduct, our reputation could be seriously damaged and we could become subject to significant legal liabilities and regulatory sanctions, which could have a material adverse effect on our business.

Declines in our pension assets or revisions in actuarial assumptions could increase our pension costs.

We have incurred and may in the future incur losses relating to our pension plans from changes in the market values of plan assets, declines in returns on our pension plan assets or changes in the assumptions and investment returns on which the calculation of the projected pension benefit obligation is based. We may also experience unrecognized prior service costs in the future resulting from amendments to our pension plans.

We are regularly involved in litigation related to our insurance operations, which could result in financial losses or otherwise harm our businesses.

We are regularly involved in litigation related to our insurance operations. While we cannot predict the outcome of any pending or future litigation, we do not believe that any pending legal matter will have a material adverse effect on our business, financial condition and results of operations. However, given the inherent unpredictability of litigation, it is possible that an adverse outcome could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to the Life Insurance Industry

Demographic trends in Japan will continue to have an adverse effect on the Japanese life insurance industry.

Since the 1970s, Japan's birthrate has generally been in decline and is currently one of the lowest in the world. As a result, the number of people aged between 15 and 64 declined by 8.5% from 86.3 million in 2000 to 79.0 million in 2013. This age group represents Japan's potential workforce and includes in any given year substantially all of our customers for core insurance products with death benefits. Partly due to these demographic trends, total life insurance policy amounts in force for all life insurance companies in Japan declined by 12.5% from ¥1,564 trillion as of March 31, 2006 to ¥1,368 trillion as of March 31, 2015, according to The Life Insurance Association of Japan (the "Life Insurance Association"). The National Institute of Population and Social Security Research of Japan projects that the number of people aged between 15 and 64 will decrease from 79.0 million in 2013 to an estimated 67.7 million in 2030 and will continue to decline for decades thereafter. If these trends continue to lead to reduced demand for life insurance products, the scale of our life insurance business may diminish, which could have a material adverse effect on our business, financial condition and results of operations.

Competition in the Japanese financial services industry is increasing.

We face intense competition in the Japanese life insurance market from both domestic and foreign-owned life insurance companies and from large domestic financial service providers that either have their own insurance subsidiaries or enter into cooperative arrangements with major insurance companies. Competition has increased in the Japanese life insurance market in recent years due to industry deregulation, targeting of the bancassurance channel by competitors, an overall decline in demand for insurance products with death benefits and increased competition from foreign-owned insurance companies, among other factors. Japan's financial sector has also experienced significant consolidation in recent years, and further consolidation could affect the competitive environment for the sale and distribution of life insurance products.

Japan Post Holdings Co., Ltd. ("Japan Post Holdings") is a government-owned holding company with three primary subsidiaries through which it provides Japan's primary postal service, operates Japan's post offices, conducts deposit-taking and other banking activities and engages in the life insurance business. Japan Post Insurance, Japan Post Holdings' life insurance subsidiary, enjoys competitive advantages in the Japanese insurance market due to its large existing customer base, access to the nationwide network of post offices of Japan Post Co., Ltd. ("Japan Post") and favorable public perception of its stability due to its association with the government. In 2008, Japan Post Insurance began agency sales of the insurance products of a number of life insurance companies. Pursuant to the amendment to the Postal Service Privatization Act of Japan (Act No. 97 of 2005, as amended) (the "Postal Service Privatization Act"), which became effective in October 2012, the once-suspended process of disposal of the shares of Japan Post Insurance has resumed. The Postal Service Privatization Act provides that Japan Post Holdings must dispose of the shares of Japan Post

Insurance as soon as practicable while paying attention to Japan Post Insurance's operating environment and the influence on Japan Post Holdings' responsibility to maintain universal services. The Japanese government is also required to dispose of its shares of Japan Post Holdings, but must continue to own more than one third of the total equity interest of Japan Post Holdings. As the first phase of the privatization, initial public offerings of Japan Post Holdings, Japan Post Insurance and Japan Post Bank Co., Ltd. ("Japan Post Bank"), Japan Post Holdings' banking subsidiary, were completed on November 4, 2015. Following the listing of Japan Post Insurance, Japan Post Holdings owns approximately 89% of the outstanding shares of Japan Post Insurance. While the Postal Service Privatization Act provides that Japan Post Holdings must eventually dispose of all of its shares of Japan Post Insurance, Japan Post Holdings has announced its intention, as an initial matter, to reduce its equity interest in Japan Post Insurance in multiple stages to around 50%. There is uncertainty over the timing of the completion of the privatization of Japan Post Insurance. Therefore, there may remain an appearance of government support for Japan Post Insurance, which could provide it with a competitive advantage. On the other hand, while Japan Post Insurance is currently required to obtain government approvals in order to enter into new businesses, under the Postal Service Privatization Act, if Japan Post Holdings disposes of 50% or more of its equity holdings in Japan Post Insurance, such legal restrictions may be relaxed upon submission of a notice to the government, thereby allowing Japan Post Insurance to expand its scope of business (such as through the expansion of the types of insurance policies that it sells or asset management services in which it engages). Consequently, as we compete with Japan Post Insurance in our primary business operations, we may be adversely affected by such competition. In addition, Japan Post Holdings has expanded its business alliance with American Family Life Assurance Company of Columbus ("AFLAC"), under which, among other things, Japan Post Insurance offers AFLAC cancer insurance policies and Japan Post has increased the number of post offices offering such policies. Furthermore, such competition may intensify as a result of deregulation of Japan Post Insurance accompanying such privatization or any favorable treatment given to Japan Post Insurance by the government. See "The Japanese Life Insurance Industry—Japan Post Insurance and Cooperative Insurance." We may also face competition from various cooperative associations such as the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, all of which offer competing life insurance products.

Deregulatory measures have permitted securities companies and banks to engage in sales of all types of life insurance and annuity products since 2007. Any future deregulatory measures that favor large, established financial conglomerates could result in additional consolidation in Japan's financial services industry. In addition, any future deregulatory measures that further relax the regulatory barriers between different financial services industries in Japan could intensify competition within these industries. There have been new entrants to the Japanese life insurance industry that rely on the Internet as their primary sales channel and operate with a low cost structure. While we believe that we are currently not in direct competition with these new market entrants, it is possible that we may face increasing price competition in the future.

Increased competitive pressures resulting from these and other factors may cause our new policies to decline and policy surrenders to increase, which could have a material adverse effect on our business, financial condition and results of operations.

As a Japanese insurance company, we are subject to extensive oversight of our business practices and must maintain a solvency margin ratio at or above required levels.

As a Japanese insurance company, we are subject to extensive oversight, including comprehensive regulation by the FSA under the Insurance Business Act and related regulations. The Insurance Business Act intends to protect policyholders, not security holders. The law places restrictions on the types of businesses in which we may engage, imposes limits on the types of investments that we may make and requires us to maintain specified reserves and a minimum solvency margin ratio. The Insurance Business Act also gives the Commissioner of the FSA broad regulatory powers over our business, including the authority to suspend operations, request information and conduct rigorous on-site inspections of books and records. In addition, we generally must receive prior approval of the Commissioner of the FSA for the sale of new insurance products and changes in the pricing terms of our products. See "Regulation of the Japanese Life Insurance Industry."

Currently, we are required to maintain a solvency margin ratio (a measure of capital adequacy) of at least 200%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Solvency Margin Ratio." If we fail to maintain our solvency margin ratio and other indicators of financial soundness at or above required levels, the Commissioner of the FSA could require us to take a variety of corrective actions. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation—Prompt corrective action."

In April 2010, amendments to the relevant regulations on the calculation of solvency margin ratio were promulgated to improve the credibility of Japanese solvency margin ratio regulations. Among other things, the amendments introduced restrictions on the inclusion of certain items in the amount of solvency margin, limited the amount of subordinated debt and surplus portion of insurance premium reserve and unearned premiums to "core margin," tightened risk assessments and required confirmation of the appropriateness of solvency margin ratio calculations by an actuary. For details of the amendments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Solvency Margin Ratio" and "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation—Solvency margin ratio."

The amendments took effect as of March 31, 2012, and we have been required to use this new calculation standard from the year ended March 31, 2012. Other amendments to the regulations, which also took effect as of March 31, 2012, included a new requirement for insurance companies to calculate their solvency margin ratio on a consolidated basis as well as on a nonconsolidated basis.

Furthermore, in connection with the development and possible introduction of new standards for solvency assessment by the International Association of Insurance Supervisors (the "IAIS"), the FSA, which is a member of the IAIS, has announced a plan to discuss the adoption of an economic-value based solvency regime and use of internal models in the course of its medium-term review of solvency margin regulations. Specifically, the FSA mentioned the possibility of adopting an economic-value based solvency regime in its supervisory policy for the one-year period from July 2009 to June 2010, while also mentioning the necessity of understanding practical issues facing insurance companies. Starting in June 2010, the FSA first conducted field tests of an economic-value based solvency regime covering all insurance companies and published the results in 2011. In June 2014, the FSA conducted additional field tests, the results of which were published in June 2015. At the same time, the FSA announced its intention to conduct further examinations toward the adoption of a specific framework concerning the economic value-based solvency regime. Although the timing of such adoption is yet to be decided, it is likely that the discussion regarding its adoption will continue. The adoption of such an economic-value based solvency regime is expected to result in regulations significantly different from existing regulations and may have a significant impact on the operations and asset management of the Japanese life insurance industry given the responsive nature of such a regime to fluctuations in interest rates. Additional requirements that may be proposed in the future, such as the risk-based global insurance capital standard currently developed by the IAIS as part of its Common Framework for the Supervision of Internationally Active Insurance Groups ("IAIG") or the recovery and resolution planning, group-wide supervision and higher loss-absorbency requirements developed for global systemically important insurers ("G-SIIs"), could result in significant changes to the current solvency margin regulations. If we are designated as an IAIG or G-SII, we could become subject to these new requirements potentially resulting in new limitations on our business or investment activities.

Future changes in laws and regulations, as well as judicial and other interpretations, applicable to us could adversely affect our business, financial condition and results of operations.

Changes in laws and regulations and their interpretations, and changes in government policies regarding their enforcement could adversely affect our new policy sales, lead to increased compliance risk, increase the level of competition we face or otherwise adversely affect our business. Examples of such changes that have had, or could have, an adverse effect on our business, financial condition and results of operations are described below.

For example, as a result of amendments to the Insurance Business Act that became effective in 2007, rules applicable to sales of certain insurance products with investment characteristics became more stringent, similar to those applicable to sales of financial instruments. Our sales representatives and third-party sales agencies may encounter difficulties adjusting their sales practices to comply with future regulatory changes. In addition, we may face increased compliance risk as a result of regulatory actions against us or our competitors or in connection with future expansions of our product offerings and related regulatory initiatives, any of which could adversely affect our business strategies or require significant additional expenses for training, improved compliance or remediation.

Regulations under the Insurance Business Act generally prohibit Japanese corporations from acting as life insurance companies' sales agencies for the sale of life insurance products to their own management and employees and other persons affiliated with their own corporation. Similar regulations do not exist with respect to non-life insurance products, and most major Japanese corporations maintain subsidiaries that act as non-life insurance companies' sales agencies for the sale of non-life insurance products to their own management, employees and affiliated persons. If this prohibition on the sale of life insurance products is lifted, the life insurance subsidiaries of non-life insurance companies may be able to take advantage of their parents' existing relationships with sales agencies and act as life insurance sales agencies to major corporations. In such event, we may experience a competitive disadvantage and our new policies could decline.

In addition, income tax laws permit individuals to deduct for income tax purposes all or a portion of the premium payments on almost all of the insurance and annuity products purchased from us. Similarly, corporate and small business policyholders are permitted to deduct as a business expense, subject to certain conditions, all or a portion of the costs of premiums on certain types of life insurance products, such as term life insurance, and on annuity products. These and other favorable tax provisions enhance the appeal of our insurance and annuity products to our customers. Japanese tax reform in 2010 added a deduction for individual premium payments on long-term care insurance and health care insurance products, but reduced the maximum deduction for premium payments on life insurance and annuity products purchased on and after January 1, 2012. These or any further changes in Japanese tax laws or regulations that negatively affect the tax treatment of premiums on our insurance and annuity products could adversely affect our new policy sales.

In March 2012, the FSA tightened capital adequacy rules for internationally active banks and certain financial institutions, reflecting proposals made under Basel III on raising the quality, consistency and transparency of the capital base and enhancing risk coverage. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources." Such heightened capital requirements, and other potential future regulatory changes, including further tightening of capital adequacy rules and potential restrictions on holdings of the securities of other Japanese financial institutions by Japanese banks and bank holding companies, could make investments in our foundation funds and subordinated debt or securitized products relating to our foundation funds less attractive to Japanese banks and bank holding companies, which could adversely affect our ability to raise capital.

Changes to accounting standards relating to the calculation of policy reserves could have a material adverse effect on our reported financial condition and results of operations.

The Insurance Business Act and related regulations and guidelines set forth the standards under which policy reserves are calculated. Changes to such standards that would require us to increase our policy reserves could have a material adverse effect on our reported financial condition and results of operations. For example, the International Accounting Standards Board is currently considering new accounting standards for insurance contracts, including current value accounting for liabilities. If current value accounting for liabilities is adopted under Japanese GAAP in the future, we may be required to calculate policy reserves based on the current value of policy obligations taking into account factors such as current interest rate levels, which could increase the volatility of our reported financial condition and results of operations as compared to currently applicable accounting standards.

The failure of other Japanese life insurance companies could require us to increase our contributions to industry-wide policyholder protection funds and could undermine consumer confidence.

We, like other Japanese life insurance companies, are required to support policyholders of failed life insurance companies through payments to The Life Insurance Policyholders Protection Corporation of Japan (the "LIPPC"). The LIPPC was established pursuant to the Insurance Business Act in 1998 to provide a new system for the protection of policyholders of failed life insurance companies. The LIPPC is authorized to provide funds in connection with the transfer of insurance policies from a failed life insurance company to a successor company and perform certain other specified functions. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Regulation for the Protection of Policyholders."

The life insurance industry is required to accept funding commitments to the LIPPC of an aggregate of up to ¥33 billion per year. This funding obligation is allocated among all Japanese life insurance companies licensed under the Insurance Business Act based on amounts of premium and certain investment income and policy reserves. The allocation amounts are revised annually. We made contributions of ¥7.4 billion, ¥7.4 billion and ¥6.1 billion to the LIPPC in the years ended March 31, 2013, 2014 and 2015, respectively. We expect the amount of our contribution in the current and future fiscal years to be comparable to the amounts of our contributions made in prior fiscal years. However, as stated above, this amount is adjusted annually based on the relative size of our premium and certain investment income and policy reserve amounts within the life insurance industry as a whole and could be increased. All of our payments to the LIPPC are charged to operating expenses when paid.

The proportion of required contributions allocated to us could increase if our income from insurance premiums and certain investments increases relative to other life insurance companies in Japan. In the event of a future failure of a Japanese life insurance company or if the legal requirements for contributing to the LIPPC change, we may be required to make additional contributions to the LIPPC, and our business, financial condition and results of operations could be materially and adversely affected. The failure of other Japanese life insurance companies could also damage the reputation of the Japanese life insurance industry in general and undermine consumer confidence in Japanese life insurers, which could lead to a decrease in our sales of new policies or an increase in lapses or surrenders of existing policies.

Catastrophes could result in significant losses and disruptions to our business operations.

We are exposed to the risk of unpredictable liabilities for insurance claim payments in the event of catastrophic mortality in Japan due to a pandemic, such as avian or swine flu, or catastrophic events, such as earthquakes, tsunamis, wars, foreign attacks, terror attacks and other more localized disasters affecting Tokyo or other densely populated areas in Japan. Physical damage and other effects of such catastrophes could result in significant disruptions to our business operations. In addition, although we maintain a contingency reserve consistent with industry practice and accounting standards, the reserve may not be adequate to cover actual claim liabilities. For example, we established a ¥1.8 billion reserve for the year ended March 31, 2011 to cover losses resulting from the Great East Japan Earthquake. We have been proactive in expediting and simplifying the insurance claims and payout process for customers in affected regions and have waived applicable exemption clauses for earthquakes, to ensure full payouts. While we currently expect the reserve for loss on disaster to be sufficient to deal with remaining risks of relevant loss, there is no assurance that we will not need to increase the reserve in the future.

Risks Related to the Notes

We have the right and under certain circumstances will be required to defer interest payments on the Notes for an indefinite period of time.

We will have the right, in our sole discretion, to defer payment of all (and no less than all) of the interest accrued on the Notes on any interest payment date, so long as such interest payment date is not a mandatory interest deferral date. Furthermore, we will be required to defer payment of all (and no less than all) of the interest on the Notes that shall have accrued as of an interest payment date upon the occurrence of certain mandatory interest deferral events, which include any failure to meet certain regulatory capital requirements, as well as a payment deferral on the Notes or any liquidation parity security. During any such deferral, holders of the Notes will receive no payments on the Notes, and will have no remedies against us for nonpayment. Even during any such deferral, the Notes do not restrict our ability to make payments on foundation funds obligations or distributions to our policyholders (*shain haitou*). See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest."

Subordination of the Notes could hinder investors' ability to receive payment.

Upon the occurrence of a subordination event, any amounts payable under the Notes will be subordinated in right of payment to the prior payment of all of our senior indebtedness. Senior indebtedness means all benefits and claims and other liabilities (including, for the avoidance of doubt, statutory subordinated bankruptcy claims (*retsugoteki hasan saiken*), as defined in the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended) (the "Bankruptcy Act")), other than liabilities under the Notes, any liquidation parity securities, claims of holders of interests in foundation funds or claims of any other instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment. We expect to incur additional indebtedness and other obligations from time to time that will constitute senior indebtedness, and the Indenture does not contain any provisions restricting our ability to incur senior indebtedness, including with respect to the amount of any such senior indebtedness. See "Description of the Notes—Status of the Notes; Subordination."

There are only limited rights of acceleration under the terms of the Notes.

The trustee with respect to the Notes may only accelerate payment of the principal and accrued and unpaid interest on the Notes in limited circumstances. The Notes may not be accelerated upon a default in the payment of principal of or interest on the Notes, upon the non-performance of any covenant in relation to the Notes or upon the occurrence of any other event in relation to the Notes other than a subordination event, which would only occur in the event that liquidation, bankruptcy, reorganization or rehabilitation proceedings shall have commenced with respect to us or in the event that we shall have become subject to other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, and in such cases, payment on the Notes would remain subject to subordination.

We may redeem the Notes at our option on or after January 20, 2026, and upon the occurrence of certain tax or special events.

We will have the option to redeem the Notes in whole (but not in part), subject to compliance with applicable regulatory requirements, on January 20, 2026 and any reset date thereafter. In addition, we will have the option to redeem the Notes in whole (but not in part) at any time upon the occurrence of an additional amounts event (as defined herein) or certain special events. Any redemption of the Notes will be subject to the conditions described under "Description of the Notes—Redemption." If the Notes are redeemed, holders may not be able to reinvest the money received upon such redemption at the same rate of return. For the tax consequences to holders of a redemption, see "Taxation."

We may not redeem the Notes on January 20, 2046.

If, on January 20, 2046, conditions for final redemption are not met, we will not redeem the Notes until the next interest payment date on which such conditions are met. In the event of such a redemption deferral, the return of your initial investment will be deferred, potentially indefinitely.

The market for the Notes may be limited.

Prior to the offering, there has been no trading market for the Notes. A market for the Notes may not develop or, if it does develop, it may not provide holders or beneficial owners of the Notes with sufficient liquidity of investment or continue for the life of the Notes. Although approval in-principle has been received for the listing of the Notes on the SGX-ST, there can be no assurance that any liquid markets for the Notes will ever develop or be maintained. Furthermore, there can be no assurance as to the liquidity of any markets that may develop for the Notes or the prices at which you will be able to sell your Notes, if at all. In addition, the market value of the Notes may fluctuate. Consequently, any sale by holders of the Notes in any secondary market which may develop may be at a discount from the original purchase price of the Notes.

The ratings of the Notes may be lowered or withdrawn.

It is expected that the Notes will be assigned with ratings of A3 by Moody's Investors Service and A- by Fitch. In addition, other ratings agencies may assign credit ratings to the Notes without solicitation or request from, or provision of information by, us. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but reflect only the view of each rating agency at the time the relevant rating is assigned. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the relevant rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the number of potential investors in the Notes and adversely affect the price and liquidity of the Notes. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time.

Optional or mandatory deferral of interest payments, conditions on redemption upon maturity and other characteristics of the Notes could adversely affect the market price of the Notes.

The Notes contain provisions that permit us to defer interest payment on the Notes at our election or obligate us to defer interest payment on the Notes or redemption on maturity under certain specified circumstances. We currently do not intend to exercise our right to defer payments of interest on the Notes. However, as a result of these optional and mandatory deferral provisions, the market price of the Notes may be more volatile than the market price of other securities that are not subject to such provisions. Further, if interest payments on the Notes are deferred due to our exercising such right or due to the occurrence of certain specified events, or if redemption on maturity is deferred due to a failure to meet the redemption conditions, the market price of the Notes is likely to be affected. If interest or redemption on maturity is deferred and you elect to sell Notes during the period of that deferral, you may not receive the same return on your investment as a holder that continues to hold its Notes until we pay the deferred interest or principal. The Notes are unlike traditional subordinated debt securities, not only with respect to the possible optional or mandatory deferral of interest and with respect to the conditions to redemption upon maturity, but also in that holders will have limited remedies. In addition, because we are a mutual company, the Notes do not contain compulsory interest payment provisions, and the payment stoppage provision of the Notes does not restrict our ability to make payments on foundation funds obligations, which rank junior to the Notes as to priority of liquidation payment, or to make distributions to our policyholders (*shain haitou*). Investor demand for securities with the characteristics of the Notes may change as these characteristics are assessed by market participants, regulators, rating agencies and others. Accordingly, the Notes that you purchase, whether pursuant to the offer made by this offering circular or in the secondary market, may trade at a significant discount to the price that you paid.

The characterization of the Notes for U.S. federal income tax purposes is uncertain.

The proper characterization of the Notes for U.S. federal income tax purposes is uncertain. To the extent required for U.S. federal income tax purposes, we intend to treat the Notes as non-contingent debt obligations with a term of ten years. Our treatment of the Notes is not binding on the U.S. Internal Revenue Service (the "IRS") or the courts, and the Notes might be subject to alternative possible characterizations. For example, the Notes could be recharacterized as our equity or as "contingent payment debt instruments" for U.S. federal income tax purposes. If the treatment of the Notes were successfully challenged, the timing, amount and character of income inclusions on the Notes could be affected. Prospective U.S. purchasers of Notes are urged to consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Notes (including under any alternative characterization). See "Taxation—Certain U.S. Federal Income Tax Considerations."

There could be FATCA withholding after 2018

Provisions of U.S. tax law commonly referred to as "FATCA" impose 30% withholding on certain payments made to non-U.S. financial institutions (including intermediaries) that are not participating foreign financial institutions ("PFFIs") or otherwise exempt from FATCA withholding. A PFFI is a foreign financial institution that has entered into an agreement with the U.S. Treasury Department ("Treasury") pursuant to which it agrees to perform specified due diligence and reporting functions and withhold 30% from certain "foreign passthru payments" (which term is not yet defined) that it makes to certain persons. In general, no FATCA withholding will apply to payments made on non-U.S. debt obligations that are outstanding prior to the date that is six months after the date on which final Treasury regulations defining the term "foreign passthru payments" are published (the "grandfathering date"). Therefore, no FATCA withholding will apply to payments made by us on the Notes provided that the Notes are not recharacterized as our equity (as described above in "—The characterization of the Notes for U.S. federal income tax purposes is uncertain") or materially modified on or after the grandfathering date.

We are a financial institution for FATCA purposes and have registered with the IRS to become a PFFI, in compliance with the intergovernmental agreement ("IGA") to facilitate the implementation of FATCA between the United States and Japan. The U.S.-Japan IGA, and IGAs the United States has entered into with other jurisdictions, do not address how foreign passthru payments will be treated or whether withholding on such payments will be required by financial institutions subject to the IGAs. Any FATCA withholding with respect to foreign passthru payments will not apply before the later of January 1, 2019 and the date of publication of final Treasury regulations defining the term "foreign passthru payment." If payments on the Notes were subject to FATCA withholding, no additional amounts would be payable by us and any amounts so withheld would be treated as paid for all purposes under the Notes.

USE OF PROCEEDS

The aggregate gross proceeds from the offering of the Notes is $1.50 billion. We expect that the estimated aggregate net proceeds of the offering of the Notes, after deducting the initial purchasers' fees and other estimated expenses related to the offering, will be approximately $1.48 billion. We intend to use the net proceeds for general corporate purposes.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of September 30, 2015 and as adjusted to reflect only the issuance of the Notes offered hereby, but not the use of proceeds therefrom, the compensation of the initial purchasers or the reimbursement to us for certain expenses relating to the present offering. The following table should be read in conjunction with the financial statements and notes thereto included elsewhere in this offering circular.

	As of September 30, 2015			
	Actual		As adjusted	
	(Billions of yen and millions of dollars)			
Corporate bonds[1]	¥ 474.5	$ 3,956.2	¥ 474.5	$ 3,956.2
Notes offered hereby[2]	—	—	179.9	1,500.0
Net assets:				
Foundation funds	200.0	1,667.2	200.0	1,667.2
Reserve for redemption of foundation funds	1,100.0	9,169.7	1,100.0	9,169.7
Reserve for revaluation	0.6	5.4	0.6	5.4
Consolidated surplus	369.2	3,078.2	369.2	3,078.2
Land revaluation losses	(88.7)	(740.2)	(88.7)	(740.2)
Net unrealized gains on available-for-sale securities, net of tax	5,076.9	42,322.3	5,076.9	42,322.3
Foreign currency translation adjustments	39.1	326.6	39.1	326.6
Deferred losses on derivatives under hedge accounting, net of tax	(215.2)	(1,794.6)	(215.2)	(1,794.6)
Remeasurement of defined benefit plans	(29.0)	(242.2)	(29.0)	(242.2)
Minority interests[3]	16.4	137.5	16.4	137.5
Total net assets	6,469.4	53,930.1	6,469.4	53,930.1
Total capitalization[4]	¥ 6,944.0	$ 57,886.3	¥ 7,123.9	$ 59,386.3

Notes:

(1) Corporate bonds comprises dollar-denominated subordinated notes issued in October 2012 and October 2014 and yen-denominated subordinated notes issued in April 2015, as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources."

(2) Translation of the dollar amount of the Notes into yen has been made at the rate of $1.00 = ¥119.96, the rate of exchange prevailing as of September 30, 2015.

(3) For fiscal periods beginning from the three months ended June 30, 2015, "Minority interests" has been renamed "Non-controlling interests" in accordance with recent changes in accounting standards. However, for purposes of this table, we have used the line item name set forth in the audited financial statements for the years ended March 31, 2013, 2014 and 2015 contained elsewhere in this offering circular. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Changes in Accounting Standards."

(4) There has been no material change in our consolidated capitalization since September 30, 2015.

SELECTED FINANCIAL DATA AND OTHER INFORMATION

The following selected consolidated and nonconsolidated financial data as of and for the years ended March 31, 2013, 2014 and 2015 are derived from our audited financial statements as of and for the years ended March 31, 2013, 2014 and 2015, which are included elsewhere in this offering circular. The following selected consolidated and nonconsolidated financial data as of and for the years ended March 31, 2011 and 2012 are derived from our audited financial statements, which are not included in this offering circular. The following selected consolidated and nonconsolidated financial data as of September 30, 2015 and for the six months ended September 30, 2014 and 2015 are derived from our unaudited interim financial statements as of September 30, 2015 and for the six months ended September 30, 2014 and 2015, which are included elsewhere in this offering circular. The following selected nonconsolidated financial data as of September 30, 2014 are derived from our unaudited interim financial statements not included in this offering circular. The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements contained elsewhere in this offering circular.

We prepare our financial statements in accordance with Japanese GAAP, which may differ in certain significant respects from accounting principles generally accepted in other countries, including accounting principles generally accepted in the United States and International Financial Reporting Standards ("IFRS").

	Year ended March 31,					Six months ended September 30,	
Consolidated Statements of Income:	**2011**	**2012**	**2013**	**2014**	**2015**	**2014**	**2015**
	(Billions of yen)						
Ordinary income:							
Revenues from insurance and reinsurance	¥4,917.0	¥5,388.6	¥5,366.6	¥4,860.1	¥5,370.8	¥2,485.3	¥2,912.6
Investment income	1,533.9	1,465.3	1,574.9	1,687.3	1,776.7	914.7	792.0
Other ordinary income	278.6	313.9	259.7	281.7	262.4	126.5	123.0
Total ordinary income	6,729.6	7,167.9	7,201.3	6,829.2	7,410.0	3,526.6	3,827.7
Ordinary expenses:							
Benefits and other payments	3,829.1	3,901.5	3,634.9	3,806.5	3,960.0	1,838.7	1,870.7
Provision for policy reserves	1,147.5	1,368.6	1,740.1	1,379.4	1,708.0	864.2	1,117.1
Investment expenses	543.7	417.9	434.5	189.2	143.8	71.7	111.7
Operating expenses	590.7	590.1	584.8	583.0	586.0	293.0	295.3
Other ordinary expenses	394.4	401.7	404.6	347.6	393.4	172.1	164.4
Total ordinary expenses	6,505.6	6,680.0	6,799.1	6,305.9	6,791.4	3,240.0	3,559.5
Ordinary profit	223.9	487.8	402.2	523.2	618.6	286.6	268.2
Extraordinary gains	55.5	13.7	59.5	2.9	4.0	0.3	0.1
Extraordinary losses	25.8	22.4	146.5	211.1	181.8	127.1	108.2
Surplus before income taxes and minority interests(1)	253.7	479.1	315.1	315.0	440.7	159.8	160.0
Income taxes:							
Current	120.7	32.5	91.6	144.6	172.5	97.8	77.4
Deferred	(92.8)	220.8	(25.4)	(77.7)	(41.1)	(84.8)	(61.5)
Surplus before minority interests(1)	225.8	225.7	249.0	248.1	309.3	146.8	144.1
Minority interests(1)	0.5	0.8	1.0	1.0	1.2	0.5	0.8
Net surplus(1)	¥ 225.3	¥ 224.9	¥ 247.9	¥ 247.1	¥ 308.0	¥ 146.3	¥ 143.2

Note:

(1) For fiscal periods beginning from the three months ended June 30, 2015, "Surplus before income taxes and minority interests", "Surplus before minority interests", "Minority interests" and "Net surplus" have been renamed "Surplus before income taxes", "Net surplus", "Net surplus attributable to non-controlling interests" and "Net surplus attributable to the Parent Company", respectively, in accordance with recent changes in accounting standards. However, for purposes of this table, we have used the line item names set forth in the audited financial statements for the years ended March 31, 2013, 2014 and 2015 contained elsewhere in this offering circular. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Changes in Accounting Standards."

Consolidated Statements of Changes in Net Assets:	Year ended March 31, 2011	2012	2013	2014	2015	Six months ended September 30, 2014	2015
				(Billions of yen)			
Total net assets:							
Beginning balance	¥2,507.9	¥2,087.5	¥2,471.1	¥4,001.4	¥4,814.0	¥4,814.0	¥7,518.0
Cumulative effect of change in accounting policies	—	—	—	24.7	—	—	—
Beginning balance after reflecting accounting policy changes	—	—	—	4,026.1	—	—	—
Increase/decrease:							
Issuance of foundation funds	50.0	100.0	50.0	—	—	—	50.0
Additions to reserve for dividends to policyholders	(199.1)	(175.5)	(167.3)	(167.1)	(201.7)	(201.7)	(257.2)
Interest on foundation funds	(3.6)	(3.5)	(3.9)	(3.5)	(2.7)	(2.7)	(1.9)
Net surplus	225.3	224.9	247.9	247.1	308.0	146.3	143.2
Redemption of foundation funds	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
Reversal of land revaluation gains (losses)	(1.9)	2.9	18.9	1.0	10.7	(0.0)	0.1
Increase due to increase in number of associates accounted for under the equity method	¥ —	¥ —	¥ —	¥ 0.2	¥ —	¥ —	¥ —
Change in scope of consolidation and equity method	—	—	—	—	—	—	(6.4)
Net change, excluding foundation funds and others	(440.9)	284.7	1,434.6	760.1	2,639.7	827.2	(926.3)
Net change	(420.4)	383.6	1,530.3	787.8	2,704.0	719.0	(1,048.6)
Ending balance	¥2,087.5	¥2,471.1	¥4,001.4	¥4,814.0	¥7,518.0	¥5,533.0	¥6,469.4

Consolidated Balance Sheets Data:	As of March 31, 2011	2012	2013	2014	2015	As of September 30, 2015
	(Billions of yen)					
Total assets	¥49,950.1	¥51,166.9	¥55,165.6	¥57,090.2	¥62,648.6	¥62,413.2
Policy reserves and other reserves	44,502.8	45,778.3	47,475.2	48,792.4	50,442.5	51,629.6
Total liabilities	47,862.6	48,695.7	51,164.1	52,276.1	55,130.5	55,943.7
Net assets:						
Foundation funds	250.0	300.0	300.0	250.0	200.0	200.0
Reserve for redemption of foundation funds	850.0	900.0	950.0	1,000.0	1,050.0	1,100.0
Reserve for revaluation	0.6	0.6	0.6	0.6	0.6	0.6
Consolidated surplus	380.4	379.3	424.9	477.3	541.5	369.2
Total foundation funds and others	1,481.0	1,579.9	1,675.5	1,727.9	1,792.2	1,669.9
Net unrealized gains on available-for-sale securities, net of tax	745.3	1,022.1	2,509.1	3,261.1	6,023.9	5,076.9
Deferred (losses) gains on derivatives under hedge accounting, net of tax	6.8	(6.9)	(74.1)	(134.1)	(231.0)	(215.2)
Land revaluation losses	(89.9)	(67.5)	(84.4)	(85.5)	(88.6)	(88.7)
Foreign currency translation adjustments	(67.1)	(68.6)	(37.9)	10.1	36.3	39.1
Remeasurement of defined benefit plans	—	—	—	20.0	(30.3)	(29.0)
Total accumulated other comprehensive income	595.0	879.0	2,312.6	3,071.6	5,710.1	4,783.0
Minority interests(1)	11.3	12.1	13.2	14.3	15.7	16.4
Total net assets	¥ 2,087.5	¥ 2,471.1	¥ 4,001.4	¥ 4,814.0	¥ 7,518.0	¥ 6,469.4

Note:

(1) For fiscal periods beginning from the three months ended June 30, 2015, "Minority interests" has been renamed "Non-controlling interests" in accordance with recent changes in accounting standards. However, for purposes of this table, we have used the line item name set forth in the audited financial statements for the years ended March 31, 2013, 2014 and 2015 contained elsewhere in this offering circular. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Changes in Accounting Standards."

Other Nonconsolidated Data:	2011	2012	2013	2014	2015
	As of and for the year ended March 31, (Billions of yen and thousands of policies, except percentages and number of sales representatives)				
Number of new policies:					
Individual insurance[(1)]	970.7	1,037.6	4,662.4	4,682.5	4,397.7
Individual annuities	209.9	259.6	207.2	342.4	211.3
Number of policies in force for individual insurance and annuities	14,535.3	14,488.6	17,910.9	21,320.7	24,084.0
Amount of new policies:					
Individual insurance	¥ 6,577.6	¥ 6,758.5	¥ 8,027.0	¥ 7,277.6	¥ 7,627.8
Individual annuities	¥ 1,251.8	¥ 1,640.7	¥ 1,532.3	¥ 2,431.8	¥ 1,538.1
Policy amount in force for individual insurance and annuities	¥189,106.2	¥181,432.5	¥175,995.8	¥171,895.9	¥168,105.5
Annualized net premium from new policies	¥ 232.0	¥ 270.4	¥ 277.6	¥ 297.7	¥ 287.8
Annualized net premium from third-sector products	¥ 36.5	¥ 36.4	¥ 40.0	¥ 41.0	¥ 41.1
Annualized net premium from policies in force[(2)]	¥ 3,140.8	¥ 3,165.7	¥ 3,216.2	¥ 3,268.7	¥ 3,322.4
Revenues from insurance and reinsurance	¥ 4,896.4	¥ 5,368.2	¥ 5,342.8	¥ 4,825.5	¥ 5,337.1
Individual insurance and annuities	¥ 3,213.1	¥ 3,513.2	¥ 3,766.5	¥ 3,172.5	¥ 3,545.6
Group insurance and annuities	¥ 1,623.8	¥ 1,796.3	¥ 1,518.4	¥ 1,596.0	¥ 1,735.4
Interest, dividends, and other income	¥ 1,204.6	¥ 1,198.1	¥ 1,217.0	¥ 1,296.6	¥ 1,371.7
Core operating profit[(3)]	¥ 516.3	¥ 544.3	¥ 546.5	¥ 592.4	¥ 679.0
Capital	¥ 2,767.3	¥ 2,824.1	¥ 3,122.9	¥ 3,579.9	¥ 4,206.1
Foundation funds (*kikin*) and other reserve funds[(4)]	¥ 2,767.3	¥ 2,824.1	¥ 2,965.9	¥ 3,422.8	¥ 3,806.5
Subordinated debt	¥ —	¥ —	¥ 157.0	¥ 157.0	¥ 399.5
Solvency margin ratio (former calculation standards)[(5)]	966.2%	—	—	—	—
Solvency margin ratio (current calculation standards)	529.1%[(6)]	567.0%	696.4%	779.0%	930.8%
Real net assets[(7)]	¥ 6,393.3	¥ 7,153.3	¥ 10,259.2	¥ 11,524.1	¥ 16,447.7
General account	¥ 48,514.7	¥ 49,862.7	¥ 53,644.0	¥ 55,563.3	¥ 61,169.4
Number of sales representatives	51,045	51,163	51,681	52,325	52,306
Retention rate of sales representatives:					
7 months	81.7%	79.9%	79.2%	81.4%	82.1%
13 months	66.6%	63.5%	62.9%	65.2%	—
25 months	42.8%	41.4%	41.9%	—	—
Persistency rate:					
6 months	96.0%	95.9%	96.3%	96.8%	97.1%
13 months	93.5%	93.6%	93.6%	93.8%	94.8%
25 months	83.1%	84.3%	84.1%	84.3%	84.6%
Surrender and lapse ratio	5.2%	5.1%	4.9%	4.7%	4.5%
Average annual yield of general account assets[(8)]	2.23%	2.15%	2.01%	2.70%	2.83%

Notes:

(1) Figures for the years ended March 31, 2013, 2014 and 2015 reflect the introduction of a new product structure during the year ended March 31, 2013 which does not distinguish between policies and term riders. Under the previous method, the figures are 1,196 thousand, 1,156 thousand and 1,154 thousand for the years ended March 31, 2013, 2014 and 2015.

(2) Annualized net premium from policies in force includes totals for individual insurance and individual annuities. Annualized net premium is calculated by multiplying the underlying premium installment amounts by a factor determined according to the relevant payment method to arrive at a single annualized amount. For single-premium policies, annualized net premium is calculated by dividing the total premium by the insured period.
(3) Core operating profit is defined as core operating revenues (revenues from insurance and reinsurance, investment income other than capital gains, other ordinary income and other core operating income) less core operating expenses (benefits and other payments, provision for policy reserves other than provisions for and reversals of contingency reserves, investment expenses other than capital losses, operating expenses, other ordinary expenses and other core operating expenses).
(4) Foundation funds (*kikin*) and other reserve funds consist of foundation funds and others, reserve for price fluctuations in investments in securities, contingency reserve, general allowance for doubtful accounts and others.
(5) The calculation standards for solvency margin gross amount and total amount of risk were modified by the Japanese government pursuant to certain amendments to the Ordinance for Enforcement of the Insurance Business Act (Ordinance of the Ministry of Finance of Japan (the "Ministry of Finance") No. 5 of 1996, as amended) (the "Ordinance for Enforcement of the Insurance Business Act"), and the Ministry of Finance Public Notice No. 50, issued in 1996, became effective from the year ended March 31, 2012.
(6) For reference purposes only. The current solvency margin ratio calculation standards became effective from the year ended March 31, 2012.
(7) Calculated by subtracting non-capital real liabilities from real assets.
(8) Average annual yield of general account assets is calculated using the net amount of investment income and investment expenses (but excluding gains and losses related to separate account assets) as the numerator and the daily average of the carrying value of general account assets as the denominator.

Other Nonconsolidated Data:	As of and for the six months ended September 30, 2014	2015
	(Billions of yen and thousands of policies, except percentages)	
Number of new policies:		
Individual insurance	2,167	2,192
Individual annuities	102	97
Number of policies in force for individual insurance and annuities	22,692	25,359
Amount of new policies:		
Individual insurance	¥ 3,365.7	¥ 4,325.7
Individual annuities	¥ 704.6	¥ 623.1
Policy amount in force for individual insurance and annuities	¥ 169,382.5	¥ 167,023.4
Annualized net premium from new policies	¥ 126.4	¥ 136.7
Annualized net premium from third-sector products	¥ 19.4	¥ 24.2
Annualized net premium from policies in force[(1)]	¥ 3,276.7	¥ 3,349.6
Revenues from insurance and reinsurance	¥ 2,468.2	¥ 2,896.1
Interest, dividends, and other income	¥ 665.3	¥ 741.0
Core operating profit[(2)]	¥ 322.1	¥ 393.3
Capital	¥ 3,970.6	¥ 4,668.2
Foundation funds and other reserve funds[(3)]	¥ 3,813.6	¥ 4,193.7
Subordinated debt	¥ 157.0	¥ 474.5
Solvency margin ratio	853.8%	920.4%
Real net assets[(4)]	¥ 13,199.7	¥ 15,161.6
General account	¥ 57,511.8	¥ 60,626.5

Notes:
(1) Annualized net premium from policies in force includes totals for individual insurance and individual annuities. Annualized net premium is calculated by multiplying the underlying premium installment amounts by a factor determined according to the relevant payment method to arrive at a single annualized amount. For single-premium policies, annualized net premium is calculated by dividing the total premium by the insured period.
(2) Core operating profit is defined as core operating revenues (revenues from insurance and reinsurance, investment income other than capital gains, other ordinary income and other core operating income) less core operating expenses (benefits and other payments, provision for policy reserves other than provisions for and reversals of contingency reserves, investment expenses other than capital losses, operating expenses, other ordinary expenses and other core operating expenses).
(3) Foundation funds and other reserve funds consist of foundation funds and others, reserve for price fluctuations in investments in securities, contingency reserve, general allowance for doubtful accounts and others.
(4) Calculated by subtracting non-capital real liabilities from real assets.

EXCHANGE RATES

The table below sets forth, for each period indicated, the noon buying rate in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese yen per $1.00. On December 31, 2015, the latest practicable date for which exchange rate information was available, the noon buying rate for Japanese yen was ¥120.27 to $1.00. No representation is made that the yen or dollar amounts referred herein could have been converted to dollars or yen, as the case may be, at any particular rate or at all.

Year ended or ending March 31,	At end of period	Average (of month-end rates)	High	Low
		(Yen per dollar)		
2011	¥ 82.76	¥ 85.00	¥ 94.68	¥ 78.74
2012	82.41	78.86	85.26	75.72
2013	94.16	83.26	96.16	77.41
2014	102.98	100.46	105.25	92.96
2015	119.96	110.78	121.50	101.26
2016 (through December 31, 2015)	120.27	121.68	125.58	118.26

Most recent six months:	High	Low
July	¥ 124.38	¥ 120.54
August	124.90	118.56
September	120.94	119.05
October	121.20	118.26
November	123.51	120.70
December	123.52	120.27

The exchange rates are reference rates and are not necessarily the rates used to calculate ratios or the rates used to convert yen to dollars in the financial statements included elsewhere in this offering circular.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto, included elsewhere in this offering circular. Our financial statements have been prepared in accordance with the provisions of the Insurance Business Act and related regulations thereunder and in accordance with Japanese GAAP, which may differ in certain significant respects from accounting principles generally accepted in other countries, including accounting principles generally accepted in the United States, as well as IFRS. ***Except as otherwise specified, the discussion and analysis of our financial condition and results of operations and all financial information set forth in this section are provided on a consolidated basis.***

This section contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this offering circular.

Overview

We are the largest private life insurance company in Japan, and one of the largest in the world, in terms of both assets and revenues. We operate primarily in Japan and offer a wide range of products, including life insurance, annuities and other insurance products, to over 11.5 million insured persons and approximately 24,600 corporate customers in Japan that have more than 100 employees, as of March 31, 2015. Our ordinary income consists of revenues from insurance and reinsurance, investment income and other ordinary income. We earn most of our ordinary income from revenues from insurance and reinsurance, which accounted for 72.5% and 76.1%, respectively, of our total consolidated ordinary income for the year ended March 31, 2015 and the six months ended September 30, 2015.

Our total assets as of March 31, 2015 and September 30, 2015 amounted to ¥62,648.6 billion and ¥62,413.2 billion, respectively, and our revenues from insurance and reinsurance amounted to ¥5,370.8 billion and ¥2,912.6 billion, respectively, for the year ended March 31, 2015 and the six months ended September 30, 2015. As of September 30, 2015, we had a consolidated solvency margin ratio of 934.5% (approximately 4.7 times the minimum regulatory requirement) and a nonconsolidated solvency margin ratio of 920.4% (approximately 4.6 times the minimum regulatory requirement), and we currently have financial strength ratings of A+ (stable outlook) from Standard & Poor's, A1 (stable outlook) from Moody's Investors Service, A (stable outlook) from Fitch, A+ (stable outlook) from A.M. Best, AA (stable outlook) from Rating and Investment Information, Inc. and AAp (stable outlook) from Japan Credit Rating Agency, Ltd.

Recent Developments

Mitsui Life Acquisition

On November 6, 2015, we entered into a definitive management integration agreement with Mitsui Life and our board of directors resolved to conduct a cash tender offer for all of the outstanding ordinary shares, class A shares and class B shares of Mitsui Life (excluding any treasury shares held by Mitsui Life). The class A shares and class B shares do not have voting rights, but are convertible into ordinary shares based on a conversion rate of 1:200 in the case of the class A shares and approximately 1:227 in the case of the class B shares. As a result of the tender offer, the settlement of which was completed on December 29, 2015, we acquired an amount of ordinary shares, class A shares and class B shares of Mitsui Life constituting 96.34% of Mitsui Life's total outstanding voting rights on a fully converted basis, thereby making it our majority-owned subsidiary as of December 31, 2015. The aggregate consideration paid in the tender offer of ¥322.2 billion was funded by cash on hand.

Following the completion of the tender offer, we plan to commence squeeze out procedures under Japanese law to acquire shares that we did not obtain in the tender offer and make Mitsui Life our wholly owned subsidiary. Pursuant to tender offer acceptance agreements signed with certain shareholders of Mitsui Life, we have agreed to sell, immediately after making Mitsui Life our wholly owned subsidiary, shares representing an aggregate of 16% of Mitsui Life's ordinary shares to such former shareholders. In addition, we have also agreed to sell approximately 1% of Mitsui Life's ordinary shares to certain other parties associated with the Mitsui corporate group. After the completion of the squeeze out procedures and subsequent pre-arranged sales of ordinary shares, we expect to own approximately 83% of Mitsui Life's total voting rights.

Mitsui Life is a mid-sized Japanese life insurance company, offering individual and group life insurance products, group pension plans and group annuity investment products in Japan. It was established in 1927 and was demutualized in 2004. As part of the Mitsui corporate group, it has a historical network with other Mitsui corporate group companies. As of March 31, 2015, it had 6,957 sales representatives.

As of and for the year ended March 31, 2015, Mitsui Life had premium income of ¥545 billion, annualized premiums from individual insurance policies in force of ¥511 billion and annualized premiums from new individual insurance policies of ¥33.7 billion. As of March 31, 2015, it had ¥13,580 billion in group insurance outstanding and ¥827 billion in group annuities outstanding.

As of March 31, 2015, Mitsui Life had total consolidated assets of ¥7,434.8 billion, consolidated net assets of ¥459.3 billion and consolidated solvency margin of 808.2%. Given the ongoing decline in Japan's population and increasing diversification of customer needs in recent years, we believe that a strong business foundation is necessary for future revenue expansion and that our acquisition of Mitsui Life will further our efforts to build such a foundation. Through the acquisition we aim to further grow both companies' sales representative channels, develop an integrated strategy for the bancassurance and third-party sales agencies channels and enhance group value through cost and revenue synergies between our businesses. We aim to achieve such synergies by leveraging, among other things: the strength of our combined product lineup, including Mitsui Life's non-participating insurance products; the bancassurance channel of Sumitomo Mitsui Banking Corporation, one of the leading commercial banks in Japan; a broadened insurance agency channel; and an attractive client base of Mitsui corporate group companies, with whom we aim to develop and maintain positive business relationships going forward.

The financial and operating information presented above for Mitsui Life is derived from publicly available information, including Mitsui Life's Japanese annual report for the year ended March 31, 2015 and information provided to us by Mitsui Life. The information has not been audited or reviewed by our independent auditors nor has it been independently verified by us. Prior performance of Mitsui Life should not be taken as reliable indicators of future financial performance.

Proposed Acquisition of MLC

On October 28, 2015, we announced that we had entered into a definitive agreement with NAB, one of the largest financial institutions in Australia, to acquire 80% of the outstanding shares of MLC, NAB's wholly owned life insurance subsidiary, for aggregate consideration of up to approximately A$2.4 billion (approximately ¥204 billion), to be funded by cash on hand, while NAB will retain the remaining 20%. Prior to the completion of the proposed acquisition, the existing investments business of MLC will be transferred to NAB pursuant to an asset transfer, thereby transforming MLC into a specialized life insurance company. MLC has agreed to enter into a 20-year distribution agreement with NAB, pursuant to which NAB will help to grow the MLC business in partnership with us following the completion of the acquisition.

The proposed acquisition is subject to certain closing conditions, including the approval of certain Australian and Japanese insurance regulatory authorities. Subject to the satisfaction of all other closing conditions, we currently expect the transaction to close between September and December 2016.

MLC was established in 1886 and is one of the leading life insurance companies in the Australian market, ranking second in retail insurance by individual in-force premium as of June 2015 with a market share of approximately 14.3% according to Plan For Life (Asset International Australia Pty Ltd). It has a strong and diversified sales network, utilizing NAB's advisor and bancassurance channels, to distribute an extensive range of products ranging from traditional life insurance such as term insurance, to income protection insurance and group insurance. As of September 30, 2015, MLC had annualized premiums from policies in force of approximately A$1,780 million (approximately ¥151 billion), policies in force of approximately 1.4 million and approximately 1,000 employees, and NAB had more than 1,700 stores and business banking centers, over 42,000 employees and over 12.7 million customers.

This transaction is our first overseas acquisition of a majority stake and we expect it to contribute to our meeting our goal of increasing net income contributions from our subsidiaries as outlined in our new three-year management plan. Our aim is to enhance MLC's corporate value through the provision of technical assistance and group know-how by leveraging experience gained through previous overseas investments. We will also seek to enhance MLC's market competitiveness through measures such as strengthening product capability, developing underwriting capability and promoting operational efficiency. We believe that MLC's continued growth can be achieved by expanding its bancassurance channel and cross-selling opportunities to existing bank customers of NAB, particularly with NAB's continuing support as a shareholder and distribution partner.

The financial and operating information presented above for MLC and NAB has been provided to us by MLC and NAB. The information has not been audited or reviewed by our independent auditors nor has it been independently verified by us. Prior performance of MLC should not be taken as reliable indicators of future financial performance.

Factors Affecting Results of Operations

Key factors affecting our financial condition and results of operations include the following:

Japanese Insurance Market

Premium income and sales of our insurance products are affected by trends in the Japanese life insurance market. The Japanese life insurance market, the second largest in the world by premium volume, is mature and highly consolidated, characterized by high *per capita* life insurance premiums and a household penetration rate of approximately 90%. However, total policy amount in force and penetration rates for the Japanese market have been decreasing, due in part to an aging population and shifts in demand reflecting changes in consumer lifestyles and preferences, including later marriages and low birthrates. For example, the total amount of individual life insurance policies in force of Japanese households decreased from ¥902.9 trillion as of March 31, 2010 to ¥857.4 trillion as of March 31, 2015, according to the Life Insurance Association. This decline in the amount of policies in force will likely continue, although we have been and expect to continue to be able to partially offset this decline by focusing our efforts to develop our business in growth markets, such as the markets for products targeting senior, female and young customer segments, and otherwise adapting our business to the changing environment, while proactively expanding our domestic and overseas insurance businesses. At the same time, however, there has been strong competition for market share among Japan's major life insurance companies as well as newer entrants.

We have been attempting to gain market share by diversifying distribution channels, including increasingly important external distributor channels and bancassurance channels, which are making our products and those of our competitors more readily accessible to consumers and easier to compare.

The continued growth of new product areas also affects our results of operations; for example, we have recently seen:

- increasing demand for "living benefits and medical coverage," sometimes referred to as third-sector products, such as medical, cancer and nursing care insurance products, prompted in part by growing concern with the soundness of the Japanese social security system; and
- growing demand for savings-type products to provide post-retirement income, which we believe may be supported by a growing number of investors who seek to supplement their social welfare income. The end balance of individual annuity policies in force sold in Japan increased from ¥94.1 trillion as of March 31, 2010 to ¥104.1 trillion as of March 31, 2015, according to the Life Insurance Association.

Operating Environment

Our business, financial condition and results of operations are materially affected by financial market and economic conditions in Japan and elsewhere. After the global financial crisis that started in 2008, a persistently strong yen against the dollar, euro and other currencies negatively affected Japanese corporate earnings and exports, hampering economic growth. However, in late 2012, the Abe government began implementing economic stimulus measures, such as announcing increases in infrastructure spending and entering into an accord with the BOJ to set a 2% inflation target, and in

April 2013, the BOJ introduced a plan for quantitative and qualitative monetary easing, which was expanded in October 2014 and supplemented in December 2015. Further, in June 2013, the Abe government announced a number of structural reforms to complement the economic stimulus measures. These reforms and stimulus measures have generally produced positive results, but the long-term effect on Japan's economy, trade balance, interest rates and fiscal position remains uncertain. As a result of the low interest rate environment, we have suspended sales of certain products, and since the first half of the year ended March 31, 2014, we have partially refrained from investing in super long-term bonds. In addition, we recognize that further suspension of products and a decrease of revenue may arise depending on a continuation or worsening of the low interest rate environment. On the other hand, higher stock prices and a weaker yen positively affected our profitability and financial soundness for the years ended March 31, 2013, 2014 and 2015. Other changes in fiscal and monetary policies and laws and regulations, such as the increase in the Japanese consumption tax from 5% to 8% in April 2014 and the scheduled increase to 10% in April 2017, have had and may have a negative effect on the recovery of the Japanese economy.

If interest rates moderately increase in the future through improvements in wages and employment rates in a wide range of industries, it would be favorable for our retail and wholesale insurance sales as well as for our financial condition due to expected stable income gains through an expansion of investment into super long-term bonds.

Recent economic indicators in Japan include the following:

- During the first six months of 2015, the Nikkei 225 Index steadily increased, rising from 16,592.57 as of January 16, 2015 to a 15-year high of 20,952.71 on June 24, 2015, in response to, among other factors, economic stimulus measures implemented by the Abe government and the BOJ, and the related depreciation of the yen against both the dollar and the euro as well as expectations of additional capital inflows in connection with public pension investment reforms in Japan and improved corporate earnings and governance reforms. From mid-August, the Nikkei 225 Index declined sharply in line with a deterioration in investor sentiment related to concerns about the Chinese economy decelerating in the wake of the devaluation of the Chinese yuan. The Nikkei 225 Index closed at 17,388.15 on September 30, 2015. However, on January 5, 2016, the Nikkei 225 Index had continued to experience volatility and closed at 18,374.00.
- The BOJ has maintained near-zero interest rates, and the yield on 10-year JGBs remained low at 0.64% as of March 31, 2014 and 0.40% as of March 31, 2015. The yield declined through April 2015 due to the continued effect of monetary easing but increased upward from May 2015 due to concern over interest rate increase in the United States and Germany. The rate again continued to decline in mid-August 2015 as concerns of a Chinese economic slowdown and expectation of an early rate increase by the Federal Reserve. The JGB yield was 0.35% as of September 30, 2015, and as of January 5, 2016, it was 0.26%.
- In response to, among other things, the BOJ's monetary easing, the yen generally depreciated against both the dollar and the euro during 2014, as compared to their respective 2013 levels. In December 2014, the yen reached the ¥121 level against the dollar and the ¥149 level against the euro, as compared to the ¥88 level against the dollar and the ¥115 level against the euro in January 2013. During 2015, the yen reached the ¥125 level against the dollar in early June 2015, although it strengthened to the ¥120 level as of the end of September 2015. The yen has generally appreciated against the euro as compared to its 2014 level. As of December 31, 2015, the yen was ¥120.27 against the dollar and ¥131.34 against the euro.
- The seasonally adjusted unemployment rate in Japan was 4.1%, 3.6%, 3.4% and 3.4% as of March 31, 2013, 2014 and 2015 and September 30, 2015, respectively, according to the Statistics Bureau of the Ministry of Internal Affairs and Communications of Japan.
- The total financial assets of Japanese households increased from ¥1,580 trillion as of March 31, 2013 to ¥1,700 trillion as of March 31, 2015, and to ¥1,684 trillion as of September 30, 2015 according to data released by the BOJ.
- Japan's real GDP grew year on year by 0.9% in the year ended March 31, 2013 and by 2.0% in the year ended March 31, 2014, but decreased by 1.0% in the year ended March 31, 2015, each according to the Cabinet Office. According to data published by the Cabinet Office, Japan's real GDP decreased at an annualized rate of 1.2% during the three months ended June 30, 2015, primarily reflecting a decline in exports of goods and services. However, Japan's real GDP

increased at an annualized rate of 1.0% during the three months ended September 30, 2015, reflecting an increase in private-sector final consumption expenditure.

- Real estate prices (*koji-kakaku*) continued to decrease during the years ended March 31, 2013 and 2014, although in the year ended March 31, 2015 residential property prices decreased at a lessened pace and commercial property prices have been steady, according to the Ministry of Land, Infrastructure, Transport and Tourism of Japan. The rate of decrease has been declining since the year ended March 31, 2012 due to low interest rates for loans, among other reasons. Average real estate prices in Tokyo, Osaka and Nagoya declined in the year ended March 31, 2013, and, although they increased in each of the years ended March 31, 2014 and 2015, remain subject to uncertainty.

In addition, Japan's economy is affected by global economic conditions, which remain uncertain. In the United States, there is uncertainty over the effect on the economic recovery of the interest rate increase by the Federal Reserve in December 2015 and the possibility of further increases. Furthermore, there is also continuing uncertainty about the expected level of growth of a number of emerging countries, and in particular the ability of China to successfully rebalance its economy towards more consumption and less investment. In Europe, economic conditions continue to be weak notwithstanding the ongoing economic stimulus measures by the European Central Bank and certain countries in the Eurozone.

Surrenders and New Policies

Income from insurance consists almost entirely of premium income from outstanding insurance policies and annuities. Income from insurance is mainly a function of the amount of policies in force, which in turn is mainly a function of the amount of surrenders and new policies. Over the past several years, surrenders of our policies have been decreasing. As of March 31, 2011, 2012, 2013, 2014 and 2015, our surrender and lapse ratio with respect to individual insurance and annuities in the aggregate as of the beginning of each year on a nonconsolidated basis was 5.2%, 5.1%, 4.9%, 4.7% and 4.5%, respectively. Annualized premiums from individual insurance and individual annuities products have increased steadily for the previous three years, amounting to ¥3,216.2 billion during the year ended March 31, 2013, ¥3,268.7 billion during the year ended March 31, 2014 and ¥3,322.4 billion during the year ended March 31, 2015.

Factors that affect surrenders and new policies include the following:

- *Amount of new policies sold by sales representatives*. Our core business continues to be the sale of individual policies through our sales representatives. Of our new policies written during the year ended March 31, 2015, approximately 75.7% in terms of annualized net premiums were attributable to sales by sales representatives (including at our Nissay Life Plaza service centers). Our ability to maintain or increase our revenues from insurance depends in large part on the size, training and experience of our sales representative force and our sales representatives' ability to establish and maintain customer relationships. We have taken steps to improve the training and management of our sales representatives, to increase their numbers and to deepen their relationships with our customers. We launched our *Mirai no Katachi* product lineup in April 2012, sold through our sales representative channel. This product lineup allows customers to combine a wide variety of coverage into personally tailored insurance portfolios and has attracted strong demand from our customers. In the first two years after launch, we sold more than two million *Mirai no Katachi* policies. Also, in April 2013, we began offering educational endowment insurance ("*Nissay Gakushi Hoken*"), which focuses on a higher refund rate at maturity to respond to customer demand for tools to prepare for their children's educational expenses. The product has been well received from many customers and resulted in the cultivation of a new market.
- *Amount of new policies that bancassurance agents are able to sell*. We also rely on our bancassurance agents for new sales of life insurance products. The broad customer base held by Japanese financial institutions is a significant source for us to expand our customer base. We have distribution agreements with more than 300 financial institutions throughout Japan. Because our relationships with our financial institution distributors are non-exclusive, the level of sales of our products through these channels depends on the competitiveness of our products relative to those of our competitors, including as to pricing, benefits and other features. In this

kind of environment, we believe a product introduction and sales strategy that effectively balances profitability and risk management is important, as we are not merely seeking an increase in sales by offering products with higher assumed interest rates or lower commission fees. Of our new policies written during the year ended March 31, 2015, approximately 15.7% (in terms of annualized net premiums) were attributable to the bancassurance channel.

- *After-sales services*. Surrender and lapse ratios have been improving in the past ten years as a result of our attempt to minimize policy surrenders by providing dedicated after-sales services including regular review of customer contracts and approaching customers whose policies are close to renewal or maturity or who we have not been in touch with for some time.
- *Shift in customer demand*. There has been a shift in customer demand from mortality insurance to living benefits and medical coverage under which the insured amounts are smaller by comparison, which has resulted in an overall decrease in insured amounts. We strive to further improve our customer services to minimize decreases in policies associated with such shift in customer demand and the aging of our customer base.
- *Household income levels*. Household income levels and the relative burden of insurance premium payments on policyholders affect our premium income. According to the Economic and Social Research Institution of Japan, national disposable income in Japan increased from ¥378.6 trillion for the year ended March 31, 2009 to ¥399.5 trillion for the year ended March 31, 2014. Increases and decreases in household income tends to cause a corresponding decrease or increase in policy surrenders and an increase or decrease in new policy originations, particularly for individual insurance and individual annuity products, thereby affecting our revenues from insurance and reinsurance.
- *Consumer confidence in the life insurance industry*. Changes in consumer confidence in the life insurance industry affect our revenues from insurance and reinsurance. Declining consumer confidence tends to cause both an increase in policy surrenders and a decrease in new policy originations, particularly for individual insurance and individual annuity products, thereby adversely affecting our revenues from insurance and reinsurance. The effect of any such decrease may be partially offset as a result of a migration of customers to us from financially weaker insurance companies. In the aggregate, however, we believe that declining consumer confidence in the life insurance industry adversely affects our revenues from insurance and reinsurance.
- *Market stock prices and interest rate levels*. Market stock prices, interest rates and other determinants of the relative attractiveness of our products as compared to other financial products affect revenues from insurance and reinsurance. For example, in periods of increasing interest rates, surrenders of policies, particularly single-premium individual whole life insurance and individual annuities, tend to increase as policyholders seek investments with higher perceived or actual returns, thereby adversely affecting our revenues from insurance and reinsurance.
- *Competition*. Industry and price competition, including efficiency and productivity of sales representatives and sales agencies, affect revenues from insurance and reinsurance. Increasing competition tends to lead to lower insurance premiums.
- *Demographic trends*. Demographic trends in Japan also affect demand for our life insurance products. In particular, the overall aging of the population and a declining birthrate tend to reduce the demand for traditional mortality insurance products. According to the National Institute of Population and Social Security Research, the population in Japan is estimated to decrease by approximately 16%, compared to the population in 2010, to 107.27 million in total by 2040, among which 36.1% will be over the age of 65, an increase of approximately 17% from 2010. The population of all prefectures is expected to be lower compared to 2010. The population over the age of 65 is expected to grow rapidly even in metropolitan areas and Okinawa in which the elderly population has been relatively low. Our core customer base will be impacted by this demographic shift, and to maintain the productivity of our business, we believe it is important to maintain an evenly distributed customer base. We have sought to develop our young customer and female customer segments by offering products designed especially with such customer segments in mind, such as our *Nissay Mirai no Katachi* "Five Stars" plan, and by developing new sales channels, such as our "Nitori Insurance + LifeSalon" insurance agencies in certain stores run by Nitori Co., Ltd., which we believe can help us reach certain customer segments we have historically had difficulty reaching through our existing channels.

- *Confidence in the Japanese social security system.* Going forward, we believe that diminishing confidence in the Japanese social security system and its ability to provide adequate financial, medical, nursing and other support may positively affect our revenues from insurance and reinsurance in future periods as consumers begin to take personal responsibility for their own financial futures.

Our Product Mix

Because the timing and amount of premiums vary from product to product, changes in the mix of outstanding policies may cause fluctuations in revenues from insurance and reinsurance. In addition, we charge different premiums depending on the insurance product. Changes in the mix of higher and lower premium products outstanding may cause fluctuations in revenues from insurance and reinsurance. For example, an increase in the percentage of lower-premium products may reduce our revenues from insurance and reinsurance, even if the total policy amount in force remains constant.

Performance of Our Investment Portfolio

We hold large investments in debt and equity securities, loans and real estate, mainly in Japan but also in other countries, from which we derive investment income. Our investment portfolio performance is affected by the amount and composition of assets we manage which is influenced by a variety of factors, including:

- fluctuations in market prices, particularly in Japan, for debt and equity securities and real estate;
- levels of dividend income we earn, which are affected by general market and business conditions;
- the value of our loan portfolio, which is affected by borrower ratings or otherwise;
- fluctuations in market interest rates and currency exchange rates; and
- changes in our internal investment strategy, which may affect the mix of assets in our portfolio and cause fluctuations in the level of sales and redemptions of securities.

Interest, dividends, and other income from our investment portfolio has steadily increased for the last three years despite declining average yields on interest-earning assets resulting from a protracted period of low interest rate levels in Japan, primarily due to the fact that new policies subsequent to the decline in interest rates account for a relatively small portion of our total policy amounts as well as to factors such as overall improvement in business performance and resulting increase in dividend payouts and a weaker yen increasing the value of income on foreign currency securities.

Mortality Rates, Morbidity Rates and Other Factors Affecting Benefit Expenses

Our largest expense has historically been benefits and other payments. Factors that affect the amount of benefits and other payments primarily include:

- the mortality and morbidity rates of insured individuals;
- the rates at which policyholders surrender policies prior to maturity; and
- the maturity schedules of our policies in force.

Although the continued aging and corresponding structural changes of Japan's population may affect mortality and morbidity rates, we do not expect the rise in mortality and morbidity rates to have a material adverse effect on our earnings because these factors have already been taken into account in our insurance premiums, and we believe that this trend will also result in an increased demand for our medical and nursing care policies. In addition, partially in order to manage the risk associated with an unexpected rise in mortality and morbidity rates, we have implemented a risk management system. See "—Risk Management—Insurance Underwriting Risk Management."

Benefits and other payments may also be affected by changes in the policy amount in force of group annuities. When we make group annuities payments, the entire amount paid out affects both benefits and other payments and provision for policy reserves. Because the amounts of group annuities paid tend to be relatively large, payments of group annuities may have a material effect on our aggregate benefits and other payments.

Mortality and morbidity rates also affect our provision for policy reserves. See "—Provision for Policy Reserves."

Provision for Policy Reserves

Policy reserves are established for benefits and other payments related to our outstanding policies that are expected to be paid in the future, enabling us to record related profits effectively on an accrual basis. Under the Insurance Business Act, each year we are required to set aside a "standard policy reserve" to fund future benefit payments.

We calculate the amount of the standard policy reserve using the net level premium method. Under this method, we set aside policy reserves on an assumption that the ratio of net premium to total premium paid remains constant over the payment term of the policy. The net premium is the portion of premiums covering insurance risk, which we determine based on various assumptions, including assumptions affected by external factors such as mortality and morbidity rates and yield on investments established by third parties. In particular:

- Mortality rates used in calculating the standard policy reserve are based on rates established by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA. Expected mortality rates were revised downward in 2007.
- Assumed yields on investment used in calculating the standard policy reserve are fixed, based on the standard prospective yield established by the FSA, regardless of the actual investment gains received. The standard prospective yield for all insurance products sold starting in April 2013 was revised downward from 1.5% to 1.0% based on the historical 3-year and 10-year-average yields of newly issued 10-year JGBs, resulting in a decrease in the assumed yields on investment used in calculating the standard policy reserve and a corresponding increase in required policy reserves for new policies. Further, in 2015, the standard prospective yields for single premium endowment insurance and single premium individual annuities were revised downward from 1.0% to 0.5% for products sold starting in April 2015, and the standard prospective yield for single premium individual whole life insurance was revised downward from 1.0% to 0.75% for products sold starting in July 2015, in each case based on the historical 3-month and 1-year-average yields of newly issued 10-year and 20-year JGBs. While we have suspended selling single premium endowment insurance and single premium annuities, our required policy reserves for single premium whole life insurance products have increased correspondingly as a result of such decreases in the standard prospective yield.

In general, the amount of provision for policy reserves varies in direct proportion to policy amount in force. However, because a portion of the provision for policy reserves represents the value of assets in our separate accounts, fluctuations in such value may cause the amount of provision for policy reserves to increase or decrease disproportionately to or conversely from the policy amount in force.

In addition, as described further under "—Policy Reserves," we use the net level premium method of calculation, which does not permit policy acquisition costs, which are higher in the first year of the policy, to be offset against the amount of provision for policy reserves and other reserves required. As a result, a relative increase in new policies in a given year tends to put downward pressure on profitability.

The provision for policy reserves is also affected by changes in policy amount in force of group annuities. When group annuity plans are transferred to us from other insurance companies, the entire amount transferred is recorded in premiums, and a corresponding similar amount is added to provision for policy reserves. Because the transferred or paid amounts of group annuities tend to be relatively large, movements in the policy amount in force of group annuities may have a material effect on the aggregate provision for policy reserves.

Our Decisions on Policyholder Dividends

As our participating and semi-participating life insurance products represent core products, our decisions on policyholder dividends for such products may have a material effect on our financial condition and results of operations. As a general policy, each year we pay dividends to our policyholders out of the year's surplus in an amount that we believe is appropriate to balance our goals of returning profits to policyholders and providing for our future financial health. In the past, the Insurance Business Act required mutual life insurance companies to make provisions for reserve for dividends to policyholders of at least 80% of the year's unappropriated surplus (adjusted for certain amounts such as interest payments on foundation funds), which would ultimately be paid to policyholders as dividends. In 2002, the Ordinance for Enforcement of the Insurance Business Act was amended and the minimum required policyholder dividend payouts for mutual life insurance companies was reduced from 80% to 20%. However, our provisions for reserve for dividends to policyholders in each year since the amendments have been maintained at around 100% of the year's unappropriated surplus with the foregoing adjustments.

Personnel Costs

Our operating expenses consist mainly of personnel costs, which are composed mainly of salaries, including commissions and remuneration paid to sales representatives, and bonuses. Salary costs fluctuate in line with headcount, costs per sales representative and costs per employee. Commissions to sales representatives are paid primarily based on performance. Bonuses are affected by a combination of the cost of salaries and our results of operations.

Sales commissions and other performance-based compensation make up a significant portion of compensation paid to sales representatives. Sales representatives receive a commission upon obtaining a new policy and periodic commissions in smaller amounts based on the amount outstanding on the policies obtained by such representative. Commissions paid to an individual sales representative increase incrementally as such representative meets defined sales targets for numbers and amounts of new policies and other conditions tied to the performance of after-sales services. Sales representatives generally also receive a fixed amount of remuneration in addition to commissions and other performance-based compensation. An increase in the number of our sales representatives generally correlates to an increase in the proportion of personnel costs as a percentage of operating expenses. As of March 31, 2015, we had 52,306 sales representatives, and we aim to increase this number in future periods.

Summary of Key Line Items

Ordinary Income

Our ordinary income includes revenues from insurance and reinsurance, investment income and other ordinary income.

Revenues from insurance and reinsurance

Revenues from insurance and reinsurance, which forms the core of our ordinary income, consists almost entirely of premium income from outstanding insurance policies and annuities. During the year ended March 31, 2015 and the six months ended September 30, 2015, revenues from insurance and reinsurance accounted for 72.5% and 76.1% of our ordinary income, respectively. Under Japanese GAAP, revenues from insurance and reinsurance are recorded on a cash basis and then adjusted effectively to an accrual basis through provision and reversal of policy reserves (as discussed under "—Policy Reserves").

Investment income

We hold large investments in debt and equity securities, loans and real estate, mainly in Japan but also in other countries, from which we derive investment income. During the year ended March 31, 2015 and the six months ended September 30, 2015, investment income accounted for 24.0% and 20.7% of our ordinary income, respectively.

Interest, dividends, and other income and gain on sales of securities (primarily domestic equity securities) have generally been the largest components of our total investment income. Interest, dividends, and other income accounted for 77.3% and 93.3% of our total investment income during the year ended March 31, 2015 and the six months ended September 30, 2015, respectively. Gain on sales of securities accounted for 13.7% and 5.8% of our total investment income during the year ended March 31, 2015 and the six months ended September 30, 2015, respectively.

We present investment income and investment expenses separately in our statements of income. Certain categories of investment income and investment expenses, such as gain or loss from assets held in trust, are shown on a net basis as investment income or investment expenses, as the case may be, for the applicable year. Other such categories include gains or losses from separate accounts, derivative financial instruments and foreign exchange.

Gain and loss from separate accounts may materially affect investment income and investment expenses, as all separate account securities are marked to market each period and vary as a function of stock market values as well as by the amounts of investment in the separate accounts. Gain and loss from separate accounts do not, however, materially affect our net surplus from operations, as such gain and loss are almost wholly offset by corresponding provision for (or transfers from) policy reserves.

Gain or loss on derivative financial instruments consist primarily of realized and unrealized gains and losses on currency forward contracts. We use currency forward contracts to offset foreign currency exposure primarily with respect to our foreign currency-denominated investments, such as foreign bonds. As of September 30, 2015, most of these currency forward contracts qualified for hedge accounting. For contracts qualifying for hedge accounting, hedging costs are recorded as loss on derivative financial instruments, while gains and losses on market value changes are not recorded. For those contracts not qualifying for hedge accounting, the entire amount of realized and unrealized gains and losses is recorded as gain or loss on derivative financial instruments.

Foreign exchange gains or losses consist primarily of gains and losses related to foreign currency-denominated investments, such as foreign currency deposits, and result from exchange rate fluctuations.

Other ordinary income

Other ordinary income primarily includes income from deferred benefits, income due to reversal of policy reserves, income from annuity riders and fund receipts for claim deposit payments.

Deferred benefits are benefits and other payments due to policyholders which, at such policyholders' request, are deferred by policyholders, entrusted to us and later paid to policyholders with accrued interest. The amount due to policyholders is recorded as an expense in benefits and other payments, even though such amounts are not actually paid to policyholders in that fiscal period. The amount deferred is recorded as other ordinary income and recognized as an expense in the provision for policy reserves. Withheld insurance payments are held in the policy reserves until paid upon policyholder request or at the end of the deferred term.

Reversal of policy reserves fluctuates primarily as a result of changes in group annuities payments and the value of assets in our separate accounts. See "—Factors Affecting Results of Operations—Provision for Policy Reserves."

Claim deposit payments are payments made to policyholders who have requested that benefits and other payments due to them are to be withheld by and entrusted to us. Claim deposit payments are made either upon the request of the policyholder or at the end of the term of withholding and include interest accrued during the term. Fund receipts for claim deposit payments fluctuate as a result of changes in amounts of deferred insurance payments.

Income from leasing activities of Nissay Leasing Co., Ltd. ("Nissay Leasing") and from sales of software by Nissay Information Technology Co., Ltd. ("Nissay Information Technology") and Nissay Computer Co., Ltd. ("Nissay Computer"), each of which was our consolidated subsidiary through the year ended March 31, 2015, is also included in other ordinary income. In April 2015, Nissay Computer was merged into Nissay Information Technology.

Ordinary expenses

Our ordinary expenses include benefits and other payments, provision for policy and similar reserves, investment expenses, operating expenses and other ordinary expenses.

Benefits and other payments

Benefits and other payments include death and other claims, annuity payments, health and other benefits, surrender benefits and other refunds. In the year ended March 31, 2015 and the six months ended September 30, 2015, benefits and other payments accounted for 58.3% and 52.6%, respectively, of our total ordinary expenses. Under Japanese GAAP, benefits and other payments are recorded on a cash basis and then adjusted effectively to an accrual basis through provision and reversal of policy reserves (as discussed under "—Critical Accounting Estimates—Policy Reserves").

Provision for policy and similar reserves

Provision for policy and similar reserves include provision for reserve for outstanding claims, provision for policy reserves and provision for interest on reserve for dividends to policyholders. In the year ended March 31, 2015 and the six months ended September 30, 2015, provisions for policy and similar reserves accounted for 25.2% and 31.4%, respectively, of our total ordinary expenses. The provision for reserve for outstanding claims is a provision for a reserve used to fund payments that are due but have not yet been paid on outstanding claims as of the end of the fiscal year. Provision for policy reserves is a provision for reserves established for insurance benefits and other payments related to our outstanding policies that are expected to be paid in the future, enabling us to record related profits effectively on an accrual basis. Policy reserves consist of a premium reserve, an unearned premium reserve, a reserve for refund and a contingency reserve. Under the Insurance Business Act, each year we are required to set aside a "standard policy reserve" to fund future claims payments. See "—Factors Affecting Results of Operations—Provision for Policy Reserves."

At the beginning of each fiscal year, the entire amount of the reserve remaining as of the end of the previous fiscal year is reversed, and the provision for the current fiscal year is transferred to the reserve account. Differences that arise are recorded as provision for, or reversal of, policy reserves. In addition, as discussed above, we recognize the full amount of benefits and other payments on a cash basis, although such payments would generally have already been reserved against in the policy reserves. Any amount of policy reserves in excess of such payments and thereby retained is applied against anticipated future claims, correspondingly reducing the amount of reserves recognized as expenses in the current period.

In general, the amount of provision for policy reserves varies in direct proportion to policy amount in force. However, because a portion of the provision for policy reserves represents the value of assets in our separate accounts, fluctuations in such value may cause the amount of provision for policy reserves to increase or decrease disproportionately to or conversely from the policy amount in force.

Provision for interest on reserve for dividends to policyholders is a provision for reserves used to fund dividends paid to policyholders on an annual basis. See "—Factors Affecting Results of Operations—Our Decisions on Policyholder Dividends."

Investment expenses

Investment expenses consist of interest expenses, loss from assets held in trust, loss on sales of securities, loss on valuation of securities, loss on redemption of securities, loss on derivative financial instruments, foreign exchange losses, write-offs of loans, depreciation of rental real estate and other assets, other investment expenses and loss from separate accounts. See "—Ordinary Income—Investment income."

Operating expenses

Operating expenses consist mainly of personnel costs. Personnel costs are composed mainly of salaries, including salaries and commissions paid to sales representatives, and bonuses.

Operating expenses also include policy acquisition costs. Japanese GAAP requires that such costs be recognized as expense as they are incurred. Policy acquisition costs consist of sales-related expenses and costs related to the underwriting of new policies.

Operating expenses are classified into marketing operations, marketing administration and general and administrative expenses.

- Marketing operations and marketing administration include expenses for underwriting new policies. Marketing operations primarily include expenses related to new policy solicitation and assessment, whereas marketing administration primarily includes expenses related to advertising and the sales force.
- General and administrative expenses include expenses for managing policies with insurance handling systems and for asset management.

The life insurance industry is required to accept funding commitments to the LIPPC of an aggregate of up to ¥33 billion per year. All of our payments to the LIPPC are charged to operating expenses when paid. We made contributions of ¥7.4 billion, ¥7.4 billion and ¥6.1 billion to the LIPPC in the years ended March 31, 2013, 2014 and 2015, respectively. We expect the amount of our contribution in the current and future fiscal years to be comparable to the amounts of our contributions made in prior fiscal years.

Other ordinary expenses

Other ordinary expenses consist mainly of deferred benefit payments, certain national and local taxes (including revenue stamp duty, business taxes, fixed property taxes and consumption taxes), depreciation (excluding depreciation of rental real estate and other assets) and provision for accrued severance indemnities.

Sales costs of Nissay Leasing and product development costs of Nissay Information Technology and Nissay Computer are also included in other ordinary expenses.

Core Operating Profit

Ordinary profit of a life insurance company includes profit from investment activities as well as profit from the insurance business. Thus, profit from the insurance business is not readily ascertainable from the statements of income. For purposes of disclosing profit from the insurance business, life insurance companies in Japan are required under disclosure standards promulgated by the Life Insurance Association to disclose “core operating profit,” also known as “fundamental profit” or “base profit.”

Pursuant to these disclosure standards, core operating profit is defined as:

core operating revenues: revenues from insurance and reinsurance, investment income (excluding capital gains), other ordinary income and other core operating income, *less*

core operating expenses: benefits and other payments, provision for policy reserves (excluding provisions for and reversals of contingency reserves), investment expenses (excluding capital losses), operating expenses, other ordinary expenses and other core operating expenses.

Core operating profit is calculated without deducting policyholder dividends or hedging costs associated with foreign currency-denominated bonds. See “—Factors Affecting Results of Operations—Our Decisions on Policyholder Dividends” and “—Summary of Key Line Items—Ordinary expenses—Investment expenses.”

We believe that core operating profit, viewed in the context of our overall business results as reflected in our financial statements, provides a meaningful metric for understanding our financial performance. The following table sets forth our nonconsolidated core operating profit for the years ended March 31, 2013, 2014 and 2015 and for the six months ended September 30, 2015 and reconciles nonconsolidated core operating profit to our nonconsolidated ordinary profit by adding back capital gains and losses as well as other one-time gains and losses:

	Year ended March 31,			Six months ended September 30,
	2013	2014	2015	2015
	(Billions of yen)			
Core operating revenues:				
Revenues from insurance and reinsurance	¥ 5,342.8	¥ 4,825.5	¥ 5,337.1	¥ 2,896.1
Investment income, excluding capital gains	1,366.7	1,421.4	1,532.9	794.0
Other ordinary income	190.4	204.7	182.6	72.9
Total core operating revenues	¥ 6,900.0	¥ 6,451.8	¥ 7,052.6	¥ 3,763.1
Core operating expenses:				
Benefits and other payments	¥ 3,617.1	¥ 3,778.2	¥ 3,932.1	¥ 1,856.9
Provision for policy reserves, excluding provisions for and reversals of contingency reserves	1,734.5	1,153.3	1,464.9	970.8
Investment expenses, excluding capital losses	80.7	69.8	72.6	76.8
Operating expenses	566.9	561.8	563.3	283.8
Other ordinary expenses	354.2	296.1	340.4	134.9
Total core operating expenses	¥ 6,353.5	¥ 5,859.3	¥ 6,373.5	¥ 3,323.9
Core operating profit	¥ 546.5	¥ 592.4	¥ 679.0	¥ 393.3
Capital gains	193.5	262.1	242.0	46.3
Capital losses	347.4	116.5	68.3	33.4
Net capital gains (losses)	(153.8)	145.6	173.6	12.8
Core operating profit plus net capital gains (losses)	¥ 392.6	¥ 738.0	¥ 852.7	¥ 406.1
Other one-time profits (losses)	(3.9)	(225.4)	(245.5)	(147.1)
Ordinary profit(1)	¥ 388.7	¥ 512.6	¥ 607.2	¥ 258.9

Note:
(1) Ordinary profit = Core operating profit + Net capital gains (losses) + Other one-time profits (losses).

Our core operating profit increased by ¥86.6 billion, or 14.6%, to ¥679.0 billion for the year ended March 31, 2015 from ¥592.4 billion for the year ended March 31, 2014, primarily due to an increase in interest gains resulting from an increase in interest, dividends, and other income.

Our core operating profit increased by ¥71.2 billion, or 22.1%, to ¥393.3 billion for the six months ended September 30, 2015 from ¥322.1 billion for the same period of the previous year, primarily due to an increase in interest gains resulting from an increase in interest, dividends, and other income.

Interest Gains (Losses)

During extended periods of increasing or decreasing market interest rates, actual yield on our investments may rise above or fall below the assumed yields used in pricing premiums of products and in calculation of policy reserves on large portions of our outstanding policies. This yield differential may result in interest gains or interest losses. Such losses are sometimes referred to as negative spread. A description of the calculation of negative spread is provided in the definition of "negative spread" in "Glossary of Certain Terms." Interest gains or losses are not a Japanese GAAP financial measure and should not be viewed as a measure of our financial performance or liquidity under Japanese GAAP or as an alternative to any Japanese GAAP measure.

As set forth in the tables below, the average assumed yield related to our outstanding policies has been decreasing as a result of the replacement, through maturity, surrenders and conversions, of older policies that had a higher assumed yield with newer policies that have a lower assumed yield. From 2006 through 2010, we accumulated additional policy reserves in order to reduce amounts of assumed yield charged to expense. The effect of this decrease in average assumed yield has, however, been partially offset by continued declines in actual yield on our investment portfolio in the low interest rate environment in Japan.

The following table sets forth, on a nonconsolidated basis, the assumed yields generally used for individual insurance policies and annuities sold by us in the years indicated:

	Year ended March 31,				
	1997-2001	2002-2006	2007-2011	2012-2013	2014-2015
Assumed yield of individual insurance/annuities sold in the years indicated	1.50-2.75%	1.00-1.50%	0.70-1.50%	0.60-1.50%	0.50-1.00%

The following table sets forth, on a nonconsolidated basis, our average assumed yields, average actual yields, and interest gains amount for our outstanding policies for the years indicated.

	Year ended March 31,				
	2011	2012	2013	2014	2015
	(Billions of yen, except percentages)				
Average assumed yield	2.70%	2.61%	2.53%	2.46%	2.40%
Average actual yield	2.77	2.69	2.60	2.72	2.82
Interest gains	¥ 28.2	¥ 31.6	¥ 31.7	¥ 114.7	¥ 190.6

In addition, we recorded interest gains of ¥83.6 billion and ¥147.7 billion for the six months ended September 30, 2014 and 2015, respectively. Although we, like other Japanese life insurance companies, have struggled in the past with negative spread stemming from a prolonged low interest rate environment in Japan, we have not recorded negative spread on an annual basis since the year ended March 31, 2010. Spreads tend to fluctuate, however, and it is uncertain whether we will record a positive or negative spread in future periods, including for the year ending March 31, 2016.

We believe the assumed mortality and morbidity rates and administrative expenses, among other factors, used in calculating premiums for our products are estimated conservatively. As a result, they have generally offset shortfalls in investment yield in recent years, and we have been able to generate core operating profit. If, however, investment yields decrease further and we are unable to adequately adjust the premiums we charge, our yield differential may become largely negative and we may not generate core operating profit.

Reserve for Price Fluctuations in Investments in Securities

See "—Critical Accounting Estimates—Reserve for Price Fluctuations in Investments in Securities."

Unrealized Gains and Losses

Unrealized gains and losses reflect the difference between the book value and market value of certain investment assets. Unrealized gains and losses on securities and real estate are reflected in the computation of total solvency margin and solvency margin ratio. We consider our net unrealized gains on these assets to constitute a buffer against various risks.

We state our available-for-sale securities with readily obtainable fair market value ("marketable available-for-sale securities") at fair market value, and adjust net assets by the amount of any unrealized gains or losses, on such securities.

The following table sets forth, as of the dates indicated, a breakdown of net unrealized gains or losses on investment assets, other than certain investment assets not readily susceptible to market valuation, on a nonconsolidated basis:

	As of March 31,					As of September 30,
	2011	2012	2013	2014	2015	2015
	(Billions of yen)					
Domestic bonds[1]	¥ 688.3	¥ 1,166.0	¥ 2,096.9	¥ 1,853.4	¥ 2,735.4	¥ 2,696.2
Domestic stocks	1,187.5	944.4	2,131.9	2,829.3	4,991.9	4,259.0
Foreign bonds	(87.4)	414.7	988.9	1,116.5	2,257.4	1,953.9
Foreign stocks and other foreign securities	107.9	143.2	419.3	624.8	896.2	617.4
Other securities	(16.8)	(7.9)	33.9	49.9	116.2	98.2
Others[2]	35.0	43.6	53.8	41.3	35.9	34.1
Total net unrealized gains	¥ 1,914.5	¥ 2,704.2	¥ 5,725.0	¥ 6,515.4	¥ 11,033.3	¥ 9,658.9

Notes:

(1) We classify most of our bonds as policy-reserve-matching bonds.

(2) "Others" comprises monetary receivables purchased and negotiable certificates of deposit.

The changes in total net unrealized gains on investment assets primarily reflect a general trend of increases in market prices for domestic and foreign stocks and bonds between the period ends in the years ended March 31, 2012 through March 31, 2015. In the six months ended September 30, 2015, total net unrealized gains declined primarily due to decreases in the domestic stock market.

Recent Changes in Accounting Standards

From the six months ended September 30, 2015, we have applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the " Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013), and the "Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013)" and other standards. As a result, we have changed our accounting treatment so that differences due to changes in our equity interest in the subsidiaries over which we continue to exercise control are recorded as consolidated surplus, and expenses related to acquisitions are recorded as expenses for the fiscal year in which they are incurred. In addition, the method of presentation of net surplus has been changed, along with a change in presentation from minority interests to non-controlling interests.

In our consolidated statement of cash flows for the six-months ended September 30, 2015, the following change in the method of recording cash flows has been applied. Cash flows relating to the acquisition and sale of subsidiary companies and subsidiary legal entities not resulting in changes in the scope of consolidation are classified under "Cash flows from financing activities." Moreover, expenses related to the acquisition of shares of subsidiary companies and subsidiary legal entities and so forth that do not result in a change in the scope of consolidation and cash flows relating to expenses arising in relation to the acquisition or sale of shares of subsidiary companies and subsidiary legal entities that do not result in a change in the scope of consolidation are classified under "Cash flows from operating activities."

In applying the Accounting Standard for Business Combinations and other standards, we have adopted the transitional treatments provided in Paragraph 58-2 (4) of the "Accounting Standard for Business Combinations", Paragraph 44-5 (4) of the "Accounting Standard for Consolidated Financial Statements", and Paragraph 57-4 (4) of the "Accounting Standard for Business Divestitures", and will apply these treatments prospectively from the beginning of the six months ended September 30, 2015.

Furthermore, the adoption of these standards and transitional treatments had no impact on the amounts on our consolidated balance sheet and consolidated statement of income as of September 30, 2015 and for the six months ended September 30, 2015.

Critical Accounting Estimates

Our audited financial statements included elsewhere in this offering circular are prepared in accordance with Japanese GAAP. Many of the accounting policies require management to make difficult, complex or subjective judgments regarding the valuation of assets and liabilities. The accounting policies are fundamental to understanding our operating and financial review and prospects.

See the notes to our audited financial statements as of and for the years ended March 31, 2013, 2014 and 2015, and our unaudited interim financial statements as of September 30, 2015 and for the six months ended September 30, 2014 and 2015 included elsewhere in this offering circular, for a discussion of significant accounting policies used in the preparation of our financial statements. Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the policies may differ significantly from management's current judgments. Critical accounting estimates involve significant judgment. The determination of these critical accounting estimates is fundamental to our financial condition and results of operations and requires management to make complex judgments based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows.

We believe that the following items represent our critical accounting estimates.

Loss on Valuation of Securities

We recognize impairments in the value of our investments in securities other than trading securities and stocks issued by our subsidiaries or affiliates based upon the degree to which the fair market value of such securities declines and upon certain fluctuations in foreign exchange rates. During the year ended March 31, 2015 and during the six months ended September 30, 2015, we recognized ¥3.2 billion and ¥3.6 billion, respectively, in loss on valuation of securities.

The decision as to which securities are subject to loss recognition involves significant management judgment. Under the accounting standards we have adopted, impairment losses are recognized for stocks (including foreign stocks) whose market value has fallen significantly from the acquisition cost as measured by the average market value in the month preceding the relevant balance sheet date. In certain cases, such as where the market value of the stock falls significantly during the month preceding the relevant balance sheet date, impairment losses are recognized based on the market value as of the balance sheet date.

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

- a security for which the ratio of the average market value in the month preceding the final day of the fiscal year to the acquisition cost is 50% or less; or
- a security for which the ratio of the average market value in the month preceding the final day of the fiscal year to the acquisition cost is greater than 50% and less than or equal to 70% and for which the fair value for the past two years, the condition of the issuing company and other aspects of the security meet certain defined requirements.

Our judgment of the possibility and magnitude of a future recovery in the fair value of a security may inherently rely on our subjective views concerning the creditworthiness of the issuer of the securities, market uncertainties and various other factors. Different judgments could lead to different conclusions regarding the need to recognize impairments in value.

Policy Reserves

Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation—Policy reserves." Policy reserves are recognized based on the following methodology:

- Reserves for policies concluded in or after April 1996, other than those in which factors used as a basis for computing policy reserves and insurance premiums are alterable and those for variable insurance, are computed by the net level premium method based on the assumption rates locked in at the sales and renewal prescribed by the Insurance Business Act and the statement of calculation procedures.

- Reserves for other policies are determined by the net level premium method using the assumption rates locked in at the sales and renewal prescribed by the statement of calculation procedures.
- As to the insurance policies entered on or before March 31, 2015, the assumed yield was set as applied across all types of insurance policies. However, the assumed yield applicable to the insurance policies entered on or after April 1, 2015 may vary among different types of insurance policies, and the assumed yield applicable to certain types of insurance policies with lump-sum premiums set forth in the public notice above may be changed every three months, in contrast to such assumed yield as applicable to the other types of insurance policies which may be changed only once a year.

Contingency Reserve

Within our policy reserves required under the Insurance Business Act, we maintain a contingency reserve to cover losses resulting from unexpectedly high claims or unexpectedly low actual yield on investments due to unforeseen catastrophes or poor market performance. This contingency reserve may be used only to cover such losses. The Insurance Business Act establishes the minimum provision for each fiscal year and the maximum amount of reserve with parameters pursuant to a formula based on insurance risk and other factors within which an insurance company may make provisions for, or cause the reversal of, the contingency reserve. When the mortality rate margin or investment yield margin becomes negative, the Insurance Business Act allows the use of contingency reserves for the negative portion. Pursuant to FSA regulations, a benefit amount equal to a “minimum guarantee” is required to be paid upon death or the commencement of the annuity for variable insurance and variable annuity policies, respectively, and provisions for the contingency reserve are required in respect of the related minimum guarantee risk. We reserved ¥780.1 billion, ¥1,005.7 billion and ¥1,250.2 billion in the years ended March 31, 2013, 2014 and 2015, respectively. Our contingency reserve as of September 30, 2015 totaled ¥1,397.5 billion. We expect to continue to make appropriate provisions to the reserves.

Reserve for Price Fluctuations in Investments in Securities

Pursuant to provisions of the Insurance Business Act, we maintain a reserve to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in stocks, bonds and foreign currency-denominated investments. This reserve may be used only to reduce deficits arising from price fluctuations of those assets. The provision for reserve for price fluctuations in investments in securities is charged to extraordinary losses. The Insurance Business Act establishes a minimum provision and a maximum amount of reserve for each fiscal year with parameters derived using a formula based on investment risk and other factors within which an insurance company may make provision for, or cause reversal of, the reserve for price fluctuations in investments in securities, which amounts will be recorded on the statement of income as either extraordinary losses or gains, respectively. We are permitted under the Insurance Business Act to use the reserve for price fluctuations in investments in securities up to the amount of any net capital loss.

We reserved ¥427.5 billion, ¥623.3 billion and ¥778.7 billion in the years ended March 31, 2013, 2014 and 2015, respectively. Our reserve for price fluctuations in investments in securities as of September 30, 2015 totaled ¥880.2 billion. We expect to continue to make appropriate provisions to the reserves.

Deferred Tax Assets and Deferred Tax Liabilities

We record deferred tax assets and deferred tax liabilities using the asset and liability approach to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. In establishing the appropriate amount of deferred tax assets, we evaluate available evidence, both positive and negative, concerning our future taxable income and other possible sources for realization of the deferred tax assets, and the statutory tax rate for the calculation of deferred tax assets and deferred tax liabilities.

Our judgment of the likelihood of realization of deferred tax assets may inherently rely on our subjective views concerning uncertainties with respect to future taxable income and other factors. As a result, the amount of actual taxable income may be different from our current estimates, which would result in a larger or smaller amount of deferred tax assets or deferred tax liabilities than have been recognized.

Allowance for Doubtful Accounts

We have established an allowance for doubtful accounts in accordance with our self-assessment guidelines. The allowance for doubtful accounts is recognized as a reduction of the carrying amount of loans. With respect to loans to borrowers who are subject to bankruptcy, reorganization or rehabilitation or other similar proceedings ("bankrupt obligors") and borrowers who have financially failed but are not yet subject to bankruptcy, reorganization or rehabilitation or other similar proceedings ("quasi-bankrupt obligors"), we provide for a specific allowance for the loan balance less estimated amounts collectible from collateral, guarantees or other means. For loans to borrowers with a high potential risk of failure, we determine and provide for the necessary specific allowance amount based on an overall assessment of such borrowers' ability to pay after subtracting from the loan balance the amount collectible from collateral, guarantees or other means. With respect to loans in other classifications, we provide for a general allowance by applying a historical loan-loss ratio determined over a fixed period. Each loan is subject to assessment in accordance with our self-assessment guidelines and guidelines issued by the FSA.

The allowance for doubtful accounts represents management's estimate of probable loan losses inherent in our portfolio. This evaluation process is subject to numerous management estimates and judgments.

The following factors are considered in categorizing debtors:

- the characteristics of the debtor's industry;
- the actual state of the debtor's finances;
- the conditions to borrowing of the debtor and the state of repayments;
- the prospects of continuation of the debtor's business and its profitability;
- the ability of the debtor to repay, estimated based on its cash flows;
- the outlook for implementation of management improvement plans and other remedial measures; and
- expectations for support by other financial institutions and the debtor's parent company, if any.

Results of Operations

The following table sets forth certain information relating to our results of operations for the years ended March 31, 2013, 2014 and 2015 and the six months ended September 30, 2014 and 2015:

	Year ended March 31,			Six months ended September 30,	
	2013	2014	2015	2014	2015
			(Billions of yen)		
Ordinary income:					
Revenues from insurance and reinsurance	¥ 5,366.6	¥ 4,860.1	¥ 5,370.8	¥ 2,485.3	¥ 2,912.6
Investment income	1,574.9	1,687.3	1,776.7	914.7	792.0
Other ordinary income	259.7	281.7	262.4	126.5	123.0
Total ordinary income	¥ 7,201.3	¥ 6,829.2	¥ 7,410.0	¥ 3,526.6	¥ 3,827.7
Ordinary expenses:					
Benefits and other payments	¥ 3,634.9	¥ 3,806.5	¥ 3,960.0	¥ 1,838.7	¥ 1,870.7
Provision for policy reserves	1,740.1	1,379.4	1,708.0	864.2	1,117.1
Investment expenses	434.5	189.2	143.8	71.7	111.7
Operating expenses	584.8	583.0	586.0	293.0	295.3
Other ordinary expenses	404.6	347.6	393.4	172.1	164.4
Total ordinary expenses	¥ 6,799.1	¥ 6,305.9	¥ 6,791.4	¥ 3,240.0	¥ 3,559.5
Ordinary profit	¥ 402.2	¥ 523.2	¥ 618.6	¥ 286.6	¥ 268.2
Extraordinary gains	59.5	2.9	4.0	0.3	0.1
Extraordinary losses	146.5	211.1	181.8	127.1	108.2
Surplus before income taxes and minority interests(1)	¥ 315.1	¥ 315.0	¥ 440.7	¥ 159.8	¥ 160.0
Income taxes:					
Current	¥ 91.6	¥ 144.6	¥ 172.5	¥ 97.8	¥ 77.4
Deferred	(25.4)	(77.7)	(41.1)	(84.8)	(61.5)
Surplus before minority interests(1)	¥ 249.0	¥ 248.1	¥ 309.3	¥ 146.8	¥ 144.1
Minority interests(1)	1.0	1.0	1.2	0.5	0.8
Net surplus(1)	¥ 247.9	¥ 247.1	¥ 308.0	¥ 146.3	¥ 143.2

Note:

(1) For fiscal periods beginning from the three months ended June 30, 2015, "Surplus before income taxes and minority interests", "Surplus before minority interests", "Minority interests" and "Net surplus" have been renamed "Surplus before income taxes", "Net surplus", "Net surplus attributable to non-controlling interests" and "Net surplus attributable to the Parent Company", respectively, in accordance with recent changes in accounting standards. However, for purposes of this table and the period-to-period comparisons below, we have used the line item names set forth in the audited financial statements for the years ended March 31, 2013, 2014 and 2015 contained elsewhere in this offering circular. See "—Recent Changes in Accounting Standards."

The following table presents our annualized net premiums from individual insurance and individual annuities, including medical coverage, living benefits, etc., for both policies in force and new policies for the periods indicated, on a nonconsolidated basis:

	As of and for the year ended March 31,			As of and for the six months ended September 30,	
	2013	2014	2015	2014	2015
			(Billions of yen)		
Policies in force:(1)					
Individual insurance	¥ 2,375.2	¥ 2,411.3	¥ 2,459.1	¥ 2,418.8	¥ 2,482.7
Individual annuities	840.9	857.4	863.2	857.9	866.8
Total	¥ 3,216.2	¥ 3,268.7	¥ 3,322.4	¥ 3,276.7	¥ 3,349.6
Medical coverage, living benefits, etc.(2)	¥ 592.3	¥ 595.7	¥ 600.2	¥ 596.4	¥ 605.5
New policies:(1)(3)					
Individual insurance	¥ 224.1	¥ 217.9	¥ 230.8	¥ 100.6	¥ 113.1
Individual annuities	53.4	79.7	57.0	25.7	23.5
Total	¥ 277.6	¥ 297.7	¥ 287.8	¥ 126.4	¥ 136.7
Medical coverage, living benefits, etc.(2)	¥ 40.0	¥ 41.0	¥ 41.1	¥ 19.4	¥ 24.2

Notes:

(1) Annualized net premium includes totals for individual insurance and individual annuities. Annualized net premium is calculated by multiplying the underlying premium installment amounts by a factor determined according to the relevant payment method to arrive at a single annualized amount. For single-premium policies, annualized net premium is calculated by dividing the total premium by the insured period.

(2) The amount of medical coverage, living benefits, etc. represents annualized premium relating to medical benefits (hospitalization and surgical benefits), living benefits (specified illness and nursing care benefits) and waiver of premium benefits (excluding disability benefits but including specified illness and nursing care benefits).

(3) Annualized new policy net premium amount includes net increases due to conversions.

The following table sets forth a breakdown of our insurance premiums (including ceding reinsurance commissions) by product line for the periods indicated:

	Year ended March 31,			Six months ended September 30,	
	2013	2014	2015	2014	2015
			(Billions of yen)		
Individual insurance	¥ 3,289.3	¥ 2,709.4	¥ 3,038.1	¥ 1,387.8	¥ 1,430.5
Individual annuities	477.1	463.0	507.4	243.4	243.8
Group insurance	256.0	257.8	259.3	128.3	128.8
Group annuities	1,262.4	1,338.2	1,476.1	680.8	1,065.5
Others	81.6	91.6	89.7	44.8	43.9
Total	¥ 5,366.6	¥ 4,860.1	¥ 5,370.8	¥ 2,485.3	¥ 2,912.6

Numbers of Policies and Policy Amounts for Our Main Product Lines

The following tables set forth changes in the numbers of policies and policy amounts in force of our main product lines for the years ended March 31, 2013, 2014 and 2015 and the six months ended September 30, 2014 and 2015 on a nonconsolidated basis. See also “Business—Products and Services.”

Individual insurance

Individual insurance is our main business area, mainly marketed through our *Mirai no Katachi* product lineup, and includes whole life insurance, term life insurance, endowment insurance, and third-sector products. The popularity of our main product *Mirai no Katachi* among a variety of customers has continued from the year ended March 31, 2013 into the year ended March 31, 2015 and the six months ended September 30, 2015, and we have been cultivating new customers and product sales through our educational endowment insurance and newly launched Long Dream GOLD single premium product. However, the total number of new individual insurance and annuities on a combined basis decreased for the year ended March 31, 2015, reflecting the sale of fewer individual annuity and educational endowment policies to new customers, mainly young people, as a result of our revision of insurance premiums in April 2014. On the other hand, the number of new individual insurance and annuities on a combined basis started to increase again during the six months ended September 30, 2015. In addition, total outstanding policy amounts in force for individual insurance have continued to decrease in line with general market trends. See “Business—Products and Services—Individual Insurance.”

	Year ended March 31,						Six months ended September 30,			
	2013		2014		2015		2014		2015	
	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
	(Thousands of policies and billions of yen)									
At the beginning of the period	11,339.0	¥162,385.4	14,696.7	¥156,313.2	17,927.8	¥150,854.5	17,927.8	¥150,854.5	20,635.6	¥146,649.3
Increase due to:										
New policies	2,025.9	8,439.4	2,269.5	8,062.3	2,249.5	8,268.1	1,035.8	3,709.4	1,161.9	4,424.3
Renewals	23.1	1,286.4	20.8	1,009.9	18.4	903.8	7.8	489.0	6.6	377.9
Reinstatements	8.3	122.7	5.3	76.0	3.1	39.1	1.6	21.8	1.0	14.6
Conversion	2,636.5	9,781.4	2,412.9	8,546.4	2,148.1	7,695.8	1,131.5	4,095.0	1,030.4	3,648.0
Variable amount	—	0.1	—	0.6	—	1.1	2.2	0.2	6.3	0.8
Decrease due to:										
Death	52.4	567.0	59.8	583.1	67.8	618.9	31.5	293.2	34.9	304.4
Maturity	243.8	1,002.3	193.3	776.8	173.0	668.3	88.4	356.5	71.7	293.1
Decrease of benefits	—	1,857.3	—	1,729.6	—	1,492.8	87.4	791.3	84.3	659.8
Decrease from conversion	462.5	10,193.8	415.2	9,331.1	431.7	8,336.1	208.3	4,438.7	261.9	3,746.6
Cancellation	516.7	7,550.6	772.6	7,256.9	1,014.2	6,969.1	490.6	3,599.3	569.8	3,359.5
Expiration	56.1	830.9	30.3	446.2	16.8	256.1	9.5	147.8	6.4	105.8
Decrease from variable amount	—	0.0	—	0.2	—	0.1	1.5	0.0	3.5	1.0
Decrease due to other changes	4.6	3,700.2	6.1	3,029.7	7.7	2,771.5	3.6	1,453.2	3.8	1,250.8
At period-end	14,696.7	156,313.2	17,927.8	150,854.5	20,635.6	146,649.3	19,272.5	148,089.8	21,886.8	145,393.8
Net increase (decrease)	3,357.6	¥ (6,072.1)	3,231.0	¥ (5,458.7)	2,707.7	¥ (4,205.2)	1,344.7	¥ (2,764.7)	1251.2	¥ (1,255.5)

Individual annuities

In response to the shifting of customer demand from mortality insurance to savings-type products, the number of policies and policy amounts have increased year on year during the years ended March 31, 2014 and March 31, 2015 and the six months ended September 30, 2015. However, as also discussed above, we experienced a decline in the number of new policies for the year ended March 31, 2015 as compared to the year ended March 31, 2014 due to a tapering of demand after the increase in premium rate in April 2014, although there was a less significant decline for the six months ended September 30, 2015. See "Business—Products and Services—Individual Annuities."

	Year ended March 31,						Six months ended September 30,			
	2013		2014		2015		2014		2015	
	Number of policies	Policy amount(1)	Number of policies	Policy amount(1)	Number of policies	Policy amount(1)	Number of policies	Policy amount(1)	Number of policies	Policy amount(1)
	(Thousands of policies and billions of yen)									
At the beginning of the period	3,149.5	¥19,047.0	3,214.2	¥19,682.5	3,392.8	¥21,041.3	3,392.8	¥21,041.3	3,448.3	¥21,456.1
Increase due to:										
New policies	190.8	1,526.2	326.0	2,387.5	201.9	1,523.0	97.7	694.7	92.6	613.7
Reinstatements	0.9	5.6	0.1	0.9	0.0	0.3	0.0	0.2	0.0	0.1
Increase from conversion	16.3	117.0	16.3	128.6	9.4	61.6	5.1	33.0	4.4	32.3
Decrease due to:										
Death	10.1	52.2	10.4	53.8	10.4	51.7	4.8	23.6	4.8	23.7
Completion of payments	15.3	11.5	18.1	13.5	20.0	14.6	8.8	6.5	9.9	7.2
Decrease of insurance amount	—	51.1	—	57.0	—	69.3	4.8	33.3	4.7	30.9
Decrease from conversion	18.6	110.9	14.2	84.2	7.9	46.5	4.0	23.1	3.7	22.9
Cancellation	84.4	523.1	86.6	549.3	90.1	587.7	44.8	289.8	45.2	295.4
Expiration	5.6	34.0	1.5	9.7	1.0	6.5	0.5	3.7	0.4	2.4
Decrease due to other changes	9.2	64.9	32.8	199.0	26.3	179.7	12.4	96.3	8.6	89.9
At period-end	3,214.2	19,682.5	3,392.8	21,041.3	3,448.3	21,456.1	3,420.1	21,292.7	3,472.6	21,629.6
Net increase (decrease)	64.6	¥ 635.4	178.6	¥ 1,358.8	55.5	¥ 414.8	27.3	¥ 251.3	24.2	¥ 173.5

Note:

(1) The policy amount for individual annuities is the sum of (a) the funds held for annuity payments at the time such payments are to commence and (b) the policy reserve amount for annuities for which such payments have already commenced. Because the policy reserve amount changes over time, in contrast to the static nature of policy amounts of insurance policies, the amount of net increase (decrease) in the policy amount column does not match the total of the individual items.

Group insurance

Although we face a difficult domestic operating environment, which includes a declining birthrate and an aging population as well as a decrease of full-time employment, we believe there are increasing business opportunities in the form of group insurance with employee contributions due to the higher expectation for the role of businesses to supplement existing social security. Such products designed to increase financial independence and self-reliance are suited to the market trend and have recorded increasing sales, and as a result the number of insured in the group insurance segment have steadily increased in the years ended March 31, 2014 and 2015 after declining in the year ended March 31, 2013 and revenue from such products has been stable. In the six months ended September 30, 2015, the number of insured decreased slightly while group insurance policy amounts increased as compared to the year ended March 31, 2015. See "Business—Products and Services—Group Insurance."

	Year ended March 31,						Six months ended September 30,			
	2013		2014		2015		2014		2015	
	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy Amount
	(Thousands of insured and billions of yen)									
At the beginning of the period	26,787.0	¥91,234.0	26,412.4	¥91,960.9	26,465.9	¥92,059.1	26,465.9	¥92,059.1	26,677.9	¥92,595.4
Increase due to:										
New policies	107.7	383.6	280.2	596.7	653.6	658.7	572.7	509.3	129.7	131.8
Renewals	13,868.3	55,363.6	13,789.4	56,432.7	1,3885.8	57,012.4	8,460.8	31,442.0	8,308.5	31,315.1
Midterm enrollment	2,341.0	8,017.6	2,199.3	7,185.9	2,004.1	7,063.6	1,136.2	4,078.0	1,138.9	3,555.2
Increase of insurance amount	—	1,881.7	—	1,425.7	—	1,844.8	172.3	929.0	427.3	872.4
Decrease due to:										
Death	52.0	114.9	51.0	113.4	50.3	109.6	23.2	50.4	22.3	49.9
Maturity	14,009.9	55,533.7	13,900.2	56,754.2	14,170.2	57,599.0	8,523.3	31,567.5	8,624.6	31,551.7
Withdrawal	2,136.9	5,502.8	2,129.3	5,444.0	2,017.7	5,039.1	1,076.9	2,406.8	1,055.5	2,397.0
Decrease of insurance amount	—	2,858.8	—	3,121.1	—	3,057.6	89.5	1,616.0	142.2	1,635.7
Cancellation	496.7	900.6	32.5	118.9	90.7	214.4	66.0	158.8	13.2	72.8
Expiration	1.0	8.9	0.0	0.2	8.5	26.2	0.0	0.1	0.0	0.0
Decrease due to other changes	(5.2)	(1.9)	102.1	(10.6)	(5.9)	(4.4)	(4.8)	(1.6)	(5.1)	(22.9)
At period-end	26,412.4	91,960.9	26,465.9	92,059.1	26,677.9	92,595.4	26,951.0	93,219.4	26,544.5	92,785.6
Net increase (decrease)	(374.5)	¥ 726.9	53.4	¥ 98.1	212.0	¥ 536.3	485.0	¥ 1,160.3	(133.4)	¥ 190.2

Group annuities

Policy amounts in the group annuities segment have steadily increased year on year over the years ended March 31, 2014 and 2015 and the six months ended September 30, 2015, while the number of insured has decreased over the same period. To mitigate the negative spread risk from declining interest rates and liquidity risk due to surrenders upon rising interest rates, we maintain a solid risk management system including a system by which we suspend sales of certain products depending on interest rate levels. See "Business—Products and Services—Group Annuities."

	Year ended March 31,						Six months ended September 30,			
	2013		2014		2015		2014		2015	
	Number of insured(1)	Policy amount(2)	Number of insured(1)	Policy amount(2)	Number of insured(1)	Policy amount(2)	Number of insured(1)	Policy amount(2)	Number of insured(1)	Policy amount(2)
	(Thousands of insured and billions of yen)									
At the beginning of the period	13,568.1	¥10,476.9	14,604.7	¥10,911.5	14,492.4	¥11,327.0	14,492.4	¥11,327.0	14,185.1	¥11,680.6
Increase due to:										
New policies	62.6	7.2	3.6	1.3	2,772.2	43.9	2,772.2	43.8	0.3	0.7
Decrease due to:										
Annuity payments	3,756.8	334.7	3,986.5	346.1	3,751.3	362.9	1,816.2	182.4	1,742.1	174.1
Single payments	724.2	488.6	719.2	446.8	675.8	421.4	252.6	234.0	250.9	223.4
Cancellation	5.1	13.7	18.1	36.6	37.8	189.0	4.1	5.8	3,290.6	68.5
At period-end	14,604.7	10,911.5	14,492.4	11,327.0	14,185.1	11,680.6	17,231.1	11,546.2	10,867.3	12,131.9
Net increase (decrease)	1,036.5	¥ 434.5	(112.2)	¥ 415.5	(307.3)	¥ 353.5	2,738.7	¥ 219.2	(3,317.7)	¥ 451.2

Notes:

(1) The number of insured in the table above is measured as of the beginning or end, as the case may be, of the applicable period. As a result, the amount of net increase in the number of insured column does not match the total of the individual items.

(2) For policy amount, the new policy amount is equal to the initial premium payment and the total policy amount in force is equal to the amount of outstanding corresponding policy reserves. Because the amount of policy reserves changes over time, in contrast to the static nature of policy amounts of annuity policies, the amount of net increase (decrease) in the policy amount column does not match the total of the individual items.

Separate accounts

Assets related to our individual variable insurance and individual variable annuities and a portion of our group annuity products, including group employee pension fund insurance and national pension fund insurance, are held in our separate accounts. Separate account assets and liabilities represent funds that we administer and invest to meet specific investment objectives of policyholders and for which such policyholders bear the investment risk of the invested assets. The following table sets forth the amount of separate account assets as of the dates indicated, on a nonconsolidated basis:

	As of March 31,			As of September 30,	
	2013	2014	2015	2014	2015
	(Billions of yen)				
Individual variable insurance	¥ 109.9	¥ 116.8	¥ 131.5	¥ 123.8	¥ 119.4
Individual variable annuities	132.5	100.5	77.6	90.6	61.2
Group annuity products	996.3	1,010.0	904.3	1,027.7	1,242.1
Total separate account assets	¥ 1,238.8	¥ 1,227.3	¥ 1,113.5	¥ 1,242.2	¥ 1,422.8

Over the years ended March 31, 2014 and 2015, separate account assets in the individual variable insurance category increased year on year, while individual variable annuities decreased year on year over the same periods. Group annuity product-related separate account assets decreased in the year ended March 31, 2015 due to an increase in the number of surrenders of policies. As of September 30, 2015, total separate account assets increased as compared to March 31, 2015, primarily due to an increase in group annuity products, partially set off by a decrease in individual variable insurance and individual annuities.

The following table sets forth the policy amount in force for term and whole life individual variable insurance as of the dates indicated, on a nonconsolidated basis:

	As of March 31,			As of September 30,	
	2013	2014	2015	2014	2015
	(Billions of yen)				
Individual variable insurance (defined term)	¥ 9.7	¥ 8.9	¥ 8.3	¥ 8.6	¥ 8.0
Individual variable insurance (whole life)	549.2	531.5	513.1	522.1	503.1

Comparison of the Six Months Ended September 30, 2015 and 2014

Ordinary income

	Six months ended September 30,	
	2014	2015
	(Billions of yen)	
Ordinary income:		
Revenues from insurance and reinsurance	¥ 2,485.3	¥ 2,912.6
Investment income	914.7	792.0
Other ordinary income	126.5	123.0
Total ordinary income	¥ 3,526.6	¥ 3,827.7

Ordinary income increased by ¥301.1 billion, or 8.5%, to ¥3,827.7 billion for the six months ended September 30, 2015 from ¥3,526.6 billion for the same period of the previous year, primarily due to an increase from revenues from insurance and reinsurance partially offset by a decrease in investment income.

Revenues from insurance and reinsurance. Revenues from insurance and reinsurance increased by ¥427.3 billion, or 17.2%, to ¥2,912.6 billion for the six months ended September 30, 2015 from ¥2,485.3 billion for the same period of the previous year, primarily due to increases in sales of bancassurance products and group annuities products.

Other ordinary income. Other ordinary income decreased by ¥3.4 billion, or 2.7%, to ¥123.0 billion for the six months ended September 30, 2015 from ¥126.5 billion for the same period of the previous year.

The following table shows a breakdown of our net investment income for the six months ended September 30, 2014 and 2015:

	Six months ended September 30,	
	2014	2015
	(Billions of yen)	
Investment income:		
Interest, dividends, and other income	¥ 665.9	¥ 738.5
Gain from assets held in trust, net	0.0	—
Gain on sales of securities	180.4	45.9
Gain from separate accounts, net	64.0	—
Total investment income	¥ 914.7	¥ 792.0
Investment expenses:		
Interest expenses	¥ 3.8	¥ 6.9
Loss on sales of securities	10.6	1.5
Loss on valuation of securities	0.9	3.6
Loss on derivative financial instruments, net	29.8	26.9
Total investment expenses	71.7	111.7
Net investment income	¥ 843.0	¥ 680.2

Net investment income. Net investment income decreased by ¥162.7 billion, or 19.3%, to ¥680.2 billion for the six months ended September 30, 2015 from ¥843.0 billion for the same period of the previous year, primarily due to a decrease in net gain on sales of securities mainly attributable to a decrease in gains on sales of domestic securities.

Ordinary expenses

	Six months ended September 30, 2014	2015
	(Billions of yen)	
Ordinary expenses:		
Benefits and other payments	¥ 1,838.7	¥ 1,870.7
Provision for policy reserves	864.2	1,117.1
Investment expenses	71.7	111.7
Operating expenses	293.0	295.3
Other ordinary expenses	172.1	164.4
Total ordinary expenses	¥ 3,240.0	¥ 3,559.5

Ordinary expenses increased by ¥319.5 billion, or 9.9%, to ¥3,559.5 billion for the six months ended September 30, 2015 from ¥3,240.0 billion for the same period of the previous year, primarily due to increased provision for policy reserves.

Benefits and other payments. Benefits and other payments increased by ¥31.9 billion, or 1.7%, to ¥1,870.7 billion for the six months ended September 30, 2015 from ¥1,838.7 billion for the same period of the previous year.

Provision for policy reserves. Provision for policy reserves increased by ¥252.9 billion, or 29.3%, to ¥1,117.1 billion for the six months ended September 30, 2015 from ¥864.2 billion for the same period of the previous year, primarily due to an increase in sales of group annuities products.

Investment expenses. See discussion of "—Net investment income" above.

Operating expenses. Operating expenses increased by ¥2.3 billion, or 0.8%, to ¥295.3 billion for the six months ended September 30, 2015 from ¥293.0 billion for the same period of the previous year.

Other ordinary expenses. Other ordinary expenses decreased by ¥7.6 billion, or 4.5%, to ¥164.4 billion for the six months ended September 30, 2015 from ¥172.1 billion for the same period of the previous year.

Ordinary profit

As a result of the foregoing, ordinary profit decreased by ¥18.3 billion, or 6.4%, to ¥268.2 billion for the six months ended September 30, 2015 from ¥286.6 billion for the same period of the previous year.

Extraordinary gains and losses

Extraordinary gains decreased by ¥0.2 billion, or 68.5%, to ¥0.1 billion for the six months ended September 30, 2015 from ¥0.3 billion for the same period of the previous year. Extraordinary losses decreased by ¥18.8 billion, or 14.8%, to ¥108.2 billion for the six months ended September 30, 2015 from ¥127.1 billion for the same period of the previous year, primarily due to a decrease in provision for reserve for price fluctuations in investments in securities.

Surplus before income taxes and minority interests

As a result of the foregoing, surplus before income taxes and minority interests increased by ¥0.1 billion, or 0.1%, to ¥160.0 billion for the six months ended September 30, 2015 from ¥159.8 billion for the same period of the previous year.

Income taxes

	Six months ended September 30, 2014	2015
	(Billions of yen)	
Income taxes:		
Current	¥ 97.8	¥ 77.4
Deferred	(84.8)	(61.5)

Current income taxes. Current income taxes decreased by ¥20.3 billion, or 20.8%, to ¥77.4 billion for the six months ended September 30, 2015 from ¥97.8 billion for the same period of the previous year.

Deferred income taxes. Deferred income taxes increased by ¥23.2 billion, or 27.4%, to ¥(61.5) billion for the six months ended September 30, 2015 from ¥(84.8) billion for the same period of the previous year.

Surplus before minority interests

Surplus before minority interests decreased by ¥2.7 billion, or 1.9%, to ¥144.1 billion for the six months ended September 30, 2015 from ¥146.8 billion for the same period of the previous year.

Net surplus

Net surplus decreased by ¥3.0 billion, or 2.1%, to ¥143.2 billion for the six months ended September 30, 2015 from ¥146.3 billion for the same period of the previous year.

Comparison of the Years Ended March 31, 2015 and 2014

Ordinary income

	Year ended March 31, 2014	Year ended March 31, 2015
	(Billions of yen)	
Ordinary income:		
Revenues from insurance and reinsurance	¥ 4,860.1	¥ 5,370.8
Investment income	1,687.3	1,776.7
Other ordinary income	281.7	262.4
Total ordinary income	¥ 6,829.2	¥ 7,410.0

Ordinary income increased by ¥580.8 billion, or 8.5%, to ¥7,410.0 billion for the year ended March 31, 2015 from ¥6,829.2 billion for the previous year, primarily due to an increase in revenues from insurance and reinsurance and, to a lesser extent, an increase in investment income, partially offset by a decrease in other ordinary income.

Revenues from insurance and reinsurance. Revenues from insurance and reinsurance increased by ¥510.6 billion, or 10.5%, to ¥5,370.8 billion for the year ended March 31, 2015 from ¥4,860.1 billion for the previous year, primarily due to increases in sales of single-premium products and group annuities products.

Other ordinary income. Other ordinary income decreased by ¥19.2 billion, or 6.8%, to ¥262.4 billion for the year ended March 31, 2015 from ¥281.7 billion for the previous year.

The following table shows a breakdown of our net investment income for the years ended March 31, 2014 and 2015:

	Year ended March 31,	
	2014	2015
	(Billions of yen)	
Investment income:		
Interest, dividends, and other income	¥ 1,298.8	¥ 1,373.6
Gain from assets held in trust, net	0.0	0.0
Gain on sales of securities	260.5	242.5
Gain on redemptions of securities	0.3	5.0
Foreign exchange gains, net	1.7	—
Reversal of allowance for doubtful accounts	2.6	0.7
Other investment income	0.6	0.5
Gain from separate accounts, net	122.6	154.1
Total investment income	¥ 1,687.3	¥ 1,776.7
Investment expenses:		
Interest expenses	¥ 8.1	¥ 10.3
Loss on sales of securities	57.8	18.3
Loss on valuation of securities	22.2	3.2
Loss on redemptions of securities	24.6	21.5
Loss on derivative financial instruments, net	39.2	48.9
Foreign exchange losses, net	—	0.3
Write-offs of loans	0.0	0.0
Depreciation of rental real estate and other assets	14.9	14.9
Other investment expenses	22.1	25.9
Total investment expenses	189.2	143.8
Net investment income	¥ 1,498.0	¥ 1,632.8

Net investment income. Net investment income increased by ¥134.8 billion, or 9.0%, to ¥1,632.8 billion for the year ended March 31, 2015 from ¥1,498.0 billion for the previous year, primarily due to an increase in interest, dividends, and other income principally attributable to an increase in dividends paid to us as stockholder due to an overall improvement in business conditions, an increase in interest payments for foreign bonds caused by a weaker yen, and an increase in net gain on sales of securities and a decrease in loss on valuation of securities primarily due to an improvement in the domestic stock markets.

Ordinary expenses

	Year ended March 31,	
	2014	2015
	(Billions of yen)	
Ordinary expenses:		
Benefits and other payments	¥ 3,806.5	¥ 3,960.0
Provision for policy reserves	1,379.4	1,708.0
Investment expenses	189.2	143.8
Operating expenses	583.0	586.0
Other ordinary expenses	347.6	393.4
Total ordinary expenses	¥ 6,305.9	¥ 6,791.4

Ordinary expenses increased by ¥485.4 billion, or 7.7%, to ¥6,791.4 billion for the year ended March 31, 2015 from ¥6,305.9 billion for the previous year, primarily due to an increase in provision for policy reserves and an increase in benefits and other payments.

Benefits and other payments. Benefits and other payments increased by ¥153.4 billion, or 4.0%, to ¥3,960.0 billion for the year ended March 31, 2015 from ¥3,806.5 billion for the previous year, primarily due to an increase in surrender benefits by surrender of group annuities.

Provision for policy reserves. Provision for policy reserves increased by ¥328.6 billion, or 23.8%, to ¥1,708.0 billion for the year ended March 31, 2015 from ¥1,379.4 billion for the previous year, primarily due to an increase in sales of single-premium whole life insurance.

Investment expenses. See discussion of "—Net investment income" above.

Operating expenses. Operating expenses increased by ¥2.9 billion, or 0.5%, to ¥586.0 billion for the year ended March 31, 2015 from ¥583.0 billion for the previous year.

Other ordinary expenses. Other ordinary expenses increased by ¥45.7 billion, or 13.2%, to ¥393.4 billion for the year ended March 31, 2015 from ¥347.6 billion for the previous year.

Ordinary profit

As a result of the foregoing, ordinary profit increased by ¥95.3 billion, or 18.2%, to ¥618.6 billion for the year ended March 31, 2015 from ¥523.2 billion for the previous year.

Extraordinary gains and losses

Extraordinary gains increased by ¥1.0 billion, or 37.6%, to ¥4.0 billion for the year ended March 31, 2015 from ¥2.9 billion for the previous year. Extraordinary losses decreased by ¥29.2 billion, or 13.8%, to ¥181.8 billion for the year ended March 31, 2015 from ¥211.1 billion for the previous year, primarily due to a decrease in provision for reserve for price fluctuations in investments in securities.

Surplus before income taxes and minority interests

As a result of the foregoing, surplus before income taxes and minority interests was ¥440.7 billion for the year ended March 31, 2015, an increase of ¥125.6 billion, or 39.9%, compared to ¥315.0 billion for the year ended March 31, 2014.

Income taxes

	Year ended March 31,	
	2014	2015
	(Billions of yen)	
Income taxes:		
Current	¥ 144.6	¥ 172.5
Deferred	(77.7)	(41.1)

Current income taxes. Current income taxes increased by ¥27.8 billion, or 19.3%, to ¥172.5 billion for the year ended March 31, 2015 from ¥144.6 billion for the previous year.

Deferred income taxes. Deferred income taxes decreased by ¥36.6 billion to ¥(41.1) billion for the year ended March 31, 2015 from ¥(77.7) billion for the previous year, as a result of changes in the applicable corporate tax rate.

Surplus before minority interests

Surplus before minority interests increased by ¥61.1 billion, or 24.6%, to ¥309.3 billion for the year ended March 31, 2015 from ¥248.1 billion for the previous year.

Net surplus

Net surplus increased by ¥60.9 billion, or 24.6%, to ¥308.0 billion for the year ended March 31, 2015 from ¥247.1 billion for the previous year.

Comparison of the Years Ended March 31, 2014 and 2013

Ordinary income

	Year ended March 31, 2013	Year ended March 31, 2014
	(Billions of yen)	
Ordinary income:		
Revenues from insurance and reinsurance	¥ 5,366.6	¥ 4,860.1
Investment income	1,574.9	1,687.3
Other ordinary income	259.7	281.7
Total ordinary income	¥ 7,201.3	¥ 6,829.2

Ordinary income decreased by ¥372.1 billion, or 5.2%, to ¥6,829.2 billion for the year ended March 31, 2014 from ¥7,201.3 billion for the previous year, primarily due to a decrease in revenues from insurance and reinsurance. The decrease in ordinary income was partially offset by an increase in investment income and to a lesser extent an increase in other ordinary income.

Revenues from insurance and reinsurance. Revenues from insurance and reinsurance decreased by ¥506.5 billion, or 9.4%, to ¥4,860.1 billion for the year ended March 31, 2014 from ¥5,366.6 billion for the previous year, primarily due to a decrease in sales of our single-premium whole life insurance resulting from a price increase in those products, which has a large impact on our insurance revenue.

Other ordinary income. Other ordinary income increased by ¥22.0 billion, or 8.5%, to ¥281.7 billion for the year ended March 31, 2014 from ¥259.7 billion for the previous year.

The following table shows a breakdown of our net investment income for the years ended March 31, 2013 and 2014:

	Year ended March 31, 2013	Year ended March 31, 2014
	(Billions of yen)	
Investment income:		
Interest, dividends, and other income	¥ 1,221.6	¥ 1,298.8
Gain from assets held in trust, net	0.0	0.0
Gain on sales of securities	192.7	260.5
Gain on redemptions of securities	0.2	0.3
Foreign exchange gains, net	1.1	1.7
Reversal of allowance for doubtful accounts	5.3	2.6
Other investment income	9.0	0.6
Gain from separate accounts, net	144.6	122.6
Total investment income	¥ 1,574.9	¥ 1,687.3
Investment expenses:		
Interest expenses	¥ 5.1	¥ 8.1
Loss on sales of securities	73.0	57.8
Loss on valuation of securities	98.9	22.2
Loss on redemptions of securities	30.5	24.6
Loss on derivative financial instruments, net	178.4	39.2
Write-offs of loans	0.3	0.0
Depreciation of rental real estate and other assets	24.5	14.9
Other investment expenses	23.3	22.1
Total investment expenses	434.5	189.2
Net investment income	¥ 1,140.3	¥ 1,498.0

Net investment income. Net investment income increased by ¥357.6 billion, or 31.4%, to ¥1,498.0 billion for the year ended March 31, 2014 from ¥1,140.3 billion for the previous year, primarily due to a decrease in net loss on derivative financial instruments, attributable to a decrease in hedge transactions using derivatives due to the decrease in volatility of the exchange market; an increase in net gain on sales of securities, primarily due to the sale of domestic equity in an environment of stock price appreciation; an increase in interest, dividends, and other income, primarily due to an increase in dividend payout due to an overall improvement in business performance and an increase in interest payments for foreign bonds caused by a weaker yen; and a decrease in loss on valuation of securities, primarily due to the improvement in the domestic stock markets. The increase in net investment income was partially offset by a decrease in net gain from separate accounts.

Ordinary expenses

	Year ended March 31,	
	2013	2014
	(Billions of yen)	
Ordinary expenses:		
Benefits and other payments	¥ 3,634.9	¥ 3,806.5
Provision for policy reserves	1,740.1	1,379.4
Investment expenses	434.5	189.2
Operating expenses	584.8	583.0
Other ordinary expenses	404.6	347.6
Total ordinary expenses	¥ 6,799.1	¥ 6,305.9

Ordinary expenses decreased by ¥493.1 billion, or 7.3%, to ¥6,305.9 billion for the year ended March 31, 2014 from ¥6,799.1 billion for the previous year, primarily due to a decrease in provision for policy reserves and a decrease in investment expenses. The decrease in ordinary expenses was partially offset by an increase in benefits and other payments.

Benefits and other payments. Benefits and other payments increased by ¥171.6 billion, or 4.7%, to ¥3,806.5 billion for the year ended March 31, 2014 from ¥3,634.9 billion for the previous year, primarily due to an increase in single-premium annuity payouts on outstanding annuity products whose lock-in period ended.

Provision for policy reserves. Provision for policy reserves decreased by ¥360.7 billion, or 20.7%, to ¥1,379.4 billion for the year ended March 31, 2014 from ¥1,740.1 billion for the previous year, primarily due to a decrease in sales of single-premium whole life insurance.

Investment expenses. See discussion of "—Net investment income" above.

Operating expenses. Operating expenses decreased by ¥1.7 billion, or 0.3%, to ¥583.0 billion for the year ended March 31, 2014 from ¥584.8 billion for the previous year.

Other ordinary expenses. Other ordinary expenses decreased by ¥56.9 billion, or 14.1%, to ¥347.6 billion for the year ended March 31, 2014 from ¥404.6 billion for the previous year.

Ordinary profit

As a result of the foregoing, ordinary profit increased by ¥121.0 billion, or 30.1%, to ¥523.2 billion for the year ended March 31, 2014 from ¥402.2 billion for the previous year.

Extraordinary gains and losses

Extraordinary gains decreased by ¥56.5 billion, or 95.1%, to ¥2.9 billion for the year ended March 31, 2014 from ¥59.5 billion for the previous year, primarily due to the absence of a large amount of gain on disposals of fixed assets as compared to the year ended March 31, 2013. Extraordinary losses increased by ¥64.5 billion, or 44.0%, to ¥211.1 billion for the year ended March 31, 2014 from ¥146.5 billion for the previous year, primarily due to a large increase in provision for reserve for price fluctuations in investments in securities, partially offset by a decrease in loss on disposals of fixed assets.

Surplus before income taxes and minority interests

As a result of the foregoing, surplus before income taxes and minority interests was ¥315.0 billion for the year ended March 31, 2014, largely unchanged compared to the year ended March 31, 2013.

Income taxes

	Year ended March 31,	
	2013	2014
	(Billions of yen)	
Income taxes:		
Current	¥ 91.6	¥ 144.6
Deferred	(25.4)	(77.7)

Current income taxes. Current income taxes increased by ¥53.0 billion, or 57.9%, to ¥144.6 billion for the year ended March 31, 2014 from ¥91.6 billion for the previous year.

Deferred income taxes. Deferred income taxes decreased by ¥52.3 billion to ¥(77.7) billion for the year ended March 31, 2014 from ¥(25.4) billion for the previous year, partially as a result of accruing deferred tax assets in relation to our contingency reserve and reserve for price fluctuations in investments in securities.

Surplus before minority interests

Surplus before minority interests decreased by ¥0.8 billion, or 0.3%, to ¥248.1 billion for the year ended March 31, 2014 from ¥249.0 billion for the previous year.

Net surplus

Net surplus decreased by ¥0.7 billion, or 0.3%, to ¥247.1 billion for the year ended March 31, 2014 from ¥247.9 billion for the previous year.

Liquidity and Capital Resources

Cash Flows

The following table sets forth information about our consolidated cash flows during the years ended March 31, 2013, 2014 and 2015 and during the six months ended September 30, 2014 and 2015:

	Year ended March 31,			Six months ended September 30,	
	2013	2014	2015	2014	2015
			(Billions of yen)		
Net cash provided by operating activities	¥ 2,219.9	¥ 1,521.4	¥ 1,788.1	¥ 700.8	¥ 1,242.1
Net cash used in investing activities	(2,305.4)	(1,461.8)	(1,774.7)	(694.6)	(739.4)
Net cash provided by (used in) financing activities	184.8	(25.8)	201.3	(56.4)	90.6
Effect of exchange rate changes on cash and cash equivalents	13.9	17.5	(0.2)	(2.2)	(3.0)
Net increase (decrease) in cash and cash equivalents	113.3	51.2	214.4	(52.4)	590.2
Cash and cash equivalents at the beginning of the year	707.4	820.7	872.0	872.0	1,086.5
Cash and cash equivalents at the end of the year	¥ 820.7	¥ 872.0	¥ 1,086.5	¥ 819.5	¥ 1,677.2

Life insurance companies generally produce a positive cash flow from operating activities, as measured by the amount by which cash inflows are adequate to meet obligations to policyholders and normal operating expenses as they are incurred. The remaining cash flow is generally used to increase the asset base to provide funds to meet future benefits and other product-related payments and for writing and acquiring new business. Net cash provided by operating activities is roughly equal to the sum of revenues from insurance and reinsurance and interest, dividends, and other income, less benefits and other payments and operating expenses. We recorded positive cash flows in operating activities in each of the years ended March 31, 2013, 2014 and 2015. For the year ended March 31, 2015, net cash provided by operating activities increased by ¥266.7 billion over the previous year, primarily due to increases in revenues from insurance and reinsurance mainly attributable to increased sales of single-premium whole life insurance and group annuities products, and increases in interest, dividends, and other income mainly attributable to increases in return from overseas securities. For the year ended March 31, 2014, net cash provided by operating activities decreased by ¥698.4 billion over the previous year, primarily due to a decrease in sales of single-premium whole life insurance. For the six months ended September 30, 2015, net cash provided by operating activities increased by ¥541.2 billion over the same period in the previous year, primarily due to increases in revenues from insurance and reinsurance mainly attributable to increased sales of single-premium whole life insurance and group annuities products, and increases in interest, dividends, and other income mainly attributable to increases in return from overseas securities.

Life insurance companies generally produce a negative cash flow from investing activities, because life insurance companies allocate surplus cash generated from operating activities for use in investing activities. For the year ended March 31, 2015, net cash used in investing activities increased by ¥312.9 billion over the previous year primarily due to decreases in proceeds from sales and redemption of securities. For the year ended March 31, 2014, net cash used in investing activities decreased by ¥843.5 billion over the previous year primarily due to an increase in proceeds from sales and redemptions of securities, partially offset by a net decrease in cash received as collateral under securities lending transactions and a decrease in proceeds from sales of tangible fixed assets. For the six months ended September 30, 2015, net cash used in investing activities increased by ¥44.8 billion over the same period in the previous year, primarily due to decreases in proceeds from sales and redemption of securities.

For the year ended March 31, 2015, net cash provided by financing activities increased by ¥227.1 billion over the previous year changing from a net outflow to a net inflow, primarily due to our issuance of corporate bonds in the amount of ¥242.5 billion in October 2014. For the year ended March 31, 2014, net cash provided by financing activities decreased by ¥210.7 billion over the previous year, changing from a net inflow to a net outflow, primarily because we did not raise foundation funds in the year ended March 31, 2014, as compared to ¥50.0 billion in the previous year. For the six months ended September 30, 2015, net cash provided by financing activities increased by ¥147.0 billion over the same period in the previous year, primarily due to the issuance of ¥75 billion of yen-denominated subordinated notes in April 2015.

Liquidity and Liquidity Management

Our principal cash requirements consist of benefits and other product-related payments, payments in connection with new investments, income and other taxes, operating expenses, payment of policyholder dividends, policy surrender payments and policy loans.

Our principal sources of cash include life insurance and annuity premiums, investment income and proceeds from the sale or maturity of investments. Our portfolio of liquid assets constitutes an additional source of cash to meet unexpected cash outflows. These liquid assets include cash and deposits, publicly traded stocks and bonds categorized as marketable available-for-sale securities.

We seek, to the extent possible, to manage the maturity and liquidity mix of our investments to match the projected payment requirements of our products. Accordingly, we classify our investments by level of liquidity. Domestic bonds form the largest portion of our general account investment portfolio. Of the balance of domestic bonds held by us, as of September 30, 2015, approximately 88% was categorized as policy-reserve-matching bonds, which are carried at amortized cost on our balance sheet and are not marked-to-market. For companies using fund segment accounting, Japanese GAAP requires the recategorization of policy-reserve-matching bonds in a particular fund segment as available-for-sale securities carried at fair market value upon the sale prior to maturity of any such bond categorized as a policy-reserve-matching bond.

Although the amount of policy surrenders is generally a liquidity concern to insurance companies, our business, aside from group annuities, consists mainly of individual and group life insurance, the consumers of which tend to be less sensitive to changes in interest rates. In addition, the terms of our insurance and annuity products generally limit the payment of cash surrender values in the case of policy surrenders early in the policy term and for policies with short policy terms. Even when cash surrender values are paid out, they involve substantial policy surrender penalties. In addition, a substantial portion of our assets consists of high-liquidity assets such as JGBs and cash and deposits. Based on the foregoing, we believe that we are well positioned from a liquidity standpoint.

We maintain overdraft agreements with major domestic banks. We do not currently expect to use such sources of cash in the near term. In addition, we continually enter into bond repurchase agreements to obtain daily funds settlements.

Our management believes that our sources of cash are adequate to meet our current cash requirements.

Capital Resources

We, like other mutual life insurance companies, draw on a broad range of resources for capital. Such resources include the capital and surplus on the balance sheet, including foundation funds, as well as other items such as certain reserves and subordinated debt. Furthermore, unrealized gains on assets also function as a source of capital for mutual life insurance companies.

Foundation funds (kikin) and reserve for redemption of foundation funds (kikin-shokyaku-tsumitate-kin). The Insurance Business Act allows mutual companies in Japan to procure funds by offering foundation funds (*kikin*). Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as an interest payment, maturity date and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*), which serves as surplus, equal to the amount redeemed. As a result, the full amount of foundation funds remains as a part of our capital even after redemption.

In recent years, we raised capital through foundation funds on several occasions:

- ¥100.0 billion in 2009, of which ¥50.0 billion matured on August 2, 2013 and the rest matured on August 4, 2014;
- ¥50.0 billion in 2010, all of which matured on August 5, 2015;
- ¥100.0 billion in 2011, of which ¥50.0 billion is scheduled to mature in 2016 and the rest is scheduled to mature in 2017;
- ¥50.0 billion in 2012, scheduled to mature in 2018; and
- ¥50.0 billion in 2015, scheduled to mature in 2019.

As a result of the above, as of September 30, 2015, the balance of our foundation funds was ¥200.0 billion and reserve for redemption of foundation funds was ¥1,100.0 billion.

Reserves and subordinated debt. Certain items carried as liabilities on our balance sheet function as additional sources of capital under the Insurance Business Act. Our contingency reserve provides a buffer against losses that arise from unexpectedly high claims due to unforeseen catastrophes or from poor market performance. Our reserve for price fluctuations in investments in securities provides a cushion for unexpected declines, mainly in stock market values. Both the contingency reserve and the reserve for price fluctuations in investments in securities contribute to our solvency margin.

As our profit increased significantly in the year ended March 31, 2014 mainly due to higher stock prices and the weaker yen, we appropriated ¥50.0 billion as equalized reserve for dividends to policyholders, which is carried as net assets on our balance sheet, for the first time from our available surplus to strengthen our capital from which to pay out stable dividends in the future.

Qualifying subordinated debt provides another buffer against unexpected shocks. In October 2012, we issued and sold $2,000,000,000 of 5.00% step-up callable subordinated notes due 2042 (the "2012 Notes") pursuant to an indenture dated October 18, 2012 between us and The Bank of New York Mellon as trustee, paying agent, calculation agent, make-whole calculation agent and notes registrar. Beginning on, and including, October 18, 2012 to, but excluding, October 18, 2022, the 2012 Notes bear interest at 5.00% *per annum* payable semi-annually, and beginning on October 18, 2022, the 2012 Notes will bear interest at a floating rate *per annum* equal to 4.24% above the London interbank offered rate, for three-month deposits payable quarterly. The 2012 Notes constitute our irrevocable, direct, unsecured and subordinated obligations and rank *pari passu* and without preference among themselves, with the 2014 Notes and the 2015 Notes (each defined below) and with the Notes being offered hereby and in priority to (i) claims of holders of interests in foundation funds and (ii) claims of any other instruments that are expressly designated as being junior to the 2012 Notes as to priority of liquidation payment.

In October 2014, we issued and sold $2,250,000,000 of 5.10% step-up callable subordinated notes due 2044 (the "2014 Notes") pursuant to an indenture dated October 16, 2014 between us and The Bank of New York Mellon as trustee, paying agent, calculation agent, make-whole calculation agent and notes registrar. Beginning on, and including, October 16, 2014 to, but excluding, October 16, 2024, the 2014 Notes bear interest at 5.10% *per annum* payable semi-annually, and beginning on October 16, 2024 and any date which falls five, or a multiple of five, years thereafter, the rate of interest of the 2014 Notes will be reset to the sum of the applicable 5-year dollar mid-swap rate and 3.65% *per annum*, payable semi-annually. The 2014 Notes constitute our irrevocable, direct, unsecured and subordinated obligations and rank *pari passu* and without preference among themselves, with the 2012 Notes and the 2015 Notes and with the Notes being offered hereby and in priority to (i) claims of holders of interests in foundation funds and (ii) claims of any other instruments that are expressly designated as being junior to the 2014 Notes as to priority of liquidation payment.

In April 2015, we issued and sold ¥75,000,000,000 of 1.52% subordinated notes due 2045 with interest deferral options (the "2015 Notes"). Beginning on, and including, the day immediately following April 30, 2015 to, and including, April 30, 2025, the 2015 Notes bear interest at 1.52% *per annum* payable semi-annually, and every date which falls five, or a multiple of five, years thereafter, the rate of interest of the 2015 Notes will be reset to the sum of the applicable 5-year yen mid-swap rate and 1.95% *per annum*, payable semi-annually. The 2015 Notes constitute our irrevocable, direct, unsecured and subordinated obligations and rank *pari passu* and without preference among themselves, with the 2012 Notes and the 2014 Notes and with the Notes being offered hereby and in priority to (i) claims of holders of interests in foundation funds and (ii) claims of any other instruments that are expressly designated as being junior to the 2015 Notes as to priority of liquidation payment.

The material terms of the 2012 Notes, the 2014 Notes and the 2015 Notes are substantially the same as those of the Notes being offered hereby. The 2012 Notes, the 2014 Notes, the 2015 Notes and the Notes being offered hereby are considered liquidation parity securities. See "Description of the Notes."

The following table sets forth the amounts of our capital, comprising foundation funds and others, reserve for price fluctuations in investments in securities, contingency reserve, general allowance for doubtful accounts, others and subordinated debt on a nonconsolidated basis, as of the dates indicated:

	As of March 31,			As of September 30,
	2013	2014	2015	2015
	(Billions of yen)			
Foundation funds (*kikin*) and other reserve funds	¥ 2,965.9	¥ 3,422.8	¥ 3,806.5	¥ 4,193.7
Foundation funds and others	1,430.4	1,486.1	1,491.3	1,629.6
Reserve for price fluctuations in investments in securities	427.5	623.3	778.7	880.2
Contingency reserve	780.1	1,005.7	1,250.2	1,397.5
General allowance for doubtful accounts	5.4	3.9	2.5	2.5
Others	322.3	303.7	283.6	283.6
Subordinated debt	157.0	157.0	399.5	474.5
Capital	¥ 3,122.9	¥ 3,579.9	¥ 4,206.1	¥ 4,668.2

Other Capital Resources

Unrealized gains on assets. Unrealized gains on assets on a nonconsolidated basis also function in certain respects as a capital resource. For the years ended March 31, 2013, 2014 and 2015 and the six months ended September 30, 2015, our unrealized gains on assets totaled ¥6,015.9 billion, ¥6,641.9 billion, ¥11,068.0 billion and ¥9,748.3 billion, respectively. The increase in unrealized gains was primarily as a result of a rise in stock prices in available for sale securities and decreased interest rates after March 2012.

Off-Balance Sheet Arrangements

Other than as described in this offering circular, we have no material off-balance sheet arrangements.

Policy Reserves

Pursuant to requirements under the Insurance Business Act, we maintain policy reserves for the fulfillment of future obligations under life insurance contracts. The policy reserves are intended to allocate a portion of the insurance premiums received during a particular accounting period to one or more succeeding accounting periods to the extent such portion relates to insurance coverage for such succeeding accounting periods, and thereby to enable the insurance company to record related profits effectively on an accrual basis. The minimum amount to be set aside as policy reserves is determined based on actuarial calculations performed in accordance with applicable regulations. Although calculation methods producing reduced levels of reserves are permitted for financially unsound or newly established companies, we use the net level premium method of calculation. This method assumes a constant amount of net premiums over the term of the relevant policy in calculating the amount of standard policy reserve required to fund all future policy benefits. The net level premium reserve is calculated using the respective standard prospective yields established by the FSA for single premium individual whole life insurance, single premium individual annuities and all other insurance products, and a mortality rate set by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA. The standard prospective yields for single premium endowment insurance and single premium individual annuities were revised downward from 1.0% to 0.5% for products sold starting in April 2015, and the standard prospective yield for single premium individual whole life insurance was revised downward from 1.0% to 0.75% for products sold starting in July 2015. The standard prospective yield for other insurance products has remained unchanged at 1.0% for products sold since April 2013. The net premium level method does not allow policy acquisition costs, which are higher in the first year of the policy, to be offset against the amount of provision for policy reserves required. An alternative calculation method known as “Zillmer’s method” produces reduced levels of reserves in the first year of the policy by allowing policy acquisition costs to be offset against the amount of provision for policy reserves required. This method is often used by financially unsound or newly established companies. When insurance claims arise, we record the full amount of such claims paid as benefits and claims expense. When the policy ends, the related decrease in provision for policy reserves is allocated to offset payment of benefits.

In addition to policy reserve amounts related to expected future benefits and other payments, a contingency reserve is included in the policy reserves to account for the risk of insurance payment events occurring at a higher than expected rate and the risk of actual yield on our investments being lower than the assumed yield related to outstanding policies. See “Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation.”

The following is a breakdown of our policy reserves by product line and contingency reserve on a nonconsolidated basis for the dates shown:

	As of March 31, 2013	2014	2015
		(Billions of yen)	
General account:			
Individual insurance	¥ 24,092.0	¥ 24,764.0	¥ 25,716.1
Individual annuities	9,630.4	9,699.0	9,844.6
Group insurance	47.7	48.2	48.3
Group annuities	9,988.5	10,360.4	10,794.6
Other	458.7	455.8	455.2
Separate account:			
Individual insurance	108.0	114.9	128.4
Individual annuities	132.5	100.5	77.6
Group insurance	—	—	—
Group annuities	923.0	966.6	886.0
Other	—	—	—
Contingency reserve	780.1	1,005.7	1,250.2
Total	¥ 46,161.2	¥ 47,515.4	¥ 49,201.3

Solvency Margin Ratio

The solvency margin ratio was introduced by the Japanese government as a means of measuring the financial soundness of insurance companies to provide for better policyholder protection under a system of prompt corrective action. The solvency margin ratio is a measure of capital adequacy calculated by dividing the solvency margin amount (defined as net assets, less certain items, plus certain reserves, unrealized gains on assets and certain other items, discussed below) by a quantified measure of the total risk borne by the company, which is calculated as “risk exceeding ordinary forecast” based on Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50, as amended issued in 1996.

As an indicator of an insurance company’s ability to pay claims in the event of risk exceeding ordinary forecasts, in the event that the solvency margin ratio falls below a fixed level, the regulatory authorities may require the insurance company to submit a plan for management reform. According to the Ordinance of the Cabinet Office and the Ministry of Finance No. 45 of 2000, as amended, insurance companies with solvency margin ratios of 200% or higher are considered sound and not requiring early-stage corrective measures. If the ratio falls below 200%, the Commissioner of the FSA may order the insurer to submit and implement a plan for business improvement. If it falls below 100%, the Commissioner of the FSA may order the insurance company to take measures to enhance solvency, including an order to implement a suspension or deduction of shareholder or policyholder dividend payments and director bonuses. If it falls below 0%, the Commissioner of the FSA may order the insurance company to suspend all or parts of its operations for a certain period specified by the Commissioner of the FSA. As of September 30, 2015, our solvency margin ratio on a nonconsolidated basis was 920.4%. See “Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation.”

The manner of calculation of the solvency margin ratios has been revised several times. For example, it was revised on March 31, 2012, to help ensure that the solvency margin ratios represent more appropriately the ability of insurance companies in Japan to make required payments upon the occurrence of unforeseeable events, by introducing new restrictions on the inclusion of certain items in the amount of solvency margin and risk assessment requirements.

The March 2012 amendments, among other things:

- introduced restrictions on the inclusion of certain items in the amount of solvency margin, such as the surplus portion of insurance premium reserves and unearned premiums and deferred tax assets related to net loss carried forward. With regard to subordinated debt, the total amount of subordinated debt and surplus portion of insurance premium reserves and unearned premiums to be included in the solvency margin were limited to the amount of core margin (*chukaku-teki* *shiharai yoryoku*), a new concept under the revised solvency margin regulations, generally calculated by summing net assets, reserve for price fluctuations in investments in securities, contingency reserve, catastrophic loss reserve and unallotted portion of reserve for dividends to policyholders, and making certain deductions (including loss on valuation of available-for-sale securities) and other adjustments. However, this limitation is not applied in the case of certain perpetual subordinated debt ("specified subordinated debt," or *tokutei fusaisei shihon*) that satisfies not only certain requirements for subordinated debt under the previous regulations (such as limitation of redemption and deferral of interest payment obligations), but also additional requirements under the revised regulations (such as stricter restrictions on coupon step-up and requirement of deferred interest being non-cumulative or cumulative but deferrable for an unlimited period);

- tightened risk assessments, by such means as raising the confidence level of the coefficient of each risk from 90% to 95%, renewing statistical data to be used as the basis of the coefficient of each risk and introducing a calculation of the investment diversification effect related to price change risk based on each company's portfolio (prior to revision, a uniform ratio of 30% is applied to life insurance companies); and
- require an actuary to confirm the appropriateness of solvency margin ratio calculations.

We were required to use the revised calculation standards from the year ended March 31, 2012. In addition, starting from the year ended March 31, 2012, the FSA required insurance companies to calculate their solvency margin ratios on a consolidated basis as well as on a nonconsolidated basis.

The following table sets forth our solvency margin ratio on a nonconsolidated basis, and information related to its calculation, as of March 31, 2014 and 2015 and September 30, 2015:

	As of March 31,		As of September 30,
	2014	2015	2015
	(Billions of yen, except percentages)		
Foundation funds (*kikin*) and other reserve funds:	¥ 3,422.8	¥ 3,806.5	¥ 4,193.7
Foundation funds and others[1]	1,486.1	1,491.3	1,629.6
Reserve for price fluctuations in investments in securities	623.3	778.7	880.2
Contingency reserve	1,005.7	1,250.2	1,397.5
General allowance for doubtful accounts	3.9	2.5	2.5
Others	303.7	283.6	283.6
Net unrealized gains on available-for-sale securities[2]	4,221.2	7,581.4	6,379.9
Net unrealized gains on real estate[3]	28.5	73.1	73.5
Excess of continued Zillmerized reserve	1,552.3	1,509.9	1,484.2
Qualifying subordinated debt	157.0	399.5	474.5
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	—	—	—
Deduction clause	(0.4)	(0.3)	(0.9)
Others	55.5	50.7	(89.5)
Solvency margin gross amount (A)	¥ 9,437.1	¥ 13,421.0	¥ 12,515.5
Underwriting risk (R1)	131.1	127.6	126.1
Underwriting risk of third-sector insurance (R8)	74.6	75.3	76.1
Assumed yield risk (R2)	389.6	386.1	385.8
Minimum guarantee risk (R7)	5.8	5.8	5.7
Investment risk (R3)	1,966.7	2,424.0	2,263.0
Business management risk (R4)	51.3	60.3	57.1
Total amount of risk (B)[4]	¥ 2,422.5	¥ 2,883.6	¥ 2,719.5
Solvency margin ratio[5]	779.0%	930.8%	920.4%

Notes:

(1) The amount after excluding estimated distributed income (interest on foundation funds and provision for reserve for dividends to policyholders) from the appropriation of surplus plus total valuations, conversions, and others included under total net assets on the balance sheets.

(2) Multiplied by 90% if gains or 100% if losses.
(3) Multiplied by 85% if gains or 100% if losses.
(4) Total amount of risk = $R_4 + \sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2}$
(5) Solvency margin ratio = $\frac{(A)\times 100}{(B)\times(1/2)}$

As set forth in the above table, our nonconsolidated solvency margin ratio increased to 930.8% as of March 31, 2015 from 779.0% as of March 31, 2014, primarily due to increases in our contingency reserve and reserve for price fluctuations in investments in securities, as well as the increase in net unrealized gains on available-for-sale securities and our issuance of qualifying subordinated debt. Our nonconsolidated solvency margin ratio decreased to 920.4% as of September 30, 2015, primarily due to a decrease in net unrealized gains on available-for-sale securities partially offset by an increase in foundation funds and other reserve funds.

The following table sets forth our solvency margin ratio on a consolidated basis, and information related to its calculation, as of March 31, 2014 and 2015 and September 30, 2015:

	As of March 31,		As of September 30,
	2014	2015	2015
	(Billions of yen, except percentages)		
Foundation funds (*kikin*) and other reserve funds:	¥ 3,486.0	¥ 3,876.5	¥ 4,262.7
Foundation funds and others[1]	1,547.2	1,559.7	1,697.3
Reserve for price fluctuations in investments in securities	623.3	778.7	880.2
Contingency reserve	1,005.7	1,250.2	1,397.5
Extraordinary contingency reserve	—	—	—
General allowance for doubtful accounts	6.0	4.1	3.8
Others	303.7	283.6	283.6
Net unrealized gains on available-for-sale securities[2]	4,225.9	7,594.2	6,394.6
Net unrealized gains on real estate[3]	28.6	73.2	73.6
Net unrecognized actuarial differences and unrecognized prior service costs	28.9	(42.6)	(40.8)
Excess of continued Zillmerized reserve	1,552.3	1,509.9	1,484.2
Qualifying subordinated debt	157.0	399.5	474.5
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	—	—	—
Deduction clause	(100.2)	(157.6)	(153.0)
Others	55.5	50.7	(89.6)
Solvency margin gross amount (A)	¥ 9,434.3	¥ 13,303.9	¥ 12,406.3
Underwriting risk (R1)	131.1	127.6	126.1
General underwriting risk (R5)	—	—	—
Huge disaster risk (R6)	—	—	—
Underwriting risk of third-sector insurance (R8)	77.6	78.2	79.0
Underwriting risk related to small amount and short-term insurance providers (R9)	—	—	—
Assumed yield risk (R2)	389.6	386.1	385.8
Minimum guarantee risk (R7)	5.8	5.8	5.7
Investment risk (R3)	1,916.3	2,361.6	2,199.2
Business management risk (R4)	50.4	59.1	55.9
Total amount of risk (B)[4]	¥ 2,371.7	¥ 2,820.4	¥ 2,654.9
Solvency margin ratio[5]	795.5%	943.3%	934.5%

Notes:
(1) The amount after excluding estimated distributed income (interest on foundation funds and provision for reserve for dividends to policyholders) from the appropriation of surplus plus total valuations, conversions, and others included under total net assets on the balance sheets.
(2) Multiplied by 90% if gains or 100% if losses.
(3) Multiplied by 85% if gains or 100% if losses.

(4) Total amount of risk = $\left[\left\{\left(R_1^2+R_5^2\right)^{\frac{1}{2}}+R_8+R_9\right\}^2+\left(R_2+R_3+R_7\right)^2\right]^{\frac{1}{2}}+R_4+R_6$

(5) Solvency margin ratio = $\frac{(A)x100}{(B)x(1/2)}$

As set forth in the above table, our consolidated solvency margin ratio increased to 943.3% as of March 31, 2015 from 795.5% as of March 31, 2014, primarily due to the same reasons described above with respect to our nonconsolidated solvency margin ratio. Our consolidated solvency margin ratio decreased to 934.5% as of September 30, 2015, primarily due to a decrease in net unrealized gains on available-for-sales securities partially offset by an increase in foundation funds and other reserve funds. Since March 31, 2014, for calculation of the consolidated solvency margin ratio, the amounts of unrecognized actuarial differences and unrecognized prior service costs are included in the total amount of solvency margin.

Real Net Assets

The amount of real net assets is calculated by subtracting non-capital real liabilities from real assets. For these purposes, real assets are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) in accordance with the method promulgated by the Ordinance of the Cabinet Office and the Ministry of Finance No. 45 of 2000, as amended, while non-capital real liabilities are equal to an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as the reserve for price fluctuations in investments in securities and the contingency reserve) in accordance with the method promulgated by the FSA and the Ministry of Finance. The FSA examines real net assets to determine whether a company is functionally insolvent for the purpose of taking prompt corrective actions.

For example, even if an insurance company’s solvency margin ratio falls below 0%, if real net assets is a positive amount or expected to be a positive amount, the Commissioner of the FSA may order a suspension of shareholder and policyholder dividend payments and director bonuses or such other measures as may be taken for a company with a ratio from 0% to 100% rather than suspend the operations of the company. Similarly, even if the solvency margin ratio is above 0%, if the amount of real net assets is a negative amount or expected to be a negative amount, the Commissioner may suspend the operations of the company.

As of March 31, 2013, 2014 and 2015 and as of September 30, 2015, our nonconsolidated real net assets totaled ¥10,259.2 billion, ¥11,524.1 billion, ¥16,447.7 billion and ¥15,161.6 billion, respectively.

Financial Strength Ratings

Our financial strength ratings reflect each ratings agency’s opinion of our financial strength, operating performance and ability to meet our obligations to policyholders, and are not evaluations directed toward the protection of holders of the Notes. Financial strength ratings do not in any way reflect evaluations of the safety and security of the Notes and are not a recommendation to buy, sell or hold securities. The ratings are subject to revision or withdrawal at any time by the assigning ratings agency. Each of these financial strength ratings should be evaluated independently. Our current financial strength ratings are as follows:

Ratings Agency	Rating	Rating Structure
Standard & Poor’s	A+	Third highest of eight rating categories and highest within the category based on modifiers (*e.g.*, A+, A and A- within the same category)
Moody’s Investors Service	A1	Third highest of nine rating categories and highest within the category based on modifiers (*e.g.*, A1, A2 and A3 are within the same category)
Fitch	A	Third highest of nine rating categories and second highest within the category based on modifiers (*e.g.*, A+, A and A- are within the same category)
A.M. Best	A+	Highest of ten rating categories and second highest within the category based on modifiers (*e.g.*, A++ and A+ are within the same category)

Ratings Agency	Rating	Rating Structure
Rating and Investment Information, Inc.	AA	Second highest of nine rating categories and second highest within the category based on modifiers (*e.g.*, AA+, AA and AA- are within the same category)
Japan Credit Rating Agency, Ltd.	AAp(1)	Second highest of eleven rating categories and second highest within the category based on modifiers (*e.g.*, AA+, AA and AA- are within the same category)

Note:
(1) The letter "p" is added when the rating is unsolicited.

Status of Problem Loans, Reserves and Coverage

Our balance of problem loans (*i.e.*, loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and restructured loans, each as defined under the Ordinance for Enforcement of the Insurance Business Act) on a nonconsolidated basis was ¥42.0 billion, ¥39.0 billion, ¥38.2 billion and ¥38.3 billion as of March 31, 2013, 2014 and 2015 and September 30, 2015, respectively. Our ratios of problem loans to all loans on a nonconsolidated basis were 0.49%, 0.46%, 0.46% and 0.46% as of March 31, 2013, 2014 and 2015 and September 30, 2015, respectively. See "Business—Investments—Loans."

Risk Management

Overview

To ensure sound management and maintain the confidence of customers, we believe that it is increasingly important to identify and manage risks. Consequently, risk management is a high priority.

In our risk management activities, we identify areas of risk to which our business is susceptible and create risk monitoring systems, guidelines and rules and take other steps to address risk. We comprehensively manage these risks in terms of overall impact on operations.

We have formed independent risk management units to provide cross-checking functions. The Auditing Department conducts inspections on the effectiveness of risk management as a double-checking function.

We are currently working on upgrading our enterprise risk management ("ERM"). ERM is a program in which the risks associated with a company's operations are identified in a comprehensive and systematic manner in order to achieve corporate targets. These risks are managed and controlled by using an integrated and strategic approach. The ultimate objectives of ERM are to consistently increase earnings over the long term and ensure financial soundness. We recognize the necessity of ERM in order to sustain stable dividend payments to policyholders in the future and fulfill our responsibility to provide long-term protection for customers through a variety of products and services responding to customers' demands. Our ERM approach is to exhaustively and systematically capture risks and conduct business operations in strong consideration of the relation between earnings and risks.

Integrated Risk Management

We take an integrated management approach to the various risks facing the entire company. We centrally manage each type of risk regardless of division lines while also integrating all of the types of risk to manage them as the overall risk status for the entire company.

We implement "stress tests" that assume such scenarios as a dramatic deterioration in the operating environment or increased payments for claims and benefits due to disasters such as a major earthquake. We then analyze the effects of these scenarios on our financial soundness and report the results of the stress tests to the Risk Management Committee and, where appropriate, use the results in developing strategies to strengthen our financial soundness.

Insurance Underwriting Risk Management

Insurance underwriting risk is the risk that assumptions in establishing insurance premiums, including with respect to the economy, the rate of occurrence of covered claims, results of investments and administrative expenses, may differ from actual results. Insurance underwriting risk can give rise to losses when factors such as economic conditions, the incidence rate of insured events, asset management results and operational expenses do not correspond with the assumptions made when premiums were set.

Life insurance companies are generally required to bear the risks that they underwrite for a long period of time, which requires an estimation of the future risks that may occur as well as proper risk management. This requires the setting of reasonable premium rates that enable stable payment of insurance claims and an appropriate level of risk control for upholding coverage responsibilities based on examination and assessment of the health condition of the insured at the time of insurance underwriting. In addition, we employ our ALM system, conduct appropriate benefit settlement assessments and adhere to rigorous cost management principles with the aim of responding flexibly to changes in the business environment and other conditions. In addition, we seek to avoid paying improper claims by being selective in the policies we choose to underwrite and conducting appropriate payment assessment. We also conduct strict cost control by implementing appropriate and effective budgets.

Risks related to pricing. We set insurance premiums in consultation with our expert staff, including physicians and actuaries, who analyze statistical data indicating the frequency of benefits and other payments. We also conduct numerous simulations to verify whether or not we will be able to meet future coverage obligations at various premium levels.

We set assumed mortality and morbidity rates at levels that we believe to be appropriate based on insurance company data and research results prepared by physicians and actuaries. We regularly assess actual mortality and morbidity rates and revise sales terms, appraisal standards for insurance underwriting and assumed mortality and morbidity rates.

Assumed yield is set based upon market trends and regular assessment of investment results and trends in preferences for savings-type products. For example, assumed yields for interest-sensitive products, such as savings-type products and group pension plans, may be frequently changed to avoid negative spread in the event of a sudden increase in sales of savings-type products when interest rates fall significantly.

Risks related to underwriting and assessing payment. The function of our Policy Assessment Department is to assess medical risks and fraudulent claims risks. The Policy Assessment Department supervises policies from the time of underwriting to the time of payment assessment. The department's expert staff receive regular training and examinations to develop their assessment capabilities in line with increasingly complicated and specialized assessment procedures. At the time of underwriting, the Policy Assessment Department utilizes examinations and assessments of medical specialist staff, assessments of fraudulent claims staff and verifications of independent organizations. We may reject a potential policy on the grounds of medical or fraudulent claims risk, or require special terms, including extra premiums if, for example, the results of a medical evaluation failed to meet certain criteria. At the time of assessing payment, we utilize assessments of medical specialist staff and verifications of independent organizations to lessen the likelihood of an inappropriate payment.

We utilize databases provided by a third party to check unusual activities by potential customers, such as the taking out of large policies with multiple insurers for life or hospitalization coverage, and to confirm the identity of policyholders.

Furthermore, we maintain a Medical Research Department in order to further improve product development and underwriting risk control based upon medical data analysis and up-to-date medical technology.

Reinsurance Policies. One of our strategies for diversifying risk is reinsurance. In such cases, we determine the cede and assume reinsurance details by means of a review conducted by the Risk Management Committee after considering the types and characteristics of risks. Moreover, in reinsurance transactions, we evaluate the creditworthiness of each reinsurer based on credit ratings provided by major rating agencies and other factors and manage accounts so that transactions do not focus excessively on specific reinsurers.

Liquidity Risk Management

Liquidity risk can be categorized into cash flow risk and market liquidity risk.

Cash flow risk. Cash flow risk is the risk that we may not have ready access to a sufficient amount of cash to meet our needs at any given time. A cash flow problem may arise because of a decline in insurance premiums, an increase in surrenders or withdrawals, or an outflow of cash because of a major event or catastrophe. In such cases, we may suffer losses from disposing of assets at discounted prices in order to secure cash in a timely manner. We manage cash flow risk by maintaining an amount of high-liquidity assets above levels set forth in the asset management plan and daily cash flow. Furthermore, in the event of an actual deterioration in our cash flow condition, we establish limits on the amount of low-liquidity assets that may be kept under management.

Market liquidity risk. Market liquidity risk is the risk that we will suffer investment losses from being unable to trade in the market or being compelled to trade at unfavorable prices because of a volatile or disrupted market. We manage market liquidity risk by establishing limits on market transaction amounts during times of relative illiquidity in the markets and revising such limits to reflect changes in market conditions.

Investment Risk Management

Overview. Asset investment risk is composed of market risk (including interest rate, stock price and foreign exchange rate fluctuation risk), credit risk and real estate investment risk and generally refers to the risk of losses incurred as a result of fluctuations in the market value of assets and liabilities. We have established an Investment Risk Management Department within our Risk Management Department to manage investment risk comprehensively, in order to pursue stable returns while keeping losses within an acceptable range.

The Investment Risk Management Department manages asset investment risk through oversight of the investment execution sections, daily monitoring of asset investment performance, analysis of levels of market, credit and real estate investment risk, and through creation of asset risk management policies and controls. The Investment Risk Management Department reports to the Risk Management Committee regularly with respect to asset investment risk issues.

Market risk. We measure, manage and monitor the market risk associated with our investments on a continuous basis. Market risk generally is the risk of loss resulting from changes in interest rates, stock prices and foreign exchange rates. Our general account assets, which constituted 97.7% of our nonconsolidated total assets as of September 30, 2015, are subject to market risk based on our investment activities.

Separate account assets, which are assets related to our individual variable insurance, individual variable annuities and a portion of group variable annuities, form the remainder of our total assets. The policyholders of these products bear the market risk related to separate account investments.

We have established and implemented comprehensive policies and procedures to manage the effects of potential market volatility. Specifically, we calculate our exposure to losses that may occur within one year using the value-at-risk method of statistical analysis. By utilizing the value-at-risk method, we calculate market risk in numerical terms to facilitate a more thorough approach to management of market risk. We also employ the loss-cut rule to limit potential losses with respect to assets under management. The loss-cut rule is a method of limiting losses within an established range by selling assets when they have incurred losses of an established amount.

Curbing of excessive losses for each financing and investment transaction is also critical to our market risk strategy, as is the control of market risk with respect to our full portfolio. To curb excessive losses, we have implemented maximum holding ceilings based on the nature of the assets we hold, and our Investment Risk Management Department regularly reports to our Risk Management

Committee regarding compliance with these ceilings. To control general market risk with respect to our portfolio, we quantify our exposure to market risk by calculating our exposure to losses using the value-at-risk method and control such risk by setting limits based on such exposure. We have also established a system to control risk within acceptable levels in the event of a breach of our risk guidelines.

Interest rates. Our exposure to interest rate changes results from our significant holdings of bonds and loans and our interest rate-sensitive liabilities. These bonds include JGBs, municipal bonds and corporate bonds, all of which are exposed to changes in mid- to long-term yen interest rates. We also have holdings in non-yen-denominated bonds issued mainly by foreign governments and corporations. We manage interest rate risk by optimizing the characteristics of our investment portfolio in relation to our liabilities. We employ ALM techniques to reduce the adverse effects of interest rate volatility, including optimizing the characteristics of our investment portfolio in relation to our liabilities as well as the use of derivative instruments. However, because on average our outstanding insurance and annuity products have a longer duration than that of our investments, a rise in interest rates generally will increase our future profits while negatively impacting net unrealized gains on fixed-income securities in the current year and vice versa.

Stock prices. Our investments in stocks expose us to changes in share prices, particularly share prices in Japan. We manage this risk on an integrated basis with other market risks using the value-at-risk method and other risk management techniques.

Foreign exchange rates. Our exposure to fluctuations in foreign exchange rates results mainly from our holdings of non-yen-denominated stocks and bonds. See "Business—Investments—Foreign Investments." The main currencies to which we are exposed are the U.S. dollar and the euro. We manage foreign exchange rate risk through a policy of hedging against changes in foreign currency exchange rates and limiting unhedged exposure, which we monitor using the value-at-risk method. We hedge our foreign exchange rate risk with respect to a portion of the principal and interest on our non-yen-denominated bonds. The remaining risk is managed on an integrated basis with other market risks using the value-at-risk method and other risk management techniques.

Credit risk. Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines or disappears due to a deterioration in the financial condition of a party to whom credit has been extended. We believe that it is important to examine each transaction rigorously from a credit risk perspective so as to set terms appropriate to the level of risk involved. For a description of our loans, see "Business—Investments—Loans."

We have established a Credit Department independent of the departments responsible for handling financing and investment activities. We maintain guidelines to ensure that our returns are commensurate with the risks we undertake. We manage credit risk by assessing the credit risk of and assigning an internal credit rating to each of our borrowers based on in-house fundamental analysis and credit ratings assigned by ratings agencies and by monitoring the internal ratings of such borrowers. We monitor the mix of our loan portfolio by categorizing and diversifying our loans by borrower credit rating group and industry in order to manage our risk of credit concentration. Internal credit ratings of obligors are received annually. In addition, we perform "Monte Carlo" simulations to evaluate credit risk using the value-at-risk method.

Real estate investment risk. Real estate investment risk refers to the risk that our real estate-related income may decrease because of a decline in rent, a decrease in number of tenants or other factors or a general decline in real estate prices due to market forces. See "Business—Investments—Real Estate."

The Credit Department has been tasked with managing real estate investment risk. Cognizant of the long-term and illiquid nature of real estate investments, we seek to define and adhere to clearly established investment and evaluation standards in acquiring real estate. We set a minimum investment return level for each property as well as maximum permitted loss levels. For properties that do not meet our standards, we consider measures by which we may maintain rental income or potentially sell the properties in question. Furthermore, in making a real estate investment decision, we utilize appraisers independent from our operations to add another level of control in managing real estate investment risk.

Operational Risk Management

Operational risk is the risk of failure of our business operations due to human error. Operational risk includes the risk that our officers, employees (including sales representatives) and third-party sales agencies neglect or fail to perform their duties. Operational risk also includes employee misconduct, such as fraudulent activity, improper use, data leaks or disclosure of confidential information and failure to comply with laws or our compliance procedures. Our Operational Risk Management Department manages operational risk through oversight of various execution sections, branches and service centers and reports directly to senior management with respect to operational risk issues. For example, the Operational Risk Management Department has established an internal inspection system that involves random inspections of sales departments and branches by the main office auditing department and twice-a-year random inspections of sales departments by branches.

Because operational risks exist throughout our operations, we have developed administrative rules and provide training to mitigate and prevent administrative risk and to implement proper and effective administrative procedures.

Computer System Risk Management

Computer system risk is the risk that we may suffer harm to our operations, including the management of our policies, the investment of our assets and the maintenance of statistics, owing to risks related to our information technology systems. Such risks include breakdowns, natural disasters, human errors, destruction, theft and illegal use. A major failure in our information technology systems would disrupt, among other things, the servicing of customers at various branches and the investment of our assets and may have long-term consequences such as a loss of customer confidence which may result in policy surrenders. Our System Risk Management Department manages system risk through coordination with and oversight of the information protection officers in each department and branch, creation of system risk policy and integration of company-wide system risk policies and reports to the System Risk Management Subcommittee with respect to system risk issues.

To manage system risk, we have established a system risk management policy and an information security policy to protect our information technology assets from a variety of system risks. To protect our computer systems from catastrophes, we maintain our main and backup computer centers in Osaka. After the Great East Japan Earthquake, we enhanced our backup procedures both at our Tokyo Headquarters and Osaka Head Office, increased our equipment of emergency power generators and improved our business continuity plan.

Derivative Instruments

We use derivative instruments, including foreign exchange forward contracts and options, stock index futures and options, individual stock options, bond futures and options and credit default swaps, for the following purposes:

- to hedge the fluctuations in the market value of our investments;
- to hedge foreign currency exposure primarily with respect to the principal of our investments;
- on a supplemental basis with our investments to cover the time before such investments can be incorporated into our asset portfolio or as a measure to address liquidity risk;
- to adjust the term or the type of interest (fixed or floating) related to investments in our asset portfolio; and
- to hedge the credit risk related to investments in our asset portfolio or for diversification of credit risk.

Our use of derivative instruments is primarily to hedge the risk associated with our existing asset portfolio, which consists mainly of foreign exchange risk. However, we occasionally enter into derivatives contracts to supplement our investment objectives, taking into account liquidity needs and transaction costs. Such activity is, however, limited to (i) credit default swaps and (ii) derivative transactions with a defined amount of risk that are executed in connection with our annual investment plan. We also establish position frameworks and position percentages for all our derivative transactions. We applied hedge accounting for foreign exchange swaps and forward contracts.

The following table sets forth the notional amount or contract amount and credit risk amounts of derivatives held in our general account as of the dates indicated:

	As of March 31, 2013		As of March 31, 2014		As of March 31, 2015		As of September 30, 2015	
	Notional principal (contract amount)	Credit risk estimate(1)	Notional principal (contract amount)	Credit risk estimate(1)	Notional principal (contract amount)	Credit risk estimate(1)	Notional principal (contract amount)	Credit risk estimate(1)
	(Billions of yen)							
Interest-rate swaps	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 101.5	¥ 1.0
Currency swaps	532.1	37.3	775.1	54.3	956.4	64.9	1,062.6	73.8
Foreign exchange forward contracts	6,232.7	132.8	5,994.8	68.4	6,257.9	199.8	6,233.2	105.6
Interest options (purchase)	—	—	—	—	—	—	—	—
Currency options (purchase)	—	—	—	—	—	—	—	—
Other derivative financial instruments	0.2	0.0	0.2	0.0	40.8	2.9	2.3	0.2
Total	¥6,765.1	¥ 170.2	¥6,770.2	¥ 122.8	¥7,255.2	¥ 267.8	¥7,399.8	¥ 180.7

Note:

(1) Costs related to reestablishing the same position in the event of the default of the counterparty, plus the risk related to the possible future increase of such costs. The current exposure method was used in computing the credit risk estimate.

We reflect unrealized gains and losses related to derivative transactions that are not eligible for hedge accounting in ordinary income and ordinary expenses. The following table sets forth the unrealized gains and losses related to derivative transactions in our general account including both those eligible and not eligible for hedge accounting:

	As of March 31, 2013	As of March 31, 2014	As of March 31, 2015	As of September 30, 2015
	(Billions of yen)			
Interest-rate transactions	¥ —	¥ —	¥ —	¥ (0.7)
Currency rate-related transactions	(259.1)	(278.4)	(215.6)	(299.7)
Stock-related transactions	(0.0)	0.0	(0.0)	0.0
Other	—	—	—	—
Total	¥ (259.1)	¥ (278.4)	¥ (215.7)	¥ (300.4)

The following tables set forth the contract amount, market value and differences between contract value and market value on currency forward contracts in our general account entered into as of the dates indicated:

	As of March 31, 2013		
	Contract amount	Market value	Net gains (losses)
	(Billions of yen)		
Foreign exchange forward contracts			
Sold:			
U.S. dollars	¥ 3,737.3	¥ (86.2)	¥ (86.2)
Euros	947.2	1.4	1.4
Total, including others	¥ 6,073.6	¥ (152.1)	¥ (152.1)
Purchased:			
U.S. dollars	¥ 2.3	¥ (0.0)	¥ (0.0)
Euros	4.6	0.0	0.0
Total, including others	¥ 6.9	¥ (0.0)	¥ (0.0)

	As of March 31, 2014		
	Contract amount	Market value	Net gains (losses)
	(Billions of yen)		
Foreign exchange forward contracts			
Sold:			
U.S. dollars	¥ 3,364.4	¥ (17.6)	¥ (17.6)
Euros	1,167.2	(11.7)	(11.7)
Total, including others	¥ 5,909.1	¥ (84.8)	¥ (84.8)
Purchased:			
U.S. dollars	¥ 0.7	¥ 0.0	¥ 0.0
Euros	0.0	0.0	0.0
Total, including others	¥ 0.7	¥ 0.0	¥ 0.0

	As of March 31, 2015		
	Contract amount	Market value	Net gains (losses)
	(Billions of yen)		
Foreign exchange forward contracts			
Sold:			
U.S. dollars	¥ 3,926.7	¥ (1.0)	¥ (1.0)
Euros	1,177.6	80.6	80.6
Total, including others	¥ 6,363.6	¥ 108.8	¥ 108.8
Purchased:			
U.S. dollars	¥ 3.1	¥ 0.0	¥ 0.0
Euros	0.0	0.0	0.0
Total, including others	¥ 3.2	¥ 0.0	¥ 0.0

	As of September 30, 2015		
	Contract amount	Market value	Net gains (losses)
	(Billions of yen)		
Foreign exchange forward contracts			
Sold:			
U.S. dollars	¥ 4,027.7	¥ 19.1	¥ 19.1
Euros	1,215.0	(18.8)	(18.8)
Total, including others	¥ 6,228.0	¥ 2.3	¥ 2.3
Purchased:			
U.S. dollars	¥ 4.3	¥ 0.0	¥ 0.0
Euros	—	—	—
Total, including others	¥ 7.5	¥ 0.0	¥ 0.0

BUSINESS

Except as otherwise specified, financial and other information for us contained in this "Business" section is presented on a nonconsolidated basis.

Overview

We are the largest private life insurance company in Japan in terms of both assets and revenues. We operate primarily in Japan and offer a wide range of products, including life insurance, annuities and other insurance products, to over 11.5 million insured persons and approximately 24,600 corporate customers in Japan that have more than 100 employees, as of March 31, 2015.

Our core business is life insurance for individuals in Japan's retail market. Our innovative *Mirai no Katachi* product lineup allows customers to combine a wide variety of coverage into personally tailored insurance portfolios. We also sell individual annuity, group insurance and group annuity products. On a consolidated basis, our business includes asset management, investment trust management and information technology products and services. Also, we have been expanding our overseas operations in an effort to secure revenue sources outside of the Japanese market and to capture the growth of overseas markets.

According to Sigma World Insurance, Japan is the second largest life insurance market in the world by premium volume. It is also a highly concentrated and mature market, with the top five private life insurance companies accounting for 59.8% of the market share by premium income, excluding Japan Post Insurance, for the year ended March 31, 2015, according to public disclosures. We hold the largest market share in Japan with 17.1% by premium income among private life insurance companies for the year ended March 31, 2015 and aim to strengthen our position as Japan's leading private life insurance company.

Strengths and Strategies

We believe that our core competitive strengths and key strategies include the following:

- Strengths
  - Stable operating performance with steady improvement in sales activities
  - Stable asset management with prudent risk management
  - Solid capital base and financial soundness
- Strategies
  - Expand our domestic life insurance business and our overall customer base by:
    - continuing to introduce new and more flexible products and services to meet diversifying customer needs; and
    - enhancing our multi-channel distribution platform and upgrading our after-sales and other customer support services.
  - Strengthen our group-wide businesses, focusing on our overseas insurance business, asset management business and businesses instrumental to the domestic life insurance market.
  - Further enhance our financial base for future growth by maintaining a stable and diversified asset portfolio and increasing our capital to support investment into new businesses and growth sectors.

Strengths

Stable operating performance with steady improvement in sales activities

We have an established track record of operating success. We have long been the largest private life insurance company in Japan in terms of both assets and revenues and rank highly among our global peers in terms of revenues. For the year ended March 31, 2015 we recorded revenues from insurance and reinsurance premiums of ¥5,337.1 billion and core operating profit of ¥679.0 billion on a nonconsolidated basis, representing growth of 10.6% and 14.6% over the previous year, respectively. We have maintained a core operating profit of more than ¥500 billion in each fiscal year since the year ended March 31, 2008. We have successfully mitigated the effects of a prolonged low interest rate environment on our core operating profit by making efforts to maintain our interest gains at consistent levels.

We attribute our operating success in large part to the strength of our multi-channel distribution platform and the contributions of our sales representatives, over-the-counter bank and other financial institution sales, and third-party sales agencies, which accounted for 75.7%, 15.7% and 8.5%, respectively, of our annualized premiums from new policies for the year ended March 31, 2015. With over 11.5 million insured persons and approximately 24,600 corporate customers in Japan that have more than 100 employees as of March 31, 2015, we believe that we have a stable base of operations from which to pursue further profit growth. We believe that our profitability will continue to be positively affected, among other things, by the high profit margins on insurance premiums that are characteristic of the Japanese life insurance market.

We have steadily improved our persistency rates for insurance policies, which have demonstrated an upward trend since March 31, 2007. As of March 31, 2008, our 13-month and 25-month persistency rates were 86.5% and 71.7%, respectively. As of March 31, 2015, our persistency rates stood at or near historical highs of 97.1% for six-month contracts, 94.8% for 13-month contracts and 84.6% for 25-month contracts. At the same time, our surrender and lapse ratio with respect to individual insurance and annuities in the aggregate has declined year on year since March 31, 2007 to 4.5% as of March 31, 2015. See "—Sales and Marketing—Sales Support."

We attribute this strong performance in customer retention to the trust and loyalty of our customers. Among other customer-oriented measures, we have successfully improved our customer service offerings, including through increased emphasis on face-to-face service centered on follow-up consultations that we call PDCA, enhanced after-sales services through our *Zutto Motto* Service and innovative programs offered in conjunction with our business partners, such as our specialist physician referral service operated by Best Doctors. Improving customer service remains a top priority. For example, in April 2012, we launched the Care Guidance Service to provide customers in the comfort of their own homes with consulting services from expert customer care managers of the Nichii group, in April 2013, we launched the Child-raising Advice Hotline to provide around-the-clock telephone counseling with specialists regarding the health and care of children, and in March 2014, we launched "Wellness-dial *f*" to provide female customers with a hotline for advice on women-specific symptoms and syndromes. These services are offered through Life Care Partners Co., Ltd. See "—Customer Support Services."

We believe that the strength of our sales representative channel, combined with our innovative *Mirai no Katachi* product lineup and Mitsui Life's non-participating insurance product lineup, will continue to contribute to maintaining high levels of persistency and customer satisfaction, supporting profitability. See "—Products and Services—Individual Insurance."

Stable asset management with prudent risk management

We are dedicated to managing our assets in the best interests of our customers and with an eye toward stability over the long term. We have successfully maintained a high-quality asset portfolio, with more than 70% of our general account assets concentrated in yen-denominated fixed income assets, which include domestic bonds, domestic loans and currency-hedged foreign fixed income securities. We believe this high-quality asset portfolio supports secure and stable returns over the mid- to long-term. Domestic bonds accounted for 37.2% of our total general account assets as of September 30, 2015, while domestic stocks accounted for only 13.8%. The majority of our domestic and foreign bond holdings have received either a AAA or AA rating from rating agencies. As of September 30, 2015, 10.4% of our total bonds, excluding JGBs, were rated as AAA, 66.9% as AA, 13.1% as A, 6.2% as BBB and the rest as below BB or unrated. We also reduce our risk exposure by diversifying our portfolio by asset type, maturity, country and currency.

We regularly monitor our asset portfolio from a long-term "Surplus ALM" perspective. ALM is a mechanism employed to manage our investment assets in a manner appropriate to our liabilities, primarily insurance products. We divide our long-term portfolio into a number of segments including general, group annuities and single-premium accounts. For the general segment, our strategy is to achieve asset and liability management that enables us to expand long-term investment returns, within appropriate risk buffers, while taking into consideration the specific nature of our liabilities. For group annuities and single-premium accounts, where most of our policyholder assets for bancassurance channel are primarily being managed, our policy is generally to achieve asset and liability management that enables us to manage interest rate risk based on our prediction of the relevant segment's payment liabilities. As part of our asset management strategy, investments in higher risk assets such as equity and real estate are made within the appropriate risk buffers in order to optimize yields.

Our initiatives to increase the duration of our investments, particularly domestic bond investments, have been successful, with 69.9% of our domestic bond holdings having a maturity of over ten years as of September 30, 2015, up from 39.5% as of March 31, 2008. We manage the risks of both increased and decreased interest rates in the domestic market by diversifying the mix of asset types, currencies and maturities of our investments. In addition, most of our domestic bond portfolio is classified as policy-reserve-matching bonds, which decreases the impact of interest rate fluctuations. We also engage in risk management to control the risks related to a rise in the Japanese yen or a decrease in share prices. See "—Investments—Management of Investments."

Solid capital base and financial soundness

We have successfully maintained a strong capital base, although the global economy and financial markets have been buffeted by extreme volatility in recent years, from the global financial crisis starting in September 2008 to the Great East Japan Earthquake in 2011 and recurring sovereign debt crises in the Eurozone. Notwithstanding these challenging conditions and an economic outlook which remains uncertain despite recent signs of positive growth in Japan and elsewhere, we recorded capital of ¥4,668.2 billion as of September 30, 2015. For a detailed breakdown of our capital, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources."

We believe that our consolidated and nonconsolidated solvency margin ratios of 934.5% and 920.4%, respectively, as of September 30, 2015 are adequate and well in excess of the legally required minimum of 200%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Solvency Margin Ratio."

Strategies

In recent years, there have been pronounced structural demographic changes in the domestic market, such as population decline, a falling birthrate and the aging of society, as well as the concentration of the population in urban areas. At the same time, customer needs have been diversifying. We have seen other trends such as a decline in the ratio of policyholders in our young customer sector, diversification in enrollment channels and fierce competition in urban areas. In order to respond to these and other changing market conditions, we intend to expand in the domestic market where we believe there is still ample space to grow and focus on growth as a group, including our overseas businesses.

To this end, in April 2015, we began implementing our new three-year management plan, which we call the *Zen Shin* Project. It follows our previous three-year mid-term plan, *Mirai Sozo* (Future Creation) Project, under which we endeavored to increase sales based on a new integration strategy, build a stronger base for financial soundness and profitability and develop our human resources.

Our primary objective under our new three-year management plan is to build a solid business foundation that will support our business over the next decade and beyond. Under the *Zen Shin* Project, we intend to pursue the following strategies:

- Expand our domestic life insurance business and customer base by:
  - continuing to introduce new and more flexible products and services to meet the diversifying needs of our customers; and

- enhancing our multi-channel distribution platform and upgrading our after-sales and other customer support services.

- Strengthen our group-wide businesses, focusing on our overseas insurance business, asset management business and businesses instrumental to the domestic life insurance business.
- Further enhance our financial base for future growth by maintaining a stable and diversified asset portfolio and increasing our capital to support investment into new businesses and growth sectors.

Through these strategies, we aim to:

- achieve the number one share in new policy sales across all metrics, specifically the number of new policies, the amount of coverage, and annualized premiums on new policies;
- generate mid-single digit growth in annualized premiums from policies in force, a metric that is highly correlated with earnings and assets;
- expand the number of customers we serve while continuing to serve our existing customer base of over 11.5 million people;
- increase profits across the entire Nippon Life group with the aim of achieving greater net income contribution from our domestic and overseas subsidiaries and affiliates engaged in the insurance business, asset management business and businesses instrumental to the development of our life insurance operations in Japan;
- streamline our cost structure to reduce fixed costs; and
- bolster our capital base to ensure we can meet our responsibilities to our customers over the long term.

Expand our Domestic Life Insurance Business and Customer Base

Continue to introduce new and more flexible products and services to meet diversifying customer needs

We believe that our flexible products and services position us to capture the diverse needs of our changing customer base. Our goal is to offer greater convenience to customers by maintaining a more advanced product lineup and infrastructure than any of our peers and provide more sophisticated services to meet the needs of seniors, women and the younger generation, as well as core customers.

Diverse customer needs demand the rethinking of traditional insurance products and services. We continually review, update and expand our product offerings while maintaining a focus on individual life insurance. In recent years, taking advantage of a relaxation of Japanese regulatory barriers, we have introduced a robust selection of third-sector products, including medical, cancer and nursing care insurance products. We believe that the third-sector market provides significant growth opportunities as the insurance needs of Japan's shrinking population shift away from traditional mortality insurance into more diversified and personally tailored insurance portfolios.

In response to feedback from customers, we work to simplify our product offerings to ensure that our insurance policies are transparent and readily understood by potential customers and that insurance claims and benefits are properly paid to policyholders. For example, the concept behind our *Mirai no Katachi* lineup is to simplify and repackage our product lineup for *"buffet style"* consumption. We believe that the flexibility of our *Mirai no Katachi* product lineup, which allows customers to combine a wide variety of coverage into personally tailored insurance portfolios, is critical to our capturing of growth opportunities in the senior, female and young customer segments. We improved our *Mirai no Katachi* product lineup by providing a "higher discount system" under which a discount on the premium is provided in correlation to the policy amount, enabling our customers to design insurance plans with a lower premium rate and, in April 2015, added a new type of insurance for the three dread diseases: cancer, heart disease and strokes, which is provided as our *Nissay Mirai no Katachi* "Five Stars" plan. We intend to market this new plan especially to our female and young customer segments. See "—Products and Services—Individual Insurance." We also work to maintain agile, market-responsive product development for bancassurance and other distribution channels.

Enhance our multi-channel distribution platform and upgrade our after-sales and customer support services

One of our core strategies is the diversification of our multi-channel distribution system. Our approximately 50,000 sales representatives in Japan have long been the key channel for sales of our products, and due to the importance of face-to-face contact in life insurance sales in Japan, sales representatives will remain a critical distribution channel. However, in recent years we have seen an increase in the number and variety of distribution channels available to supplement our sales representatives, including more than 13,000 third-party sales agencies, more than 300 financial institutions in our bancassurance channel, 98 Nissay Life Plazas, call centers and the Internet. Under the *Zen Shin* Project, we are committed to building systems that can cater to the diversifying needs of our customers and to increasing the convenience with which potential customers can gain access to our products in response to evolving lifestyles and demographics of the Japanese workforce. To that end, we are developing a variety of sales and service channels to support and complement our sales representative channel. These include Nissay Life Plazas for servicing walk-in customers, corporate support teams, insurance agencies and financial institutions. To help ensure that customers receive optimal insurance coverage for them, we will also seek to improve our consulting abilities a step further. We will take steps to increase our market shares in sales channels other than the sales representative channel, including insurance agencies and financial institutions. We also have entered into the independent agency retail market to reach customers that we have not been able to gain access to through our conventional sales and service channels. We foster an open corporate culture and engage in enhanced training of our sales representatives to enable them to pursue sales activities more efficiently and improve customer consulting skills. We also aim to increase the number of our sales representatives over the mid- to long-term.

A critical aspect of our achieving improved persistency rates and reduced surrender and lapse ratios in recent years has been our dedication to providing superior customer service, including after-sales service. Among other initiatives in this area, in recent years we have introduced a number of consulting, referral and advisory services. We have expanded our support systems to allow for broader and more thorough face-to-face interaction with our customers. Whether via Nissay Life Plazas, sales representatives, call centers or our new Internet profile, featuring greater social media presence and expanded user support, our customers now have a variety of well-integrated points of contact to support their unique desires and needs. See "—Customer Support Services."

Through these efforts, we plan to proactively expand our customer base.

Strengthen group-wide businesses, focusing on our overseas insurance business, asset management business and businesses instrumental to the domestic life insurance market.

To establish a foundation for medium- to long-term growth, we will seek to expand our share of the domestic life insurance market while also working to expand the group's overall earnings capacity through our overseas insurance business, asset management business, and other businesses that will further cultivate our domestic life insurance business. Under our new three-year management plan, we have been making efforts to strengthen our group-wide businesses and to establish a business structure through which we can achieve net income contribution from our group companies of ¥100 billion within ten years. Our acquisition of Mitsui Life and our proposed acquisition of MLC form a part of such efforts.

In the domestic life insurance market, we are building systems at the group level to facilitate the development of more flexible insurance products to meet diverse customer needs, while also upgrading our networks with financial institutions and agencies in line with the increasing diversification of our domestic sales channels. As part of our domestic growth strategy, on November 6, 2015 we entered into a management integration agreement with Mitsui Life and on December 29, 2015 we completed settlement of a tender offer for the outstanding shares of Mitsui Life, thereby making it our majority-owned subsidiary as of December 31, 2015. After making Mitsui Life our wholly owned subsidiary through squeeze out procedures under Japanese law, we intend to sell shares representing an aggregate of approximately 17% of Mitsui Life's ordinary shares to certain former shareholders of Mitsui Life and certain other parties associated with the Mitsui corporate group. We also continuously seek opportunities to expand our profit base through alliances with other financial institutions and other corporate groups in Japan and by forging long-term partnerships with prominent companies in other countries around the world as part of our strategy to steadily expand our operations further. In evaluating such opportunities, we take into account the manner and scale of investment best suited for each particular market. For example, we have recently entered into partnerships with NTT Docomo and Nitori Holdings to further strengthen our sales channels in Japan. See "—Domestic Strategic Alliances and Investments."

In our overseas insurance business, we will continue to evaluate and selectively pursue opportunities to strengthen our existing overseas operations including through acquisitions, as evidenced by our proposed acquisition of NAB's life insurance business conducted by MLC, through which we expect to become strategic partners with NAB in developing MLC's life insurance business in Australia. As part of the acquisition, NAB and MLC have agreed to enter into a 20-year distribution agreement, pursuant to which NAB will help to grow the MLC business in partnership with us by utilizing its advisor and bancassurance channels. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments" for more information about the MLC acquisition. We also plan to introduce additional regional support enterprises to our existing systems for providing support by region, share expertise between local subsidiaries, strengthen our business development channels and expand operations using strategies customized to regional and market-specific characteristics. Currently, we are engaged in the life insurance business in China, India, Thailand, Indonesia and the United States through capital investments or joint venture arrangements, and we intend to selectively expand our overseas life insurance business, including by taking majority positions. In November 2015, we also reached an agreement with Reliance Capital to increase our current 26% equity ownership of Reliance Life to 49%. See "—Overseas Operations and Strategic Alliances."

We also plan to enhance the position of our domestic and overseas asset management business as a core group business because of its compatibility with our life insurance business and its strong growth potential. In Japan, we plan to work to expand our assets under management in the areas of mutual funds and annuities in close collaboration with NAM and other domestic and overseas business alliances, while further enhancing product development that leverages the group's asset management expertise. Overseas, we intend to capture high market growth through a combination of new investments and efforts to build on existing alliances with our overseas investment partners. In February 2015, we increased our equity holdings in Reliance Capital Asset Management, a subsidiary of Reliance Capital, from 26% to 35% and in October 2015 we reached a definitive agreement with Reliance Capital to further increase our equity holdings to up to 49%.

Further strengthen our financial base for future growth by maintaining a stable and diversified asset portfolio and increasing our capital to support investment into new businesses and growth sectors

We are seeking to build a foundation for medium- to long-term growth that will allow us to continue to succeed over the next decade and beyond. A key part of that growth strategy is to further strengthen our financial base. To do so, we plan to increase our capital so that we can meet our insurance-related liabilities over the long term, while ensuring our ability to generate steady returns on managed assets. In accumulating capital, our objectives are to enhance our capacity to mitigate necessary risks associated with our accelerated growth strategy, and to prepare for prospective changes in international capital requirements. We have set a medium- to long-term target for capital of ¥6.5 trillion. Our asset management approach is based on portfolio diversification from a long-term standpoint. We will respond to the current extended period of low interest rates by continuing to increase investment in overseas and corporate bonds to build a better overall portfolio risk-return profile. In addition, we plan to expand our investments in sectors of high forecast growth, such as the environmental and infrastructure sectors, over the next 3–5 years. By engaging in constructive, purposeful dialogue with investee companies, we will also seek to contribute to the sustained growth of the Japanese economy by promoting corporate development. Finally, we will further promote enterprise risk management plans to set targets for profits and financial soundness, introduce economic value-based indicators with reference to the international trend in insurance capital requirements, implement a flexible rebalancing of resources and capital, and conduct an integral management of risk and return, while also seeking to improve our operational efficiency on a continual basis.

Products and Services

We offer various types of individual life insurance and annuity products as well as group insurance and annuity products, with 11.5 million insured persons and approximately 24,600 corporate customers in Japan that have more than 100 employees, as of March 31, 2015. In addition, our subsidiaries offer asset management, investment asset management and information technology services.

From April 2012, we introduced a product lineup marketed under the name *Mirai no Katachi*, which is our main individual insurance and annuity product platform offered through our exclusive sales representatives. The concept behind the lineup is to simplify and repackage our products according to the specific needs of each customer. Previously, we mainly offered whole life insurance with term rider, which combines whole life insurance and term policy riders to provide for a higher payment in case the insured dies within the specified period. Term riders offer extensive coverage with relatively inexpensive premiums, and whole life with term riders has traditionally been our main life insurance product. However, *Mirai no Katachi* does not distinguish between main policies and term riders and allows customers to combine 12 types of various coverage from death to retirement coverage into personally tailored insurance portfolios. After enrollment, customers can freely revise policy details according to changes in their needs and stages of life. For example, customers can add new insurance, increase coverage amounts, and selectively revise only the parts they need to change. Customers can change their policy details to more precisely meet their protection needs at any time. Since its launch, we have sold more than 3.8 million *Mirai no Katachi* policies.

In addition, we have other lineups of insurance products such as educational endowment insurance, and single-premium whole life insurance products offered through both the sales representative channel and the bancassurance channel.

Individual Insurance

Individual insurance is our main product line. The number and amount of individual insurance policies in force were approximately 21.8 million policies and ¥145.3 trillion, respectively, as of September 30, 2015. The amount of new individual insurance policies written, including net increases in policy amounts due to conversions, were ¥7,627.8 billion and ¥4,325.7 billion, respectively, during the year ended March 31, 2015 and the six months ended September 30, 2015. Premiums from individual insurance constituted 56.9% and 49.4% of total premium income for the year ended March 31, 2015 and the six months ended September 30, 2015, respectively.

Mirai no Katachi product lineup

Whole life insurance. Whole life insurance—including whole life with term rider, a product we had previously sold—accounted for 59.7% of our total policy amount in force for individual insurance policies as of March 31, 2015. Whole life insurance pays death benefits to the beneficiary on the death of the insured irrespective of when the insured dies. Whole life insurance may be combined with term life insurance to provide for a higher payment if the insured dies within the specified period. Surrender benefits will increase over the elapsed time since enrollment and policyholders may receive annuities instead of a single-premium death benefit payment. Whole life insurance accounted for 9.3% of new policy amounts written for individual insurance during the year ended March 31, 2015.

Term life insurance. Term life insurance accounted for 17.5% of our total policy amount in force for individual insurance policies as of March 31, 2015. Term life insurance provides extensive death benefits with inexpensive premiums, which is generally lower relative to those for a whole life insurance policy. It is also possible to combine survival benefits which provide special payouts every three years and at maturity in addition to death protection for a set period. Term life insurance accounted for 39.8% of new individual insurance policy amounts written for individual insurance during the year ended March 31, 2015.

Endowment insurance. Endowment insurance accounted for 2.6% of our total policy amount in force for individual insurance policies as of March 31, 2015. Endowment insurance enables asset formation over a set period while providing death protection to pay a death benefit if the insured dies within a specified term or a maturity benefit of the same amount in case the insured survives to the end of that term. Endowment insurance with survival benefits accounted for 1.4% of new individual insurance policy amounts written for individual insurance during the year ended March 31, 2015.

Third-sector products. Third-sector products consist of living benefits and medical care insurance products. We expect that the third-sector market will be an increasingly important part of our business in the future, particularly with respect to our target growth markets of senior, female and young customer segments. In April 2015, we launched a new type of insurance in the *Mirai no Katachi* product lineup, our *Nissay Mirai no Katachi* “Five Stars” plan. This insurance features a reduced emphasis on death coverage and the ability to provide up to five years of support for customers who are hospitalized with one of the three dread diseases: cancer, heart disease and strokes. While medical advances have increased the likelihood of surviving these diseases, treatment can be a long and expensive process. We have developed this plan so that customers, particularly those in the young segment, can address those treatment concerns. Annualized net premiums from third-sector policies in force as of March 31, 2015 were ¥600.2 billion, an increase of 0.7% compared to ¥595.7 billion for the previous year and annualized net premiums from new sales of such third-sector policies for the year ended March 31, 2015 were ¥41.1 billion, an increase of 0.2% compared to ¥41.0 billion for the year ended March 31, 2014. In June 2015, we launched a limited notification-type medical insurance product called *Medi-A×N*, which we developed in partnership with AXA Life Insurance Co., Ltd. (“AXA”) and intend to use to expand our customer base.

- *Living benefits products.* Dread disease provides a single-premium in case of specified illness, nursing care insurance pays a benefit if the insured person requires a specified level of nursing care and physical disability insurance covers certain conditions once the insured person becomes physically disabled. These three types of living benefit products also have death coverage.
- *Medical coverage.* Medical care insurance offers comprehensive medical protection for hospitalization and surgery. It is sometimes combined with death coverage or living benefit type products to prepare for unexpected events or serious diseases such as cancer and injuries with lower premium.

Other individual insurance

In April 2013, we began offering educational endowment insurance to respond to increasing customer demand to provide a way to meet children’s educational expenses. The product was met with wide customer recognition due to new promotions through the Internet in addition to our core sales representative channel. The number of educational endowment insurance policies sold totaled more than 50,000 during the year ended March 31, 2015. Also, this product has a role as “a door opener” leading to additional sales of our main product, *Mirai no Katachi.*

One of our popular saving-type products is single-premium whole life insurance, which is provided through our sales representative channel under the name of *My Stage. My Stage* targets customers with inheritance-related needs and has helped us to strengthen our position in the single-premium products market.

We also offer single-premium type products through the bancassurance channel, which is called *Yume no Katachi Plus*, to expand our reach to a customer segment that is difficult to penetrate through our exclusive sales representative channel. This product targets the needs of the large number of seniors in Japan who have substantial financial assets. In July 2015, we introduced a single-premium whole life insurance policy with a variable return in a designated currency, including Australian dollars, U.S. dollars and euros, under the name *Long Dream GOLD*, which is sold through our bancassurance and sales representative channels.

Individual Annuities

The number and amounts of individual annuity policies in force were approximately 3.4 million policies and ¥21,629.6 billion, respectively, as of September 30, 2015. The amount of new individual annuity policies, including net increases in policy amounts due to conversions, were ¥1,538.1 billion and ¥623.1 billion during the year ended March 31, 2015 and the six months ended September 30, 2015, respectively. Premiums from individual annuities constituted 9.5% and 8.4% of total premium income for the year ended March 31, 2015 and the six months ended September 30, 2015, respectively.

Individual annuities. Our individual annuity products mainly consist of individual fixed annuities, marketed under the *Mirai no Katachi* product lineup. We offer fixed annuity products that pay benefits for a fixed term and those that pay benefits throughout the life of the insured. Deposits made into these contracts are allocated to our general account, and we bear the risk that investments in the general account may not meet the assumed yields. A single-premium benefit payment is made upon the death of the insured prior to commencement of annuity payments.

Group Insurance

Our group insurance products include mainly group term life insurance and group credit life insurance. The amount of group insurance policies in force was ¥92.7 trillion as of September 30, 2015. The amount of new group insurance policies was ¥658.7 billion and ¥131.8 billion during the year ended March 31, 2015 and the six months ended September 30, 2015, respectively. Premiums from group insurance constituted 4.9% and 4.4% of total premium income for the year ended March 31, 2015 and the six months ended September 30, 2015, respectively.

Group term life insurance. Group term life insurance accounted for 62.6% of our total policy amounts in force for group insurance policies as of March 31, 2015. Group term life insurance is similar to term life insurance offered on an individual basis. Only one application is processed on behalf of the many individuals covered under the policy. We offer these products through corporations and other organizations as sponsored benefit programs with premiums paid by the organizations or on a non-sponsored basis with premiums paid by the insured. Group insurance policies are offered on a one-year renewable basis.

Group credit life insurance. Group credit life insurance accounted for 37.4% of our total policy amounts in force for group insurance policies as of March 31, 2015. Under this type of policy, in the event of the death or severe disability of the insured, we pay a benefit that is applied toward the repayment of the insured's housing loans. The amount of the benefit depends upon the amount of the remaining debt.

Group Annuities

We offer group annuity products that can be packaged to meet the specific needs of a corporation or other organization to offer defined benefit, defined contribution and other plans to its employees or other organization members. These plans offer fixed pension benefits with premium payments calculated based on the amounts of the fixed benefits. A portion of the plan can be allocated to the separate account so that variable returns based on actual investment results can be received. Plans that meet specified conditions may qualify for preferential tax treatment. Products include pension benefits insurance for retired employees; employee pension fund insurance, which is a publicly mandated pension fund system funded by corporate and employee contributions; and national pension fund insurance, which is a public pension system also funded by voluntary contributions of individuals. We offer our group annuity products to pension funds of large corporations and public pension funds. Premiums from group annuities constituted 27.7% and 36.8% of total premium income for the year ended March 31, 2015 and the six months ended September 30, 2015, respectively.

We provide products and services that corporations may use to offer defined contribution plans to their employees. These plans do not guarantee minimum returns but rather reflect the results of investments made in a variety of segregated accounts among which the individual may allocate plan assets. Plan assets may be transferred to the plan of a new employer when the employee changes employment. We offer various products for investment of plan assets, including contribution-type pension benefits insurance, which is funded by individual employee contributions.

Other Insurance Products

We offer other insurance, including financial insurance, financial annuities, group disability insurance and reinsurance.

Selected Information on Our Insurance Products

The following table sets forth selected information regarding our individual insurance, individual annuities, group insurance and group annuities:

	As of and for the year ended March 31,		
	2013	2014	2015
	(Thousands of policies and billions of yen)		
Individual Insurance Products			
Whole life insurance with term rider:			
Number of new policies	3.1	—	—
Number of new policies including conversions	7.7	—	—
New policy amount	¥ 68.4	¥ —	¥ —
New policy amount including conversions	¥ 183.4	¥ —	¥ —
Total number of policies	3,904.5	3,245.7	2,695.4
Total policy amount in force	¥ 89,777.0	¥ 72,930.6	¥ 58,870.6
Whole life insurance:			
Number of new policies	343.1	200.2	228.8
Number of new policies including conversions	595.2	406.0	373.3
New policy amount	¥ 1,716.8	¥ 977.7	¥ 1,123.8
New policy amount including conversions	¥ 2,369.6	¥ 1,536.7	¥ 1,479.4
Total number of policies	3,845.3	4,205.5	4,510.9
Total policy amount in force	¥ 26,761.9	¥ 27,812.6	¥ 28,743.9
Term life insurance:			
Number of new policies	142.1	156.3	157.4
Number of new policies including conversions	460.8	443.7	420.5
New policy amount	¥ 2,425.2	¥ 2,370.3	¥ 2,526.7
New policy amount including conversions	¥ 7,148.6	¥ 6,526.8	¥ 6,348.0
Total number of policies	603.9	985.6	1,299.4
Total policy amount in force	¥ 16,811.6	¥ 21,550.8	¥ 25,684.9
Endowment insurance:			
Number of new policies	54.6	55.5	47.7
Number of new policies including conversions	63.1	62.3	53.4
New policy amount	¥ 241.8	¥ 243.1	¥ 212.1
New policy amount including conversions	¥ 265.6	¥ 264.6	¥ 228.2
Total number of policies	1,048.0	972.9	902.1
Total policy amount in force	¥ 4,411.3	¥ 4,127.9	¥ 3,848.8
Dread disease insurance:			
Number of new policies	271.5	324.8	300.8
Number of new policies including conversions	680.1	701.1	636.4
New policy amount	¥ 1,139.3	¥ 1,155.6	¥ 1,078.8
New policy amount including conversions	¥ 2,755.5	¥ 2,560.7	¥ 2,338.6
Total number of policies	848.9	1,464.0	1,962.1
Total policy amount in force	¥ 3,638.2	¥ 5,800.8	¥ 7,556.3
Cancer insurance:			
Number of new policies	121.9	138.0	168.6
Number of new policies including conversions	426.2	417.6	422.9
New policy amount	¥ 0.0	¥ —	¥ —
New policy amount including conversions	¥ 0.0	¥ —	¥ —
Total number of policies	648.9	1,011.0	1,345.8
Total policy amount in force	¥ 31.0	¥ 28.3	¥ 26.1
Nursing care insurance:			
Number of new policies	220.3	288.5	306.7
Number of new policies including conversions	543.6	599.4	595.0
New policy amount	¥ 949.0	¥ 1,089.1	¥ 1,200.7
New policy amount including conversions	¥ 2,452.6	¥ 2,452.5	¥ 2,474.5
Total number of policies	534.6	1,081.0	1,564.1
Total policy amount in force	¥ 2,407.5	¥ 4,597.6	¥ 6,563.3
Medical insurance:(1)			
Number of new policies	526.5	606.9	589.3
Number of new policies including conversions	1,189.4	1,218.3	1,145.1

	As of and for the year ended March 31,		
	2013	2014	2015
	(Thousands of policies and billions of yen)		
New policy amount	¥ 0.5	¥ 0.3	¥ 0.3
New policy amount including conversions	¥ 0.5	¥ 0.3	¥ 0.3
Total number of policies	1,414.5	2,499.4	3,404.1
Total policy amount in force	¥ 5.2	¥ 5.4	¥ 5.5
Physical disability insurance:			
Number of new policies	239.8	298.2	296.1
Number of new policies including conversions	571.9	616.3	581.1
New policy amount	¥ 951.4	¥ 1,039.4	¥ 1,043.7
New policy amount including conversions	¥ 2,040.6	¥ 2,032.6	¥ 1,969.7
Total number of policies	562.3	1,124.3	1,592.5
Total policy amount in force	¥ 2,001.0	¥ 3,815.6	¥ 5,360.7
Other individual insurance(2):			
Number of new policies	102.7	200.6	153.9
Number of new policies including conversions	124.1	217.4	169.7
New policy amount	¥ 946.7	¥ 1,186.3	¥ 1,081.7
New policy amount including conversions	¥ 1,004.1	¥ 1,234.2	¥ 1,124.9
Total number of policies	1,285.4	1,338.0	1,358.8
Total policy amount in force	¥ 10,468.1	¥ 10,184.5	¥ 9,988.7
Total individual insurance products:			
Number of new policies	2,025.9	2,269.5	2,249.5
Number of new policies including conversions	4,662.4	4,682.5	4,397.7
New policy amount	¥ 8,027.0	¥ 7,277.6	¥ 7,627.8
New policy amount including conversions	¥ 18,220.9	¥ 16,608.8	¥ 15,963.9
Total number of policies	14,696.7	17,927.8	20,635.6
Total policy amount in force	¥156,313.2	¥150,854.5	¥146,649.3
Individual Annuity Products(3)			
Number of new policies	190.8	326.0	201.9
Number of new policies including conversions	207.2	342.4	211.3
New policy amount	¥ 1,532.3	¥ 2,431.8	¥ 1,538.1
New policy amount including conversions	¥ 1,643.2	¥ 2,516.1	¥ 1,584.6
Total number of policies	3,214.2	3,392.8	3,448.3
Total policy amount in force	¥ 19,682.5	¥ 21,041.3	¥ 21,456.1
Group Insurance Policies			
Number of new policies	107.7	280.2	653.6
New policy amount	¥ 383.6	¥ 596.7	¥ 658.7
Total number of policies	26,412.4	26,465.9	26,677.9
Total policy amount in force	¥ 91,960.9	¥ 92,059.1	¥ 92,595.4
Group Annuity Products(4)			
Number of new policies	62.6	3.6	2,772.2
New policy amount	¥ 7.2	¥ 1.3	¥ 43.9
Total number of policies	14,604.7	14,492.4	14,185.1
Total policy amount in force	¥ 10,911.5	¥ 11,327.0	¥ 11,680.6

Notes:

(1) Medical insurance mainly consists of general medical insurance, children's medical life insurance and limited injury insurance.

(2) Other individual mainly consists of educational endowment insurance, juvenile insurance and single-premium whole life insurance sold through the bancassurance channel.

(3) The policy amount for individual annuities is the sum of (a) the funds held for annuity payments at the time such payments are to commence and (b) the policy reserve amount for annuities for which such payments have already commenced.

(4) For group annuity products, the new policy amount is equal to the initial premium payment and the policy amount in force is equal to the amount of outstanding corresponding policy reserves.

Policyholder Participation

We offer participating and semi-participating policies. Holders of participating policies receive yearly dividends. These dividends are calculated based on three variables: mortality and morbidity rate margin, investment yield margin and administrative expense margin. If the combined effect of actual mortality and morbidity rates, yield on investments and administrative expense levels during a given period is more favorable to us compared to the assumptions used when pricing these products, a net surplus will generally result for that period. A portion of the net surplus attributable to participating policies may then be distributed to the policyholder as policyholder dividends. We may pay a terminal dividend, depending on the product, in addition to the regular policyholder dividends.

Consolidated Group Products and Services

Asset management and investment trust management. NAM is an asset management firm that leverages the asset management capabilities of Nippon Life and its group companies. Through discretionary management, advisory services and investment trust products, NAM provides high-quality asset management services for corporate and individual customers. As of March 31, 2015, the total assets under management of NAM amounted to ¥8,699.3 billion, consisting of ¥4,638.2 billion in the investment advisory business and ¥4,061.1 billion in the investment trust business.

Information technology. Nissay Information Technology plays a key role in advancing our IT strategy, which includes the goal of increasing the sophistication and efficiency of our business systems to improve customer services, and supporting our IT systems, including our REVO wireless devices. Nissay Information Technology also offers its services to third parties, such as other life insurance providers and medical service providers.

Sales and Marketing

Multi-Channel Sales Structure

Sales representative channel

We have a large network of sales representatives that market products mainly to individual customers. In our effort to promote "face-to-face services," we strive to ensure that new and existing policyholders are visited at least once a year by their representative. Our face-to-face ethic is critical both to our social mission as a life insurance company and to the success of our customer service. For example, in the wake of the Great East Japan Earthquake, our ability to respond quickly and efficiently to customer needs was essential to the financial recovery of households all across Japan.

As of March 31, 2015, we had 52,306 sales representatives (including sales representative positions held by sales managers) operating through 1,558 sales offices located throughout Japan. Our sales representatives, over 95% of whom are women, are licensed pursuant to industry-wide standards. Door-to-door sales and workplace sales constitute the primary means by which our sales representatives market our products to new customers. Of new policies written in the year ended March 31, 2015, approximately 75.7% of annualized net premiums were attributable to sales by sales representatives.

We refer to our sales representatives as "Nissay Total Partners," which signifies that our sales representatives provide total support for customers and their families by providing comprehensive insurance products and services. We believe that Nissay Total Partners should, among other things, be able to explain the range of our products and services and advise as to which of those products and services best meet the needs of our customers. We offer our sales representatives extensive training and continuing education courses. In addition to on-the-job training, our sales representatives participate in periodic formal training courses. At the beginning of their careers, all sales representatives participate in an intensive training course taught by experienced instructors. Sales representatives may continue their education at training centers established at each of our branches, which offer training materials and satellite broadcast programs, and are staffed by full-time consulting experts.

We also offer sales representatives a number of standardized life insurance industry courses in which they can receive varying levels of degrees and licenses, including an Affiliated Financial Planner ("AFP") license. We believe that training is critical for our Nissay Total Partners to be able to offer products and services effectively. As of March 31, 2015, approximately 28,000 of our sales representatives and administrative personnel are licensed AFPs. Licensed AFPs are qualified to offer high-level financial and tax planning advice, which we believe may further their effectiveness.

In the year ended March 31, 2008, we established a new evaluation framework for our sales representatives. Under this framework, their primary assignments are based on visiting existing customers and gathering information to capture potentially new policies. The fixed amount of compensation is guaranteed if basic assignments are fulfilled for a certain period after they enter the company. Since incorporating this new framework, our retention rate of sales representatives generally has improved.

The seven-month retention rate of sales representatives was 82.1% for those recruited in the year ended March 31, 2015, the 13-month retention rate for those recruited in the year ended March 31, 2014 was 65.2% and the 25-month retention rate for those recruited in the year ended March 31, 2013 was 41.9%. We believe that our retention rates are generally in line with those of our competitors.

Specialized channel. In addition to the main sales representative channel described above, we also employ corporate worksite financial coordinators on a fixed-salary basis to develop the corporate and worksite markets in the Tokyo metropolitan area and 13 other large cities in Japan. As of March 31, 2015, we employed approximately 2,600 corporate worksite financial coordinators throughout Japan, and the total number of coordinators has been increasing each year since the program's launch in March 2009. We view the corporate and worksite markets as the most important in large cities such as Tokyo and Osaka, given that we can reach a vast number of corporate employees through such markets. To meet the changing demands of our customers, we have developed such industry-based channels in addition to the area-based sales representative channels, and endeavor to provide high-quality financial planning and consulting services, which we believe has resulted in improvement in our persistency rate and acquisition of new customers.

Nissay Life Plazas. We also market our products through Nissay Life Plazas, which are service centers providing customers and potential customers with information seminars and advice on insurance products, as well as on tax, asset management, and medical and nursing care. As of July 2015, we had 98 Nissay Life Plazas, which are visited by approximately 320,000 customers per year. Nissay Life Plazas meet a wide range of sophisticated customer needs, including consultations and handling of various insurance-related procedures. In 2012, we launched a "*Mirai* Forest" customer lounge and information center at our flagship Nissay Life Plaza in the Marunouchi district of Tokyo and in December 2013, we opened a "Life and Insurance Consultation Desk" in Aeon Mall in Makuhari, Chiba Prefecture.

Third-party sales agencies

We sell life insurance through our network of third-party sales agencies, including tax accountants, professional life and non-life insurance sales agencies and major financial institutions and their related agencies throughout Japan. The network has steadily increased to 13,613 agencies as of March 31, 2015. We have also experienced steady growth in the number of policies in force, the policy amount in force and the number of customers in the third-party sales agencies channel. Sales via third-party sales agencies have consistently increased as a percentage of our overall sales. Of new policies written in the year ended March 31, 2015, approximately 8.5% of annualized net premiums were attributable to sales via third-party sales agencies. In May 2015, we acquired a 95.24% equity stake in LifeSalon, the operator of a chain of independent agencies in Japan for approximately ¥1.0 billion. LifeSalon offers life insurance products to the public through its skilled in-store consultants. In July 2015, we entered into a business alliance with Nitori Holdings, pursuant to which LifeSalon and Nitori Facility Co., Ltd., a subsidiary of Nitori Holdings, will open "Nitori Insurance + LifeSalon" insurance agencies in certain stores run by Nitori Holdings' subsidiary, Nitori Co., Ltd., a retailer of furniture and home accessories. In October 2015, we entered into a business alliance with NTT Docomo, pursuant to which it will offer our life insurance policies at certain of its mobile phone stores. In November 2015, we acquired a 68.6% equity stake in Life Plaza Partners, a leading life insurance agent with the largest number of financial advisors in the industry, for approximately ¥0.3 billion.

Bancassurance channel

We sell individual annuities and single-premium whole life insurance through the service counters of financial institutions under agency agreements with over 300 financial institutions including banks, securities companies and credit unions throughout Japan. We have enhanced products sold through this channel, including variable single-premium increasing-premium whole life insurance. As a result, we have recorded steady growth in premium revenues. Of new policies written in the years ended March 31, 2013, 2014 and 2015 and in the six months ended September 30, 2014 and 2015, ¥44.6 billion, ¥43.0 billion, ¥45.3 billion, ¥20.4 billion and ¥27.7 billion, respectively, of annualized net premiums were attributable to sales via financial institutions.

In December 2010, we launched a single-premium whole life insurance product with a variable assumed rate, marketed under the name "*Yume no Katachi*." The product, which is designed as an easy-to-understand policy that enables customers to bequeath assets to their beneficiaries, features the standard characteristics of a single-premium whole life insurance policy, namely coverage for the insured party's lifetime to address the asset formation and inheritance needs of beneficiaries. The product is primarily distributed via, and is the primary product of, the service counters of our bancassurance channel. See "—Sales and Marketing—Multi-Channel Sales Structure—Bancassurance channel." *Yume no Katachi* policies have sold briskly since their launch in 2010 and have contributed to our strong sales of whole life insurance policies. In April 2013, we launched a new version of the *Yume no Katachi* policy, called *Yume no Katachi Plus*, which allows customers to choose a death benefit that increases periodically. In July 2015, we introduced a single-premium whole life insurance policy with a variable return in a designated currency, including Australian dollars, U.S. dollars and euros, under the name *Long Dream GOLD*.

Corporate and Asset Management Sales

Based in major metropolitan areas and elsewhere in Japan, corporate relationship managers mainly market group insurance and group annuity products directly to large corporations and public entities, providing a full range of consulting services and also work closely with our sales representatives to support workplace retail sales activities.

Corporate relationship managers also market our investment advisory services to pension funds of large corporations and to public pension funds. In addition, local branches of various Japanese securities companies and banks market investment trusts managed by NAM to retail investors.

Sales Support

Our sales representatives are supported in their sales activities by our advanced IT infrastructure. Starting in April 2012, we began distributing a state-of-the-art wireless "REVO" device that enables our sales representatives to handle customer requests swiftly and paper-free while maintaining the traditional face-to-face format that is so critical to the success of our sales representative channel. With these devices, sales representatives can display marketing materials and application forms, make standard benefit and inheritance tax calculations, manage customer information, report their sales activities and access information regarding existing policies. These REVO devices have been distributed to all sales representatives throughout Japan and feature functions to develop insurance proposals, process applications and complete various procedures "on the spot." Using REVO, we are able to reduce the need for repeat visits by sales representatives, because we can wirelessly confirm the sufficiency and accuracy of information entered by our customers.

Customer Support Services

Face-to-Face Customer Service

In August 2007, we introduced PDCA. The goal of PDCA is for our sales representatives to visit each of our policyholders to ensure that policyholders are knowledgeable about the contents of their policies and to increase customer satisfaction with our products. As a result of PDCA, customer satisfaction has risen steadily since the year ended March 31, 2008, particularly among customers who have been visited by one of our sales representatives. In addition, we use the feedback that we receive from policyholder visits to improve our products and management.

We believe that largely due to our after-sales follow-up visits, we have been able to realize a continuous year-on-year decline in our surrender and lapse ratio, from 5.2% for the year ended March 31, 2011 to 4.5% for the year ended March 31, 2015.

The following table sets forth the surrender and lapse ratio of our individual insurance and individual annuities.

	Year ended March 31,					Six months ended September 30,
	2011	2012	2013	2014	2015	2015
	(Billions of yen, except percentages)					
Policy amount at the beginning of the period	¥198,459.5	¥189,106.2	¥181,432.5	¥175,995.8	¥171,895.9	¥168,105.5
Surrender and lapse amount	10,367.0	9,619.0	8,938.8	8,262.2	7,819.6	3,763.2
Policy amount at the end of the period	189,106.2	181,432.5	175,995.8	171,895.9	168,105.5	167,023.4
Surrender and lapse ratio	5.2%	5.1%	4.9%	4.7%	4.5%	2.2%

Best Doctors Service

In March and August 2011, we made investments in Best Doctors, and from April 2014, we started offering a specialist physician referral service to a selected group of customers. We have gradually expanded the scope of customers eligible for the Best Doctors Service, and from April 2014 we have started to include customers with the dread disease insurance policy from our *Mirai no Katachi* product lineup in addition to customers with traditional medical insurance policies. Working closely with Best Doctors, we aim to enhance the attractiveness of this service to our existing policyholders and potential customers.

Care Guidance Service

From April 2012, in collaboration with Life Care Partners, Co., Ltd., which we formed in July 2001 as a joint venture with the Nichii group and others, of which we and the Nichii group remain the only shareholders, we began offering to our customers consulting house calls by expert customer care managers of the Nichii group, in which our customers can consult with such care managers about their nursing care concerns. Our Care Guidance Service was launched alongside our personalized *Mirai no Katachi* product lineup in April 2012. See "—Products and Services—Individual Insurance."

Zutto Motto Service

In April 2010, we launched our *Zutto Motto* Service in response to customer feedback through PDCA. The *Zutto Motto* Service reflects our commitment to work "forever and more" for the satisfaction of our policyholders and their families, including through enhanced after-sales services. Policyholders and their families are incentivized to provide updated personal information to us through this service by acquiring and accumulating a quasi-mileage program called "Thank Mile," which can be utilized to obtain various gifts or vouchers under the "Happy Present Menu," the "Premium Chance Menu" and the "Heartful Support Menu." We then utilize such customer information to optimize our services and documentation processes, including insurance claim and benefit procedures, so that the customer enjoys a more seamless and easier experience.

Call Center and Online Services

Our call centers provide customers with an efficient means to gain access to information about their insurance policies. We also provide an online service for our policyholders to supplement the services available through our customer support phone service. With the assistance of this online service, customers can conveniently and expeditiously receive direct deposits of loan amounts and deferred annuities into specified accounts. Other services include an Internet site through which customers can view information regarding their policies and make certain changes to personal data. We also allow policyholders to obtain policy loans, withdraw dividends, view their account, pay premiums and receive other services through many ATMs operated by third parties. Customer service is also available via post.

Other Services

In April 2013, we launched the Child-raising Advice Hotline to provide around-the-clock telephone counseling with specialists regarding the health and care of children. We also launched Wellness-dial *f* to provide female customers with a hotline for advice on women-specific symptoms and syndromes in March 2014. These services are offered through Life Care Partners Co., Ltd. In February 2015, we introduced our online *N-Concierge* service, which provides free around-the-clock assistance for a wide range of products to people covered by eligible Nippon Life corporate policies and people working in the human resources or general affairs departments of our corporate clients.

Overseas Operations and Strategic Alliances

Although we consider the large and profitable domestic market to be our primary focus, we are also taking steps to develop our business overseas, where we expect there are growth opportunities not present here in Japan.

At the same time, we also recognize that such overseas investments expose us to a number of risks due to cultural and societal differences. For example, certain developing countries, such as in Asia, pose unique challenges in terms of political and economic instability, underdeveloped regulatory regimes and other challenges. Depending on the jurisdiction, there may also be limitations or other restrictions on foreign investments.

To mitigate these risks, we often make our overseas investments by building long-term relationships with trustworthy partners and helping them to grow their business further by sharing our expertise.

To increase revenues in our overseas business, we plan to pursue a broad range of possibilities and examine the best way of expanding businesses based on the characteristics of the respective overseas markets.

Currently, we are engaged in life insurance business and asset management business overseas including China, India, Thailand, Indonesia and the United States, through capital investments and joint venture arrangements. Our international development initiatives in this area include:

- Established in December 1991, Nippon Life Insurance Company of America (“NLIA”) sells group insurance products, including group health insurance, to U.S.-based Japanese companies and U.S. corporations through its branches in New York, Los Angeles, Chicago, Atlanta and other cities. Nippon Life has an equity interest of approximately 97% in the company. NLIA has achieved steady growth in its business performance mainly by expanding its customer base.
- We first acquired a stake in Bangkok Life Assurance Public Company Limited (“Bangkok Life Assurance”), the life insurance arm of the largest commercial bank in Thailand, Bangkok Bank PCL, in April 1997. We have since acquired additional shares to become the largest shareholder of Bangkok Life Assurance, resulting in a holding of approximately 25%.
- In September 2009, we entered into a joint venture partnership with China Great Wall Asset Management Corporation (“China Great Wall Asset Management”), which replaced SVA (Group) Co., Ltd. (“SVA”) as our joint venture partner in China, creating Nissay-Greatwall Life Insurance Co., Ltd. (currently Great Wall Changsheng Life Insurance Co., Ltd). Leveraging the brand recognition of China Great Wall Asset Management and our experience and expertise, we aim to take advantage of the opportunities offered by one of the world’s largest and fastest growing economies.
- In October 2011, we purchased a 26% equity interest in Reliance Life, the life insurance subsidiary of Reliance Capital and a member company of Reliance ADA Group (“Reliance ADA”), one of India’s most prominent conglomerates. In November 2015, we agreed to increase our ownership in Reliance Life from 26% to 49% for expected consideration of approximately ¥42.1 billion. To reflect our strengthened capital relationship, Reliance Life will be renamed “Reliance Nippon Life Insurance Company Limited” (subject to approval from the relevant authorities). We consider the Indian life insurance sector to be an attractive market and expect that it will achieve robust growth in the long-term due to the country’s having the world’s second largest population, an attractive demographic composition with a large portion of youth and solid economic growth led by the service sector and domestic consumption. We aim to achieve

sustainable growth by sharing our experience and expertise through secondment of directors and full time staff to Reliance Life, which boasts a nationwide distribution network, highly talented executives and strong brand recognition in India.

- In August 2012, we acquired 26% of the common shares of Reliance Capital Asset Management, the asset management subsidiary of Reliance Capital, at a cost of ¥20.6 billion. The Indian mutual fund market has grown rapidly since it was opened to the private sector in 1993. Reliance Capital is a financial services group under Reliance ADA, which is one of the largest business conglomerates in India. In February 2015, we increased our equity holdings from 26% to 35% and in October 2015 we reached a definitive agreement with Reliance Capital to further increase our ownership to up to 49% for expected consideration of approximately ¥22.0 billion. To reflect our strengthened capital relationship, Reliance Capital Asset Management will be renamed "Reliance Nippon Life Asset Management" (subject to approval from the relevant authorities).
- In October 2014, we acquired a 20% equity stake in PT Asuransi Jiwa Sequis Life ("Sequis Life"), a life insurance subsidiary of the Indonesian company PT Gunung Sewu Kencana. Sequis Life has achieved strong brand recognition within the Indonesian market due to its sound finances and high-quality services provided through sales agencies. Immediately following the acquisition of this equity stake, we began actively exchanging executives and employees with Sequis Life to share experience and know-how. Going forward, we aim to build a strong presence in the Indonesian life insurance market, which we believe shows potential for rapid growth in the future.
- On October 28, 2015, we entered into a definitive agreement with NAB to acquire NAB's life insurance business, which is conducted by NAB's subsidiary MLC. Under the agreement, we will acquire 80% of the outstanding shares of MLC and prior to completion, NAB's investments business will be carved out of MLC, leaving only the life insurance business and transforming it into a specialized life insurance company to be renamed MLC Life. In connection with the transaction, NAB has agreed to enter into a 20-year distribution agreement with MLC, pursuant to which NAB will help to grow the business in partnership with us. Closing of the transaction is anticipated to occur between September and December 2016 and is subject to approval by the relevant regulatory authorities in Japan and Australia and certain other closing conditions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments."

In addition, forging other long-term partnerships with prominent companies in other countries around the world is an important aspect of our corporate strategy:

- We have established a close relationship with Principal Financial Group, which acquired 3% of the common shares of one of our subsidiaries, NLIA, in October 1998, through discussions between top management and exchanges of personnel. We expect to further strengthen our relationship with Principal Financial Group by continuing these activities and look for opportunities for broader collaboration. For example, in May 2013, we purchased 20% of the outstanding equity of Post Advisory Group, LLC, an asset management company specializing in high yield corporate bond investments, from Principal Global Investors, LLC, a leading asset management firm in the United States and a subsidiary of the Principal Financial Group.
- In September 2009, we purchased 10-year exchangeable surplus notes issued by The Prudential Insurance Company of America, a U.S. insurance subsidiary of Prudential Financial, Inc. ("Prudential"), one of the largest financial service companies in the United States. The investment totaled ¥45.9 billion. We have had a close relationship with Prudential for many years. In addition to investing in the surplus notes, we purchased 2.56 million shares of Prudential common stock in June 2009, or approximately 0.56% of total common shares as of March 31, 2014. The purpose of these investments is to deepen our ties with Prudential in order to build a mutually beneficial long-term partnership. The two companies are expanding their collaboration in many fields. As described later in this section, we started selling foreign currency-denominated insurance products of Gibraltar Life Insurance Co., Ltd. ("Gibraltar Life Insurance"), a Japanese subsidiary of Prudential, in October 2010.
- In December 2009, we entered into a joint venture agreement with Schroders plc with respect to NLI Investments Europe and changed the name of the pre-existing joint venture company to Nissay Schroders Asset Management Europe. Schroders Investment Management (Singapore) also became our partner with respect to Nissay Schroders Asset Management Asia Limited, an

investment advisory company (currently Nippon Life Global Investors Singapore Limited) in the same year.

- In March 2010, we purchased ¥22.5 billion of 30-year surplus notes issued by The Northwestern Mutual Life Insurance Company ("Northwestern Mutual"). In accordance with a business alliance announced in July 2008, the two companies have been exchanging personnel in the asset management and insurance businesses and seeking investment opportunities in the United States and Japan. Purchasing the surplus notes has further solidified ties between the two companies. We will continue to strengthen our ties in the field of asset management and in other aspects of our business operations.
- In September 2010, we entered into an agreement with Gibraltar Life Insurance under which we began selling two of Gibraltar Life Insurance's products in Japan, including individual annuities in which the customer can designate the currency and a U.S. dollar-denominated whole life insurance policy. By adding products from Gibraltar Life Insurance, which has extensive experience in foreign currency insurance products, we aim to satisfy an even broader range of customer needs.
- In July 2011, we purchased ¥58.7 billion of 30-year convertible subordinated notes issued by Allianz Financial II B.V., a finance subsidiary wholly owned by Allianz SE, one of the world's leading integrated financial services providers. The objective of the investment is to strengthen our relationship with Allianz SE and establish a long-term partnership that is mutual for both companies. We seek opportunities to work together with Allianz SE in various areas, including exchange of personnel.
- In March and August 2011, we made investments in Best Doctors, which has provided its "Best Doctors Service" (a service where the customer can obtain reference to specialist physicians) to our customers since April 2010. These investments were made in the course of our establishing a long-term relationship with Best Doctors, and we intend to enhance Best Doctors' services provided to our customers in Japan.
- In March 2012, we entered into a memorandum of understanding with respect to a business alliance with AIA Group Limited ("AIA"). We have established a long-term working relationship with AIA, a company that we believe shares our values in the provision of life insurance services for the benefit of policyholders. We have invested in common shares of AIA with the objective of developing our relationship and in order to grow our exposure to overseas markets, especially to the significant growth opportunities available across Asia-Pacific life insurance markets. We own approximately 1.0% of the common shares of AIA, the aggregate market value of which was ¥81.4 billion as of September 30, 2015. We aim to strengthen our relationship with AIA further by continuing a mutually beneficial exchange of industry best practice through an ongoing dialogue, including the exchange of personnel.
- As part of our effort to strengthen our investment and asset management capabilities in the Asia-Pacific region, in April 2013 we established Nippon Life Global Investors Singapore Limited by reorganizing Nissay Schroders Asset Management Asia Limited, and adding NAM as a joint partner.

We continue to actively consider international opportunities in our insurance and asset management business across the globe, where we seek to expand profitability by expanding into management of third-party investments.

Domestic Strategic Alliances and Investments

As part of our ongoing strategy to expand product and service offerings in Japan, we regularly evaluate potential strategic transactions such as alliances, joint ventures, acquisitions and other opportunities involving established financial institutions. At present, we have entered into the following alliances, joint ventures and acquisitions:

- In April 2001, we formed a joint venture, Insurance System Solution Co., Ltd., with entities that have since merged to form Mitsui Sumitomo Insurance Company, Limited, to develop insurance sales systems solutions.
- In July 2001, as described above, we formed a joint venture, Life Care Partners, Co., Ltd., with the Nichii group and others to provide information and services in the fields of health and nursing care.

- In October 2001, we formed a joint venture, Corporate-Pension Business Service Co., Ltd., with The Dai-ichi Life Insurance Company, Limited for the management of group annuity products.
- In February 2008, we entered into a memorandum of understanding with respect to joint development of insurance products, back office functions and infrastructure designs with Japan Post Insurance. In July 2014, the cancer insurance product development project between us and Japan Post Insurance was effectively suspended as a result of Japan Post's business tie up with AFLAC. However, other aspects of our business alliance with Japan Post Insurance under the memorandum of understanding remain effective.
- In an effort to increase convenience to customers, we provide combined life and non-life insurance services and have made a business alliance with Aioi Nissay Dowa. Aioi Nissay Dowa was established in October 2010 through the merger of Nissay Dowa General Insurance Co., Ltd. ("Nissay Dowa General") with Aioi Insurance Co., Ltd. Until that time, we had promoted the combined life and non-life insurance strategy with Nissay Dowa General. As a sales agency for Aioi Nissay Dowa, we offer customer high quality non-life insurance services through our sales representatives.
- In March 2015, we entered into a business alliance with AXA, pursuant to which AXA and we jointly launched a limited notification-type medical insurance product called Medi-A×N. We acquired an approximately 1% equity stake of AXA in March 2015 in accordance with a related agreement with AXA.
- In May 2015, we acquired a 95.24% equity stake in LifeSalon, the operator of a chain of independent agencies in Japan that offer life insurance products to the public.
- In May 2015, we entered into a business alliance with Nomura Research Institute ("NRI") to enhance our information technologies. We acquired an approximately 3% equity stake of NRI in June 2015 in accordance with a related agreement with NRI.
- In July 2015, we entered into a business alliance with Nitori Holdings, pursuant to which LifeSalon and Nitori Facility Co., Ltd., a subsidiary of Nitori Holdings, will open "Nitori Insurance + LifeSalon" insurance agencies in certain stores run by Nitori Holdings' subsidiary, Nitori Co., Ltd., a retailer of furniture and home accessories.
- In October 2015, we entered into a business alliance with NTT Docomo, pursuant to which it will offer our life insurance policies at certain of its mobile phone stores.
- In November 2015, we acquired a 68.60% equity stake of Life Plaza Partners to further introduce new and more flexible products and services to meet diversifying customer needs.
- In addition, on December 29, 2015, we completed settlement of a tender offer for the outstanding shares of Mitsui Life, thereby making it our majority-owned subsidiary as of December 31, 2015. After the expected completion of squeeze out procedures and subsequent pre-arranged sales of ordinary shares to parties associated with the Mitsui group, we expect to own approximately 83% of Mitsui Life's total voting rights. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments".

Pricing and Underwriting

Pricing of our life insurance and annuity products is based mainly on assumptions with respect to expected mortality and morbidity rates, rates of return on investments and administrative expenses.

We maintain underwriting policies and guidelines intended to prevent actual insurance payment events from occurring at a higher rate than the expected mortality and morbidity rates. Our insurance underwriting involves a centralized application and risk evaluation process that determines whether the risk unique to a particular applicant, including mortality and morbidity risk and risk of insurance fraud, is consistent with the amount of risk that we are willing to accept. We consider the risk characteristics of the individual to be insured, including a detailed medical condition, occupational and financial profile and we maintain strict guidelines regarding the examinations required for the type and amount of each policy. For example, in the case of policies that provide for death benefits exceeding a specified level, the insured party must undergo medical examinations performed by physicians employed by or affiliated with us. Other products offering lower benefits require simpler examination procedures, such as interviews with insurance interview specialists, submission of the results of a physical examination or in some cases only a written self-declaration.

We underwrite our group policies generally by evaluating the risk characteristics of the prospective insured group.

Additionally, when introducing new products or product lines, our product development departments conduct thorough evaluations of the insurance underwriting risk on existing policies to assess the risks associated with pricing of new products or product lines, which often involves the use of assumptions based on limited experience when compared to existing products or product lines.

To maintain high standards of underwriting quality and consistency, we engage in a series of ongoing internal underwriting audits at our branches and corporate headquarters.

From time to time, we revise the assumed yield used to calculate the premium rate on our insurance products based on changes to the standard prospective yield fixed by the FSA, which is used to compute the standard policy reserve and indirectly influences the pricing of our products. In response to the decrease from April 2013 of the standard prospective yield for all types of insurance products, we lowered the assumed yield (and thus increased the price) for some products which required a relatively large increase in policy reserves, in particular products with long duration and high saving propensity, by 0.50%. While we maintained the price for the other individual level premium products to mitigate the impact on our sales volume, we lowered the assumed yield for those products in April 2014, after careful consideration of the impact on our financial soundness, by 0.50% for those products with maturity of over 20 years, and by 0.30% for those products with maturity of 20 years or less.

In 2015, we lowered the assumed yield for single premium whole life insurance products by 0.25% in response to the further downward revisions of the standard prospective yield from 1.0% to 0.75% for the same type of products in July 2015.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Insurance Underwriting Risk Management."

Investments

Our investments are divided into two categories of account, the general account and the separate account. Payments to customers for products providing a fixed benefit are made from investments in our general account. We bear the risk that investments in the general account will not yield sufficient return to cover benefits paid for products for which premiums are calculated based on a fixed assumed yield.

In contrast, products for which customers bear the investment risk are paid from funds managed in a separate account. These products include individual variable insurance, individual variable annuities and group annuities with separate account policy riders. While there are no regulations restricting allocation of separate account assets to specified classes of investments, we generally invest such assets in investments for which market prices are readily available so that we may efficiently realize the returns for payment to policyholders.

Of our ¥62,049.3 billion of total assets as of September 30, 2015, general account assets accounted for ¥60,626.5 billion. The balance consisted of separate account assets in the amount of ¥1,422.8 billion.

Management of Investments

We invest our general account assets based on a policy that seeks to achieve both stability and profitability. Relying on the ALM approach, we make investments based on the characteristics of our liabilities, such as cost and duration, while at the same time seeking to augment earnings in the mid- to long-term by assuming a certain degree of risk within a permitted range with reference to our available risk buffer.

- *Stability.* Recognizing that the key to stability lies in maintaining a proper portfolio structure, we invest based on an annual investment plan and the long-term objectives of our portfolio, which take into consideration the characteristics of our liabilities. We consider the allocation between yen-denominated interest-bearing assets and riskier assets and the expected duration of yen-denominated interest-bearing assets to be important factors in the establishment and implementation of the investment plan.

- *Profitability*. We seek to augment mid- to long-term earnings by selectively investing in various assets, such as domestic and foreign stocks, foreign bonds, notes, loans and real estate, that we believe bear a favorable risk-return trade-off. We conduct risk control such that the total value-at-risk of the investment portfolio, which is calculated using a statistical analysis, is within the permitted range according to our available risk buffer. In addition, we also monitor value-at-risk for market risk and credit risk, and, as necessary, establish appropriate limits to maintain a balance between profitability and stability.

ALM is a mechanism employed by us to manage our investment assets in a manner appropriate to our liabilities, primarily insurance contracts. Our ALM methods differ for each product group, but the following key objectives apply to all groups:

- maintenance of earnings that exceed liability costs (assumed yields);
- determination of a reasonable dividend policy;
- maintenance of appropriate liquidity for payment of insurance claims; and
- maintenance of adequate solvency as a risk buffer in case of deterioration in the investment environment.

Based on these key objectives, we create portfolios that serve as core mid- to long-term investments, based on our ALM approach to controlling assets and liabilities. Among other factors, we analyze and evaluate (i) liability cash flows, (ii) interest rate risk and (iii) levels of permissible risk for each product in deciding our mid- to long-term investment plan at meetings of the managing directors and Risk Management Committee. Specifically, to supply stable long-term yields promised to policyholders, we have positioned public and corporate bonds and loans that we expect to provide stable yen-denominated revenue as our primary assets.

The gap in duration between the assets and liabilities associated with individual insurance and individual annuities, the largest part of our business, remains large. In order to extend asset duration in the mid-term and reduce the duration gap gradually, we have undertaken a strategy of investing in long-term bonds that satisfy our interest rate targets.

We seek to maintain long-term stable investment income from yen-denominated interest bearing assets, while also supporting mid- to long-term earnings through selective investment in riskier assets such as domestic and foreign stocks and foreign bonds. Our current investment plan for particular asset classes is as follows:

- *Domestic bonds*. We intend to carefully judge the timing and amount of our investments based on the prevailing JGB interest rate levels.
- *Hedged foreign currency denominated bonds*. We intend to invest in foreign bonds as an alternative to JGBs with an awareness of their higher comparative yield and adjust allocation based on foreign exchange rate levels.
- *Non-hedged foreign currency denominated bonds*. We intend to adjust our investments in non-hedged foreign currency denominated bonds to flexibly control our overall exposure to foreign exchange risks based on JGB and foreign exchange rate levels.
- *Domestic and foreign stocks*. We intend to develop a portfolio for enhancing mid- to long-term profitability, focusing on growth potential and shareholder return.

We are exposed to a variety of sources of investment risk, including:

- market risk associated with changes in interest rates, stock prices and foreign exchange rates;
- credit risk relating to the potential for losses incurred when the value of assets, primarily loans and bonds, declines or disappears due to a deterioration in the financial condition of a party to whom credit has been extended; and
- real estate risk relating to the potential for a decrease in real estate income because of a decline in rent, a decrease in number of tenants or other factors or a general decline in real estate prices due to market forces.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.”

Regulatory Restrictions on Investments

Japanese regulations previously restricted the percentage of general account assets that could be allocated to specified types of investments. However, these provisions were abolished in April 2012, and currently there are no regulations restricting the percentage of general account assets that may be allocated to domestic or overseas investments.

Japanese regulations do not impose restrictions on the maximum percentage of assets that may be allocated to specific classes of investments within separate account assets. The Insurance Business Act restricts us from making certain types of specified investments. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Restrictions on Scope of Business—Restrictions on investments."

Overall Composition of Investments

The following table summarizes invested assets and other assets in our general account as of the dates indicated:

	As of March 31,										As of September 30, 2015	
	2011		2012		2013		2014		2015			
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)											
Cash, deposits and call loans	¥ 705.3	1.5%	¥ 591.4	1.2%	¥ 649.8	1.2%	¥ 750.0	1.3%	¥ 1,004.7	1.6%	¥ 1,541.3	2.5%
Receivables under securities borrowing transactions	392.5	0.8	211.9	0.4	150.7	0.3	159.8	0.3	—	—	—	—
Monetary receivables purchased	1,021.1	2.1	883.0	1.8	756.3	1.4	570.6	1.0	498.7	0.8	465.2	0.8
Proprietary trading securities	—	—	—	—	—	—	—	—	—	—	—	—
Assets held in trust	—	—	—	—	—	—	—	—	—	—	—	—
Investments in securities[(1)]	34,492.0	71.1	36,480.8	73.2	41,201.2	76.8	43,270.7	77.9	48,833.9	79.8	47,961.0	79.1
Domestic bonds	17,839.3	36.8	19,126.9	38.4	20,890.6	38.9	21,666.8	39.0	22,654.4	37.0	22,546.4	37.2
Domestic stocks	6,210.8	12.8	5,836.9	11.7	6,674.8	12.4	7,145.6	12.9	9,075.2	14.8	8,378.9	13.8
Foreign securities	10,109.4	20.8	11,268.8	22.6	13,198.7	24.6	13,876.0	25.0	16,144.9	26.4	15,932.1	26.3
Foreign bonds	7,737.5	15.9	8,590.2	17.2	9,820.9	18.3	10,225.8	18.4	12,077.2	19.7	12,298.0	20.3
Foreign stocks and other securities	2,371.8	4.9	2,678.5	5.4	3,377.7	6.3	3,650.1	6.6	4,067.6	6.6	3,634.1	6.0
Other securities	332.4	0.7	248.1	0.5	437.0	0.8	582.2	1.0	959.3	1.6	1,103.4	1.8
Loans	8,743.3	18.0	8,721.6	17.5	8,581.8	16.0	8,528.9	15.4	8,357.6	13.7	8,280.6	13.7
Policy loans	965.7	2.0	896.3	1.8	835.4	1.6	782.2	1.4	736.5	1.2	718.3	1.2
Industrial and consumer loans	7,777.5	16.0	7,825.2	15.7	7,746.3	14.4	7,746.6	13.9	7,621.0	12.5	7,562.2	12.5
Real estate[(2)]	1,748.9	3.6	1,727.0	3.5	1,660.0	3.1	1,702.4	3.1	1,696.5	2.8	1,692.1	2.8
Investment property	1,105.7	2.3	1,083.3	2.2	1,026.9	1.9	1,070.5	1.9	1,079.9	1.8	1,081.9	1.8
Deferred tax assets	742.0	1.5	466.9	0.9	—	—	—	—	—	—	—	—
Other assets	692.7	1.4	793.7	1.6	652.7	1.2	587.6	1.1	784.4	1.3	690.6	1.1
Allowance for doubtful accounts	(23.4)	(0.0)	(13.8)	(0.0)	(8.7)	(0.0)	(7.0)	(0.0)	(6.5)	(0.0)	(4.5)	(0.0)
Total	¥48,514.7	100.0%	¥49,862.7	100.0%	¥53,644.0	100.0%	¥55,563.3	100.0%	¥61,169.4	100.0%	¥60,626.5	100.0%
Foreign currency denominated assets	¥ 8,454.9	17.4%	¥ 9,362.1	18.8%	¥10,910.5	20.3%	¥11,672.8	21.0%	¥13,978.7	22.9%	¥13,978.6	23.1%

Notes:

(1) Available-for-sale securities are stated at fair value.

(2) Real estate is recorded as the sum total of land, buildings and construction in progress.

The following table summarizes changes in invested assets and other assets in our general account as of each date shown from the end of the previous fiscal year:

	As of March 31,			As of September 30,
	2013	2014	2015	2015
	(Billions of yen)			
Cash, deposits and call loans	¥ 58.3	¥ 100.2	¥ 254.6	¥ 536.6
Receivables under securities borrowing transactions	(61.2)	9.1	(159.8)	—
Monetary receivables purchased	(126.7)	(185.6)	(71.8)	(33.5)
Proprietary trading securities	—	—	—	—
Assets held in trust	—	—	—	—
Investments in securities	4,720.3	2,069.4	5,563.2	(872.9)
Domestic bonds	1,763.6	776.2	987.6	(108.0)
Domestic stocks	837.8	470.8	1,929.6	(696.3)
Foreign securities	1,929.8	677.2	2,268.8	(212.7)
Foreign bonds	1,230.7	404.8	1,851.4	220.7
Foreign stocks and other securities	699.1	272.3	417.4	(433.4)
Other securities	188.9	145.1	377.0	144.0
Loans	(139.8)	(52.8)	(171.3)	(76.9)
Policy loans	(60.8)	(53.1)	(45.7)	(18.1)
Industrial and consumer loans	(78.9)	0.3	(125.6)	(58.8)
Real estate(1)	(66.9)	42.4	(5.8)	(4.4)
Investment property	(56.3)	43.5	9.4	1.9
Deferred tax assets	(466.9)	—	—	—
Other assets	(140.9)	(65.1)	196.7	(93.7)
Allowance for doubtful accounts	5.1	1.6	0.4	2.0
Total	¥ 3,781.2	¥ 1,919.3	¥ 5,606.1	¥ (542.9)
Foreign currency denominated assets	¥ 1,548.3	¥ 762.3	¥ 2,305.8	¥ (0.0)

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

Investment Results

The following table sets forth the average rates of return based on net investment income for each of the components of our investment portfolio in our general account for the periods indicated:

	Year ended March 31,		
	2013	2014	2015
Cash, deposits and call loans	0.04%	0.14%	0.09%
Receivables under securities borrowing transactions	0.10	0.09	0.08
Monetary receivables purchased	2.07	2.11	2.07
Proprietary trading securities	—	—	—
Assets held in trust	—	—	—
Investments in securities	2.38	3.01	3.23
Domestic bonds	2.34	1.99	1.93
Domestic stocks	0.38	8.02	8.51
Foreign securities	3.41	3.02	3.75
Foreign bonds	3.40	2.77	3.06
Foreign stocks and other foreign securities	3.44	3.78	5.87
Loans	2.11	2.02	1.94
Industrial and consumer loans	1.81	1.74	1.66
Real estate(1)	2.26	2.60	2.67
Investment property	3.62	4.16	4.22
General account total	2.01	2.70	2.83
Overseas investment	3.35%	2.98%	3.66%

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

Average Balance of Assets

The following table sets forth the average balance of assets in our general account for each of the periods indicated, calculated based on the averages of daily ending balances:

	Year ended March 31, 2013	2014	2015
		(Billions of yen)	
Cash, deposits and call loans	¥ 366.2	¥ 392.7	¥ 521.6
Receivables under securities borrowing transactions	147.8	143.8	255.6
Monetary receivables purchased	829.5	650.9	545.7
Proprietary trading securities	—	—	—
Assets held in trust	—	—	—
Investments in securities	36,052.2	38,147.4	39,414.8
Domestic bonds	19,735.8	21,263.8	22,022.6
Domestic stocks	4,832.1	4,321.5	4,061.0
Foreign securities	11,185.3	11,993.6	12,586.6
Foreign bonds	8,457.1	8,995.5	9,511.2
Foreign stocks and other foreign securities	2,728.1	2,998.1	3,075.4
Loans	8,644.3	8,571.8	8,395.8
Industrial and consumer loans	7,782.7	7,767.0	7,638.6
Real estate(1)	1,704.9	1,658.2	1,710.1
Investment property	1,063.8	1,029.7	1,083.9
General account total	¥ 49,132.5	¥ 50,942.3	¥ 52,279.5
Overseas investment	¥ 11,579.6	¥ 12,458.5	¥ 13,085.4

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

Unrealized Gains and Losses

Our investments in securities other than subsidiaries and affiliates are classified into four categories:

- proprietary trading securities (including assets held in trust for which we are the beneficiary), which are securities held for the purpose of generating profits through trading of such securities;
- held-to-maturity debt securities, which are debt securities that are expected to be held to maturity;
- policy-reserve-matching bonds, which are debt securities that are held long-term to match our policy reserves; and
- available-for-sale securities, which are all other securities.

Marketable available-for-sale securities are stated at fair value. Unrealized gains and losses on marketable available-for-sale securities are included in a separate component of net assets, net of income taxes, unless a decline in fair value is considered not temporary, in which case the decline is recognized in earnings as a valuation loss. Held-to-maturity debt securities, policy-reserve-matching bonds and available-for-sale securities without readily obtainable fair value are stated at amortized cost or book value. For the purpose of computing realized gains and losses, cost is determined on a moving average method.

The table below shows the unrealized gains and losses related to our held-to-maturity debt securities as of September 30, 2015:

	As of September 30, 2015 Carrying value	Fair value	Net unrealized gains (losses)
		(Billions of yen)	
Held-to-maturity debt securities	¥ —	¥ —	¥ —

The following table sets forth the unrealized gains and losses related to our policy-reserve-matching bonds as of September 30, 2015:

	As of September 30, 2015		
	Carrying value	Fair value	Net unrealized gains (losses)
		(Billions of yen)	
Policy-reserve-matching bonds	¥ 20,422.3	¥ 23,004.6	¥ 2,582.3

The following table sets forth the unrealized gains and losses related to our marketable available-for-sale securities as of September 30, 2015:

	As of September 30, 2015		
	Amortized cost	Fair value	Net unrealized gains (losses)
		(Billions of yen)	
Marketable available-for-sale securities:			
Domestic bonds	¥ 2,461.8	¥ 2,613.4	¥ 151.6
Domestic stocks	3,975.2	8,234.3	4,259.0
Foreign bonds[1]	10,275.9	12,226.2	1,950.2
Foreign stocks and other foreign securities	2,011.6	2,601.8	590.1
Other securities	968.9	1,067.1	98.2
Monetary receivable purchased	47.7	47.7	0.0
Certificates of deposit	270.0	269.9	(0.0)
Total	¥ 20,011.3	¥ 27,060.6	¥ 7,049.3

Note:
(1) Amounts shown reflect related hedging transactions.

The following table sets forth stocks of our subsidiaries and affiliates and available-for-sale securities that cannot be assigned a market value basis as of September 30, 2015:

	As of September 30, 2015
	Carrying value
	(Billions of yen)
Stocks of subsidiaries and affiliates	¥ 302.1
Other securities	863.8
Unlisted domestic stocks	105.7
Unlisted foreign stocks	527.4
Other	230.6
Total	¥ 1,166.0

As of March 31, 2013, 2014 and 2015, net unrealized gains (losses) on real estate amounted to ¥(53.3) billion, ¥(9.0) billion and ¥59.3 billion, respectively. Net unrealized gains (losses) on real estate are comprised of the sum of our land account and leasehold account, and valuation of real estate is calculated with reference to publicly disclosed appraisal values.

Domestic Bonds

Domestic bonds consist mainly of publicly traded debt securities and debt securities with readily obtainable market value and represented 38.9%, 39.0%, 37.0% and 37.2% of total assets in our general account as of March 31, 2013, 2014 and 2015 and September 30, 2015, respectively. Our domestic bonds had an average yield of 2.34%, 1.99% and 1.93% for the years ended March 31, 2013, 2014 and 2015, respectively. The break-even point (the point at which our net unrealized gains/losses are zero) for our bond holdings, as measured in terms of 10-year JGBs, was 1.3% as of March 31, 2015 and 1.2% as of September 30, 2015, assuming that changes in the interest rates of bonds held in our portfolio were identical to changes in 10-year JGBs, regardless of the maturities of such bonds, and such break-even point was above the then current market level.

By carrying value, approximately 88% of our domestic bonds in our general accounts were either policy-reserve-matching bonds or held-to-maturity securities as of September 30, 2015. We invest mainly in debt securities issued by Japanese national and local governments, other public entities and corporations which, based on our internal analysis, have high credit quality. None of the domestic bonds we own were in default as of September 30, 2015.

The following table sets forth the amount of domestic bonds we owned in our general account as of the dates indicated:

	As of March 31,						As of September 30, 2015	
	2013		2014		2015			
	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total
	(Billions of yen, except percentages)							
National government bonds	¥16,253.2	77.8%	¥17,244.4	79.6%	¥18,485.2	81.6%	18,585.6	82.4%
Local government bonds	1,585.9	7.6	1,522.1	7.0	1,439.4	6.4	1,387.7	6.2
Corporate bonds	3,051.4	14.6	2,900.2	13.4	2,729.7	12.0	2,573.1	11.4
Total	¥20,890.6	100.0%	¥21,666.8	100.0%	¥22,654.4	100.0%	22,546.4	100.0%

Note:
(1) Available-for-sale securities are stated at fair value.

The following tables set forth the contractual maturity dates for domestic bonds in our general account basis as of the dates indicated:

	As of March 31, 2011						
	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
National government bonds	¥588.7	¥ 324.8	¥ 710.7	¥1,466.3	¥ 974.5	¥ 8,976.0	¥13,041.4
Local government bonds	134.7	193.4	237.7	494.5	334.5	246.5	1,641.6
Corporate bonds	103.1	402.4	459.1	549.4	387.7	1,254.3	3,156.3
Total	¥826.6	¥ 920.7	¥1,407.6	¥2,510.4	¥1,696.7	¥10,476.9	¥17,839.3

	As of March 31, 2012						
	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
National government bonds	¥184.7	¥ 387.4	¥1,165.8	¥ 576.3	¥1,045.0	¥11,044.1	¥14,403.6
Local government bonds	86.6	230.9	522.0	221.0	176.3	342.1	1,579.1
Corporate bonds	101.5	512.4	590.5	460.5	141.6	1,337.3	3,144.1
Total	¥372.9	¥1,130.7	¥2,278.5	¥1,257.9	¥1,363.0	¥12,723.6	¥19,126.9

	As of March 31, 2013						
	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
National government bonds	¥110.8	¥ 676.8	¥1,100.9	¥ 484.2	¥1,479.9	¥12,400.3	¥16,253.2
Local government bonds	102.6	216.4	489.5	299.5	25.0	452.6	1,585.9
Corporate bonds	288.0	449.6	553.9	336.4	162.9	1,260.4	3,051.4
Total	¥501.5	¥1,342.9	¥2,144.4	¥1,120.1	¥1,668.0	¥14,113.4	¥20,890.6

	As of March 31, 2014						
	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
National government bonds	¥244.4	¥ 920.5	¥ 644.1	¥628.7	¥1,725.9	¥13,080.5	¥17,244.4
Local government bonds	118.6	501.3	210.2	154.0	6.7	531.1	1,522.1
Corporate bonds	212.8	563.7	474.6	116.8	212.4	1,319.7	2,900.2
Total	¥575.9	¥1,985.6	¥1,329.0	¥899.5	¥1,945.2	¥14,931.3	¥21,666.8

	As of March 31, 2015						
	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
National government bonds	¥347.5	¥ 774.7	¥ 567.0	¥842.3	¥2,242.6	¥13,710.9	¥18,485.2
Local government bonds	71.2	466.4	277.5	12.3	7.4	604.4	1,439.4
Corporate bonds	218.1	526.5	356.3	98.3	228.8	1,301.4	2,729.7
Total	¥637.0	¥1,767.6	¥1,200.9	¥953.0	¥2,478.9	¥15,616.8	¥22,654.4

	As of September 30, 2015						
	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
National government bonds	¥402.9	¥ 560.4	¥ 552.8	¥1,086.3	¥2,133.5	¥13,849.5	¥18,585.6
Local government bonds	311.5	158.8	251.1	2.5	35.8	627.7	1,387.7
Corporate bonds	246.3	496.1	202.8	107.5	239.9	1,280.3	2,573.1
Total	¥960.8	¥1,215.4	¥1,006.8	¥1,196.4	¥2,409.3	¥15,757.5	¥22,546.4

Loans

Loans represented 16.0%, 15.4%, 13.7%, and 13.7% of total assets in our general account as of March 31, 2013, 2014 and 2015 and September 30, 2015, respectively, and consist mainly of fixed interest rate, unsecured loans to large corporations. Loans include loans to borrowers located outside of Japan.

Each proposed loan is rated based on an evaluation of the ability of the borrower, and the guarantor in the case of a guaranteed loan, to repay the loan, as well as the specific terms of the loan. We closely monitor loans that we consider to have higher than normal credit risk.

The following table shows the amounts of loans in our general account, excluding policy loans, based on the type of loan as of the dates indicated:

	As of March 31, 2013	As of March 31, 2014	As of March 31, 2015	As of September 30, 2015
	Carrying value	Carrying value	Carrying value	Carrying value
	(Billions of yen)			
Corporate loans—international and domestic	¥5,712.0	¥5,677.2	¥5,608.7	¥ 5,582.5
Loans to national, international and government-affiliated organizations	76.4	47.5	41.6	42.2
Loans to public entities	512.5	526.3	506.9	485.7
Housing loans	911.1	906.6	889.8	869.7
Consumer loans	495.7	523.7	498.7	488.8
Other loans	38.4	65.1	74.9	93.1
Total[(1)]	¥7,746.3	¥7,746.6	¥7,621.0	¥ 7,562.2

Note:

(1) Of the total amounts of loans, ¥265.8 billion, ¥243.9 billion, ¥231.2 billion and ¥213.5 billion were made to borrowers located outside of Japan, mainly to sovereigns and international public organizations, as of March 31, 2013, 2014 and 2015 and September 30, 2015, respectively.

The following table sets forth the amounts of loans in our general account, excluding policy loans, based on the type of collateral as of the dates indicated:

	As of March 31, 2013		As of March 31, 2014		As of March 31, 2015		As of September 30, 2015	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)							
Secured loans:								
Loans secured by securities	¥ 8.8	0.1%	¥ 10.9	0.1%	¥ 9.4	0.1%	¥ 9.7	0.1%
Loans secured by real estate, movables and foundations	31.2	0.4	23.8	0.3	17.9	0.2	17.7	0.2
Loans secured by personal guarantees	3.7	0.0	4.9	0.1	7.4	0.1	6.6	0.1
Subtotal	43.8	0.6	39.7	0.5	34.8	0.5	34.1	0.5
Guarantee loans	233.5	3.0	214.9	2.8	199.7	2.6	207.4	2.7
Fiduciary loans	6,062.0	78.3	6,061.6	78.2	5,997.8	78.7	5,962.0	78.8
Other loans	1,406.9	18.2	1,430.4	18.5	1,388.6	18.2	1,358.5	18.0
Total[(1)]	¥7,746.3	100.0%	¥7,746.6	100.0%	¥7,621.0	100.0%	¥7,562.2	100.0%

Note:

(1) Of the total amounts of loans, ¥327.0 billion, ¥295.0 billion, ¥240.0 billion and ¥215.0 billion were subordinated loans as of March 31, 2013, 2014 and 2015 and September 30, 2015, respectively.

We make loans to corporations across a wide range of industries, with a significant portion of total loans being to domestic corporations in the financial services, utilities and wholesale trades. We also make loans to various government and non-government entities in Japan. The following table shows the amounts of loans, excluding policy loans, in our general account based on industry as of the dates indicated:

	As of March 31,						As of September 30, 2015	
	2013		2014		2015			
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)							
Domestic								
Manufacturing	¥1,559.5	20.1%	¥1,521.8	19.6%	¥1,409.5	18.5%	¥1,405.1	18.6%
Food	105.8	1.4	104.0	1.3	101.2	1.3	113.6	1.5
Textiles and apparel	48.4	0.6	47.5	0.6	35.8	0.5	33.7	0.4
Wood, wood products	1.6	0.0	1.8	0.0	1.9	0.0	2.0	0.0
Pulp and paper	92.1	1.2	95.4	1.2	76.8	1.0	77.1	1.0
Printing	21.3	0.3	20.3	0.3	19.9	0.3	19.6	0.3
Chemicals	287.8	3.7	302.0	3.9	282.1	3.7	278.4	3.7
Oil and coal products	80.3	1.0	81.0	1.0	77.9	1.0	74.2	1.0
Ceramics, soil and stone	49.7	0.6	48.6	0.6	46.6	0.6	45.0	0.6
Iron and steel	234.4	3.0	221.4	2.9	199.3	2.6	184.3	2.4
Non-ferrous metals	33.1	0.4	27.2	0.4	22.2	0.3	21.7	0.3
Metal products	12.3	0.2	16.7	0.2	17.2	0.2	17.4	0.2
General purpose, production, and industrial machinery	135.8	1.8	145.5	1.9	135.5	1.8	136.6	1.8
Electric appliances	157.9	2.0	143.6	1.9	141.3	1.9	155.2	2.1
Transportation equipment	247.4	3.2	220.0	2.8	206.7	2.7	201.3	2.7
Other manufacturing products	50.9	0.7	46.2	0.6	44.6	0.6	44.2	0.6
Agriculture and forestry	0.0	0.0	0.0	0.0	—	—	—	—
Fishery	2.0	0.0	2.0	0.0	2.0	0.0	2.0	0.0
Mining, quarrying and gravel mining	9.3	0.1	8.1	0.1	6.5	0.1	5.8	0.1
Construction	41.9	0.5	44.5	0.6	43.2	0.6	40.6	0.5
Electric power, gas, heat supply and waterworks	1,128.9	14.6	1,171.5	15.1	1,193.0	15.7	1,205.6	15.9
Information and communication	189.5	2.4	183.0	2.4	174.6	2.3	172.6	2.3
Logistics and postal services	726.2	9.4	719.6	9.3	714.4	9.4	699.6	9.3
Wholesale trade	895.2	11.6	906.4	11.7	900.4	11.8	904.6	12.0
Retail trade	55.4	0.7	53.1	0.7	53.1	0.7	54.6	0.7
Financing and insurance	644.0	8.3	618.4	8.0	620.6	8.1	610.3	8.1
Real estate	342.1	4.4	367.6	4.7	397.8	5.2	411.0	5.4
Rental and leasing services	250.3	3.2	242.9	3.1	263.2	3.5	258.6	3.4
Professional, scientific, and technical services	1.6	0.0	1.9	0.0	1.8	0.0	1.1	0.0

	As of March 31,						As of September 30, 2015	
	2013		2014		2015			
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)							
Lodging	5.7	0.1	5.2	0.1	4.0	0.1	3.8	0.1
Restaurants	5.5	0.1	4.6	0.1	3.7	0.0	3.6	0.0
Lifestyle and leisure	12.4	0.2	27.4	0.4	25.7	0.3	25.2	0.3
Education and training	2.5	0.0	2.3	0.0	1.8	0.0	1.7	0.0
Medical and welfare	2.4	0.0	1.8	0.0	1.1	0.0	0.9	0.0
Other services	3.5	0.0	3.8	0.0	4.0	0.1	8.2	0.1
Local organizations and public entities	194.2	2.5	185.2	2.4	179.9	2.4	174.2	2.3
Individuals (residential / consumption / local taxes / other)	1,407.4	18.2	1,430.8	18.5	1,388.9	18.2	1,358.7	18.0
Subtotal	¥7,480.5	96.6%	¥7,502.7	96.9%	¥7,389.8	97.0%	¥7,348.6	97.2%
Overseas								
Governments and public entities	¥ 89.0	1.1%	¥ 65.4	0.8%	¥ 59.6	0.8%	52.2	0.7%
Financial institutions	25.0	0.3	25.0	0.3	20.0	0.3	20.0	0.3
Commerce and industry	151.8	2.0	153.4	2.0	151.5	2.0	141.3	1.9
Subtotal	265.8	3.4	243.9	3.1	231.2	3.0	213.5	2.8
Total	¥7,746.3	100.0%	¥7,746.6	100.0%	¥7,621.0	100.0%	¥7,562.2	100.0%

The following table sets forth the amounts of loans in our general account based on interest rate type and contractual maturity date as of the dates indicated:

	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
As of March 31, 2013:							
Fixed-rate loans	¥ 967.0	¥ 1,549.3	¥ 1,403.6	¥ 875.3	¥ 1,102.1	¥1,465.9	¥7,363.5
Variable-rate loans	42.4	65.1	49.9	45.1	51.1	129.0	382.8
Total	¥1,009.5	¥ 1,614.4	¥ 1,453.5	¥ 920.4	¥ 1,153.3	¥1,595.0	¥7,746.3
As of March 31, 2014:							
Fixed-rate loans	¥ 881.1	¥ 1,542.4	¥ 1,340.6	¥ 970.9	¥ 1,000.0	¥1,657.9	¥7,393.2
Variable-rate loans	37.5	55.4	60.1	36.5	50.6	113.1	353.4
Total	¥ 918.6	¥ 1,597.9	¥ 1,400.8	¥ 1,007.5	¥ 1,050.7	¥1,771.0	¥7,746.6
As of March 31, 2015:							
Fixed-rate loans	¥ 863.1	¥ 1,662.4	¥ 1,141.1	¥ 952.9	¥ 916.9	¥1,726.3	¥7,262.9
Variable-rate loans	30.7	63.0	79.3	46.5	41.0	97.3	358.0
Total	¥ 893.9	¥ 1,725.5	¥ 1,220.4	¥ 999.4	¥ 957.9	¥1,823.7	¥7,621.0
As of September 30, 2015:							
Fixed-rate loans	¥ 883.0	¥ 1,620.4	¥ 1,140.8	¥ 883.6	¥ 929.3	¥ 168.8	¥7,146.0
Variable-rate loans	34.2	94.1	93.8	57.9	43.3	92.6	416.2
Total	¥ 917.2	¥ 1,714.6	¥ 1,234.7	¥ 941.5	¥ 972.7	¥1,781.3	¥7,562.2

The following table sets forth the total number of corporate borrowers located in Japan and the amount of loans to such borrowers in our general account, together with a breakdown based on the size of the borrower, as of the dates indicated:

	As of March 31,						As of September 30, 2015	
	2013		2014		2015			
	Number/ amount	% of total	Number/ amount	% of total	Number/ amount	% of total	Number/ amount	% of total
	(Billions of yen, except percentages and number of borrowers)							
Large companies:(1)								
Number of borrowers	984	44.0%	969	42.3%	950	39.9%	944	38.9%
Amount of loans	¥5,034.4	91.0	¥4,959.2	90.2	¥4,845.3	89.1	¥4,834.1	89.2
Medium-sized companies:(2)								
Number of borrowers	319	14.3	322	14.0	320	13.4	326	13.4
Amount of loans	¥ 61.2	1.1	¥ 72.8	1.3	¥ 74.4	1.4	¥ 78.6	1.5
Small companies:(3)								
Number of borrowers	935	41.8	1,002	43.7	1,110	46.6	1,156	47.7
Amount of loans	¥ 439.5	7.9	¥ 466.6	8.5	¥ 517.4	9.5	¥ 508.3	9.4
Total loans to domestic companies:								
Number of borrowers	2,238	100.0	2,293	100.0	2,380	100.0	2,426	100.0
Amount of loans	¥5,535.2	100.0%	¥5,498.7	100.0%	¥5,437.2	100.0%	¥5,421.2	100.0%

Notes:

(1) Large companies include companies with stated capital of at least ¥1 billion and more than 300 employees (more than 50 employees in the case of retailers and restaurants; more than 100 employees in the case of service companies and wholesalers).

(2) Medium-sized companies include companies with stated capital of more than ¥300 million and less than ¥1 billion (more than ¥50 million and less than ¥1 billion in the case of retailers, restaurants and service companies; more than ¥100 million and less than ¥1 billion in the case of wholesalers) and more than 300 employees (more than 50 employees in the case of retailers and restaurants; more than 100 employees in the case of service companies and wholesalers).

(3) Small companies include all other companies.

The following table is a breakdown of foreign loans in our general account as of the dates indicated, based on the location of the borrower. These loans were all either denominated in yen or, for loans denominated in a foreign currency, were currency-hedged by swaps as of each of the dates indicated:

	As of March 31,						As of September 30, 2015	
	2013		2014		2015			
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)							
Foreign loans:								
North America	¥131.0	49.3%	¥122.8	50.3%	¥126.7	54.8%	¥120.4	56.4%
Europe	61.4	23.1	58.0	23.8	53.0	22.9	43.0	20.1
Oceania	5.8	2.2	5.5	2.3	5.1	2.2	4.9	2.3
Asia	0.1	0.1	1.0	0.4	1.0	0.4	3.6	1.7
Central and South America	19.1	7.2	18.8	7.7	13.6	5.9	10.1	4.8
Middle East	—	—	—	—	—	—	—	—
Africa	6.3	2.4	5.7	2.3	5.1	2.2	4.7	2.2
International organizations	41.9	15.8	32.0	13.1	26.5	11.5	26.5	12.4
Total	¥265.8	100.0%	¥243.9	100.0%	¥231.2	100.0%	¥213.5	100.0%

We classify problem loans according to three different standards described below.

Disclosed claims based on categories of borrowers. We disclose our commercial loan assets (including principal, lent securities, accrued interest, suspense payments and guarantees of obligations) based on the following categories which reflect the status of the borrower: (i) bankrupt and quasi-bankrupt loans, (ii) doubtful loans, (iii) substandard loans and (iv) normal loans. The following table sets forth our loans classified on the foregoing basis as of the dates indicated:

	As of March 31,						As of September 30, 2015	
	2013		2014		2015			
	Carrying value	% of total loan assets	Carrying value	% of total loan assets	Carrying value	% of total loan assets	Carrying value	% of total loan assets
	(Billions of yen, except percentages)							
Bankrupt and quasi-bankrupt loans(1)	¥ 11.9	0.1%	¥ 11.6	0.1%	¥ 10.5	0.1%	¥ 12.4	0.1%
Doubtful loans(2)	24.4	0.2	22.5	0.2	23.6	0.2	21.3	0.2
Substandard loans(3)	5.5	0.0	4.7	0.0	4.1	0.0	4.4	0.0
Subtotal	42.0	0.4	39.0	0.3	38.3	0.3	38.3	0.3
Normal loans(4)	11,737.9	99.6	11,365.0	99.7	11,000.1	99.7	10,951.6	99.7
Total	¥11,779.9	100.0%	¥11,404.0	100.0%	¥11,038.5	100.0%	¥10,989.9	100.0%

Notes:

(1) Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans to borrowers that have fallen into bankruptcy due to reasons, including initiation of bankruptcy proceedings, commencement of reorganization proceedings or submission of an application to commence rehabilitation proceedings. For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible under guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts with respect to bankrupt and quasi-bankrupt loans was ¥0.8 billion, ¥0.7 billion, ¥0.5 billion and ¥2.1 billion as of March 31, 2013, 2014 and 2015 and September 30, 2015, respectively.

(2) Doubtful loans are nonperforming assets with a strong likelihood that loan principal cannot be recovered or interest cannot be received according to the loan agreement because of difficulties in the financial condition and business performance of a borrower that has not yet entered into bankruptcy.

(3) Substandard loans include loans that are delinquent for over three months or are restructured loans. Loans that are delinquent for over three months are loans, other than loans described in note (1) or (2) above, with principal or interest being unpaid for over three months counting from the day after the due date based on the loan agreement. Restructured loans are loans, other than loans described in note (1) or (2) above and loans that are delinquent for over three months, that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrower.

(4) Normal loans are loans, other than loans described in note (1), (2) or (3) above, to borrowers whose financial condition and business performance exhibit no particular problems.

Disclosed claims based on repayment condition. We disclose our risk-monitored loans, as defined in the Insurance Business Act, based on the repayment condition of principal on our loans as follows:

	As of March 31,						As of September 30, 2015	
	2013		2014		2015			
	Carrying value	% of total risk-monitored loans	Carrying value	% of total risk-monitored loans	Carrying value	% of total risk-monitored loans	Carrying value	% of total risk-monitored loans
	(Billions of yen, except percentages)							
Loans to bankrupt borrowers(1)(2)	¥ 2.6	6.3%	¥ 2.3	6.0%	¥ 2.1	5.7%	¥ 2.0	5.4%
Delinquent loans(2)(3)	33.7	80.4	31.9	81.8	32.0	83.6	31.7	82.9
Loans that are delinquent for over three months(4)	—	—	0.0	0.1	—	—	—	—
Restructured loans(5)	5.5	13.3	4.7	12.1	4.1	10.7	4.4	11.7
Total	¥ 42.0	100.0%	¥ 39.0	100.0%	¥ 38.2	100.0%	¥ 38.3	100.0%

Notes:

(1) Loans to bankrupt borrowers are loans with principal or interest payments being overdue for a significant period of time and interest not being accrued, including the following: (a) loans to borrowers that are legally bankrupt through filings for

proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Companies Act of Japan (Act No. 86 of 2005, as amended), (b) loans to borrowers that have notes suspended from being traded, and (c) loans to borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.

(2) For loans to bankrupt borrowers and delinquent loans (including collateralized and guaranteed loans), an estimated uncollectible amount (calculated by subtracting estimated collectible amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount. The amount directly deducted from loans to bankrupt borrowers for the years ended March 31, 2013, 2014 and 2015 and the six months ended September 30, 2015 were ¥0.4 billion, ¥0.2 billion, ¥0.2 billion and ¥1.9 billion, respectively. The amount directly deducted from delinquent loans for the same periods were ¥0.3 billion, ¥0.4 billion, ¥0.2 billion and ¥0.2 billion, respectively.

(3) Delinquent loans are loans, other than loans described in note (1) above, with interest not accrued and loans for which interest payments have been extended for the purpose of assisting and supporting the borrower in restructuring its business.

(4) Loans that are delinquent for over three months are loans, other than loans described in note (1) or (2) above, for which principal payments, interest payments or both are in arrears for three months or more under the terms of the loan agreement.

(5) Restructured loans are loans, other than loans described in note (1), (2) or (3) above, for which certain concessions favorable to the borrower, such as concessionary interest rates, rescheduling or postponement of due dates for principal payments, interest payments or both, release from repayment or other agreements have been made for the purpose of assisting and supporting the borrower in restructuring its business.

Self-assessment of loan assets. The problem loan classifications under the categories of obligors and repayment situations described above are derived from classifications of both obligors and individual loans under the self-assessment guidelines provided under the "Inspection Manual of Insurance Companies" issued by the FSA. We review our self-assessment semi-annually.

Domestic Stocks

Domestic stocks represented 12.4%, 12.9%, 14.8% and 13.8% of total assets in our general account as of March 31, 2013, 2014 and 2015 and September 30, 2015, respectively, and consisted mainly of investments in common stock. The break-even point for our stock holdings, which was approximately ¥8,500 on the Nikkei 225 Index as of March 31, 2015 and ¥8,700 as of September 30, 2015 assuming that the market value of our stock portfolio changes in parallel to the Nikkei 225 Index, was below the then current market level.

We own stocks of domestic corporations across a wide range of industries. The following table sets forth the amounts of our domestic stocks in our general account, based on the industry of the issuer as of the dates indicated:

	As of March 31,						As of September 30, 2015	
	2013		2014		2015			
	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total
	(Billions of yen, except percentages)							
Fishery, agricultural and forestry	¥ 2.9	0.0%	¥ 2.7	0.0%	¥ 2.9	0.0%	¥ 2.7	0.0%
Mining	3.4	0.1	3.6	0.1	6.2	0.1	5.1	0.1
Construction	101.0	1.5	110.7	1.5	131.2	1.4	141.2	1.7
Manufacturing:								
Food	213.6	3.2	219.2	3.1	320.9	3.5	322.4	3.8
Textiles and apparel	84.9	1.3	91.6	1.3	127.7	1.4	129.0	1.5
Pulp and paper	19.8	0.3	24.3	0.3	23.6	0.3	24.7	0.3
Chemicals	532.8	8.0	564.1	7.9	826.8	9.1	694.3	8.3
Pharmaceuticals	647.3	9.7	612.0	8.6	806.5	8.9	757.6	9.0
Oil and coal products	26.4	0.4	23.3	0.3	23.4	0.3	22.1	0.3
Rubber products	75.1	1.1	84.4	1.2	114.7	1.3	100.3	1.2
Glass and ceramic products	65.6	1.0	73.4	1.0	82.9	0.9	81.2	1.0
Iron and steel	157.0	2.4	165.3	2.3	196.0	2.2	140.2	1.7
Non-ferrous metals	68.1	1.0	76.4	1.1	88.1	1.0	81.3	1.0
Metal products	33.0	0.5	40.9	0.6	42.5	0.5	41.0	0.5
Machinery	390.2	5.8	430.1	6.0	530.9	5.9	453.2	5.4
Electric appliances	660.1	9.9	851.6	11.9	1,048.6	11.6	935.9	11.2

	As of March 31,						As of September 30, 2015	
	2013		2014		2015			
	Carrying value[(1)]	% of total	Carrying value[(1)]	% of total	Carrying value[(1)]	% of total	Carrying value[(1)]	% of total
	(Billions of yen, except percentages)							
Transportation equipment	1,099.1	16.5	1,199.9	16.8	1,612.5	17.8	1,414.7	16.9
Precision instruments	91.7	1.4	116.9	1.6	146.4	1.6	130.2	1.6
Other products	68.8	1.0	79.3	1.1	98.6	1.1	103.4	1.2
Electric power and gas	342.0	5.1	382.8	5.4	421.3	4.6	437.9	5.2
Transportation, information and communication:								
Land transportation	448.8	6.7	423.7	5.9	585.5	6.5	543.5	6.5
Marine transportation	10.4	0.2	10.1	0.1	10.3	0.1	8.1	0.1
Air transportation	7.8	0.1	8.1	0.1	10.6	0.1	11.5	0.1
Warehousing and harbor transportation services	10.7	0.2	12.9	0.2	15.1	0.2	12.1	0.1
Information and communication	94.8	1.4	110.4	1.5	116.2	1.3	154.6	1.8
Trade and Services:								
Wholesale trade	249.1	3.7	255.3	3.6	290.6	3.2	267.7	3.2
Retail trade	168.0	2.5	182.7	2.6	235.5	2.6	246.7	2.9
Finance and insurance:								
Banking	654.0	9.8	617.4	8.6	674.9	7.4	653.0	7.8
Securities and trading	60.8	0.9	66.8	0.9	67.9	0.7	61.9	0.7
Insurance	98.3	1.5	104.0	1.5	158.5	1.7	161.1	1.9
Other financial services	36.9	0.6	45.1	0.6	52.4	0.6	47.8	0.6
Real estate	50.7	0.8	48.9	0.7	51.9	0.6	47.8	0.6
Services	100.2	1.5	106.0	1.5	152.5	1.7	143.3	1.7
Total	¥6,674.8	100.0%	¥7,145.6	100.0%	¥9,075.2	100.0%	¥8,378.9	100.0%

Note:
(1) Available-for-sale securities are stated at fair value.

Foreign Investments

Foreign investments represented 24.6%, 25.0%, 26.4% and 26.3% of total assets in our general account as of March 31, 2013, 2014 and 2015 and September 30, 2015, respectively, and consisted mainly of investments in bonds issued by foreign governments and agencies. Cash and cash equivalents denominated in currencies other than yen are categorized under “Cash and cash equivalents” and loans to borrowers located outside of Japan are categorized under “Loans.” Neither is included in foreign investments unless otherwise noted.

The average yield on foreign investments (interest, dividends and realized gains and losses) was 3.35%, 2.98% and 3.66% for the years ended March 31, 2013, 2014 and 2015, respectively.

The break-even point for our foreign investments, which was approximately ¥64 to $1.00 as of March 31, 2015 and ¥75 to $1.00 as of September 30, 2015 assuming that all of our foreign currency-denominated securities were converted into dollars as of the same date, was below the then current market level.

The following table sets forth the amounts of foreign investments in our general account (including non-yen-denominated cash, cash equivalents and other assets) classified as denominated in foreign currency, swapped into yen or denominated in yen as of the dates indicated:

	As of March 31,						As of September 30,	
	2013		2014		2015		2015	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)							
Foreign currency denominated assets:								
Foreign bonds	¥ 8,671.1	63.2%	¥ 9,232.0	63.9%	¥11,212.7	66.6%	¥11,455.6	68.4%
Foreign stocks	443.4	3.2	449.9	3.1	595.8	3.5	552.1	3.3
Investment trust and others	1,795.8	13.1	1,990.8	13.8	2,170.1	12.9	1,970.8	11.8
Subtotal	10,910.5	79.6	11,672.8	80.8	13,978.7	83.0	13,978.6	83.4
Foreign currency denominated assets with fixed yen value:								
Investment trust and others	161.0	1.2	205.1	1.4	231.7	1.4	253.8	1.5
Japanese yen-denominated assets:								
Loans to non-residents	144.8	1.1	121.1	0.8	109.4	0.7	99.1	0.6
Foreign bonds and other assets	2,493.3	18.2	2,454.6	17.0	2,515.2	14.9	2,422.2	14.5
Subtotal	2,638.1	19.2	2,575.7	17.8	2,624.7	15.6	2,521.4	15.0
Net overseas loans and investment	¥13,709.7	100.0%	¥14,453.7	100.0%	¥16,835.2	100.0%	¥16,753.9	100.0%

The following table sets forth the amounts of foreign investments denominated in a foreign currency in our general account based on the type of foreign currency as of the dates indicated:

	As of March 31,						As of September 30,	
	2013		2014		2015		2015	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)							
U.S. dollar	¥ 6,222.4	57.0%	¥ 6,369.4	54.6%	¥ 8,130.5	58.2%	¥ 8,215.0	58.8%
Euro	2,023.9	18.6	2,567.8	22.0	2,809.5	20.1	2,871.8	20.5
British pound	1,349.1	12.4	1,469.2	12.6	1,751.1	12.5	1,751.7	12.5
Australian dollar	791.5	7.3	688.6	5.9	543.2	3.9	492.5	3.5
Polish Zloty	295.7	2.7	340.1	2.9	338.3	2.4	256.9	1.8
Hong Kong Dollar	65.7	0.6	76.6	0.7	116.6	0.8	100.3	0.7
Others	161.8	1.5	160.7	1.4	289.2	2.1	290.1	2.1
Net foreign currency denominated assets	¥10,910.5	100.0%	¥11,672.8	100.0%	¥13,978.7	100.0%	¥13,978.6	100.0%

The following tables set forth the amounts of foreign investments in our general account based on the location of the issuer as of the dates indicated:

	As of March 31, 2013					
	Foreign bonds		Foreign stocks and other securities		Total	
	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total
	(Billions of yen, except percentages)					
North America	¥ 5,043.4	51.4%	¥ 319.1	9.4%	¥ 5,362.5	40.6%
Europe	3,814.7	38.8	430.1	12.7	4,244.9	32.2
Oceania	412.2	4.2	3.2	0.1	415.4	3.1
Asia	130.9	1.3	170.3	5.0	301.3	2.3
Central and South America(2)	245.0	2.5	2,454.9	72.7	2,700.0	20.5
Middle East	—	—	—	—	—	—
Africa	—	—	—	—	—	—
International organizations	174.3	1.8	—	—	174.3	1.3
Total	¥ 9,820.9	100.0%	¥ 3,377.7	100.0%	¥ 13,198.7	100.0%

Notes:

(1) Available-for-sale securities are stated at fair value.

(2) Investments in issuers located in Central and South America consist mainly of unit trusts, limited partnerships, limited liability companies and other special purpose vehicles located in the Cayman Islands which are managed by selected investment advisers and whose primary investments are in stocks and bonds issued in major international markets.

	As of March 31, 2014					
	Foreign bonds		Foreign stocks and other securities		Total	
	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total
	(Billions of yen, except percentages)					
North America	¥ 4,958.7	48.5%	¥ 346.3	9.5%	¥ 5,305.1	38.2%
Europe	4,226.7	41.3	567.6	15.6	4,794.3	34.6
Oceania	425.2	4.2	3.1	0.1	428.4	3.1
Asia	178.6	1.7	177.0	4.8	355.6	2.6
Central and South America(2)	240.9	2.4	2,555.9	70.0	2,796.8	20.2
Middle East	—	—	—	—	—	—
Africa	—	—	—	—	—	—
International organizations	195.5	1.9	—	—	195.5	1.4
Total	¥ 10,225.8	100.0%	¥ 3,650.1	100.0%	¥ 13,876.0	100.0%

Notes:

(1) Available-for-sale securities are stated at fair value.

(2) Investments in issuers located in Central and South America consist mainly of unit trusts, limited partnerships, limited liability companies and other special purpose vehicles located in the Cayman Islands which are managed by selected investment advisers and whose primary investments are in stocks and bonds issued in major international markets.

	As of March 31, 2015					
	Foreign bonds		Foreign stocks and other securities		Total	
	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total
	(Billions of yen, except percentages)					
North America	¥ 6,270.8	51.9%	¥ 432.7	10.6%	¥ 6,703.6	41.5%
Europe	4,591.3	38.0	685.8	16.9	5,277.2	32.7
Oceania	407.3	3.4	2.9	0.1	410.2	2.5
Asia	257.0	2.1	278.2	6.8	535.2	3.3
Central and South America(2)	362.4	3.0	2,667.7	65.6	3,030.1	18.8
Middle East	—	—	—	—	—	—
Africa	—	—	—	—	—	—
International organizations	188.2	1.6	—	—	188.2	1.2
Total	¥ 12,077.2	100.0%	¥ 4,067.6	100.0%	¥ 16,144.9	100.0%

Notes:

(1) Available-for-sale securities are stated at fair value.

(2) Investments in issuers located in Central and South America consist mainly of unit trusts, limited partnerships, limited liability companies and other special purpose vehicles located in the Cayman Islands which are managed by selected investment advisers and whose primary investments are in stocks and bonds issued in major international markets.

	As of September 30, 2015					
	Foreign bonds		Foreign stocks and other securities		Total	
	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total
	(Billions of yen, except percentages)					
North America	¥ 6,373.6	51.8%	¥ 417.0	11.5%	¥ 6,790.6	42.6%
Europe	4,661.9	37.9	617.3	17.0	5,279.3	33.1
Oceania	437.2	3.6	2.3	0.1	439.6	2.8
Asia	263.3	2.1	258.6	7.1	521.9	3.3
Central and South America(2)	376.9	3.1	2,338.7	64.4	2,715.7	17.0
Middle East	—	—	—	—	—	—
Africa	—	—	—	—	—	—
International organizations	184.8	1.5	—	—	184.8	1.2
Total	¥ 12,298.0	100.0%	¥ 3,634.1	100.0%	¥ 15,932.1	100.0%

Notes:

(1) Available-for-sale securities are stated at fair value.

(2) Investments in issuers located in Central and South America consist mainly of unit trusts, limited partnerships, limited liability companies and other special purpose vehicles located in the Cayman Islands which are managed by selected investment advisers and whose primary investments are in stocks and bonds issued in major international markets.

The following table sets forth the contractual maturity dates for our foreign bonds and other securities in our general account as of the dates indicated:

	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years (Including maturities not fixed)	Total
	(Billions of yen)						
As of March 31, 2013:							
Foreign securities:	¥196.2	¥ 466.5	¥ 986.5	¥ 847.7	¥1,841.4	¥ 8,860.1	¥13,198.7
Foreign bonds	188.0	463.3	986.5	813.9	1,770.3	5,598.7	9,820.9
Foreign stocks and other securities	8.2	3.1	—	33.8	71.1	3,261.4	3,377.7
As of March 31, 2014:							
Foreign securities:	¥233.7	¥ 713.7	¥ 799.7	¥1,290.6	¥1,486.2	¥ 9,351.8	¥13,876.0
Foreign bonds	225.7	713.7	784.3	1,255.8	1,421.8	5,824.2	10,225.8
Foreign stocks and other securities	8.0	0.0	15.3	34.7	64.4	3,527.5	3,650.1
As of March 31, 2015:							
Foreign securities:	¥243.7	¥1,002.9	¥1,187.0	¥1,412.5	¥1,426.4	¥10,872.2	¥16,144.9
Foreign bonds	240.9	1,002.7	1,154.6	1,360.4	1,372.2	6,946.4	12,077.2
Foreign stocks and other securities	2.8	0.2	32.3	52.0	54.2	3,925.7	4,067.6
As of September 30, 2015:							
Foreign securities:	¥356.1	¥ 869.7	¥1,431.2	¥1,377.6	¥1,403.4	¥10,493.9	¥15,932.1
Foreign bonds	353.9	859.8	1,400.5	1,334.9	1,337.5	7,011.1	12,298.0
Foreign stocks and other securities	2.1	9.8	30.6	42.7	65.8	3,482.8	3,634.1

Real Estate

Real estate represented 3.1%, 3.1%, 2.8% and 2.8% of the total assets in our general account as of March 31, 2013, 2014 and 2015 and September 30, 2015, respectively. We hold real estate for both operating and investment purposes. Real estate held for operating purposes includes mainly office space and employee housing. Real estate held for investment purposes includes mainly commercial buildings held for rental income. Investments in real estate are diversified based on location within Japan and type of real estate. We manage our real estate investments to maximize rental and other income. Of our real estate investments as of September 30, 2015, 63.9% was held for leasing purposes.

The following table sets forth the amounts of real estate and other tangible fixed assets in our general account as of the dates indicated:

	As of March 31,						As of September 30, 2015	
	2013		2014		2015			
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages and numbers of buildings)							
Land	¥1,144.3	68.3%	¥1,185.3	69.0%	¥1,173.6	68.5%	¥1,174.4	68.7%
Buildings	484.5	28.9	474.1	27.6	514.9	30.1	512.4	30.0
Lease assets	2.7	0.2	3.7	0.2	5.0	0.3	5.2	0.3
Construction in progress	31.1	1.9	42.9	2.5	7.9	0.5	5.2	0.3
Other tangible fixed assets	13.5	0.8	12.0	0.7	11.6	0.7	11.3	0.7
Total	¥1,676.3	100.0%	¥1,718.2	100.0%	¥1,713.2	100.0%	¥1,708.7	100.0%
Of which assets are being leased	1,047.1	62.5%	1,088.7	63.4%	1,102.8	64.4%	/	/
Amount of real estate:	¥1,660.0	100.0%	¥1,702.4	100.0%	¥1,696.5	100.0%	¥1,692.1	100.0%
For business operations	633.0	38.1	631.9	37.1	616.6	36.3	610.2	36.1%
For lease	1,026.9	61.9	1,070.5	62.9	1,079.9	63.7	1,081.9	63.9%
Number of buildings held for leasing	359	—	339	—	333	—	329	—

We owned 359, 339, 333 and 329 buildings for rental purposes as of March 31, 2013, 2014 and 2015 and September 30, 2015, respectively.

Assets Held in Trust

We had no assets held in trust as of March 31, 2013, 2014 and 2015 and September 30, 2015.

Competition

We believe that competition in the Japanese insurance industry is based on a number of factors, including service, product features, price, financial strength ratings and other indicators of financial health, marketing methods and brand recognition. We face intense competition in the Japanese life insurance market from both domestic and foreign-owned life insurance companies and from large domestic financial service providers that either have their own insurance subsidiaries or enter into cooperative arrangements with major insurance companies. Some of these companies offer products not offered by us, or may have more competitive pricing, higher financial strength ratings, better brand recognition or greater financial resources than we do.

Competition has increased in the Japanese life insurance market in recent years due to industry deregulation, targeting of the bancassurance channel by competitors, an overall decline in demand for insurance products with death benefits and increased competition from foreign-owned insurance companies, among other factors. Japan's financial sector has also experienced significant consolidation in recent years, and further consolidation could affect the competitive environment for the sale and distribution of life insurance products.

Japan Post Insurance, the life insurance subsidiary of Japan Post Holdings, enjoys competitive advantages in the Japanese insurance market due to its large existing customer base, access to the nationwide network of post offices of Japan Post and favorable public perception of its stability due to its association with the government. In 2008, Japan Post Insurance began agency sales of the insurance products of a number of life insurance companies. Pursuant to the amendment to the Postal Service Privatization Act, which became effective in October 2012, the once-suspended process of disposal of the shares of Japan Post Insurance has resumed. The Postal Service Privatization Act provides that Japan Post Holdings must dispose of the shares of Japan Post Insurance as soon as practicable while paying attention to Japan Post Insurance's operating environment and the influence on Japan Post Holdings' responsibility to maintain universal services. The Japanese government is also required to dispose of its shares of Japan Post Holdings, but must continue to own more than one third of the total equity interest of Japan Post Holdings. As the first phase of the privatization, initial public offerings of Japan Post Holdings, Japan Post Insurance and Japan Post Bank, Japan Post Holdings' banking subsidiary, were completed on November 4, 2015. Following the listing of Japan Post Insurance, Japan Post Holdings owns approximately 89% of Japan Post Insurance. While the Postal Service Privatization Act provides that Japan Post Holdings must eventually dispose of all of its shares of Japan Post Insurance, Japan Post Holdings has announced its intention, as an initial matter, to reduce its equity interest in Japan Post Insurance in multiple stages to around 50%. There is uncertainty over the timing of the completion of the privatization of Japan Post Insurance. Therefore, there may remain an appearance of government support for Japan Post Insurance, which could provide it with a competitive advantage. On the other hand, while Japan Post Insurance is currently required to obtain government approvals in order to enter into new businesses, under the Postal Service Privatization Act, if Japan Post Holdings disposes of 50% or more of its equity holdings in Japan Post Insurance, such legal restrictions may be relaxed upon submission of a notice to the government, thereby allowing Japan Post Insurance to expand its scope of business (such as through the expansion of the types of insurance policies that it sells or asset management services in which it engages). Consequently, as we compete with Japan Post Insurance in our primary business operations, we may be adversely affected by such competition. In addition, Japan Post Holdings has expanded its business alliance with AFLAC, under which, among other things, Japan Post Insurance offers AFLAC cancer insurance policies and Japan Post has increased the number of post offices offering such policies. Furthermore, such competition may intensify as a result of deregulation of Japan Post Insurance accompanying such privatization or any favorable treatment given to Japan Post Insurance by the government. See "The Japanese Life Insurance Industry—Japan Post Insurance and Cooperative Insurance." We may also face competition from various cooperative associations such as the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, all of which offer competing life insurance products.

Deregulatory measures have permitted securities companies and banks to engage in sales of all types of life insurance and annuity products since 2007. Any future deregulatory measures that favor large, established financial conglomerates could result in additional consolidation in Japan's financial services industry. In addition, any future deregulatory measures that further relax the regulatory barriers between different financial services industries in Japan could intensify competition within these industries. There have been new entrants to the Japanese life insurance industry that rely on the Internet as their primary sales channel and operate with a low cost structure. See "The Japanese Life Insurance Industry."

In recent years, Japanese life insurance companies, including us, have sought to expand their insurance and other businesses overseas through investments in and acquisitions of companies outside of Japan as seen in the recent announcements of Sumitomo Life Insurance Company's proposed acquisition of Symetra Financial Corporation and Meiji Yasuda Life Insurance Company's proposed acquisition of StanCorp Financial Group, both of which target companies are U.S. life insurance companies listed on the New York Stock Exchange. While we do not believe this has an impact on the competitive environment for the domestic life insurance business, those companies, including us, will encounter competition from other life insurance companies in those countries or regions in which they seek to expand their business.

Information Technology

We use information technology to facilitate the operations of all aspects of our business, including the management of our policies, the investment of our assets and the maintenance of statistics and customer information as well as in our sales process.

We currently maintain our primary information management and retention systems at a facility in Osaka. A back-up system, which is regularly updated, is also maintained at a facility in Tokyo. We also maintain customer call service centers and Internet-based customer service sites.

In addition to these centralized facilities, all of our sales representatives are equipped with laptops. Starting in April 2012, we have distributed wireless REVO devices to all of our sales representatives throughout Japan that feature functions to develop insurance proposals, process applications and complete various procedures "on the spot" and paper-free. See "—Sales and Marketing—Sales Support."

Protection of Information Assets

We have established a policy entitled "Principal Guidelines for Information Asset Protection" to protect information assets, including client information, confidential management information and the systems that process such information. In addition, we have established specific guidelines to protect client information, including the "Private Information Protection Guidelines." In accordance with these guidelines, we strive to heighten awareness of information asset protection.

Compliance

We believe that it is essential for our directors, officers, employees and sales representatives to conduct themselves properly and responsibly. We strive to maintain a customer-first perspective while strictly observing laws and regulations.

Our Board of Directors established the Compliance Program and updates such program every year. Our Compliance Committee analyzes and proposes solutions to issues related to insurance solicitation and administration while promoting company-wide compliance. We obtain opinions of outside experts in connection with some of our compliance efforts relating to the preparation of sales materials and have recently reorganized and increased the number of compliance officers.

We have maintained the Code of Conduct for many years, which sets forth rules and regulations to which all directors, officers, employees and sales representatives are expected to adhere. We also maintain the Legal Compliance Manual, which explains the Code of Conduct as well as the responsibilities of each division from a compliance perspective. We strive to increase awareness of compliance issues among employees and management by disseminating information and providing training. The Code of Conduct and Legal Compliance Manual are updated regularly in line with legal, regulatory and other changes.

We provide ongoing sales ethics training for our marketing staff through internal satellite broadcasts and newsletters. The Auditing Department monitors such training for effectiveness.

Legal Proceedings

We are subject to legal actions in the ordinary course of our business. These legal actions include claims related to individual sales practices and denial or delay of claims payments. We are not involved in any litigation or other legal proceedings that, if determined adversely to us, would individually or in the aggregate be expected to have a material adverse effect on our business or results of operations.

Properties

We own or lease real property for our registered head office in Osaka, executive office in Tokyo, 101 branches (as of March 31, 2015) and other facilities located nationwide. We believe that our properties are suitable for our business as currently conducted and adequately maintained. The above properties do not include properties that we own for investment purposes only.

Employees and Personnel

As of March 31, 2015, we had 70,783 employees and personnel, including 52,306 sales representatives and 18,477 administrative personnel. We consider our level of remuneration and non-wage benefits to be generally competitive with those offered by other major Japanese life insurance companies. In the year ended March 31, 2008, we established a new evaluation framework for our sales representatives. Under this framework, their primary assignments are based on visiting existing customers and gathering information to capture potentially new policies. The fixed amount of compensation is guaranteed if basic assignments are fulfilled for a certain period after they enter the company. Since incorporating this new framework, our retention rate of sales representatives generally has improved. Most of our full-time non-management employees are members of a labor union. We consider our labor relations to be excellent.

We have a 401(k)-style defined-contribution pension plan for our employees. However, most employees are covered by non-contributory defined benefit plans. Under defined benefit plans, qualified employees are entitled to single-premium, annuity payments or both based on salary, length of service and reason for termination of employment. To determine the expected long-term yield on assets related to such benefit plans, we consider historical returns on long-term domestic bonds. Our assumed long-term yield on plan assets was 1.6% in the year ended March 31, 2015.

MANAGEMENT AND CORPORATE HISTORY

Directors, Corporate Auditors and Executive Officers

The following table sets forth our current Directors, Corporate Auditors and Executive Officers:

Name	Position	Date first elected as director or corporate auditor or executive officer
Kunie Okamoto	Representative Director, Chairman	1995
Yoshinobu Tsutsui	Representative Director, President	2004
Sadao Kato	Representative Director, Vice Chairman	1997
Takeshi Furuichi	Representative Director, Executive Vice President	2004
Kazuo Kobayashi	Director and Senior Managing Executive Officer	2007
Yoshinori Terajima	Director and Senior Managing Executive Officer	2008
Shohei Miki	Director and Senior Managing Executive Officer	2009
Tsuneaki Teshima	Director and Managing Executive Officer	2010
Hiroyuki Nishi	Director and Managing Executive Officer	2010
Kazuhiro Kojima	Director and Managing Executive Officer	2010
Masaru Nakamura	Director and Managing Executive Officer	2011
Takeshi Yabe	Director and Managing Executive Officer	2011
Tomiji Akabayashi	Director and Managing Executive Officer	2012
Seiji Kito	Director and Executive Officer	2012
Hiroshi Ozeki	Director and Executive Officer	2014
Yoshihisa Akiyama	Director	1997
Akito Arima	Director	1994
Shin Ushijima	Director	2007
Kazuo Imai	Director	2008
Takashi Imai	Corporate Auditor	1995
Kantaro Toyoizumi	Corporate Auditor	2004
Keiichi Tadaki	Corporate Auditor	2009
Yasushi Hasegawa	Corporate Auditor	2014
Osamu Kubotani	Senior Corporate Auditor	2011
Takeshi Hayashi	Senior Managing Executive Officer	2009
Hiroshi Shimizu	Managing Executive Officer	2009
Keishi Kai	Managing Executive Officer	2010
Kazuyoshi Watanabe	Executive Officer	2012
Yosuke Matsunaga	Executive Officer	2012
Norihiko Umazume	Executive Officer	2013
Yuji Mikasa	Executive Officer	2013
Junjiro Tabata	Executive Officer	2013
Koji Chika	Executive Officer	2013
Yutaka Ideguchi	Executive Officer	2013
Nobuyuki Souda	Executive Officer	2014
Nobuto Fujimoto	Executive Officer	2014
Satoshi Asahi	Executive Officer	2014
Koichi Niihara	Executive Officer	2015
Kumiko Oda	Executive Officer	2015
Chizuru Yamauchi	Executive Officer	2015
Satoshi Tanaka	Executive Officer	2015
Kazuhide Toda	Executive Officer	2015
Masakazu Omura	Executive Officer	2015
Hirohiko Iwasaki	Executive Officer	2015

Our Board of Directors has the ultimate responsibility for the administration of our affairs. Our Articles of Incorporation provide for not more than 25 Directors. Directors are elected at the board of representative policyholders. The normal term of office of Directors is two years, although they may serve any number of consecutive terms. The Board of Directors elects from among its members one or more Representative Directors, who have the authority individually to represent us. Under our Articles of Incorporation, the Board of Directors may also elect from among its members an Honorary Chairman, a Chairman, a Vice Chairman, a President and one or more Executive Vice Presidents, Senior Managing Directors and Managing Directors.

Our Articles of Incorporation provide for not more than six Corporate Auditors. Corporate Auditors, at least half of whom must be persons who have not been Directors or employees of Nippon Life or any of its subsidiaries, are elected at the representative policyholders' meeting. The normal term of office of Corporate Auditors is 4 years, although they may serve any number of consecutive terms.

In January 2015, we established the Outside Directors Committee as part of our efforts to enhance corporate governance. The Outside Directors Committee is chaired by and comprises a majority of members invited from outside Nippon Life, and serves as an advisory body to the Board of Directors. It deliberates on the appointment of corporate officers and matters relating to compensation, as well as other important management-related issues, and reports the results of its deliberations to the Board of Directors.

The Corporate Auditors form the Board of Corporate Auditors. Corporate Auditors are under a statutory duty to review the administration by the Directors of our affairs, to examine our financial statements and business reports submitted by the Board of Directors to the representative policyholders' meeting, and to report their opinions thereon to the participating policyholders. They are obligated to attend meetings of the Board of Directors and to express their opinions if necessary, but they are not entitled to vote. Corporate Auditors also have a statutory duty to provide their report to the Board of Corporate Auditors, which must submit its auditing report to a Representative Director. The Board of Corporate Auditors will also determine matters relating to the duties of the Corporate Auditors, such as audit policy and methods of investigation of our affairs and property.

In addition to Corporate Auditors, we must appoint independent auditors, who have the statutory duties of examining the financial statements to be submitted by a Representative Director to the representative policyholders' meeting and reporting thereon to the Board of Corporate Auditors and a Representative Director. Deloitte Touche Tohmatsu LLC acts as our independent auditors.

Corporate History

We were formed in 1889 as a limited liability life insurance company. In 1891, we became a joint stock company and changed our name to Nippon Life Assurance Co., Ltd. In 1898, we were the first company in the Japanese life insurance industry to issue policyholder dividends and in 1899, we reached first place in terms of policies in force in the Japanese life insurance industry. July 2014 marked the 125th anniversary since our establishment.

The hyperinflation that followed the Second World War had a devastating effect on the entire Japanese life insurance industry, including us. In 1947, we began operations as a mutual life insurance company based on legislation designed to restructure and reorganize the industry.

In 1975, we established a representative office in New York, our first overseas office, and in 1991 we established NLIA.

In 1997, we entered into an alliance with Putnam Investments, in order to strengthen our global investment management capacity. The alliance includes cooperative efforts in the fields of corporate pensions and investment funds.

In 1998, we established NAM and have since consolidated most of our asset management functions there. As of March 31, 2015, NAM had ¥8,699.3 billion in assets under management.

In 1999, we established Nissay Information Technology in order to advance our overall information technology systems, including improvement of our customer services.

In September 2003, we established a joint venture, Nissay-SVA Life Insurance Co., Ltd., in China with SVA, a leading consumer electronics manufacturer under direct control of the Shanghai municipal government. This marked the first entrance of a Japanese life insurance company into China.

In May 2004, we acquired an additional stake in a leading Thai insurer, Bangkok Life Assurance, in order to further solidify our position in the Thai life insurance market.

In March 2007, we established a representative office in Singapore.

In July 2008, we formed a business alliance with Northwestern Mutual in order to improve our asset management and train employees.

In September 2009, China Great Wall Asset Management Corporation replaced SVA as our joint venture partner in China.

In April 2010, we began offering our *Zutto Motto* Service to optimize our services by utilizing up-to-date customer information.

In October 2011, we acquired a stake in a leading Indian life insurer, Reliance Life, in order to improve our position in the attractive Indian life insurance market.

In April 2012, to further meet our customers' increasingly diverse needs, we began offering *Mirai no Katachi* product lineup, which allow customers to combine a wide variety of coverage into personally tailored insurance portfolios.

In April 2013, we began offering educational endowment insurance, insurance tailored to provide businesses with operating funds called "Next Road", and insurance for asset formation called *Yume no Katachi Plus*.

In October 2014, we completed our equity investment in Sequis Life, thereby making it our group company.

On October 28, 2015, we entered into an agreement with NAB to acquire the life insurance business of NAB operated by MLC.

On December 29, 2015, we completed settlement of our tender offer for the outstanding shares of Mitsui Life, thereby making it our majority-owned subsidiary as of December 31, 2015.

SUBSIDIARIES AND AFFILIATES

We conduct our business together with our subsidiaries and affiliates (non-subsidiary companies in which we hold, directly or indirectly, 20% to 50% of the issued share capital, or over which we hold significant influence with respect to its finances, operations or businesses). As of September 30, 2015, we had 33 subsidiaries, 9 of which were consolidated subsidiaries. As of the same date, we had 17 affiliates, 10 of which were accounted for under the equity method.

The following table sets forth information on our principal direct and indirect subsidiaries and affiliates as of September 30, 2015:

Name	Country	Main business		Issued capital	Percentage of voting rights held directly by Nippon Life	Percentage of voting rights held by Nippon Life subsidiaries or affiliates(1)
				(Millions except as noted)	(%)	(%)
Consolidated Subsidiaries						
Nissay Credit Guarantee Co., Ltd.	Japan	Credit guarantee services	¥	950	87.26	3.14
Nissay Leasing Co., Ltd.	Japan	Leasing services	¥	3,099	51.21	2.45
Nissay Capital Co., Ltd.	Japan	Venture capital services	¥	3,000	100.00	—
Nissay Asset Management Corporation	Japan	Investment management, investment advisory and type II financial instruments services	¥	10,000	90.00	—
Nissay Information Technology Co., Ltd.	Japan	Software development and information processing services	¥	4,000	75.00	3.00
Nippon Life Insurance Company of America	U.S.A.	Life insurance business	$	3.6	96.96	—
NLI Commercial Mortgage Fund, LLC	U.S.A.	Mortgage loans	$	100	100.00	—
NLI Commercial Mortgage Fund II, LLC	U.S.A.	Mortgage loans	$	100	100.00	—
NLI US Investments, Inc.	U.S.A.	Investment business	$	1(2)	100.00	—
Affiliates accounted for under the equity method						
The Master Trust Bank of Japan, Ltd.	Japan	Trust and custody services	¥	10,000	33.50	—
Corporate-Pension Business Service Co., Ltd.	Japan	Corporate pension system management	¥	6,000	49.00	1.00

Name	Country	Main business	Issued capital	Percentage of voting rights held directly by Nippon Life	Percentage of voting rights held by Nippon Life subsidiaries or affiliates[1]
			(Millions except as noted)	(%)	(%)
Bangkok Life Assurance Public Company Limited	Thailand	Life insurance business	1,702 THB	24.28	—
PT Asuransi Jiwa Sequis Life	Indonesia	Life insurance business	77,630 IDR	0.01	68.34[3]
PanAgora Asset Management, Inc.	U.S.A.	Investment advisory and discretionary investment contract business	$ 18,654[2]	20.00	—
Post Advisory Group, LLC	U.S.A.	Investment advisory and discretionary investment contract business	$ 2.6	—	20.00
Reliance Capital Asset Management Limited	India	Investment advisory and discretionary investment contract business	412 INR	35.00	—
Reliance Life Insurance Company Limited	India	Life insurance business	11,963 INR	26.00	—
PT Sequis	Indonesia	Insurance Holding Company	4,240 IDR	29.26	—
Great Wall Changsheng Life Insurance Co., Ltd.	China	Life insurance business	2,167 RMB	28.57	—

Notes:

(1) "Percentage of voting rights held by Nippon Life subsidiaries or affiliates" shows the percentage of voting rights held by Nippon Life consolidated subsidiaries or affiliates accounted for under the equity method based on the total number of voting rights of the outstanding shares.

(2) The figure provides issued capital in dollars.

(3) Represents voting rights held by our equity-method affiliate, PT Sequis, in which we hold 29.26% of the total voting rights.

REGULATION OF THE JAPANESE LIFE INSURANCE INDUSTRY

Insurance Business Act

Nippon Life is regulated principally under the Insurance Business Act, which governs both life and non-life insurance businesses in Japan. Pursuant to the Insurance Business Act, the Prime Minister has authority to supervise insurance companies in Japan. Most of such authority is delegated to the Commissioner of the FSA, who in turn has delegated a part of such authority to the Directors of the Local Finance Bureaus of the Ministry of Finance. Certain of the provisions of and regulations under the Insurance Business Act and certain other recent regulatory developments are briefly described below. In this description, the term “insurance products” includes annuity products that are sold by life insurance companies in Japan. Such annuity products are regarded as insurance products for purposes of the Insurance Business Act, and the term “insurance” should be interpreted accordingly.

Under the Insurance Business Act, the insurance underwriting business may be conducted by a licensed joint stock corporation, a licensed mutual company or the Japanese branch of a licensed foreign insurer, with certain limited exceptions. Nippon Life is a licensed mutual company. A mutual company is a corporate structure provided for in the Insurance Business Act, pursuant to which policyholders (excluding holders of non-participating policies) may directly participate in the management of a mutual company. Instead of the general meeting of policyholders corresponding to the general meeting of shareholders in respect of a joint stock corporation, the Insurance Business Act permits a mutual company in its articles of incorporation to establish a board of representative policyholders which consists of representative policyholders elected from among participating and semi-participating policyholders. All of the Japanese mutual life insurance companies, including Nippon Life, have established boards of representative policyholders. At each of its annual meetings, the board of representative policyholders receives a report and explanation regarding the business and settlement of accounts and adopts resolutions concerning important matters such as disposition of surplus and election of directors. The term of office of representative policyholders is limited to no more than four years by the Insurance Business Act. Nippon Life’s representative policyholders are nominated by the representative policyholders’ nominating committee established by Nippon Life taking into account geographical distribution, age, gender and occupations to obtain a balanced representation.

Supervisory Control

Licensing requirements. Under the Insurance Business Act, a license must be obtained from the Prime Minister in order to engage in the business of underwriting insurance for the general public, with certain exceptions. There are two types of insurance business licenses, one for underwriting life insurance and one for underwriting non-life insurance, and the same entity may not obtain both types of licenses. Only mutual companies with foundation funds (including statutory reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*)) of ¥1 billion or more, or joint stock corporations with paid-in capital of ¥1 billion or more, are entitled to obtain such licenses. The issuance of a license is subject to satisfaction of certain requirements relating to financial condition, prospective results of operations, knowledge, experience, social credibility, insurance products to be offered, and the manner of calculation of insurance premiums, policy reserves, etc. An applicant for an insurance license must submit to the Prime Minister, together with the application for license, certain documents such as its articles of incorporation, a statement of manner of operations, a form of general policy conditions and a statement of manner of calculation of insurance premiums and policy reserves. The Prime Minister or the Commissioner of the FSA also has the authority to order the suspension of businesses in whole or in part, dismissal of officers including directors, executive officers, accounting advisers and corporate auditors, and revocation of licenses, in the event of violation of material provisions of laws or regulations or in certain other cases prescribed by the Insurance Business Act. Foreign insurance companies may not engage, with limited exceptions, in the insurance business in Japan without establishing a branch office or similar in Japan and obtaining a license from the Prime Minister. Application procedures and requirements for such a license are substantially the same as in the case of Japanese insurance companies. Also, the Prime Minister, the Commissioner of the FSA and the Director of the relevant Local Finance Bureau of the Ministry of Finance have supervisory authority over foreign insurance companies’ branches and offices in Japan, which is similar to the authority they have over insurance companies in Japan.

An amendment to the Insurance Business Act in 2006 introduced the concept of small-amount, short-term insurers. Joint-stock corporations or mutual companies that are registered as small-amount, short-term insurers with the relevant Local Finance Bureaus may conduct insurance underwriting business, with restrictions on the maximum amount of insurance payments and premiums received and the insured period. The small-amount, short-term insurers are subject to less strict regulations than insurers with a license.

Authority of the Commissioner of the FSA. An insurance company must obtain approval from the Commissioner of the FSA with respect to (a) any change in its products or any other term provided in the statement of manner of operations, the form of general policy conditions or the statement of manner of calculation of insurance premiums and policy reserves (although some of these changes are subject only to prior notification requirements) or certain material provisions of the articles of incorporation, (b) establishment or acquisition of certain subsidiaries, (c) demutualization, mutualization, merger, consolidation, company split, dissolution or cessation of insurance business or (d) comprehensive transfer of insurance policies, transfer or acquisition of a business in which any or all of the parties thereto are insurance companies, or entrustment to any other insurance company of its administration or property. The Commissioner of the FSA also has extensive supervisory authority over insurance companies, including:

- issuance of orders to insurance companies or their subsidiaries requiring such entities to submit reports or materials concerning the condition of the insurance companies' business and assets;
- examination of the operation of insurance companies at their or their subsidiaries' offices and other premises;
- setting of standards for measuring the soundness of the management of insurance companies;
- issuance of orders to insurance companies to change any term provided in any statement of manner of operations, general policy conditions, or statement of manner of calculation of insurance premiums and policy reserves; and
- issuance of orders to insurance companies to submit or amend business improvement plans or to suspend all or part of their business.

Registration requirements. Under the Insurance Business Act, life insurance solicitors, including sales representatives, independent sales agencies and insurance brokers must be registered with the Director of the relevant Local Finance Bureau. The Directors of the Local Finance Bureaus also have the authority to revoke any existing registration upon the occurrence of certain events set forth in the Insurance Business Act and to supervise the operation of such life insurance solicitors.

Reporting requirements. Insurance companies in Japan are subject to various reporting requirements under the Insurance Business Act. Among these requirements, insurance companies in Japan must submit to the Commissioner of the FSA annual and semi-annual business reports in each business year, as well as notifications with respect to any increase in foundation funds or paid-in capital, appointment or resignation of representative directors, directors who engage in the ordinary business of the insurance company, corporate auditors, representative executive officers, executive officers, members of audit committee or independent auditors, the issuance of stock acquisition rights or bonds with stock acquisition rights (applicable only to a joint stock corporation) or subordinated bonds or the borrowing of subordinated loans.

Deregulatory measures. In recent years, a number of deregulatory measures have been adopted in the life insurance industry. For instance, effective from April 1996, it is no longer necessary for insurance companies in Japan to obtain the approval of the Minister of Finance or the Commissioner of the FSA for any change in the terms of insurance contracts to be entered into by pension funds or other sophisticated customers or for any change in the terms of group annuities or certain other products specified in the Insurance Business Act and related regulations. Instead of obtaining the approval of the Minister of Finance or the Commissioner of the FSA, insurance companies are now required to file prior notifications to the Commissioner of the FSA with respect to these matters.

Also, sales representatives were previously not permitted to work for more than one life insurance company. However, this exclusivity requirement was relaxed in 1996 by an amendment to the Insurance Business Act in 1995. As a result of this amendment, an independent sales agency may become a sales representative of two or more life insurance companies in certain circumstances specified by the relevant cabinet order as not being likely to result in impairing the protection of policyholders in light of the relevant factors including the ability of the sales representative to carry on the insurance solicitation. Based on this exception, banks registered as independent sales agencies under the Insurance Business Act for over-the-counter insurance sales activities may also act as sales representatives for two or more life insurance companies.

Regulations on solicitation. The Insurance Business Act prohibits certain solicitation activities, such as false notice or nondisclosure of important matters, for the purpose of protecting potential insurance policyholders. In addition, recent amendments to the Insurance Business Act, which will become effective in May 2016, establish general rules for insurance solicitation to promote more appropriate solicitation practices. These general rules impose on insurance companies and life insurance solicitors, including sales representatives, independent sales agencies and insurance brokers (i) an obligation to ascertain the customer's wishes and to propose products in accordance with the customer's wishes and (ii) an obligation to provide customers with product information and other necessary information during insurance solicitation.

Furthermore, sales representatives of life insurance companies, independent sales agencies and insurance brokers are prohibited under the Insurance Business Act from selling insurance policies (excluding certain insurance policies specified by the Commissioner of the FSA) to employees and other persons affiliated with their own company, for the purpose of protecting such employees and other persons from coercive purchasing under pressure from their employers or other affiliated entities.

Restrictions on Scope of Business

Scope of business. Under the Insurance Business Act, insurance companies in Japan are permitted to engage only in the business of underwriting insurance pursuant to its license, investing premium revenues and other assets, and certain other businesses set forth in the Insurance Business Act (with the prior approval of the Commissioner of the FSA for certain types of businesses), including:

- representation of or carrying out certain services on behalf of other insurance companies and financial service operators, including preparation or delivery of documents relating to the underwriting of insurance, collection of premiums, payment of insurance claims and benefits or execution of insurance policies (including brokerage), each for or on behalf of other insurance companies or other financial service operators, and acting as an agent with respect to banking and certain financial instruments businesses;
    - providing guarantees for third parties;
    - underwriting bonds issued or guaranteed by the Japanese government or bonds issued by Japanese municipal governments or handling of public offerings of bonds so underwritten;
    - acquisition or transfer of accounts receivable;
    - underwriting bonds issued by a special purpose company (*tokutei mokuteki kaisha*) under the Act on Securitization of Assets of Japan (Act No. 105 of 1998, as amended) or the handling of public offerings of bonds so underwritten;
    - acquisition or transfer of short-term notes (i.e., paperless commercial paper);
    - handling of private placements of securities;
    - dealing in, or acting as an intermediary, broker or agent with respect to dealing in, certain kinds of financial futures and other derivatives;
    - certain types of securities business specified in the Insurance Business Act and the FIEA, such as the sale of units of investment funds;
    - handling of public offering of, or commissioning the administration of, municipal government bonds or corporate bonds or other bonds;
    - trust business concerning secured bonds that is carried out pursuant to the Secured Bond Trust Act of Japan (Act No. 52 of 1905, as amended);
    - investment advisory business;

- execution of, or acting as an intermediary, broker or agent with respect to execution of, agreements to obtain or transfer carbon dioxide equivalent quotas;
- fund transfer business as provided for in the Act Concerning Settlement of Funds of Japan (Act No. 59 of 2009, as amended); and
- trust business relating to insurance claims paid.

Regulation concerning third-sector insurance products. In the Japanese insurance industry, life insurance products and non-life insurance products are called "first-sector" and "second-sector" insurance products, respectively, and insurance products which do not fit into either category are called "third-sector" insurance products.

Before the deregulation described below, third-sector insurance products were permitted to be sold as independent products only by foreign-owned or small to medium-sized life insurance companies, although large life insurance companies and life insurance subsidiaries of non-life insurance companies were permitted to sell such products as riders to first-sector insurance products.

Deregulation has gradually relaxed the restrictions imposed on the sale of third-sector insurance products, and currently it is possible for life insurance companies (including life insurance subsidiaries of non-life insurance companies) in Japan to sell third-sector non-life insurance products. Non-life insurance companies in Japan are also now permitted to sell third-sector life insurance products.

Restrictions on scope of business of subsidiaries. The Insurance Business Act restricts the types of businesses in which insurance companies in Japan may engage through subsidiaries. Previously, the Insurance Business Act prohibited life insurance companies in Japan from directly, or indirectly through subsidiaries, engaging in the non-life insurance business and also prohibited non-life insurance companies in Japan from directly, or indirectly through subsidiaries, engaging in the life insurance business. As a result of deregulation, however, life insurance companies in Japan are permitted to have non-life insurance subsidiaries, and non-life insurance companies in Japan are permitted to have life insurance subsidiaries. In addition, as a result of further deregulation, it became possible for insurance companies in Japan to have subsidiaries engaging in certain financial instruments businesses, including securities business, or banking business, with the prior approval of, or prior notice to, the Commissioner of the FSA. Holding companies that hold more than 50% of the voting rights of an insurance company (the "insurance holding companies"), can hold subsidiaries engaging in businesses identical to the foregoing only with prior notice, and may also hold subsidiaries engaging in other businesses with the prior approval of the Commissioner of the FSA (all such permitted subsidiary businesses "Permitted Subsidiary Business").

In order to promote foreign expansion of Japanese insurance companies, restrictions on the scope of business of foreign subsidiaries of Japanese insurance companies have been relaxed. In 2012, the Insurance Business Act was amended to permit Japanese insurance companies to hold foreign subsidiaries engaging in businesses other than the Permitted Subsidiary Business if such foreign subsidiaries are acquired as a result of the acquisition of certain types of foreign insurance companies or foreign insurance holding companies. However, under the Insurance Business Act, Japanese insurance companies must dispose of or otherwise remove such foreign subsidiaries as subsidiaries within five years following the acquisition, unless an extension is obtained from the Commissioner of the FSA. In addition, in November 2014, a further amendment to the Insurance Business Act became effective, permitting Japanese insurance companies to hold foreign subsidiaries engaging in businesses other than the Permitted Subsidiary Business if such foreign subsidiaries are acquired as a result of the acquisition of certain types of foreign banks, financial institutions or financial holding companies, although, as mentioned above, they must dispose of or otherwise remove such foreign subsidiaries as subsidiaries within five years following the acquisition, unless an extension is obtained from the Commissioner of the FSA.

Restrictions on shareholdings of another company. With the exception of certain companies that are allowed to be subsidiaries of insurance companies, the Insurance Business Act generally prohibits an insurance company and/or its subsidiaries from acquiring or holding aggregate voting rights of another domestic company in excess of 10% of the total voting rights of all shareholders of such domestic company. Also, the Act Concerning Prohibition of Private Monopoly and Maintenance of Fair Trade of Japan (Act No. 54 of 1947, as amended) generally prohibits an insurance company from acquiring or holding voting rights of another domestic company in excess of 10% of the total voting rights of all shareholders of such domestic company without obtaining the prior approval of the Fair Trade Commission pursuant to the standards established by the Fair Trade Commission.

Restrictions on insurance business by other financial corporations. Securities companies, banks and other financial institutions (other than insurance companies) were previously prohibited from engaging in the insurance business or selling insurance products in Japan. However, in line with the relaxation of the restriction on the scope of business able to be engaged in by insurance companies and their subsidiaries, the legal barriers preventing securities companies, banks and other financial institutions from entering into the insurance markets have gradually been lifted as follows:

- effective in March 1998, it became possible to establish insurance holding companies that hold controlling interests in one or more insurance companies;
- effective in December 1998, it became possible for securities companies in Japan to sell insurance products underwritten by their insurance subsidiaries or by other insurance companies;
- effective in October 2000, it became possible for Japanese banks to have insurance subsidiaries;
- effective in April 2001, it became possible for banks in Japan to sell credit life insurance policies issued by their insurance subsidiaries or other related companies in connection with housing loans made by banks and also to sell certain kinds of non-life insurance products;
- effective in October 2002, it became possible for banks in Japan to sell specified additional types of life insurance products, including both fixed and variable individual annuity products;
- effective in December 2005, it became possible for banks in Japan to sell specified additional types of life and non-life insurance products, including single-premium whole life insurance products and reserve-type accident insurance products; and
- effective in December 2007, it became possible for banks in Japan to sell all types of life and non-life insurance products subject to certain administrative restrictions.

Cooperative associations (*kyosai*) are mutual aid societies traditionally formed by a group of persons such as those with the same occupation or regional community, which provide mutual aids, such as funeral expenses, from the pooled contributions of members. Except for some cooperative associations, including the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, which are regulated by special laws, cooperative associations are subject to regulations under the Insurance Business Act as a result of an amendment to the Insurance Business Act that became effective in 2006. In 2011, the Insurance Business Act and related regulations were further amended such that cooperative associations which meet certain requirements would be allowed to provide mutual aids with the special authorization of the relevant authorities, even if they have no insurance business licenses.

Restrictions on investments. Under the Insurance Business Act, aggregate investments by an insurance company in Japan in any single company and its related companies (including the purchase of debt or equity securities issued by, and loans to or deposits with, such company or any of its related companies) may not exceed 10% (or 3% in the case of loans and guarantees) of its general account assets, as prescribed in the related regulations, except as approved by the Commissioner of the FSA. If an insurance company has subsidiaries or affiliates, except as approved by the Commissioner of the FSA, the aggregate investments by such insurance company and its subsidiaries and affiliates in a single company or its related companies may not exceed 10% (or 3% in the case of loans and guarantees) of the aggregate of such insurance company's general account assets, as prescribed in the related regulations, and the equity of such subsidiaries and affiliates, which aggregate amount will be adjusted to such extent as may be deemed necessary by the Commissioner of the FSA. However, these restrictions are not applicable with regard to the investment by an insurance company in its subsidiary, on the condition that such subsidiary is also an insurance company or an insurance holding company and the investment is via the purchase of shares of such subsidiary.

Financial Regulation

Foundation funds. Foundation funds (sometimes referred to as "*kikin*" or "funds") serve as capital for Japanese mutual companies. Unlike paid-in capital for joint stock corporations, however, foundation funds have a stated maturity and accrue interest payment obligations on a subordination basis.

The mutual company is permitted to make principal and interest payments under the foundation funds so long as the payments in any particular year are approved by the board of representative policyholders and do not exceed certain maximum amounts prescribed in the Insurance Business Act (such amounts, the "distributable principal surplus" with respect to principal payments and the "distributable interest surplus" with respect to interest payments).

Under the Insurance Business Act, the mutual company is required to obtain approval of the board of representative policyholders each year in order to distribute surplus for the payment of interest on the foundation funds. The mutual company is also required under the Insurance Business Act to obtain approval of its representative policyholders each year in order to distribute surplus for the payment of principal of the foundation funds. In addition, in order for a mutual company to make principal payments with respect to the foundation funds, it will also be required under the Insurance Business Act to have accumulated statutory reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*) in an amount equal to the principal payment.

If in any particular year, the conditions mentioned above are not met, a mutual company will be unable in that year to make all or part of the principal or interest payments due under the foundation funds. In such cases, the holder of the foundation funds would not be able to compel the mutual company to make such payment. Notwithstanding the above, if the board of directors fails to adopt a resolution approving a voluntary reserve for redemption of foundation funds for a payment of principal due under the foundation funds, the holder of the foundation funds may be able to make a claim against the mutual company for the payment of principal, but only in an amount less than or equal to the amount accumulated under the voluntary reserve for redemption of foundation funds.

Policyholder dividends. The Insurance Business Act provides that the distribution of policyholder dividends by insurance companies in Japan must be made in a fair and equitable manner in accordance with the provisions of the related regulations. An insurance company must calculate the amount of profits to be reserved for distribution of policyholder dividends for each type of insurance policy categorized by the nature of the policy, and must choose a calculation method from among those set forth in the regulations. The regulations also provide that the amount of reserve for dividends to policyholders may not exceed the aggregate sum of the following:

- the amount of policyholder dividends which were distributed but reserved with interest;
- the amount of distributed but unpaid dividends, excluding dividends prescribed in the above item but including dividends to be paid in the following fiscal year at the end of each fiscal year;
- the amount of dividends which would be required to be paid to policyholders if all participating policies were prematurely terminated; and
- certain other amounts similar in nature to the amounts mentioned above, to be calculated in accordance with the method prescribed in the statement of the manner of calculation of insurance premiums and policy reserves.

The Insurance Business Act requires an insurance company which is a mutual company to apply a certain percentage of unappropriated retained earnings to provision for reserve for dividends to policyholders and reserve for balancing policyholder dividends. In addition, the Actuarial Standards of Practice for Life Insurance Companies provide certain criteria which must be considered by the chief actuary in determining whether the distribution of policyholder dividends by a life insurance company is made in a fair and equitable manner. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Our Decisions on Policyholder Dividends."

Policy reserves. Under the Insurance Business Act, insurance companies in Japan are required to provide policy reserves at the end of each fiscal year for the fulfillment of future obligations under insurance policies. The policy reserves of life insurance companies shall be calculated based on the amount of insurance premiums actually received and shall consist of the following:

- premium reserve;
- unearned premium reserve;
- reserve for refunds; and
- contingency reserve.

The Insurance Business Act and related regulations provide that the amounts of the premium reserve and reserve for refunds with respect to certain insurance policies specified in such regulations must not be lower than the amount of the "standard policy reserve." The concept of "standard policy reserve" was introduced by an amendment to the Insurance Business Act effective in April 1996 to ensure the financial soundness of life insurance companies. A public notice issued under the Insurance Business Act by the then Ministry of Finance in 1996, as amended, sets forth the method of provision for the standard policy reserve and the assumed yield and mortality rates which must be adopted or used in calculating the amounts of the standard policy reserve, regardless of the amount of insurance premiums actually received. Pursuant to this public notice, the amount of the standard policy reserve must in general be calculated by the net level premium method, applying an assumed yield applicable as of the date of entering into the insurance policies and applying the mortality rates which must be set by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA. As to the insurance policies entered on or before March 31, 2015, the assumed yield was set as applied across all types of insurance policies. However, the assumed yield applicable to the insurance policies entered on or after April 1, 2015 may vary among different types of insurance policies, and the assumed yield applicable to certain types of insurance policies with lump-sum premiums set forth in the public notice above may be changed every three months, in contrast to such assumed yield as applicable to the other types of insurance policies which may be changed only once a year. The public notice provides different rules for calculation of the amount of the standard policy reserve for variable insurance policies in which a life insurance company guarantees the minimum amount of payment and of which premiums are administered in separate accounts of such life insurance company. The amounts of the premium reserve and reserve for refunds with respect to insurance policies which are not subject to the provision of standard policy reserve, unearned premium reserve and contingency reserve must be calculated as set out in a statement of the manner of calculation of insurance premiums and policy reserves by each life insurance company based on the amount of insurance premiums actually received.

Appointment of chief actuary. Under the Insurance Business Act, each life insurance company is required to appoint a chief actuary by resolution of its board of directors, and the chief actuary so appointed must participate in the calculation of insurance premiums, policy reserves, policyholder dividends, reserve for outstanding claims and certain other matters set forth in the ministerial ordinance promulgated under the Insurance Business Act. Also, the chief actuary must examine, at the end of every fiscal year, whether the provision of policy reserves and the distribution of policyholder dividends have been made appropriately and whether it is difficult to continue the insurance business (based upon the reasonable estimate made in accordance with actuarial principles of the future revenue and expense), and must submit an opinion to the board of directors of such life insurance company and provide a copy of such opinion to the Commissioner of the FSA. The Commissioner of the FSA may seek explanations with respect to the opinion issued by the chief actuary or seek advice on any matter in which the chief actuary is involved.

The role of the chief actuary has been strengthened by recent amendments to the related regulations. The Financial System Council stated in its interim report dated June 26, 2001 that it is necessary to further strengthen the role of chief actuaries to ensure that the calculation methods of insurance companies are appropriate. Since March 31, 2012, the chief actuary must also examine, at every fiscal year-end, whether the solvency margin ratio (as explained below) of the insurance company has been appropriately calculated based upon actuarial principles.

Solvency margin ratio. Under the Insurance Business Act, the Commissioner of the FSA has the authority to set standards for measuring the financial soundness of the management of insurance companies in Japan. The solvency margin ratio is a standard designed to measure the ability of insurance companies to make payment for insurance claims and other claims upon the occurrence of unforeseeable events such as natural disasters. The concept of the solvency margin ratio was introduced by an amendment to the Insurance Business Act and related regulations which became effective in April 1996. The manner of calculation of the solvency margin ratios is provided in an Ordinance of the Ministry of Finance promulgated under the Insurance Business Act, as amended, and by public notices and administrative directives issued previously by the Ministry of Finance and currently by the FSA. It has been revised several times as recently as March 31, 2014 to ensure that the solvency margin ratios represent more appropriately the ability of insurance companies in Japan to make required payments upon the occurrence of unforeseeable events. Currently, the solvency margin ratio for life insurance companies is calculated on a nonconsolidated basis pursuant to the following formula:

$$\text{Nonconsolidated solvency margin ratio} = \frac{(\text{Solvency margin gross amount})\text{x}100}{(\text{Total amount of risk})\text{x}1/2}$$

In the above formula:

"Solvency margin gross amount" represents the sum of the following:

- net assets or foundation funds (less certain items);
- reserve for price fluctuations in investments in securities;
- contingency reserve;
- general reserve for possible loan losses;
- net unrealized gains/losses on certain securities (multiplied by 90% if gains or 100% if losses) and land (multiplied by 85% if gains or 100% if losses); and
- certain other items (including perpetual subordinated debt which satisfy certain requirements (such as deferral of interest payment obligations) and dated subordinated debt with maturity longer than five years).

"Total amount of risk" is a quantified measure of the total unforeseeable risk borne by the life insurance company, which consists of risk amounts calculated based on standards specified by the Commissioner of the FSA as follows:

- the amount of the "underwriting risk (other than underwriting risk of third-sector insurance)" and the "underwriting risk of third-sector insurance," that is, the risk which may arise as a result of the actual rate of occurrence of insurance events exceeding normal expectation;
- the amount of the "assumed yield risk," that is, the risk of failing to secure the assumed yield which serves as the basis of calculation of the policy reserves;
- the amount of the "investment risk," that is, the aggregate sum of (i) the amount equal to the "risk of price fluctuation," or the risk which may arise due to, among other things, fluctuation of prices of securities and any other assets held by the insurance company beyond normal expectation, (ii) the amount equal to the "credit risk," or the risk which may arise due to, among other things, default of obligations by a counterparty to any transaction with respect to securities and any other assets held by the insurance company, (iii) the amount equal to the "affiliate companies' risk," or the risk which may arise due to, among other things, investment in any affiliate company, (iv) the amount equal to the "derivative transaction risk," or the risk which may arise due to, among other things, certain futures or forward transactions or certain derivative transactions, (v) the amount equal to the "credit spread risk," or the risk which may arise due to, among other things, fluctuation of prices beyond normal expectations with respect to credit derivatives transactions, and (vi) the amount equal to the "reinsurance risk," or the risk which may arise due to reinsurance transactions;
- the amount of the "business management risk," that is, the other risks beyond normal expectation in the company's business; and
- the amount of the "minimum guarantee risk," that is, the risk associated with any insurance policy with a separate account, that may arise if the amount of the assets in the relevant

separate account does not reach the minimum amount of the payment guaranteed under such insurance policy due to price fluctuations of the assets in such separate account or other reasons which may arise beyond normal expectation.

The FSA is currently undertaking a comprehensive review of the solvency regulation and plans to revise it in two stages, short- and mid-term. The short-term revisions were concluded by the amendments to the calculation standards of the solvency margin ratio that were introduced and effected from March 31, 2012, including:

(i) restrictions on the inclusion of certain items in the amount of solvency margin, such as certain surplus portions of the policy reserves and deferred tax assets related to net loss carried forward, and with regard to subordinated debt, the total amount of subordinated debt and certain surplus portions of the policy reserves to be included in the solvency margin is limited to the amount of core margin (*chukaku-teki shiharai yoryoku*), generally calculated by summing up net assets, reserve for price fluctuations in investments in securities, contingency reserve and unappropriated portions of reserve for dividends to policyholders, and making certain deductions (including loss on valuation of other securities) and adjustments. However, this limitation is not applied in the case of "specified subordinated debt" or "*tokutei fusaisei shihon*" which satisfies not only certain requirements for subordinated debt under previous regulations (such as limitation of redemption and deferral of interest payment obligations), but also additional requirements under the current regulations (such as stricter restrictions on coupon step-up and the requirement of deferred interest being non-cumulative or cumulative but deferrable for an unlimited period);

(ii) requirement of stricter and more elaborate risk assessment, by such means as raising the confidence level of the coefficient of each risk (from 90% to 95%), renewing statistical data to be used as the basis of the coefficient of each risk and introducing a calculation of the investment diversification effect related to the price change risk based on each company's portfolio; and

(iii) requirement of chief actuaries' confirmation on the appropriate calculation of the solvency margin ratio.

In addition, since March 31, 2012, amendments to the Insurance Business Act introduced the consolidated solvency margin ratio regulation, covering insurance companies or insurance holding companies and their subsidiaries and affiliates.

The consolidated solvency margin ratio for life insurance companies is calculated on a consolidated basis pursuant to the following formula:

$$\text{Consolidated solvency margin ratio} = \frac{(\text{Solvency margin gross amount})\text{x}100}{(\text{Total amount of risk})\text{x}1/2}$$

In the above formula:

"Solvency margin gross amount" represents the sum of the same items shown on a consolidated balance sheet as described in the formula for the nonconsolidated basis and certain other items. Since March 31, 2014, for calculation of the consolidated solvency margin ratio, the amounts of unrecognized actuarial differences and unrecognized prior service costs shall be included in the solvency margin gross amount.

"Total amount of risk" is a quantified measure of the total unforeseeable risk borne by the life insurance company group, which consists of risk amounts calculated on the basis of standards specified by the Commissioner of the FSA.

In connection with the development and possible introduction of new standards for solvency assessment by the IAIS, the FSA is considering the adoption of an economic value-based solvency regime and use of internal models in the course of medium-term review of solvency margin regulations. In June 2010, the FSA conducted the first field tests of an economic value-based solvency regime covering all insurance companies in Japan, the results of which were published in 2011. The FSA began conducting additional field tests relating to the practical implementation of an economic value-based solvency regime in June 2014. In June 2015, the FSA published the results of these additional field tests and announced its intention to conduct further examinations toward the adoption of a specific framework concerning the economic value-based solvency regime. See "Risk Factors—As a Japanese insurance company, we are subject to extensive oversight of our business practices and must maintain a solvency margin ratio at or above required levels."

Subordinated debt (fusaisei shihon). Under the solvency regulations as prescribed in the Insurance Business Act and its related rules, subordinated debt (*fusaisei shihon*) may be included in the amount of solvency margin subject to certain conditions or qualification. In order for an amount of debt to qualify as a subordinated debt which may be included into the amount of solvency margin (*fusaisei shihon choutatsu shudan to*), it must satisfy either of the following conditions:

(i) a debt instrument which (a) is unsecured, subordinated to any other debts and fully paid-in; (b) will not be subject to redemption except at the option and sole discretion of the issuer and under certain conditions as specified in the related rules thereto; (c) may be used for loss compensation; and (d) interest deferral provisions exist; or

(ii) a subordinated debt obligation with fixed maturity which (a) has a maturity period of over five years at the time of execution; and (b) in the event where early redemption provisions exist, such early redemption to be at the option and sole discretion of the issuer and under certain conditions as specified in the related rules thereto.

In addition, the amount of such qualifying subordinated debt that may be included into the amount of solvency margin is subject to certain limitations as specified in the related rules thereto, except for certain "specified subordinated debt" as detailed in "—Solvency margin ratio" above.

Prompt corrective action. The Commissioner of the FSA has the authority to order an insurance company with an insufficient solvency margin ratio or negative real net assets, as defined below, to take prompt corrective action. In general, insurance companies with solvency margin ratios of 200% or higher are considered sound. If the ratio falls below 200%, the Commissioner of the FSA may order the insurance company to submit and implement a business improvement plan that will reasonably ensure the soundness of the management. If the ratio falls below 100%, the Commissioner of the FSA may order the insurance company to take measures to enhance solvency, including without limitation:

- suspension or reduction of payment of dividends to policyholders or payment of remuneration to directors;
- revision of the manner of calculation of insurance premiums for new insurance policies;
- reduction of business expenses;
- suspension or reduction of investments in certain manners;
- closure of offices other than the head or main office;
- curtailment of businesses other than insurance underwriting;
- curtailment of business of sales offices, subsidiaries and affiliates; and
- disposition of shares or other equity interests in subsidiaries and affiliates.

If the solvency margin ratio falls below 0%, the Commissioner of the FSA may order the insurance company to suspend all or part of its operations for a period of time, as specified by the Commissioner of the FSA; however, even if the solvency margin ratio falls below 0%, if the amount of real net assets of the insurance company is positive or expected to be positive, the Commissioner of the FSA may order a suspension of payment of policyholder dividend and remuneration to directors or such other measures as may be taken for an insurance company with a ratio from 0% to 100%, rather than suspend the operations of the insurance company. Furthermore, even if the solvency margin ratio is above 0%, if the amount of real net assets of the insurance company is negative or expected to be negative, the Commissioner of the FSA may suspend all or part of the operations of the insurance company. The amount of real net assets is calculated by subtracting non-capital real liabilities from real assets. For these purposes, real assets are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) in accordance with the method promulgated by the Ordinance of the Cabinet Office and the Ministry of Finance No. 45 of 2000, as amended, while non-capital real liabilities are equal to an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as the reserve for price fluctuations in investments in securities and the contingency reserve) in accordance with the method promulgated by the Commissioner of the FSA and the Minister of Finance.

In addition to the above, the Commissioner of the FSA is authorized under the Insurance Business Act, when it considers that in view of the business condition or assets of an insurance company, it is difficult for the insurance company to continue its business, or that because the business operations of the insurance company are grossly inappropriate, continuation of such business would likely be detrimental to the protection of policyholders, to (i) order the insurance company to discuss the merger or suspension of its business operations or transfers of its insurance portfolio or implementation of any other necessary measures, or (ii) order an insurance custodian to take over the administration of the business and assets of the insurance company.

Regulation for the Protection of Policyholders

Alteration of policy terms. The Insurance Business Act permits a life insurance company which is likely to have difficulty in continuing its business to alter its policy terms, inter alia, reduce the assumed yield to policyholders. In order to implement such alteration of policy terms, in the case of a mutual company, after the approval of the Commissioner of the FSA has been obtained, recognizing such likelihood of difficulty in continuing its business, the board of representative policyholders has to decide on a plan to alter the policy terms, in principle, with the approval required of three-fourths or more of the representative policyholders attending the board of the representative policyholders at which half or more of all representative policyholders shall attend. Further, the insurance company must obtain the approval of the Commissioner of the FSA after the approval of the board of representative policyholders. In case more than 10% of the total number of policyholders whose policies will be subject to the plan object and the amount provided in the ministerial ordinance promulgated under the Insurance Business Act as the amount of the claims regarding the insurance policies of such objecting policyholders exceeds 10% of the aggregate amount of the claims regarding the insurance policies subject to the plan, the alteration shall not be carried out. Notwithstanding the foregoing, the assumed yield may not currently be reduced to less than 3% as prescribed in the cabinet order under the Insurance Business Act.

Life Insurance Policyholders Protection Corporation of Japan. The Insurance Business Act prescribes the establishment and manner of operations of corporations for the protection of insurance policyholders and requires that all life insurance companies participate in such a corporation and make contributions pursuant to the articles of incorporation of such corporation. The LIPPC is the sole corporation for the protection of life insurance policyholders that has been established to date. All life insurance companies doing business in Japan are members of the LIPPC. The LIPPC is responsible for providing support to maintain outstanding insurance policies issued by failing life insurance companies. "Failing life insurance companies" in this context mean life insurance companies that (i) suspend or, based on the state of their operations or assets, are likely to suspend payment of insurance claims, or (ii) are unable to perform their obligations, or are likely to be, unable to perform their obligations, with their assets. The support to be provided by the LIPPC includes the following:

- financial aid for the transfer of insurance policies from a failing life insurance company to another life insurance company, merger of a failing life insurance company into another life insurance company or acquisition of shares of a failing life insurance company by another life insurance company or an insurance holding company;
- establishment and management of a successor life insurance company which will assume the liabilities for all insurance policies of the failing life insurance company by way of transfer of insurance portfolios, or merger with the failing life insurance company, provided that no other insurance company is expected to assume liabilities under the insurance policies sold by the failing life insurance company;
- assumption of all or a part of the insurance policies sold by a failing life insurance company, provided that no other insurance company is expected to assume liabilities under such insurance policies;
- financial aid for payment of insurance claims by a failing life insurance company suspending the payment pursuant to an order for suspending business operations under the Insurance Business Act, or due to reorganization or bankruptcy proceedings; and
- purchase from policyholders of their unpaid insurance claims against a failing life insurance company.

The amount of financial aid which can be provided by the LIPPC is, with certain exceptions depending upon the kind of insurance policy, principally limited to an amount which is necessary to maintain 90% (for policies with a high assumed yield, lower than 90%) of the sum of the policy reserves (not including the contingency reserve), the reserve for outstanding claims and the reserve for dividends to policyholders or participating policyholder dividends (excluding the undistributed portion thereof) pertaining to insurance policies.

In addition to annual contributions from its member companies, the LIPPC may borrow a maximum of ¥460 billion in total from banks, insurance companies or financial institutions with the approval of the Commissioner of the FSA and the Minister of Finance. The Insurance Business Act and related regulations provide that, if the LIPPC needs funds in excess of ¥460 billion (with certain exceptions) to support life insurance companies which fail between April 1, 2006 to March 31, 2017, the Japanese government may, subject to provision in a budget approved by the Diet, subsidize the LIPPC.

Policyholders' lien. Every holder of a life insurance policy issued by a Japanese life insurance company has a statutory lien (*sakidori tokken*) over the life insurance company's total assets with respect to the amount of reserve for payment to the insured under such policy. In addition, each person (including the policyholder) who has any right (i) to receive insurance claims or benefits, (ii) to seek compensation by a life insurance company for damages suffered by such person or (iii) to receive any refund, surplus, dividend or other distribution from the company, has a statutory lien over the life insurance company's total assets with respect to the amount of such right. The rights secured by statutory liens created under the Insurance Business Act have priority over the rights of general creditors, and are subordinated only to the rights secured by certain other statutory liens or by mortgages, pledges or other security interests.

Reorganization (kosei) proceedings. Previously, reorganization proceedings under the Corporate Reorganization Act of Japan (Act No. 154 of 2002, as amended), were available only to joint stock corporations. However, by an enactment of the Act Concerning Special Handling of Reorganization Procedures for Financial Institutions, Etc. of Japan (Act No. 95 of 1996, as amended), such proceedings became applicable to mutual insurance companies, and the Commissioner of the FSA was given the authority to file a petition for commencement of reorganization proceedings at any time when any fact constituting a reason for commencement of bankruptcy proceedings is likely to occur, even if such mutual insurance company is not then actually failing. The trustee appointed in reorganization proceedings has the right to cancel any existing contracts other than insurance contracts entered into by the company.

Deposit Insurance Act

The Deposit Insurance Act of Japan (Act No. 34 of 1971, as amended) (the "Deposit Insurance Act") was originally enacted in order to protect depositors when banks and other banking institutions fail to meet their obligations. The Deposit Insurance Act was amended effective from March 2014, for the purpose of introducing a new resolution regime for failed financial institutions, including insurance companies, with a view to preventing systemic risks. The new regime has the following characteristics: (i) financial institutions including banks, insurance companies and securities companies and their holding companies are subject to the regime, (ii) necessary measures such as provision of liquidity and financial assistance are implemented under the supervision or control of the Deposit Insurance Corporation of Japan, and for which contractual bail-in options (writing down of unsecured subordinated debt and converting unsecured subordinated debt into equity) are exercised and (iii) the expenses for implementation of the measures under this regime are borne by the financial industry with an exception under which it may be partially borne by the government of Japan.

Insurance Act

Insurance contracts in Japan had been governed as commercial transactions by the Commercial Code of Japan (Act No. 48 of 1899, as amended) (the "Commercial Code"). In June 2008, the Insurance Act of Japan (Act No. 56 of 2008, as amended) (the "Insurance Act") was newly promulgated, which became the primary law to govern insurance contracts when it came into effect on April 1, 2010.

The Insurance Act provides for formation, effect and other issues regarding insurance contracts, and is applied to life insurance contracts, non-life insurance contracts and accident and health insurance contracts, as well as mutual aid contracts. In addition to the establishment of rules for a change of an insurance beneficiary, measures to prevent moral hazard and other improvements, the Insurance Act also strengthens policyholder protections, as compared to previous legislative measures. This includes the following:

- Under the Commercial Code, a policyholder and an insured party were required to provide notice regarding important matters concerning the possibility of death or survival of the insured whether or not expressly requested by the life insurer. In contrast, the Insurance Act requires them to provide notice regarding important matters only when the life insurer expressly requests that it be provided with notice of such matters.
- In the case where the possibility of death has significantly decreased after the execution of a life insurance policy, the policyholder shall have the right to request a reduction of the insurance premium.
- Even if a payment date for an insurance benefit is specified in a life insurance policy and such date has not yet arrived, the life insurer shall be obliged to pay the insurance benefit after a reasonable period of time has elapsed for the insurer to be able to confirm the items necessary for payment of the insurance benefit.
- Any agreement which is less favorable for any policyholder, any insured and/or any insurance beneficiary than the measures stipulated in the above mentioned provisions of the Insurance Act shall be invalid.
- When a life insurance contract is executed, the life insurer must deliver to the policyholder a document explaining the contents of the insurance contract and certain other items without delay.

In addition, the Insurance Act has established a new rule for the protection of certain insurance beneficiaries. Under this rule, insurance beneficiaries can defeat cancellation of certain insurance contracts by a third party who holds a right of cancellation, such as an attaching creditor or bankruptcy administrator, with the consent of the policyholder, by the payment of a certain amount to such third party and by giving notice to the insurer within one month of the cancellation.

Financial Instruments and Exchange Act

The FIEA generally requires that any person or entity that is to engage in the financial instruments business be registered with the Director of the competent Local Finance Bureau as a registered financial instruments business operator. NAM is registered with the Director of the Kanto Local Finance Bureau as a financial instruments business operator qualified to provide investment advisory services, investment management services and certain securities dealing businesses under the FIEA, and its operations are subject to the supervision of the Commissioner of the FSA and the Director of the Kanto Local Finance Bureau. The manner of operations of registered financial instruments operators is set forth in the FIEA and related regulations.

The FIEA also requires that each life insurance company be registered as a registered financial institution with the Director of the competent Local Finance Bureau if it is to engage in certain financial instruments businesses, including certain securities dealing businesses, permitted to financial institutions under the FIEA. Life insurance companies so registered are subject to the supervision of the Director of such Local Finance Bureau with respect to their financial instruments business substantially in the same manner as are financial instruments business operators in Japan. Nippon Life is registered with the Director of the Kinki Local Finance Bureau as a registered financial institution and subject to the supervision of such Director with respect to its financial instruments business. Further, if the life insurance company is to engage in such financial instruments business for an unspecified number of customers, the life insurance company is required to set forth the contents and method of said business and acquire approval from the Commissioner of the FSA pursuant to the Insurance Business Act. Nippon Life has acquired such approval.

Although the FIEA does not directly regulate insurance policies, the Insurance Business Act provides for the regulation of insurance policies with strong investment characteristics, such as foreign currency-denominated insurance and variable insurance, to the effect that the rules for sales and solicitation activities for such insurance products would be subject to similar restrictions as those established under the FIEA. These rules include, among others, (i) regulations on advertisements, (ii) obligation to deliver documents in a written form which must clearly state the possibility of incurring losses and the amount of fees, prior to concluding a contract, (iii) prohibition of loss compensation, and (iv) the suitability rule. These restrictions apply to sales representatives, independent sales agencies and insurance brokers, as well as insurance companies.

Act on Sales of Financial Products and Consumer Contracts Act

The Act on Sales of Financial Products of Japan (Act No. 101 of 2000, as amended) is designed to protect investors in financial products, including insurance products. Under this law, financial service providers, including Nippon Life as a life insurance company, are required to provide adequate explanations to customers of certain material matters such as risks of losses incurred by customers and mechanisms of such financial products causing losses, and to ensure that their solicitation of customers to purchase financial products are made in a fair manner, taking into account each customer's knowledge, experience, financial condition and purpose of purchasing such products. This law also prohibits financial service providers from providing a conclusive statement or misleading information in respect of any uncertain matter in connection with sales of financial products. Financial service providers are held liable for damages suffered by their customers as a result of any failure to meet these obligations. The amount of damages is refutably presumed by the law to be the loss of capital.

The Consumer Contracts Act of Japan (Act No. 61 of 2000, as amended) is designed to protect individual consumers who enter into contracts, or consumer contracts, with business operators, including Nippon Life, in light of the wide disparity between individual consumers and business operators in terms of the volume and quality of information and bargaining power. Under this law, a consumer may cancel, within the shorter of six months after the consumer is entitled to ratify the contract and five years after the contract date, any consumer contract entered into by such consumer if he or she has proposed or agreed to enter into the relevant consumer contract due to his or her misunderstanding arising from a material false statement, a failure to provide material information that is disadvantageous to consumers, or a conclusive statement as to any uncertain future matter by the business operator. A similar cancellation right is also given to consumers if the relevant consumer contract was entered into by a consumer due to solicitation by a business operator in a certain troubling manner. This law also requires business operators to ensure that the terms of consumer contracts are provided in a simple and clear manner so that they are understandable to consumers. If a consumer contract contains a clause which is unfairly prejudicial to the interests of consumers (such as a total waiver of consumers' rights to seek compensation from a business operator for damages suffered by them as a result of the business operator's default) such clause will be void under this law.

Act on Special Civil Court Procedures for Recovery of Collective Consumer Damages

The Act on Special Civil Court Procedures for Recovery of Collective Consumer Damages of Japan (Act No. 96 of 2013, as amended) (the "Special Procedures Act") was promulgated on December 11, 2013 and will become effective within three years following promulgation. Under the Special Procedures Act, certain types of consumer groups, subject to approval by the Prime Minister ("Qualified Consumer Groups"), may initiate lawsuits ("Confirmation Suits") for the purpose of confirming that a particular business operator, including Nippon Life, is liable to large numbers of consumers for monetary obligations arising from a specified cause, based on contracts between such business operator and consumers (a "Common Obligation"). In the event that the existence of a Common Obligation is confirmed through a Confirmation Suit, the relevant Qualified Consumer Group is required, except in limited circumstances, to apply for establishment of a simplified procedure by which individual covered consumers may seek determination of the specific amount of the business operator's liability to them, if any. This procedure is then submitted to the covered consumers for approval, and those approving may submit claims thereunder to the business operator through the relevant Qualified Consumer Group.

Act Preventing Transfer of Profits Generated from Crime

Under the Act Preventing Transfer of Profits Generated from Crime of Japan (Act No. 22 of 2007, as amended) (the "Act Preventing Transfer of Profits Generated from Crime"), financial institutions and other entities, including Nippon Life, are required to perform customer identification procedures and keep records of customer identifications and transactions with customers as prescribed by a ministerial ordinance. The Act Preventing Transfer of Profits Generated from Crime also requires financial institutions and other entities, including Nippon Life, to report to a competent authority if they suspect that any property accepted from a customer has been obtained illegally or the customer conducts certain criminal acts. Customer identification requirements were tightened by the amendment to the Act Preventing Transfer of Profits Generated from Crime which has been in effect from April 2013.

Personal Information Protection Act

The Personal Information Protection Act aims to protect personal information in the context of a society increasingly reliant on information technology. The Personal Information Protection Act contains various provisions including those imposing obligations on a business enterprise, including Nippon Life, utilizing personal information databases which store personal information such as addresses, family members and medical histories. Pursuant to those provisions, a business enterprise utilizing personal information databases is required to (i) specify the purpose of the use of the personal information as clearly as possible, (ii) refrain from using the personal information beyond such purpose without consent by the person to whom such information relates, (iii) notify the person to whom such information relates or publish the purpose of the use when or prior to acquiring the personal information, and (iv) disclose the personal information if the person to whom such information relates requests it. Further, in certain cases, the person to whom such information relates may request the business enterprise to correct, add, refrain from using or erase the personal data.

International Solvency Margin Regulations

Additional requirements that may be proposed in the future, such as the risk-based global insurance capital standard currently developed by the IAIS as part of its Common Framework for the Supervision of IAIGs ("ComFrame") or the recovery and resolution planning, group-wide supervision and higher loss-absorbency ("HLA") requirements developed for G-SIIs, each as described below, could result in significant changes to the current solvency margin regulations. Although we are not currently designated as an IAIG or G-SII, we could become subject to these new requirements in the future, potentially resulting in new limitations on our business or investment activities.

ComFrame includes additional supervisory oversight based on the Insurance Core Principles ("ICP") developed by IAIS, as well as additional requirements and supervisory processes pertaining to the international business activities of IAIGs. In connection with ComFrame, IAIS is in the process of developing a risk-based global insurance capital standard ("ICS") applicable to IAIGs. The development of ICS is expected to be completed by December 2016, and both ComFrame and ICS requirements are expected to be finalized by late 2018. IAIS is conducting a field testing of ComFrame, including the ICS, ahead of that deadline. It is expected that implementation of ComFrame and ICS would begin in 2019.

In July 2013 and November 2014, the Financial Stability Board ("FSB"), consisting of representatives of national financial authorities of the G20 nations, published its lists of G-SIIs, based on the assessment methodology developed by IAIS. The FSB will continue to update the list annually. The IAIS intends G-SIIs to be subject to a policy framework that includes recovery and resolution planning requirements, enhanced group-wide supervision, enhanced liquidity and strategic risk management planning, basic capital requirements ("BCR") and HLA capital requirements. The BCR, finalized by IAIS in November 2014, covers all group activities and is required to be reported to national authorities on a confidential basis beginning in 2015. The BCR will serve as the initial foundation for the application of HLA capital requirements, which the IAIS intends to be calculated in part based on engagement in non-traditional and non-insurance activities. It is expected that the IAIS will develop HLA capital requirements by November 2015 and G-SII policy framework will be fully implemented by 2019.

Legislation in the European Union could also affect our business. The Solvency II Directive (2009/138/EEC) ("Solvency II"), which was adopted in November 2009 and became effective on January 1, 2016, reforms the insurance industry's solvency framework, including minimum capital and solvency requirements, governance requirements, risk management and public reporting standards. Solvency II is expected to be accompanied by Omnibus II, an EU proposal adopted in March 2014 for a directive that also contains provisions for the capital treatment of products with long-term guarantees.

The foregoing international requirements and developments could impact our business and the manner in which we operate both within and outside Japan. The possibility of inconsistent and conflicting regulation applicable to us also exists as law makers and regulators in multiple jurisdictions simultaneously pursue these initiatives.

THE JAPANESE LIFE INSURANCE INDUSTRY

The information in the section below has been derived, in part, from various government and private publications unless otherwise indicated. This information has not been independently verified by Nippon Life. Unless otherwise stated herein, Japan Post Insurance and cooperative insurers are not included in any of the life insurance industry data appearing in this offering circular. This information may not be consistent with other information compiled within or outside Japan.

Overview

Japan is the second largest life insurance market in the world after the United States, based on total premium volume. The following table shows the world's five largest life insurance markets as measured by premium volume for calendar year 2014 (except for Japan whose data is based on the April 1, 2014 to March 31, 2015 fiscal year):

	Premium volume in 2014	Percentage of world market in 2014
	(Millions of dollars, except percentages)	
United States[1]	$ 528,221	19.9%
Japan[2]	371,588	14.0%
United Kingdom	235,321	8.9%
China	176,950	6.7%
France	172,761	6.5%
Other	1,169,708	44.0%
Total	$ 2,654,549	100.0%

Notes:

(1) Life insurance premiums have been supplemented with estimated premiums for group pensions which have not been included in the statistics for some regions since 2001.

(2) Data includes Japan Post Insurance and life insurance provided by the Japan Agricultural Cooperatives.

Source: Sigma No.4/2015 "Sigma World insurance in 2014" (Swiss Re).

Japan also has one of the highest market penetration rates in the world, with 89.2% of Japanese households maintaining a life insurance policy (for individual life insurance, individual annuities and group life insurance), including the Japanese Consumers' Cooperative Union and the National Federation of Workers and Consumers Insurance Cooperative, in 2015, according to the Japan Institute of Life Insurance. As of March 31, 2015, the Japanese life insurance industry as a whole, including Japan Post Insurance, had total assets of ¥367,255 billion and policy amount in force of ¥1,369,581 billion. New life insurance policies (for individual insurance, individual annuities, group insurance and group annuities) sold by the Japanese life insurance industry as a whole, including Japan Post Insurance, measured by policy amount (including net increases in policy amount due to conversions), was ¥79,170 billion for the year ended March 31, 2015. The market penetration rate in Japan, by household and excluding the Japanese Consumers' Cooperative Union and the National Federation of Workers and Consumers Insurance Cooperative, peaked at 95.0% in 1994 and has experienced a continuing decline since then. This market penetration rate fell to 89.2% in 2015.

Mortality rates used in calculating the standard policy reserve are based on rates established by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA. Expected mortality rates for 44-year-old males and females, which were revised downward in 2007, were 2.11‰ and 1.29‰, respectively. The actual mortality rates in 2014 for 44-year-old males and females were 1.58‰ and 0.90‰, respectively, according to the Ministry of Health, Labor and Welfare of Japan.

The following table sets forth financial information of the Japanese life insurance industry as a whole as of the dates shown:

	As of and for the year ended March 31,				
	2011	2012	2013	2014	2015
	(Billions of yen, except percentages)				
Total assets	¥320,691	¥326,952	¥344,998	¥350,582	¥367,255
Total revenues from insurance and reinsurance	35,103	37,029	38,069	35,784	38,681
Total premium income	34,454	36,289	37,140	34,738	37,222
Policy amount in force					
Individual insurance	879,596	865,346	861,651	857,540	857,432
Individual annuities(1)	95,710	98,915	103,518	103,788	104,131
Group insurance	371,519	370,330	370,112	371,288	373,127
Group annuities	30,947	31,166	31,815	32,742	33,355
New policy amount(2)					
Individual insurance	62,992	65,601	71,345	66,836	67,431
Individual annuities	6,894	7,899	8,563	8,003	8,632
Group insurance	2,482	3,021	3,041	4,479	3,060
Group annuities	7	8	19	2	45
Annualized net premium from policy in force	21,781	22,775	23,856	24,449	25,225
Annualized net premium from new policy	2,732	2,917	2,943	2,819	3,106
Surrender and lapse ratio(3)	6.1%	5.8%	5.7%	5.5%	5.4%

Notes:

(1) The policy amount for individual annuities is the sum of (a) the funds held for annuity payments at the time such payments are to commence and (b) the policy reserve amount for annuities for which such payments have already commenced.

(2) New policy amount (including net increases in policy amount due to conversions) for the one-year period ended on the dates indicated.

(3) Data is for individual insurance products and individual annuity products.

(4) The above table includes data for Japan Post Insurance.

Source: The Life Insurance Association.

Providers of Life Insurance in Japan

According to the Life Insurance Association, there were 41 life insurance companies in Japan as of July 21, 2015, including Japan Post Insurance, foreign-owned companies, subsidiaries of non-life insurance companies and other smaller life insurance companies that have recently entered the market.

In addition, public announcements and press releases by the five largest life insurance groups indicated that they had a 59.8% market share in the Japanese life insurance market of a total volume of premium income, excluding Japan Post Insurance, in the year ended March 31, 2015. The following table sets forth the market share of the top five life insurance groups:

	Percentage of Japanese life insurance industry market share(5) by premium income(6) for the year ended March 31, 2015
Nippon Life(1)	17.1%
Dai-ichi Life(2)	15.9%
Meiji Yasuda Life	10.9%
Sumitomo Life(3)	8.3%
Prudential Financial(4)	7.6%
Other companies	40.2%
Total	100.0%

Notes:

(1) Nonconsolidated basis.

(2) Aggregate of Dai-ichi Life, Dai-ichi Frontier Life and Neo First Life.

(3) Aggregate of Sumitomo Life and Medicare Life.

(4) Aggregate of Prudential Life, Gibraltar Life and Prudential Gibraltar Financial Life.

(5) Does not include data for Japan Post Insurance.

(6) Premium income excludes reinsurance premiums.

Source: The Life Insurance Association, public announcements and press releases of the respective companies containing financial results for the year ended March 31, 2015. Nippon Life has not independently verified and is unable to confirm the accuracy of the data presented for the other companies.

Japan Post Insurance and Cooperative Insurance

Japan Post Holdings is a government-owned holding company with three primary subsidiaries, including Japan Post Insurance through which it engages in the life insurance business. Japan Post Insurance enjoys competitive advantages in the Japanese insurance market due to its large existing customer base, access to the nationwide network of post offices of Japan Post and favorable public perception of its stability due to its association with the government. In 2008, Japan Post Insurance began agency sales of the insurance products of a number of life insurance companies. Although Japan Post Insurance issues only smaller-sized life insurance policies to the retail market with maximum coverage of ¥13 million per insured, these favorable characteristics give Japan Post Insurance a competitive advantage in the market. As a result, Japan Post Insurance has grown to become one of the biggest life insurance organizations in the world, with total assets related to its insurance business of ¥84,911.9 billion as of March 31, 2015. In May 2012, the Japanese government promulgated the amendment to the Postal Service Privatization Act, allowing Japan Post Insurance to become privatized. As the first phase of the privatization, consisting of the initial public offerings of Japan Post Holdings, Japan Post Insurance and Japan Post Bank, listing applications for these companies were approved by the Tokyo Stock Exchange on September 10, 2015, and shares of the three companies have been listed since November 4, 2015. Following the listing of Japan Post Insurance, Japan Post Holdings owns approximately 89% of the outstanding shares of Japan Post Insurance. While the Postal Service Privatization Act provides that Japan Post Holdings must eventually dispose of all of its shares of Japan Post Insurance, Japan Post Holdings has announced its intention, as an initial matter, to reduce its equity interest in Japan Post Insurance in multiple stages to around 50%. There is uncertainty over the timing of the completion of the privatization of Japan Post Insurance. In addition, there are other cooperative insurers, though not as large as Japan Post Insurance, including those operated by the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Cooperative Union.

Life Insurance Policyholders Protection Corporation of Japan

We, like other Japanese life insurance companies, are required to support policyholders of failed life insurance companies through payments to the LIPPC. The LIPPC was established pursuant to the Insurance Business Act in 1998 to provide a system for the protection of policyholders of failed life insurance companies. The LIPPC is authorized to provide funds in connection with the transfer of insurance policies from a failed life insurance company to a successor company and perform certain other specified functions. See "Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Regulation for the Protection of Policyholders."

The life insurance industry is required to accept funding commitments to the LIPPC of an aggregate of up to ¥33 billion per year. This funding obligation is allocated among all Japanese life insurance companies licensed under the Insurance Business Act based on amounts of premium and certain investment income and policy reserves. The allocation amounts are revised annually. We made contributions of ¥7.4 billion, ¥7.4 billion and ¥6.1 billion to the LIPPC in the years ended March 31, 2013, 2014 and 2015, respectively. We expect the amount of our contribution in the current and future fiscal years to be comparable to the amounts of our contributions made in prior fiscal years. However, as stated above, this amount is adjusted annually based on the relative size of our premium and certain investment income and policy reserve amounts within the life insurance industry as a whole and could be increased. All of our payments to the LIPPC are charged to operating expenses when paid.

In addition to these annual contributions, the LIPPC may borrow up to an aggregate of ¥460 billion from banks, insurance companies and other financial institutions, with the authorization of the Commissioner of the FSA and the Minister of Finance. The LIPPC may, in accordance with its rules, request that licensed life insurance companies provide security for any such borrowings. As of March 31, 2015, the LIPPC had no outstanding balance of borrowings.

While members of the LIPPC, including us, are still required to make an aggregate upper limit funding commitment in the amount of ¥33 billion per year, and while the LIPPC is entitled to request that we and other LIPPC members provide security for its borrowings, the National Diet of Japan (the "Diet") amended the Insurance Business Act in 2005 to permit the Japanese government to cover losses in excess of ¥460 billion minus the aggregate balance of the LIPPC's borrowings, in the event of life insurance company failures. This amendment became effective in 2006 and applies to failures of life insurance companies occurring through March 31, 2017.

Business Segments

The business of Japanese life insurance companies can generally be classified into four principal segments. The following table shows industry policy amount information of the individual insurance, individual annuities, group insurance and group annuities product lines of the Japanese life insurance industry as of and for the year ended March 31, 2015:

	As of and for the year ended March 31, 2015[1]	
	Policy in force[2]	New policy[2]
	Total policy amount in force	Total new policy amount[3]
	(Billions of yen)	
Individual insurance	¥ 857,432	¥ 67,431
Individual annuities	104,131	8,632
Group insurance	373,127	3,060
Group annuities	33,355	45

Notes:
(1) Includes workers' asset-formation insurance and annuities, medical life insurance, disability income insurance and reinsurance.
(2) Includes data for Japan Post Insurance.
(3) New policy amount includes net increases in policy amounts due to conversions.
Source: The Life Insurance Association.

Individual Segment

The largest business segment in the Japanese life insurance industry is the individual segment, which can be classified into the individual life and the individual annuities. The following table shows policy amount information of the individual segment by product lines:

	As of and for the year ended March 31, 2015			
	Policy in force[1]		New policy[1]	
	Total policy amount in force	% of total	Total new policy amount[2]	% of total
	(Billions of yen, except percentages)			
Mortality insurance	¥733,730	76.3%	¥59,589	75.9%
Life and mortality insurance	116,532	12.1	8,469	10.8
Pure endowment	7,169	0.7	1,844	2.3
Individual annuities	104,131	10.8	8,655	11.0
Total	¥961,563	100.0%	¥78,559	100.0%

Notes:
(1) Includes data for Japan Post Insurance.
(2) New policy amount does not include net increases in policy amounts due to conversions.
Source: The Life Insurance Association.

Individual insurance

According to the Life Insurance Association, the total policy amount in force for individual insurance of the industry as a whole was ¥857,432 billion as of March 31, 2015. The principal types of life insurance products are whole life, whole life with term rider, term life and endowment insurance. Whole life insurance policies pay a death benefit to the beneficiary upon the death (including invalidity) of the insured at any time. Whole life insurance policies also accumulate a cash surrender value, giving these products an investment component. Whole life insurance with term rider policies, a combination of whole life insurance policies and term life policy riders, provide for a higher payment if the insured dies within a specified period and has traditionally been the most common life insurance product in Japan. Under term life insurance policies and policy riders, the beneficiary receives death benefits if the insured dies within a specified term. Term life insurance policies offer extensive coverage for relatively inexpensive premium amounts. Term life insurance policies traditionally provided little or no cash surrender value upon surrender of the policy and the policy periods were typically relatively short. However, a number of life insurance companies are providing larger cash surrender values for certain term life insurance policies with relatively longer policy periods. Endowment insurance provides insurance from the inception of the policy to the maturity date. Endowment insurance pays a death benefit to the beneficiary if the insured dies within a specified term or a maturity benefit of the same amount to the policyholder if the insured survives to the end of that term.

The following table sets forth the total policy amount in force and new policy amount for individual insurance by product line for the Japanese life insurance industry:

	As of and for the year ended March 31, 2015			
	Total policy amount in force	% of Total	Total new policy amount	% of Total
	(Billions of yen, except percentages)			
Whole life	¥ 157,989	18.4%	¥ 15,208	21.8%
Whole life with term rider	154,620	18.0	1,650	2.4
Term life	237,329	27.7	31,099	44.5
Endowment and others	307,492	35.9	21,946	31.3
Total	¥ 857,432	100.0%	¥ 69,904	100.0%

Note:
(1) Includes data for Japan Post Insurance.
Source: The Life Insurance Association.

In addition to individual life insurance products, Japanese life insurance companies also offer supplemental insurance policies in the so-called third sector, which lies between the traditional life insurance and non-life insurance sectors. These supplemental insurance policies are health-related policies specifically designed to supplement national health care programs and include policies for insurance against cancer, hospitalization and personal accidents. Until July 2001, the sale of independent products in the third sector was restricted to small- and medium-sized life insurance companies and foreign insurance companies. They are offered in the form of independent products and as policy riders. In the table above, independent supplemental insurance policies are included in endowment and others if they are combined with other death benefits; policy riders accompanying whole life insurance are included in whole life with term rider; and medical insurance and riders that are not combined with death benefits are not included.

The following table sets forth the annualized net premiums including medical coverage and living benefits for both policies in force and new policies for the Japanese life insurance industry:

	As of and for the year ended March 31,				
	2011	2012	2013	2014	2015
	(Billions of yen)				
Annualized net premium from medical coverage, living benefits, etc.(1)					
Policies in force	¥5,053.0	¥5,252.7	¥5,384.8	¥5,538.3	¥5,704.7
New policies(2)	549.8	575.6	510.2	532.0	560.0

Notes:
(1) Includes data for Japan Post Insurance.
(2) New policy includes net increases in policy amounts due to conversions.
Source: The Life Insurance Association.

Individual annuities

The total policy amount in force for individual annuities in the Japanese life insurance industry was ¥104,131 billion as of March 31, 2015. Annuities are a type of insurance product that provides periodic, typically annual, payments from a designated time in the future until the death of the insured or for a specified period. A single-premium benefit payment is made upon the death of the insured prior to commencement of annuity payments. If the death of the insured occurs after annuity payments have commenced and prior to the end of the fixed annuity payment term, the remainder of the annuity payments may either be accelerated or may continue to be paid in accordance with the schedule outlined in the policy. Individual annuity products include both fixed return products and variable return products for which the return reflects the result of investments made in separate accounts.

Group Segment

Group insurance

The total policy amount in force for group insurance in the Japanese life insurance industry was ¥373,127 billion as of March 31, 2015. Group insurance offers coverage similar to individual insurance except that many individuals are covered as the insured under a single policy and the policyholder is usually the individuals' employer or other organizations to which the individual belongs. Major group insurance products include group term life insurance and group credit life insurance. Group credit life insurance is a type of policy entered into by financial institutions to provide coverage on the borrower as the insured for the outstanding balance of mortgages or other loans made by the financial institutions.

Group annuities

The total policy amount in force for group annuities in the Japanese industry was ¥33,355 billion as of March 31, 2015. Life insurance companies offer group annuity products to corporations and other organizations as policyholders for the benefit of their employees and other organization members as insured parties. Such group annuity products may be structured as a sponsored benefit program with premiums paid by the organizations or on a non-sponsored basis with premiums paid by the insured parties.

Group annuity products include both fixed return products and variable return products for which the return reflects the result of investments made in separate accounts. Benefit plans that meet specified conditions may be qualified for preferential tax treatment.

Market Segment

The Japanese markets for the sale of life insurance products can generally be divided into the retail and corporate markets.

Retail

The retail market consists of sales made by sales agencies and sales representatives, mainly through traditional door-to-door sales activities, to individuals, typically women and the middle-aged or elderly. In addition, the retail market includes the sale of products directly to the employees of corporations through sales activities by sales representatives at such corporations' offices. Individual products such as whole life, whole life with term rider, endowment, annuity and third-sector products are popular in the retail market. In general, the increasing life expectancy of the Japanese population and the increase in medical expenses not covered by the national health insurance provides a more favorable climate for products such as annuity and third-sector products that offer benefits with respect to death, medical care and nursing care, compared to products that provide benefits upon death or maturity. In light of this environment, many insurance companies have begun emphasizing sales activities for such products.

Corporate

The corporate market includes sales of group insurance and annuities to corporations, which use the products to provide employee benefit programs. These programs are designed to help employees accumulate monetary assets, to provide for their postretirement security and to insure against death during employment. Similar programs also exist for national and local government personnel. Insurance companies offer a full range of services through their respective corporate sales divisions to meet the needs of such corporations and government entities.

Distribution Channels

The main distribution channels for the Japanese life insurance sales market can be classified into a number of channels mainly consisting of: sales representatives, bancassurance, independent sales agencies, insurance outlets and direct sales channels, such as the Internet.

Sales Representatives

Japanese life insurance companies have traditionally relied primarily on their exclusive distribution channel to market products, largely in the form of sales representatives that conduct workplace and door-to-door sales activities. Except for 2008 and 2009, the number of sales representatives has continually declined, and the total number of registered sales representatives declined by 0.5% to 227,724 in 2014 as compared to 2013.

Bancassurance Channel

As part of financial deregulation, the Japanese government amended the Insurance Business Act in May 2000 and, in April 2001, began deregulating certain bancassurance products that domestic banks can provide. In October 2002 and December 2005, the restriction was again scaled back, and the range of applicable products was expanded, which led to the practical beginning of banks offering bancassurance products in the end of 2002. In December 2007, the final phase was implemented, and all restrictions on the sale of bancassurance products by banks were eliminated.

According to the FSA, bancassurance sales accounted for 8.6% of the entire life insurance market in 2010. Single-premium whole life products are the primary driver of bancassurance sales, accounting for 59.6% of all insurance sales through the bancassurance channel. Although the majority of sales (88.2% in 2010) for variable annuities still came through bancassurance sales, the overall percentage of variable annuities among all bancassurance sales has declined from 72.6% in 2006 to 11.3% in 2010. Fixed individual annuities have remained relatively constant, with bancassurance sales accounting for 24.9% of all fixed individual annuities sold, and 25.4% of the entire bancassurance sales market.

Sales Agencies

There are two types of sales agencies: individual agencies and corporate agencies. Although individual sales agents have been an important channel for Japanese life insurance companies, the number of individual agents has decreased to 59,700 in 2014.

Insurance Outlets

Japanese life insurance companies typically have direct insurance outlets. These direct outlets provide the companies' own insurance products face-to-face. There are also an increasing number of third-party insurance outlets which provide a variety of insurance products from various companies. For instance, *Hoken no Madoguchi* provides products from 25 life insurance companies, including Nippon Life, through over 545 outlets as of January 5, 2016.

Direct Sales

In recent years there has been a general increase in the use of new sales methods such as direct sales. Direct advertising on television and through print media and sales efforts through the Internet have gradually increased. In addition, new insurance companies that provide life insurance products and services through the Internet, such as Lifenet Insurance Company, have also emerged in recent years to take advantage of the cost savings available to such direct marketing insurers.

Growth Markets

On July 1, 2001, the market for third-sector or supplemental insurance was deregulated for major life insurance companies. Previously, major life insurance companies could offer third-sector insurance only in the form of policy riders. As a result of the deregulation of the third-sector insurance market, some large Japanese life insurance companies have entered this market through the sale of independent third-sector insurance policies. Third-sector insurance has generally been growing in recent years and is expected to continue to grow due to the aging of Japan's population and a corresponding increase in overall medical expenses. The demand for health insurance products in particular is expected to increase, given that only a portion of medical expenses is currently covered by corporate benefit plans or Japan's national health care insurance system. We believe that the increasing proportion of uncovered medical expenses will lead to continuing growth in the market for third-sector insurance products.

The aggregate amount of annualized net premiums received by life insurance companies in Japan from third-sector insurance products has steadily increased for the past five years with respect to both policies in force and new policies.

Demographic changes and the present low-interest rate environment are expected to result in increased demand for asset accumulation and retirement savings products. Currently, life insurance companies are offering individual fixed annuities to meet such customers' savings needs. A large portion of Japanese household financial assets, 52.0% as of June 30, 2015, are deposits and savings. The aging of the Japanese population is expected to result in increased demand for products that convert such assets into a source of periodic income. There is also potential for growth among previously underrepresented customers, due to increased life insurance needs among groups such as women and young customer segments. Within the female market, social advancement is leading to greater levels of financial independence. Within the youth market, increasing numbers are entering major companies due to the retirement of the baby boomer generation. We anticipate both segments will generate demand for living needs benefits and cancer coverage in particular.

Since growth is expected in these markets, a large number of companies have expressed interest in these markets, and competition is expected to be significant.

DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to an indenture to be dated on or around January 20, 2016 (the "Indenture") between Nippon Life and The Bank of New York Mellon in its respective capacities as (i) trustee, (ii) paying agent, (iii) calculation agent, (iv) make-whole calculation agent and (v) notes registrar.

The following description of the Notes is a summary of the detailed provisions of the Notes and the Indenture. It does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the Notes and the Indenture, including the definitions of certain terms used therein. Nippon Life urges you to read those documents in their entirety because they, and not this description, define the rights of holders of the Notes. You may make written request for copies of those documents from the corporate trust office of the trustee located at 101 Barclay Street, New York, NY 10286, U.S.A. The holders of the Notes are deemed to have notice of all the provisions of the Notes and the Indenture.

General

The Notes initially will be limited to $1,500,000,000 aggregate principal amount. The Notes will be issued in fully registered form, without coupons, with a minimum denomination of $200,000 and integral multiples of $1,000 in excess thereof. The interest payment dates shall be January 20 and July 20 of each year (each an "interest payment date"), beginning on July 20, 2016, until the Notes are fully redeemed. The Notes will mature on January 20, 2046 and will only be redeemable or repayable as described under "—Redemption" and "—Events of Acceleration; Limited Rights of Acceleration."

From, and including, January 20, 2016 to, but excluding, January 20, 2026 (the "first call date"), the Notes will bear interest at 4.70% *per annum*, payable semi-annually in arrears on each interest payment date, unless deferred.

The rate of interest of the Notes will be reset on the first call date and every date which falls five, or a multiple of five, years thereafter (each a "reset date"), until all Notes are fully redeemed. From, and including, each reset date to, but excluding, the next following reset date or the date on which the Notes are finally redeemed, whichever is the earlier (each such period a "reset interest period"), the interest rate *per annum* on the Notes will be equal to the "reset interest rate", which is the sum of the applicable 5-year mid-swap rate (as defined below) and 3.75% *per annum*, payable semi-annually in arrears on each interest payment date, beginning on July 20, 2026, unless deferred.

The reset interest rate for each applicable reset interest period shall be determined by the calculation agent on the reset interest rate determination date (as defined below). For purposes of calculating the reset interest rate, "5-year mid-swap rate" shall be the mid-swap rate for U.S. dollar swaps with a term of five years which appears on the Reuters screen "ISDAFIX1" (or such other page as may replace it for the purpose of displaying rates comparable to the 5-year mid-swap rate) at approximately 11:00 a.m., New York City time, two New York City banking days (as defined below) before the relevant reset date (the "reset interest rate determination date"). "New York City banking day" means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to close in New York City. If such rate does not appear or if the relevant page is unavailable, the 5-year mid-swap rate will be determined on the basis of the 5-year mid-swap rate quotations (as defined below) provided to the calculation agent at approximately 12:00 p.m., New York City time, on such reset interest rate determination date by six leading swap dealers in the New York City interbank market selected by the calculation agent (excluding any trustee, paying agent, calculation agent, make-whole calculation agent or notes registrar of Nippon Life or any of their respective affiliates) after consultation with Nippon Life. If at least three quotations are provided, the 5-year mid-swap rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the 5-year mid-swap rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the 5-year mid-swap rate will be the quotation provided. If no quotations are provided, the 5-year mid-swap rate for the relevant reset interest period will be in the case of each reset interest period other than the reset interest period commencing on the first call date, the 5-year mid-swap rate in respect of the immediately preceding reset interest period.

"5-year mid-swap rate quotations" means the arithmetic mean of the bid and offered rates for the semi-annual fixed leg (calculated on the basis of a 360-day year of twelve 30-day months) of a fixed-for-floating U.S. dollar interest rate swap transaction which: (i) has a term of five years commencing on the relevant reset date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on three-month U.S. dollar London interbank offered rate (calculated on the basis of the actual number of days in the relevant period divided by 360).

If any interest payment date falls on a day that is not a business day (as defined below), then Nippon Life will make the required payment of principal or interest (or additional amounts, as described in "—Taxation and Additional Amounts", if any) on the next succeeding business day, and no additional interest will accrue in respect of the payment made on that next succeeding business day.

Interest on the Notes will be paid to the persons in whose names the Notes are registered as of the close of business on the 15th calendar day (whether or not such date is a business day) immediately preceding the applicable interest payment date (each, an "interest payment record date"). The principal of, and interest on, the Notes will be payable in U.S. dollars (or in such other coin or currency of the United States of America as of the time of payment that is legal tender for the payment of public or private debts).

"Business day" for the purposes of the Indenture and the Notes means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to close in New York City, London or Tokyo.

Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If any payment in respect of the Notes by Nippon Life or its paying agent is subject to deduction or withholding imposed pursuant to or in connection with Sections 1471-1474 of the U.S. Internal Revenue Code or U.S. Treasury regulations or guidance issued thereunder, including deduction or withholding pursuant to an agreement with the U.S. Treasury, inter-governmental agreement or legislation adopted by any non-U.S. jurisdiction in connection with these provisions ("FATCA"), the amount so deducted or withheld will be treated as paid under the Notes for all purposes, and no additional amounts will be paid on the Notes with respect to such deduction or withholding.

Status of the Notes; Subordination

The Notes will constitute irrevocable, direct, unsecured and subordinated obligations of Nippon Life. Claims in respect of the Notes shall at all times rank *pari passu* and without any preference among themselves and *pari passu* with liquidation parity securities (as defined below), as to priority of liquidation payment in the sense that payment in respect of the Notes is limited upon the occurrence of a subordination event (as defined below), as described in the following paragraph, and in priority to (i) claims of holders of interests in the foundation funds (*kikin*) of Nippon Life and (ii) claims of any other instruments of Nippon Life that are expressly designated as being junior to the Notes as to priority of liquidation payment.

"Liquidation parity securities" means any liabilities of Nippon Life that are expressly designated as being on a parity with, or ranking *pari passu* with, the Notes as to priority of liquidation payment, and, for the avoidance of doubt, shall not include foundation funds obligations. Liquidation parity securities outstanding as at the date of this offering circular consist of the 2012 Notes, the 2014 Notes and the 2015 Notes.

Upon the occurrence of a subordination event, the obligations of Nippon Life pursuant to the Notes shall be subordinated in right of payment to all senior indebtedness (as defined below) of Nippon Life, and so long as such subordination event continues, no payment will be made under the Notes (except for such amounts as have become due and payable, other than solely by way of acceleration, prior to the date on which a subordination event shall have occurred) unless and until a condition for liquidation payment (as defined below) shall have occurred.

"Condition for liquidation payment" means (i) in the case of a subordination event under clause (a) of the definition of "subordination event", the total amount of any and all senior indebtedness of Nippon Life, claims in respect of which having been filed within the prescribed period in the liquidation proceedings or of which Nippon Life has knowledge shall have been paid in full in the liquidation proceedings pursuant to the relevant law, (ii) in the case of a subordination event under clause (b) of the definition of "subordination event", the total amount of any and all senior indebtedness of Nippon Life listed on the final distribution list, as amended, submitted to the court in the bankruptcy proceedings shall have been paid or provided for in full (including discharge by deposit of funds with the competent authority) pursuant to the relevant law, (iii) in the case of a subordination event under clause (c) of the definition of "subordination event", the total amount of any and all senior indebtedness which is listed in the reorganization plan of Nippon Life at the time when the court's approval of the reorganization plan becomes final and conclusive shall have been paid in full in the reorganization proceedings to the extent that the liabilities shall have been fixed, (iv) in the case of a subordination event under clause (d) of the definition of "subordination event", the total amount of any and all senior indebtedness which is listed in the rehabilitation plan of Nippon Life at the time when the court's approval of the rehabilitation plan becomes final and conclusive shall have been paid in full in the rehabilitation proceedings to the extent that the liabilities shall have been fixed, provided that if the court finally and conclusively approves summary or consent rehabilitation proceedings or the cancellation of the rehabilitation plan, or the rehabilitation proceedings are finally and conclusively cancelled or discontinued by the court, Nippon Life shall be deemed to have never been subject to a subordination event under clause (d) of the definition of "subordination event", and accordingly this paragraph shall not apply, or (v) in the case of a subordination event under clause (e) of the definition of "subordination event", conditions equivalent to those set forth in (i), (ii), (iii) or (iv) above have been fulfilled (provided that if the imposition of any such condition is not allowed under such proceedings, any amount which becomes due under the Notes shall become payable in accordance with the Notes and shall not be subject to such condition).

The rights of the holders of the Notes will be reinstated with respect to any payments made to the holders that are subsequently avoided in the bankruptcy, reorganization or rehabilitation proceedings (or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan) of Nippon Life, as though such payments had not been made. A holder of a Note, by acceptance of the Note, agrees that (i) if any payment on the Note is made to the holder after the occurrence of a subordination event and the amount of the payment shall exceed the amount, if any, that should have been paid to the holder upon the proper application of the subordination provisions of the Note, the payment of the excess amount shall be deemed null and void and the holder shall be obliged to return the amount of the excess payment within ten days after receiving notice of the excess payment, and (ii) upon the occurrence of a subordination event and so long as the subordination event shall continue, the holder shall not exercise any right to set off any liabilities of Nippon Life under the Note (except for such amounts as have become due and payable, other than solely by way of acceleration, prior to the date on which a subordination event shall have occurred) against any liabilities of the holder owed to Nippon Life unless, until and only in the amount as the liabilities of Nippon Life under the Notes become payable pursuant to the proper application of the subordination provisions (provided, however, in the case of subordination event (d) below, that if the court finally and conclusively approves summary or consent rehabilitation proceedings or the cancellation of the rehabilitation plan, or the rehabilitation proceedings are finally and conclusively cancelled or discontinued by the court, Nippon Life shall be deemed to have never been subject to such subordination event).

No amendment or modification to the subordination provisions contained in the Indenture that is prejudicial to any creditor in respect of any present or future senior indebtedness of Nippon Life shall be made in any respect. No such amendment or modification shall in any event be effective against any such creditor.

"Subordination event" means any one of the following events:

(a) a liquidation proceeding (including the voluntary liquidation proceeding (*tsujo seisan*) or special liquidation proceeding (*tokubetsu seisan*)) shall have commenced with respect to Nippon Life pursuant to the Insurance Business Act or any successor legislation thereto;

(b) a court of competent jurisdiction in Japan shall have commenced bankruptcy proceedings with respect to Nippon Life pursuant to the provisions of the Bankruptcy Act or any successor legislation thereto;

(c) a court of competent jurisdiction in Japan shall have commenced reorganization proceedings with respect to Nippon Life pursuant to the provisions of the Special Reorganization Act or any successor legislation thereto;

(d) a court of competent jurisdiction in Japan shall have commenced rehabilitation proceedings with respect to Nippon Life pursuant to the provisions of the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended) (the "Civil Rehabilitation Act") or any successor legislation thereto; and

(e) Nippon Life shall have become subject to liquidation, bankruptcy, reorganization, rehabilitation or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, which proceedings have an equivalent effect to those set out in (a), (b), (c) or (d) above.

"Senior indebtedness" means all benefits and claims and other liabilities of Nippon Life (including, for the avoidance of doubt, statutory subordinated bankruptcy claims (*retsugoteki hasan saiken*) as defined in the Bankruptcy Act) other than liabilities under the Notes, any liquidation parity securities, claims of holders of interests in the foundation funds or claims of any other instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment.

As a consequence of the subordination provisions in the Notes, in the event of the occurrence of a subordination event, the holders of the Notes may recover less ratably than the holders of insurance policies and other unsubordinated liabilities of Nippon Life. Holders of the Notes may be required to pursue their claims with respect to the Notes in Japan. To the extent that holders of the Notes are entitled to any recovery in any action or proceeding in Japan, the holders might not be entitled in the action or proceeding to a recovery in U.S. dollars and might be entitled in the action or proceeding only to a recovery in Japanese yen. Nippon Life will agree pursuant to the terms of the Notes to indemnify the holders of the Notes against certain losses incurred as a result of any judgment or order being given or made for any amount due under the Notes and the judgment or order being expressed and paid in a currency other than U.S. dollars. Any amounts due under this indemnification and any additional amounts due in respect of Japanese withholding taxes as provided by the terms of the Notes will be subordinated in right of payment in any such proceeding.

Pursuant to the provisions of the Insurance Business Act, the Bankruptcy Act, the Special Reorganization Act or the Civil Rehabilitation Act, the holders of liabilities, both subordinated and unsubordinated, of Nippon Life will be required to file a proof of claims in Japan upon the occurrence of a subordination event. Upon the expiration of the period for filing the proofs, based on those filed and the records of Nippon Life, an official list of liabilities that will be entitled to receive distribution in a bankruptcy, reorganization or rehabilitation proceeding will be determined pursuant to the provisions of the Bankruptcy Act, the Special Reorganization Act or the Civil Rehabilitation Act. To the extent that any liabilities senior to the Notes are not included on the final official list in Japan or are not accorded equivalent status pursuant to any applicable law of any jurisdiction other than Japan, the liabilities will no longer rank senior to any amounts payable under the Notes.

The Indenture and the Notes do not contain any limitations on the amount of senior indebtedness or other liabilities that may be hereafter incurred or assumed, including through guarantee obligations, by Nippon Life.

Deferral of Interest Payments; Arrears of Interest

Optional Deferral of Interest Payments

Nippon Life may, at its sole discretion, elect to defer payment of all (and no less than all) of the interest accrued on the Notes on any interest payment date, so long as such interest payment date does not constitute a mandatory interest deferral date (as defined under "—Mandatory Deferral of Interest Payments"). Any such election to defer payment of interest accrued as of an interest payment date shall not constitute a default by Nippon Life for any purpose. Any such accrued interest, the payment of which is so deferred, so long as such interest remains unpaid, shall constitute arrears of interest and shall be subject to the provisions described under "—Arrears of Interest". In order to elect deferral of payments, Nippon Life must provide written notice to the trustee, the paying agent and the holders of the Notes no later than one business day prior to the interest payment record date for the relevant interest payment date.

Mandatory Deferral of Interest Payments

If, as of a date that is five business days prior to the interest payment record date for any interest payment date, (i) a capital deficiency event (as defined below) has occurred and is continuing or (ii) any payment in relation to the Notes or a liquidation parity security has been deferred and continues to be in deferral, Nippon Life shall be required to (a) defer payment of all (and no less than all) of the interest accrued on the Notes as of such interest payment date and (b) provide written notice to the trustee, the paying agent and the holders of the Notes at least one business day prior to the interest payment record date for the relevant interest payment date. Any such mandatory deferral of interest accrued on the Notes as of an interest payment date shall not constitute a default by Nippon Life for any purpose. Any such accrued interest, the payment of which is so deferred, so long as such interest remains unpaid, shall constitute arrears of interest and shall be subject to the provisions described under "—Arrears of Interest". Any such interest payment date subject to this mandatory deferral requirement shall constitute a "mandatory interest deferral date".

A "capital deficiency event" shall be deemed to have occurred if, as of the relevant date, (i) the capital adequacy condition (as defined below) is not met or would not be met as a result of such payment of interest on the Notes or (ii) the Commissioner of the FSA has issued any order of prompt corrective action (*souki zesei sochi*) in relation to regulatory capital requirements to Nippon Life and such order remains in effect.

The "capital adequacy condition" shall be met if, as of the relevant date, (i) Nippon Life's solvency margin ratio (or such other measure of capital adequacy then used by the applicable regulatory requirements) meets or exceeds the regulatory minimum capital requirements (as defined below), and (ii) a deferral of interest on the Notes is not required under the then applicable regulatory requirements in Japan (or an official application or interpretation of such regulations, including a decision of a court or a tribunal in Japan).

"Regulatory minimum capital requirements" means, as of any date, the then applicable solvency margin ratio (or such other measure of capital adequacy then used by the applicable regulatory requirements) required to be maintained under the Insurance Business Act and related regulations (including any successor laws and regulations) or any other solvency margin or capital adequacy regulations or regulatory capital rules of the FSA or other applicable governmental authority then in effect that are applicable to Nippon Life, falling below which could trigger the issuance of an order of prompt corrective action by the Commissioner of the FSA or other equivalent action taken by the applicable governmental authority and which is, as of the date of the Indenture, a solvency margin ratio of 200% (on a consolidated or nonconsolidated basis).

Payment Stoppage

If Nippon Life has given notice to defer interest payments on the Notes, but the relevant interest has not become payable, or if any payment in relation to the Notes has been deferred and continues to be in deferral, Nippon Life shall not, and it shall cause any of its subsidiaries not to, make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of its securities that are liquidation parity securities or any of its instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment (other than foundation funds obligations).

For the avoidance of doubt, no terms of the Notes will be deemed to restrict in any manner the ability of any subsidiary of Nippon Life to pay dividends or make any distributions to Nippon Life or Nippon Life's ability to make payments on foundation funds obligations or distributions to its policyholders (*shain haitou*).

Arrears of Interest

Arrears of interest on the Notes shall accrue on a cumulative basis and remain payable for so long as they remain unpaid, and, for the avoidance of doubt, any claims thereon shall rank *pari passu* with the Notes. Interest on arrears of interest deferred at Nippon Life's election shall compound semiannually at 4.70% *per annum* to, but excluding, the first call date, and at the applicable reset interest rate for each reset interest period thereafter. Arrears of interest mandatorily deferred shall bear no interest.

At the option of Nippon Life, arrears of interest on the Notes may be paid in whole or in part to the persons in whose names the Notes are registered as of the close of business on the 15th calendar day (whether or not such date is a business day) immediately preceding the date on which payment of such arrears of interest is made, at any time upon the expiration of not more than 15 nor less than five business days' written notice to the trustee, the paying agent and the holders of the Notes to such effect (which written notice shall specify the amount of such arrears of interest), provided that such payments (i) shall be subject to any applicable regulatory requirements or approvals, (ii) shall be conditional upon no capital deficiency event having occurred and continuing to occur and (iii) shall be conditional upon no payment in relation to liquidation parity securities having been deferred and continuing to be in deferral, in each case, as of the time of such written notice. Notwithstanding (iii) above or the provisions set forth under "—Optional Deferral of Interest Payments", "—Mandatory Deferral of Interest Payments" and "—Payment Stoppage", even if any payment in relation to a liquidation parity security has been deferred and continues to be in deferral, Nippon Life may make payment of all or any portion of the interest on the Notes that shall have accrued as of the most recent interest payment date, if Nippon Life also makes substantially concurrent *pro rata* payments of interest that shall have accrued as of the most recent interest payment date of such liquidation parity securities, it being understood that if such a substantially concurrent payment is not permitted under the terms of the liquidation parity securities, such payment may be made on the next applicable interest payment date for such liquidation parity securities. For this purpose, the calculation agent shall determine, in its sole and absolute discretion, the method of calculating *pro rata* amounts where currency conversion or other factors require such a determination. Where no subordination event has occurred and is continuing and arrears of interest on the Notes are paid in part, each such payment shall be applied in or towards satisfaction of the full amount of the arrears of interest on the Notes in respect of the earliest interest period or interest periods in respect of which arrears of interest on the Notes have not been paid in full.

Arrears of interest shall become due and payable in full on whichever is the earlier of (i) the date set for any redemption of the Notes and (ii) the occurrence of any subordination event (but subject to subordination as set forth in "—Status of the Notes; Subordination").

Redemption

Final Redemption

Unless previously redeemed or purchased and cancelled as provided below and subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), each Note will be finally redeemed on January 20, 2046 at the principal amount of the Notes then outstanding together with accrued interest (including any arrears of interest) and any additional amounts thereon, provided that (i) Nippon Life's solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force; or (ii) Nippon Life procures qualifying financing in an amount not less than the amount of the redemption. "Qualifying financing" includes issuance of foundation funds and subordinated debt financing.

In the event that the Notes are not redeemed as a result of the failure of the conditions above, interest will continue to accrue and be paid on each interest payment date until the first interest payment date following January 20, 2046 on which the conditions above are fulfilled, which will be the final maturity date when the Notes will be finally redeemed at the principal amount of the Notes together with accrued interest (including any arrears of interest) and any additional amounts thereon in the manner and subject to the conditions stated above.

Nippon Life shall deliver to the trustee a certificate signed by an authorized officer, not less than 30 nor more than 60 days prior to the final redemption date, stating that the above conditions to the final redemption have been or will be fulfilled. The trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the above conditions, in which event it shall be conclusive and binding on holders of the Notes.

Optional Redemption

The Notes may be redeemed at the option and sole discretion of Nippon Life in whole, but not in part, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), on the first call date or any reset date, upon giving not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes (which notice shall be irrevocable), at the principal amount of the Notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon, provided that such early redemption may be permitted only if (i) Nippon Life's solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) Nippon Life procures qualifying financing in an amount not less than the amount of the redemption.

Nippon Life shall deliver to the trustee a certificate signed by an authorized officer stating that the conditions precedent to its right so to redeem have been or will be fulfilled. The trustee shall accept such certificate as sufficient evidence of the satisfaction of the above conditions precedent, in which event it shall be conclusive and binding on holders of the Notes.

Optional Redemption Due to an Additional Amounts Event

The Notes may be redeemed at any time at the option and sole discretion of Nippon Life in whole, but not in part, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), and upon giving not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes (which notice shall be irrevocable), at the principal amount of the Notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon, if Nippon Life has been or will be obligated to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Japan (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) or any political subdivision or any authority thereof or therein having power to tax, or any change in application, or change or the stating of an official interpretation of such laws or regulations, which change or amendment becomes effective, (or, in the case of the stating of an official interpretation, is announced) on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession) and such obligation cannot be avoided by Nippon Life through the taking of reasonable measures available to Nippon Life (an "additional amounts event"), provided that such early redemption may be permitted only if (i) Nippon Life's solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) Nippon Life procures qualifying financing in an amount not less than the amount of the redemption.

Nippon Life shall deliver to the trustee (i) a certificate signed by an authorized officer stating that the conditions precedent to its right to so redeem have been or will be fulfilled and (ii) an opinion of independent tax advisers of recognized standing confirming that a change, amendment or stating of an official interpretation as described in the preceding paragraph has occurred. The trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders of the Notes.

No notice of redemption for an additional amounts event shall be given sooner than 90 days prior to the earliest date on which Nippon Life would actually be obliged to pay such additional amounts.

Optional Special Event Redemption

The Notes may be redeemed at any time at the option and sole discretion of Nippon Life in whole, but not in part, if a special event (as defined below) has occurred and is continuing, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), and upon giving not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes (which notice shall be irrevocable) at a redemption price equal to (i) in the case of a redemption prior to the first call date, the make-whole amount (as defined below) and any additional amounts thereon and (ii) in the case of a redemption on or after the first call date, the principal amount of the Notes, together with interest accrued (including arrears of interest) to the date fixed for redemption, and any additional amounts thereon, provided that any such early redemption may be permitted only if (x) Nippon Life's solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (y) Nippon Life procures qualifying financing in an amount not less than the amount of the redemption.

Nippon Life shall deliver to the trustee (i) a certificate signed by an authorized officer stating that the conditions precedent to its right to so redeem have been or will be fulfilled and (ii) in the case of a tax deductibility event (as defined below), an opinion of independent tax advisers of recognized standing confirming that a change, amendment, decision, administrative action or official pronouncement as described in the definition of "tax deductibility event" below has occurred. The trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders of the Notes.

For the purposes of the above:

"Make-whole amount" means, as calculated by the make-whole calculation agent the higher of (i) the principal amount of the Notes plus accrued interest to the redemption date including any arrears of interest (including any applicable compound interest) and (ii) an amount equal to the sum of (a) the present value of the principal amount of the Notes, assuming a repayment thereof on the first call date, plus the present value of the remaining interest scheduled to be paid (for the avoidance of doubt, excluding any accrued interest) to and including the first call date, in each case discounted from the first call date to the redemption date on the basis of a 360-day year consisting of 12 months of 30 days each, at the applicable treasury yield plus the make-whole spread of 0.50%, and (b) accrued interest to the redemption date including any arrears of interest (including any applicable compound interest). For purposes of this definition, the applicable "treasury yield" will be calculated as follows: Nippon Life, in consultation with the make-whole calculation agent, will appoint three or more primary U.S. government securities dealers as reference dealers; provided, however, that if any such dealer ceases to be a primary U.S. government securities dealer, Nippon Life will (in consultation with the make-whole calculation agent) substitute for such dealer another primary U.S. government securities dealer. Nippon Life will (in consultation with the make-whole calculation agent) also appoint one of the reference dealers as the quotation agent. The quotation agent will select a United States Treasury security having a maturity comparable to the time period between the redemption date and the first call date, which would be used in accordance with customary financial practice to price new issues of corporate debt securities with a maturity comparable to such date. The reference dealers will provide the make-whole calculation agent with the bid and asked prices for that comparable United States Treasury security as of 5:00 p.m., New York City time, on the fifth business day before the redemption date. The make-whole calculation agent will calculate the average of the bid and asked prices provided by each reference dealer to obtain such reference dealer's quotation. The make-whole calculation agent will eliminate the highest and the lowest quotations and then calculate the average of the remaining quotations; provided, however, that if the make-whole calculation agent obtains fewer than four quotations, it will calculate the average of all the quotations without eliminating any of them. The average quotation is called the "comparable treasury price." The applicable treasury yield will be determined by the quotation agent and will be the semi-annual equivalent yield to maturity of a security whose price is equal to the comparable treasury price, in each case expressed as a percentage of its principal amount.

"Special event" means any one of the following events:

(a) a "regulatory event," which means any amendment or change to the Insurance Business Act or related regulations (including any successor laws and regulations), or any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, that is publicly announced after the date of the issuance of the Notes and that results or will result (for the avoidance of doubt, including after giving effect to any applicable grandfathering or similar provisions) in the Notes (in whole or in part) no longer qualifying as subordinated debt (*fusaisei shihon*) under the Insurance Business Act included in the determination of Nippon Life's solvency margin ratio or a similar class of regulatory capital included in the determination of such other measure of capital adequacy then used by the applicable regulatory requirements, and in each case, such disqualification cannot be avoided by Nippon Life through the taking of reasonable measures available to Nippon Life,

(b) a "tax deductibility event," which means the occurrence of a more than insubstantial increase in the risk that interest payable by Nippon Life on the Notes is not or will not be deductible by Nippon Life, in whole or in part, for Japanese (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) tax purposes, as a result of (i) any change (including any officially announced proposed changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Japan (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), or (ii) any administrative decision, judicial decision, administrative action or other official pronouncement interpreting or applying such laws, regulations or rulings that is announced on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), and, in each case, such non-deductibility cannot be avoided by Nippon Life through the taking of reasonable measures available to Nippon Life, or

(c) a "rating agency event," which means a publication by Standard & Poor's, Moody's Investors Service or Fitch (including any successors to their respective ratings businesses) that an amendment, clarification or change has occurred or will occur in the equity credit criteria, guidelines or methodology of such rating agency, which amendment, clarification or change results or will result in (i) the shortening of the length of time the Notes are assigned a particular level of equity credit by such rating agency as compared to the length of time the Notes would have been assigned that level of equity credit by such rating agency on the date of the issuance of the Notes, or (ii) a lower equity credit for the Notes than the equity credit assigned by such rating agency on the date of the issuance of the Notes.

No notice of redemption shall be given sooner than (i) in the case of a tax deductibility event, 90 days prior to the earliest date on which such additional tax liability as a result of such non-deductibility would actually become due with respect to Nippon Life's interest payments on the Notes, (ii) in the case of a regulatory event, 90 days prior to the earliest date on which such disqualification would actually become effective with respect to the Notes or (iii) in the case of a rating agency event, 90 days prior to the earliest date on which such amendment, clarification or change would actually apply with respect to the Notes.

Purchases

Nippon Life may, in its sole discretion, at any time, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), purchase the Notes for cancellation in the open market or otherwise at any price, provided that such purchase may be only permitted if (i) Nippon Life's solvency margin ratio after giving effect to the purchase is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) Nippon Life procures qualifying financing in an amount not less than the amount of the purchase.

Merger, Consolidation, Sale or Disposition

The Indenture provides that Nippon Life may not merge or consolidate into any other corporation, entity or person (Nippon Life not being the continuing entity), or sell, lease or dispose of its properties and assets substantially as an entirety, whether as a single transaction or a number of transactions, related or not, to any other corporation, entity or person unless:

- the corporation, entity or person assumes or succeeds to the obligations of Nippon Life under the Notes and the Indenture (and, if such corporation, entity or person is organized in a jurisdiction other than Japan, agrees to pay any additional amounts in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the jurisdiction of such corporation, entity or person, or any authority therein or thereof having power to tax, corresponding to the obligation to pay additional amounts as described under "—Taxation and Additional Amounts," subject to exceptions substantially similar to the exceptions set forth therein, substituting such jurisdiction for references to "Japan"), and

- after giving effect thereto, no event of acceleration (as defined below) with respect to the Notes shall have occurred and be continuing.

Taxation and Additional Amounts

All payments by Nippon Life or its paying agent of principal and interest in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, unless such withholding or deduction is required under Japanese law or by such authority.

In such event, Nippon Life shall pay such additional amounts as will result in the receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Notes under any of the following circumstances:

(i) the holder or beneficial owner of the Notes is an individual non-resident of Japan or a non-Japanese corporation and is liable for such taxes in respect of such Notes by reason of its (a) having some present or former connection with Japan other than the mere holding of such Notes or (b) being a specially-related person of Nippon Life as described in Article 6, Paragraph (4) of the Special Taxation Measures Act;

(ii) the holder or beneficial owner of the Notes would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide interest recipient information (as defined below) or to submit a written application for tax exemption (as defined below) to the relevant paying agent to whom the relevant Notes are presented (where presentation is required); or whose interest recipient information is not duly communicated through the relevant international clearing organization participant (as defined below) and the relevant international clearing organization to such paying agent;

(iii) the holder or beneficial owner of the Notes is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (a) a Designated Financial Institution that complies with the requirement to provide interest recipient information or to submit a written application for tax exemption and (b) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the international clearing organization participant or otherwise) the relevant paying agent of its status as not being subject to taxes to be withheld or deducted by Nippon Life by reason of receipt by such individual resident of Japan or Japanese corporation of interest on such Notes through a payment handling agent in Japan);

(iv) the Note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on the Notes became due or after the full payment was provided for, whichever occurs later, except to the extent the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed pursuant to European Union Council Directive 2003/48/EC regarding the taxation of savings income or any directive amending, supplementing, or replacing such directive or any law implementing or complying with, or introduced in order to comply with, such directive or directives;

(vi) the withholding or deduction is imposed on a holder or beneficial owner that could have avoided such withholding or deduction by presenting its Notes (where presentation is required) to another paying agent;

(vii) the holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, any Note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such additional amounts had it been the holder of the Note; or

(viii) any combination of (i) through (vii) above.

For the avoidance of doubt, no additional amounts will be paid on the Notes with respect to any amounts deducted or withheld from a payment on the Notes pursuant to or in connection with FATCA.

Where the Notes are held through a participant of an international clearing organization or a financial intermediary (each, an "international clearing organization participant"), in order to receive payments free of withholding or deduction by Nippon Life for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is (i) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of Nippon Life) or (ii) a Designated Financial Institution falling under certain categories prescribed by the Special Taxation Measures Act, all in accordance with the Special Taxation Measures Act, such beneficial owner shall, at the time of entrusting an international clearing organization participant with the custody of the relevant Notes, provide certain information prescribed by the Special Taxation Measures Act (referred to in this section as "interest recipient information") to enable the international clearing organization participant to establish that such beneficial owner is exempted from the requirement for taxes to be withheld or deducted, and advise the international clearing organization participant if the beneficial owner ceases to be so exempted (including the case where a beneficial owner that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of Nippon Life).

Where Notes are not held through an international clearing organization participant, in order to receive payments free of withholding or deduction by Nippon Life for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is (i) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of Nippon Life) or (ii) a Designated Financial Institution, all in accordance with the Special Taxation Measures Act, such beneficial owner shall, prior to each time at which it receives interest, submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (referred to in this section as a "written application for tax exemption") in a form obtainable from the paying agent stating, *inter alia*, the name and address of the beneficial owner, the title of the Notes, the relevant interest payment date, the amount of interest and the fact that the beneficial owner is qualified to submit the written application for tax exemption, together with documentary evidence regarding its identity and residence.

By subscribing to the Notes, an investor will be deemed to have represented that it is a "Gross Recipient" for Japanese tax purposes. For more details regarding Japanese withholding tax, see "Taxation—Japanese Taxation."

Nippon Life shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. Nippon Life shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment or other governmental charge, and if certified copies are not available, Nippon Life shall use reasonable efforts to obtain other evidence satisfactory to the trustee, and the trustee shall make such certified copies or other evidence available to the holders or the beneficial owners of the Notes upon reasonable request to the trustee.

The obligation to pay additional amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on the Notes; provided that, except as otherwise set forth in the Notes and in the Indenture, Nippon Life will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the Indenture or as a consequence of the initial issuance, execution, delivery or registration of the Notes.

References to principal or interest in respect of the Notes shall be deemed to include any additional amounts due which may be payable as set forth in the Notes and the Indenture.

Events of Acceleration; Limited Rights of Acceleration

An "event of acceleration" with respect to the Notes means the occurrence of a subordination event.

In case an event of acceleration set forth above shall occur and be continuing, then interest on the Notes shall cease to accrue and the trustee may, or if so requested by the holders of not less than 25% in aggregate principal amount of the Notes then outstanding and subject to the trustee being secured, indemnified and/or prefunded to its satisfaction, shall, by written notice to Nippon Life declare the principal of and all interest then accrued on the Notes to be forthwith due and payable upon receipt of such notice by Nippon Life. Immediately upon delivery of such notice, the Notes shall become immediately due and payable, subject to the subordination provisions described herein.

If (i) a liquidation proceeding with respect to Nippon Life shall be rescinded or terminated without distribution of assets pursuant to the Insurance Business Act, (ii) a court of competent jurisdiction shall rescind or terminate a bankruptcy action with respect to Nippon Life without a distribution of assets pursuant to the Bankruptcy Act, (iii) a court of competent jurisdiction shall rescind or terminate a reorganization proceeding with respect to Nippon Life whether having approved or without approving the reorganization plan pursuant to the Special Reorganization Act, (iv) a court of competent jurisdiction shall rescind or terminate a rehabilitation proceeding with respect to Nippon Life whether having approved or without approving the rehabilitation plan pursuant to the Civil Rehabilitation Act, (v) a court of competent jurisdiction shall rescind or terminate any proceedings giving rise to an event of acceleration due to the occurrence of a subordination event under clause (e) of the definition of "subordination event" in "—Status of the Notes; Subordination", such rescission, termination or other event having an equivalent effect to that set forth in the foregoing clause (i), (ii), (iii) or (iv), as applicable, or (vi) if an event of acceleration with respect to the Notes shall otherwise be rescinded or terminated, then the event of acceleration shall have the same effect as if it had not occurred.

Neither the trustee nor any holder of the Notes shall have any rights to accelerate the repayment of the Notes upon a default in the payment of principal of or interest on the Notes, upon the non-performance of any covenant of Nippon Life in relation to the Notes or upon the happening of any other event in relation to the Notes other than a subordination event, and in such cases, payments on the Notes would remain subject to subordination.

Further Issues

Nippon Life may from time to time, without the consent of the holders of the Notes, create and issue further Notes having the same terms and conditions as the Notes in all respects except for the issue date, issue price and, in some cases, first interest payment date. Additional Notes issued in this manner may be consolidated with and form a single series with the previously outstanding Notes. Any additional Notes that have the same CUSIP, ISIN or other identifying number as the outstanding Notes must be fungible with the outstanding Notes for U.S. federal income tax purposes.

Indemnification of Judgment Currency

Nippon Life will indemnify the trustee and each holder of a Note to the full extent permitted by applicable law against any loss incurred by the trustee and the holder as a result of any judgment or order being given or made for any amount due under the Note and the judgment or order being expressed and paid in the currency (the "judgment currency"), other than U.S. dollars and as a result of any variation as between (i) the rate of exchange at which the U.S. dollar is converted into the judgment currency for the purpose of the judgment or order and (ii) the spot rate of exchange in The City of New York at which the trustee and the holder on the date that payment is made pursuant to the judgment or order is able to purchase U.S. dollars with the amount of the judgment currency actually received by the trustee and the holder.

Modification and Waiver

Subject to the sixth paragraph under "—Status of the Notes; Subordination," modification and amendment of the Notes and the Indenture may be made by Nippon Life and the trustee with the written consent of the holders of at least 66% in aggregate principal amount of the outstanding Notes; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby:

(i) change the maturity date of the principal or payment date of any interest or change any obligation of Nippon Life to pay any additional amounts;

(ii) reduce the principal amount of or rate of interest on, any Note,

(iii) affect the rights of holders of less than all the outstanding Notes;

(iv) change the place of payment where, or the coin or currency in which, any Note or interest thereon is payable, or

(v) impair the right of a holder to institute suit for the enforcement of any payment on or with respect to any Note on or after the date when due;

provided, further, that no such modification may, without the consent of the holders of all Notes outstanding at the time, alter the respective percentages of outstanding Notes necessary, pursuant to the Indenture, to modify the terms of the Notes, waive past defaults or accelerate the payment of the principal amount of the Notes.

It shall not be necessary for any act of holders under the relevant section of the Indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Notwithstanding the foregoing, without the consent of any holders of the Notes, Nippon Life and the trustee, at any time and from time to time, may enter into one or more indentures supplemental to the Indenture, in form satisfactory to the trustee, for any of the following purposes:

(i) to evidence the succession of another corporation, entity or person to Nippon Life and the assumption by any such successor of the covenants of Nippon Life in the Indenture and the Notes,

(ii) to add to the covenants of Nippon Life or to surrender any right or power in the Indenture conferred upon Nippon Life for the benefit of the holders of the Notes,

(iii) to evidence and provide for the acceptance of appointment under the Indenture by a successor trustee,

(iv) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the holders of the Notes in any material respect, or

(v) to make any other change that does not adversely affect the interests of the holders of the Notes in any material respect.

In determining compliance with this “Modification and Waiver” section, the trustee shall be entitled to request and fully rely on an opinion of legal advisers and a certificate of an authorized officer.

Paying Agent

The paying agent shall initially be The Bank of New York Mellon. A paying agent shall be permitted to resign as paying agent upon 30 days’ written notice to Nippon Life. In the event that the paying agent resigns or is removed, Nippon Life shall appoint a bank or trust company acceptable to Nippon Life to act as the successor paying agent. If the paying agent resigns but Nippon Life fails to appoint a successor paying agent within the 30 day notice period, the resigning paying agent may appoint a bank or trust company, or may petition any court of competent jurisdiction for the appointment of a bank or trust company, as the successor paying agent.

Paying Agent in Singapore

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, Nippon Life shall appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption, in the event that a global security is exchanged for definitive Notes. In addition, in the event that a global security is exchanged for definitive Notes, an announcement of such exchange shall be made by Nippon Life or on its behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

The Trustee

The trustee, The Bank of New York Mellon, is organized under the laws of the State of New York, with offices located in 101 Barclay Street, New York, NY 10286, U.S.A. In the absence of an event of acceleration with respect to the Notes, the trustee need only perform the duties specifically set forth in the Indenture. The Indenture provides that during the existence of an event of acceleration with respect to the Notes, the trustee will exercise the rights and powers vested in it by the Indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Indenture does not contain limitations on the rights of the trustee, should it be or become a creditor of Nippon Life, to obtain payment of claims. The trustee is not precluded from engaging in other transactions and would not be obliged to account for profit, and if it has or acquires any conflicting interest, as defined in Section 310(b) of the U.S. Trust Indenture Act of 1939, as amended, it is not required to eliminate the conflict or resign.

The trustee will be under no obligation to exercise any rights or powers vested in it by the Indenture at the written request or direction of any holder, unless such holders have offered to the trustee security, indemnity and/or prefunding satisfactory to it against the costs, expenses (including the reasonable fees and expenses of its counsel) and liabilities which might be incurred by it in compliance with such request or direction.

Successor Trustee

Any successor trustee appointed pursuant to the terms of the Indenture shall have a combined capital and surplus of not less than $50,000,000 and have an office or agent in the Borough of Manhattan, The City of New York.

Repayment of Funds

Any money deposited by Nippon Life with the trustee or a paying agent for payment of principal of or interest and any additional amounts on any Note which remains unclaimed for two years after such principal, interest or additional amounts have become due and payable and paid to the trustee shall upon Nippon Life's request (and subject to the claims of, or payments to, the trustee or any agent under or pursuant to the Indenture), be repaid to Nippon Life, and all liability of the trustee or such paying agent with respect to such payments will cease, and, to the extent permitted by law, the holder of that Note shall thereafter look only to Nippon Life for payment thereof as a general unsecured creditor.

Governing Law; Consent to Jurisdiction and Service of Process; Communications

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Nippon Life has irrevocably and unconditionally submitted to the non-exclusive jurisdiction of any U.S. federal or New York state court in the Borough of Manhattan, The City of New York over any legal suit, action or proceeding arising out of or relating to the Indenture or any Note. As long as any of the Notes remain outstanding, Nippon Life will at all times have an authorized agent in The City of New York upon whom process may be served in any legal suit, action or proceeding arising out of or relating to the Indenture or any Note. Nippon Life has appointed National Corporate Research, Ltd., located at 10 E. 40th Street, 10th Floor, New York, NY 10016, as its agent for such purpose.

To the fullest extent permitted by applicable law, all parties (including Nippon Life, the trustee and the holders of the Notes) waive any and all right to trial by jury in any legal proceeding arising out of or relating to the Indenture, the Notes or the transactions contemplated thereby.

The Indenture provides that if any holder of a Note applies in writing to the trustee for information for the purpose of communicating with other holders of the Notes, the trustee must, upon satisfaction of certain conditions by such applicant, either afford such applicant access to such information or mail copies of the communication prepared by such applicant to the holders of the Notes, at the expense of such applicant.

Limitation on Suits

Other than the right to institute a suit for the enforcement of the payment of principal of, or interest on (including, in each case, any additional amounts, if applicable), any Notes after the applicable due date specified in the Notes, no holder of any Note shall have any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless (i) such holder has previously given written notice to the trustee of either (a) a continuing event of acceleration, (b) default by Nippon Life with respect to the covenant described under "—Merger, Consolidation, Sale or Disposition", or (c) default made in the performance by Nippon Life of any other obligation under the Indenture or the Notes which continues for 60 days after notice of such default is given to Nippon Life by the trustee or the holders of not less than 10% in principal amount of the Notes; (ii) the holders of not less than 25% in aggregate principal amount of the Notes shall have made written request to the trustee to institute proceedings in respect of such event or default in its own name as trustee; (iii) such holder or holders have offered to the trustee indemnity, security and/or prefunding against the costs, expenses and liabilities to be incurred in compliance with such request; (iv) the trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and (v) no direction inconsistent with such written request has been given to the trustee during such 60 day period by the holders of a majority in aggregate principal amount of the Notes.

No one or more of such holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such holders, or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all of such holders.

Undertaking for Costs

In any suit for the enforcement of any right or remedy under the Indenture or against the trustee for any action taken, suffered or omitted by it as trustee, other than a suit instituted by Nippon Life, the trustee, a holder or group of holders holding more than 10% in aggregate principal amount of the outstanding Notes, or by any holder for the enforcement of the payment of the principal of or interest on any outstanding Note on or after the due date expressed in such Note, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit.

Book-Entry; Delivery and Form

DTC, Euroclear and Clearstream

The Notes will initially be issued to investors only in book-entry form. The Notes sold in reliance on Regulation S under the Securities Act will be initially in the form of one or more fully registered global securities (the "Regulation S global securities") and the Notes sold in reliance on Rule 144A under the Securities Act will initially be in the form of one or more fully registered global securities (the "Rule 144A global securities"). The global securities will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depositary for the Notes. The global securities will initially be deposited with The Bank of New York Mellon, acting as custodian for DTC.

The Notes (including beneficial interests in the global securities) will be subject to certain restrictions on transfer set forth in the Notes and the Indenture and will bear a legend regarding the restrictions as set forth under "Transfer Restrictions." Under certain circumstances, transfers may be made only upon receipt by the trustee of a written certification (in the form provided in the Indenture).

A beneficial interest in a Regulation S global security may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global security upon receipt by the trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a QIB purchasing for its own account (or for the account of one or more QIBs over which account it exercises sole investment discretion) and (ii) has notified the transferee of the restrictions on transfer set forth under "Transfer Restrictions."

Beneficial interests in a Rule 144A global security may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global security without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A global security may be transferred to a person who takes delivery in the form of an interest in a Regulation S global security only upon receipt by the trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in compliance with the restrictions on transfer set forth under “Transfer Restrictions” and pursuant to and in accordance with Rule 903 or 904 of Regulation S or Rule 144A under the Securities Act.

Any beneficial interest in one of the global securities that is transferred to an entity that takes delivery in the form of an interest in another global security will upon transfer, cease to be an interest in such global security and become an interest in the other global security and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interest in such other global security for as long as it remains such an interest.

Persons that acquire beneficial ownership interests in the global securities will hold their interests through DTC in the United States or through Euroclear or Clearstream in Europe, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers, securities accounts in Euroclear’s and Clearstream’s names on the books of their respective depositories, which in turn will hold those positions in customers’ securities accounts in the depositories’ names on the books of DTC. Unless and until definitive Notes are issued, the only holder of the Notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depositary. Beneficial owners will be permitted to exercise their rights only indirectly through DTC and its participants, including Euroclear, Clearstream and their participants.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with it. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants’ accounts, eliminating the need for physical movement of securities certificates. Participants in DTC include Euroclear and Clearstream, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by NYSE Euronext and the Financial Industry Regulatory Authority. Access to the DTC system is also available to others, such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions among its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. The Euroclear system is operated by Euroclear, a bank incorporated under the laws of the Kingdom of Belgium as the “Euroclear operator.” All operations are conducted by the Euroclear operator and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the initial purchasers or their affiliates. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related operating procedures of the Euroclear system and applicable Belgian law. The Euroclear terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the Euroclear terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Clearstream is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the initial purchasers or their affiliates. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Purchases of Notes within the DTC system must be made by or through DTC participants, which will receive a credit for the Notes on DTC's records and on the records of Euroclear or Clearstream, if applicable. The ownership interest of each actual purchaser of Notes, i.e., a beneficial owner of an interest in a global security, will in turn be recorded on the DTC participants' and indirect participants' records.

Beneficial owners of interests in a global security will not receive written confirmation from DTC of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they purchased the Notes. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of DTC participants and indirect participants acting on behalf of beneficial owners of interests in a global security. Beneficial owners of interests in a global security will not receive certificates representing their ownership interests in the Notes unless use of the book-entry system for the Notes is discontinued.

Limitations on Responsibilities

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a global security. DTC's records reflect only the identity of the DTC participants to whose accounts those Notes are credited, which may or may not be the beneficial owners of interests in a global security. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those Notes are credited, which also may or may not be the beneficial owners of interests in a global security. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

DTC's Procedures for Notices, Voting and Payments

So long as DTC, or its nominee; is the registered owner or holder of a global security, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the global security for all purposes under the Notes and the Indenture. No beneficial owner of an interest in a global security will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

DTC has advised Nippon Life that it will take any action permitted to be taken by a holder of Notes, including the presentation of Notes for exchange as described below, only at the direction of one or more of its participants to whose account DTC's interests in the global securities are credited and only in respect of that portion of the aggregate principal amount of Notes as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a global security will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The trustee will send any notices in respect of the Notes held in book-entry form to Cede & Co.

Payment of principal of and interest on the Notes held in book-entry form will be made to Cede & Co. or another nominee of DTC in immediately available funds. DTC's practice is to credit its participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on that payment date. Payments by DTC's participants and indirect participants to beneficial owners of interests in a global security will be governed by standing instructions and customary practices, and will be the responsibility of those participants and indirect participants and not of DTC or Nippon Life, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of and interest on the Notes or other amounts to DTC is the responsibility of Nippon Life, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a global security is the responsibility of participants and indirect participants.

The principal amount of the Notes in definitive form will be payable by check, drawn on a bank in The City of New York, upon presentation and surrender of the Notes at Nippon Life or at the office of the trustee located at 101 Barclay Street, New York, NY 10286, U.S.A., or at such other place or places as the trustee shall designate by notice to the holders of the Notes. Interest on the Notes will be payable by check, drawn on a bank in The City of New York, mailed to the persons in whose names the Notes, or one or more predecessor Notes, are registered on each interest payment record date. Notwithstanding the foregoing, the person in whose name a Note is registered may elect to receive payments of principal or interest by wire transfer in immediately available funds to a bank account in The City of New York designated by such person in a written notice received by the trustee (i) in the case of a payment of interest, prior to the interest payment record date immediately preceding the interest payment date on which such payment is due and (ii) in the case of payment of principal on the maturity date, prior to the interest payment record date immediately preceding the maturity date, provided that in the case of such payment of principal, the Note shall have been surrendered to the trustee for payment together with such notice.

Except as described in this offering circular, a beneficial owner of an interest in a global security will not be entitled to receive physical delivery of Notes. Accordingly, each beneficial owner of an interest in a global security must rely on the procedures of DTC to exercise any rights under the Notes.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the global securities among participants, none of them is under any obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time. None of Nippon Life, the trustee, the notes registrar or the paying agent will have any responsibility for the performance by DTC, Euroclear, Clearstream or their participants or indirect participants under the rules and procedures governing them. DTC, Euroclear and Clearstream may discontinue providing their services as securities depositary with respect to the Notes at any time by giving notice to Nippon Life. Under those circumstances, definitive Notes would be delivered as described below.

The information in this section concerning DTC, Euroclear and Clearstream and DTC's book-entry system has been obtained from sources that Nippon Life believes to be reliable, but Nippon Life takes no responsibility for the accuracy thereof.

Exchange of Global Securities for Definitive Notes

If (i) DTC is at any time unwilling or unable to continue as a depositary for the global securities and a successor depositary is not appointed by Nippon Life within 90 days or (ii) there shall have occurred and be continuing an event of acceleration with respect to the Notes, definitive Notes will be issued in exchange for the global securities. Definitive Notes delivered in exchange for beneficial interests in any global securities will be registered in the names, and issued with a minimum denomination of $200,000 or integral multiples of $1,000 in excess thereof, requested by or on behalf of DTC or the successor depositary, in accordance with its customary procedures, and will be issued without coupons.

Trustee's Powers

In considering the interests of holders of the Notes while title to the Notes is registered in the name of a nominee of DTC, the trustee may (but will not be obliged to) rely conclusively upon any information made available to it by DTC as to the identity (either individually or by category) of its participants with entitlements to Notes and may (but will not be obliged to) consider such interests as if such accountholders were the holders of the Notes. See "—The Trustee."

Registration, Transfer and Exchange

The notes registrar will maintain at its principal office currently located at 101 Barclay Street, New York, NY 10286, U.S.A., a notes register with respect to the Notes. The name of the registered holder of each Note will be recorded in the notes register. Nippon Life, the trustee and each agent may treat the person in whose name any Note is registered as the absolute owner of the Note for all purposes and none of them shall be affected by any notice to the contrary.

At the option of the holder of a Note, subject to the restrictions contained in the Note and in the Indenture, the Note may be transferred or exchanged for a like aggregate principal amount of Notes of different authorized denominations, upon surrender for exchange or registration of transfer, at the trustee's notice upon written request received from such holder of a Note accompanied by proof of the holder's holding of Notes satisfactory to the trustee. Any Note surrendered for exchange or presented for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to Nippon Life duly executed, by the holder thereof or his attorney duly authorized in writing (with the signatures guaranteed in satisfactory form). Notes issued upon exchange or transfer shall be registered in the name of the holder requesting the exchange or, as the case may be the designated transferee or transferees and delivered at the notes registrar's office, or mailed, at the request, risk and expense of, and to the address requested by, the designated transferee or transferees.

No service charge, other than any cost of delivery, shall be imposed for any transfer or exchange of Notes, but Nippon Life may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

TAXATION

Japanese Taxation

The following is a general description of certain aspects of Japanese tax treatment primarily in relation to payments of principal of and interest on the Notes. It does not purport to be a comprehensive description of the tax treatment of the Notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on the current tax laws and regulations of Japan and the current income tax treaties entered into by Japan all as in effect on the date of this offering circular and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statement in this offering circular are to be regarded as advice on the tax position of any holder or beneficial owner of the Notes or any person subscribing for, purchasing, selling or otherwise dealing in the Notes or any tax implication arising from the subscription for or purchase, sale or other dealings in respect of the Notes.

The Notes

The Notes do not fall under the concept of so called “taxable linked notes” as described in Article 6, Paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the “Special Taxation Measures Act”), i.e., notes of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order for Enforcement of the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No. 43 of 1957, as amended) (the “Cabinet Order”)) in respect of the issuer of such notes or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph (4) of the Special Taxation Measures Act and Article 3-2-2, Paragraphs (5) to (7) of the Cabinet Order (such other person is hereinafter referred to as a “Specially-Related Person”).

Representation of Gross Recipient Status upon Initial Distribution

By subscribing for the Notes, an investor will be deemed to have represented that it is a “Gross Recipient” which means (i) a holder or beneficial owner of the Notes that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation (a “Resident Holder”), nor an individual non-resident of Japan or a non-Japanese corporation (a “Non-Resident Holder”) that, in either case, is a Specially-Related Person, (ii) a Japanese bank, Japanese insurance company, Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by Article 3-2-2, Paragraph (29) of the Cabinet Order that will hold Notes for its own proprietary account (each, a “Designated Financial Institution”) or (iii) a Resident Holder whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 3-3, Paragraph (1) of the Special Taxation Measures Act and Article 2-2, Paragraph (2) of the Cabinet Order (a “Japanese Payment Handling Agent”). The Notes are not as part of the initial distribution by the Initial Purchasers at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient.

Interest Payments on Notes

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Notes, where the Notes are issued by Nippon Life outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. Non-Resident Holders

If the recipient of interest on the Notes is a Non-Resident Holder for Japanese tax purposes, as described below, the Japanese tax consequences to such Non-Resident Holder are significantly different depending upon whether such Non-Resident Holder is a Specially-Related Person. Most importantly, if such Non-Resident Holder is a Specially-Related Person, income tax at the rate of 15% (for the period up to and including December 31, 2037, at the rate of 15.315%) of the amount of such interest will be withheld by Nippon Life under Japanese tax law. The remainder of this sub-section assumes that the Non-Resident Holder is not a Specially-Related Person.

(1) If the recipient of interest on the Notes is a Non-Resident Holder having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Notes is not attributable to the business of such Non-Resident Holder carried on within Japan through such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, inter alia:

(i) if the relevant Notes are held through certain participants in an international clearing organization such as DTC, Euroclear and Clearstream or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the "Law") (each such participant or financial intermediary, a "Participant"), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Notes, certain information (the "Interest Recipient Information") prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the Participant if such Non-Resident Holder ceases to be so exempted (including the case where it became a Specially-Related Person); and

(ii) if the relevant Notes are not held through a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (the "Written Application for Tax Exemption") together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the Interest Recipient Information is not duly communicated through a Participant or to the relevant paying agent as required under the Law) will result in the withholding by Nippon Life of income tax at the rate of 15% (for the period up to and including December 31, 2037, at the rate of 15.315%) of the amount of such interest.

(2) If the recipient of interest on the Notes is a Non-Resident Holder having a permanent establishment within Japan and the receipt of interest is attributable to the business of such Non-Resident Holder carried on within Japan through such permanent establishment, such interest will not be subject to a 15% (or 15.315% for the period up to and including December 31, 2037) withholding tax by Nippon Life, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph (1) above. Failure to do so will result in the withholding by Nippon Life of income tax at the rate of 15% (for the period up to and including December 31, 2037, at the rate of 15.315%) of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

2. Resident Holders and Specially-Related Persons

(1) Payment of interest on the Notes paid on or after January 1, 2016 to a Resident Holder (except for (i) a financial institution designated by the Cabinet Order which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (ii) a public corporation, a Japanese financial institution or a Japanese financial instruments firm as provided in Article 3-3, Paragraph (6) of the Special Taxation Measures Act which receives the interest payments through its payment handling agent in Japan and complies with the requirement for tax exemption under that Paragraph), or to a Non-Resident Holder that is a Specially-Related Person of the Issuer will be subject to Japanese income tax at a rate of 15.315% (until December 31, 2037, and at a rate of 15% thereafter) of the amount of such interest.

(2) Under the Law, if a Non-Resident Holder becomes a Specially-Related Person, and if such Notes are held through a Participant, then such Non-Resident Holder is required to notify the Participant of such change in status by the immediately following interest payment date of the Notes. As the status of such Non-Resident Holder as a Specially-Related Person for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of Nippon Life in

which the relevant interest payment date falls, such Non-Resident Holder should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such Non-Resident Holder as being a Specially-Related Person.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale or disposition of Notes outside Japan by a Non-Resident Holder having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the Notes in connection with the issue of the Notes, nor will such taxes be payable by holders of the Notes in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired the Notes from another individual as legatee, heir or donee.

Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of Notes, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire the Notes. This discussion applies only to initial U.S. Holders that purchase Notes in this offering at the "offering price," which will be the first price at which a substantial amount of Notes is sold to the public, and hold them as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax and Medicare contribution tax consequences and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or certain traders in securities;
- persons holding Notes as part of a hedge, "straddle" or integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities; or
- persons holding Notes in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning Notes and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences to them of owning and disposing of the Notes.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions, and Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. It is also based, in part, on certain representations from Nippon Life.

As used herein, a "U.S. Holder" is a person that for U.S. federal income tax purposes is a beneficial owner of a Note and is:

- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

An accrual method U.S. Holder is a U.S. Holder who uses the accrual method of accounting for U.S. federal income tax purposes.

Uncertain Characterization of the Notes

The proper characterization of the Notes for U.S. federal income tax purposes is uncertain. To the extent required for U.S. federal income tax purposes, we intend to treat the Notes as non-contingent debt obligations that are deemed to mature on January 20, 2026. This characterization is binding on U.S. Holders, unless a U.S. Holder discloses on its U.S. federal income tax return that it is treating the Notes in a manner inconsistent with our characterization. However, our treatment of the Notes is not binding on the U.S. Internal Revenue Service (the “IRS”) or the courts, and no ruling is being requested from the IRS with respect to the proper characterization of the Notes for U.S. federal income tax purposes. The Notes may be subject to possible alternative characterizations. For example, because of certain features of the Notes, such as their subordination to creditor claims and the optional (and in certain circumstances, mandatory) deferral of payments thereon, the Notes could be recharacterized as our equity for U.S. federal income tax purposes. Alternatively, the Notes may be recharacterized as “contingent payment debt instruments.” Any recharacterization of the Notes might affect the timing, amount and character of income inclusions on the Notes. Prospective purchasers of Notes are urged to consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Notes (including under any alternative characterization). The following discussion assumes that the Notes will be treated as non-contingent debt instruments for U.S. federal income tax purposes that are deemed to mature on January 20, 2026.

Interest Income and Original Issue Discount

In general, debt instruments are treated as issued with original issue discount (“OID”) if their “stated redemption price at maturity” exceeds their offering price (i.e., the first price at which a substantial amount of debt instruments are sold other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) by more than a *de minimis* amount. A debt instrument’s stated redemption price at maturity is the total of all payments under the debt instrument other than “qualified stated interest.” Generally, in order to be qualified stated interest, interest on a debt instrument must be unconditionally payable. Interest is considered unconditionally payable only if reasonable legal remedies exist to compel timely payment or the debt instrument otherwise provides terms and conditions that make the likelihood of late payment (other than a late payment within a reasonable grace period) or non-payment a remote contingency.

Because of our option to defer interest payments, none of the stated interest on the Notes will be considered unconditionally payable for purposes of the definition of qualified stated interest. As a result, all of the stated interest on the Notes will be treated as OID. A U.S. Holder will be required to include OID in income for federal income tax purposes as it accrues, in accordance with a constant-yield method. A U.S. Holder will not be required to separately report the actual payments of interest on the Notes as taxable income. Assuming that our treatment of the Notes as non-contingent debt obligations that mature on January 20, 2026 is respected and interest on the Notes is not optionally or mandatorily deferred, an accrual method U.S. Holder should generally be required to accrue an amount of OID equal to the next stated interest payment during each accrual period and therefore should be subject to tax on an amount equal to the stated interest for each accrual period. If the Notes are not redeemed on January 20, 2026, solely for purposes of determining the interest accruals on the Notes, the Notes would be treated as if they were redeemed and new notes that pay interest at the reset interest rate were issued on that date. U.S. Holders would accrue the reset interest as OID for each accrual period in a similar manner to that described for fixed-rate interest above.

If any interest payment were deferred, the amount of OID that a U.S. Holder would be required to include in income for each accrual period following such deferral would depend on whether interest payments are optionally or mandatorily deferred.

We currently do not intend to exercise our right to optionally defer payments of interest on the Notes, and we believe that the possibility of mandatory deferral of interest payments on the Notes is remote.

U.S. Holders should consult their tax advisers regarding the application of the OID rules, including the amount and timing of OID accruals in the case that the Notes are not redeemed on January 20, 2026 or any interest payment is deferred, in their particular circumstances.

Sale, Exchange or Retirement of the Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note will be equal to its cost, increased by the amounts of any OID previously included in income by the U.S. Holder and reduced by any payments on the Notes received by the U.S. Holder. Generally, provided that interest payments are not mandatorily deferred, gain or loss realized on the sale, exchange or retirement of a Note will be capital gain or loss, and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Payments on the Notes and proceeds from sales or other dispositions of the Notes that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

BENEFIT PLAN INVESTOR CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including entities such as collective investment funds, partnerships and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") should consider the fiduciary standards of ERISA in the context of the ERISA Plan's particular circumstances before authorizing an investment in the Notes. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as plans (including individual retirement accounts and Keogh plans) subject to Section 4975 of the Code (together with ERISA Plans, "Plans"), from engaging in certain transactions involving the "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under Section 4975 of the Code (in either case, "Parties in Interest") with respect to such Plans. As a result of our business, we, and our current and future affiliates, may be Parties in Interest with respect to many Plans. Where we (or our affiliate) are a Party in Interest with respect to a Plan (either directly or by reason of our ownership interests in our directly or indirectly owned subsidiaries), the purchase and holding of the Notes by or on behalf of the Plan could be a prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless exemptive relief were available under an applicable exemption (as described below).

Certain prohibited transaction class exemptions ("PTCEs") issued by the U.S. Department of Labor may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Notes. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of the Notes and related lending transactions, provided that neither we nor any of our affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called "service provider exemption"). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Notes.

Accordingly, the Notes may not be purchased or held by any Plan, any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity or any person investing "plan assets" of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or the service-provider exemption or there is some other basis on which the purchase and holding of the Notes will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. Each purchaser or holder of the Notes or any interest therein will be deemed to have represented by its purchase or holding of the Notes that (a) it is not a Plan and its purchase and holding of the Notes is not made on behalf of or with "plan assets" of any Plan or (b) its purchase and holding of the Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Certain governmental plans (as defined in Section 3(32) of ERISA), church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) ("Non-ERISA Arrangements") are not subject to these "prohibited transaction" rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or regulations ("Similar Laws"). Accordingly, each such purchaser or holder of the Notes shall be required to represent (and deemed to have represented by its purchase of the Notes) that such purchase and holding is not prohibited under applicable Similar Laws.

Due to the complexity of these rules, it is particularly important that fiduciaries or other persons considering purchasing the Notes on behalf of or with "plan assets" of any Plan consult with their counsel regarding the relevant provisions of ERISA, the Code or any Similar Laws and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1, 84-14, the service provider exemption or some other basis on which the acquisition and holding will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of any applicable Similar Laws.

Each purchaser and holder of the Notes has exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Notes does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any applicable Similar Laws. The sale of any Notes to any Plan is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement, or that such an investment is appropriate for Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes are being offered in accordance with Rule 144A and Regulation S under the Securities Act. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, they may not be offered, sold, pledged or otherwise transferred or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this section that are defined in Rule 144A or Regulation S under the Securities Act are used as defined therein.

Notes Offered in Reliance on Rule 144A

Each purchaser of the Notes offered in reliance on Rule 144A will be deemed to have represented and agreed as follows:

- the purchaser is a QIB; aware that the sale of the Notes to it is being made in reliance on Rule 144A; and acquiring the Notes for its own account or for the account of a QIB, as the case may be;
- the purchaser understands that the Notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred, except:

to a person who the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of another QIB in a transaction meeting the requirements of Rule 144A;

in an offshore transaction complying with Regulation S;

pursuant to any other exemption from, or in a transaction not subject to, registration under the Securities Act; or

either (i) no portion of the assets used by the purchaser to acquire and hold the Notes constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), any plan, individual retirement account or other arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (each a "Similar Law"), or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the purchase and holding of the Notes by the purchaser will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law; and

- in each case, in accordance with all applicable securities laws of the states of the United States.

The global securities representing the Notes sold in reliance on Rule 144A will bear a legend to the following effect unless we determine otherwise in compliance with applicable law:

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")), (B) AGREES FOR THE BENEFIT OF THE ISSUER THAT THE SECURITIES MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER OF THIS SECURITY OR A SUBSIDIARY THEREOF, (2) TO A QUALIFIED INSTITUTIONAL BUYER, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO ANY OTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE

SECURITIES ACT (IF AVAILABLE) AND (C) REPRESENTS THAT EITHER (X) IT IS NOT, AND IS NOT PURCHASING OR HOLDING THE SECURITIES ON BEHALF OF OR WITH THE ASSETS OF, ANY PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), ANY PLAN, SUCH AS AN INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF SUCH PLAN'S INVESTMENT THEREIN OR ANY PLAN OR ARRANGEMENT THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SIMILAR TO ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (Y) ITS PURCHASE AND HOLDING OF THE SECURITIES WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. AS A CONDITION TO THE REGISTRATION OF THE TRANSFER IN ACCORDANCE WITH (4) ABOVE, THE ISSUER OR THE TRUSTEE MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

No representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of any Notes.

Notes Offered in Reliance on Regulation S

Each purchaser of the Notes offered in reliance on Regulation S will be deemed to have represented and agreed as follows:

- the purchaser is a non-U.S. person acquiring the Notes in an offshore transaction in accordance with Regulation S;
- the purchaser understands that the Notes have not been and will not be registered under the Securities Act and, until 40 days after the later of the commencement of the sale of the Notes and the date of the original issuance of the Notes, may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act; and
- either (i) no portion of the assets used by the purchaser to acquire and hold the Notes constitutes assets of any employee benefit plan subject to Title I of ERISA, any plan, individual retirement account or other arrangement subject to Section 4975 of the Code or provisions under any Similar Law, or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the purchase and holding of the Notes by the purchaser will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

The global securities representing the Notes sold in reliance on Regulation S will bear a legend to the following effect unless we determine otherwise in compliance with applicable law:

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT. THE ISSUER HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT

OF THE OFFERING OF THE SECURITIES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO. THE HOLDER REPRESENTS THAT EITHER (X) IT IS NOT, AND IS NOT PURCHASING OR HOLDING THE SECURITIES ON BEHALF OF OR WITH THE ASSETS OF, ANY PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), ANY PLAN, SUCH AS AN INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF SUCH PLAN'S INVESTMENT THEREIN OR ANY PLAN OR ARRANGEMENT THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SIMILAR TO ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (Y) ITS PURCHASE AND HOLDING OF THE SECURITIES WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a purchase agreement, dated January 13, 2016, (the "purchase agreement") between us and the initial purchasers named below, for whom Goldman, Sachs & Co., Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC are acting as the representatives, the initial purchasers have severally, and not jointly, agreed to purchase, and we have agreed to sell to the initial purchasers, the respective principal amount of the Notes listed opposite their names below.

Initial purchasers	Principal amount
Goldman, Sachs & Co.	$ 615,000,000
Citigroup Global Markets Inc.	585,000,000
Morgan Stanley & Co. LLC	225,000,000
Daiwa Capital Markets America Inc.	22,500,000
J.P. Morgan Securities LLC	15,000,000
SMBC Nikko Capital Markets Limited	10,500,000
Barclays Capital Inc.	7,500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	7,500,000
Mizuho Securities USA Inc.	7,500,000
Nomura Securities International, Inc.	4,500,000
Total	$1,500,000,000

The initial purchasers have advised us that they propose initially to offer the Notes at the offering price listed on the cover page of this offering circular. After the initial offering, the price to investors may be changed. The initial purchasers have agreed to purchase the Notes from us at the offering price.

The initial purchasers are entitled to be released and discharged from their obligations under, and to terminate, the purchase agreement in certain circumstances prior to paying us for the Notes. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased. The initial purchasers are offering the Notes subject to their acceptance of the Notes from us and subject to prior sale. The purchase agreement provides that the obligations of the several initial purchasers to pay for and accept delivery of the Notes are subject to approval of certain legal matters by their counsel and to certain other conditions.

The purchase agreement provides that we will indemnify the initial purchasers and their affiliates against specified liabilities, including liabilities under the Securities Act, in connection with the offer and sale of the Notes, and will contribute to payments the initial purchasers and their affiliates may be required to make in respect of those liabilities.

The Notes are being offered by the initial purchasers or affiliates of certain of the initial purchasers in offshore transactions outside the United States in reliance on Regulation S under the Securities Act and by initial purchasers or affiliates of certain of the initial purchasers to QIBs in the United States in reliance on Rule 144A under the Securities Act.

Price Stabilization

In connection with the offering, Goldman, Sachs & Co., as the Stabilization Manager, and/or any person acting on behalf thereof may purchase and sell the Notes in the open market and engage in other transactions, subject to applicable laws and regulations. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Stabilization Manager and/or any person acting on behalf thereof of a greater principal amount of the Notes than they are required to purchase from us in the offering. Stabilizing transactions consist of bids or purchases by the Stabilization Manager and/or any person acting on behalf thereof for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. These transactions may also include stabilizing transactions by the Stabilization Manager and/or any person acting on behalf thereof for the accounts of the initial purchasers.

In addition, the Stabilization Manager and/or any person acting on behalf thereof may impose a penalty bid. A penalty bid is an arrangement that permits the Stabilization Manager and/or any person acting on behalf thereof to reclaim a selling concession from a syndicate member in connection with the offering when the Notes originally sold by the syndicate member are purchased in syndicate covering transactions.

These activities may stabilize, maintain or otherwise affect the market prices of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time.

No Sale of Similar Securities

We have agreed that, during a period of 30 days from the date of this offering circular, we will not, without the prior written consent of the representatives of the initial purchasers, directly or indirectly, issue, sell, offer or agree to sell, or otherwise dispose of, any other debt securities with a maturity greater than one year, or guarantee any debt securities with a maturity greater than one year.

New Issues of the Notes

The Notes are new issues of securities with no established trading market. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions" and "Benefit Plan Investor Considerations." Approval in-principle has been received for the listing of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST, the Notes will be traded on the SGX-ST in a minimum board lot size of $200,000. The initial purchasers have advised us that they presently intend to make a market in the Notes after completion of this offering. Such market making activity will be subject to the limits imposed by applicable laws. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active public trading market for any of the Notes may not develop. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If such Notes are traded, they may trade at a discount from the initial offering price, depending on the market for similar securities, our performance and other factors. See "Risk Factors—Risks Related to the Notes—The market for the Notes may be limited."

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of the Notes, or possession or distribution of this offering circular, any amendment or supplement thereto, or any other offering or publicity material relating to the Notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering or publicity material relating to the Notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

Each initial purchaser has agreed that it will offer and sell the Notes as part of its distribution of the Notes under the purchase agreement at any time only in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act.

The Notes have not been registered under the Securities Act and may not be offered or sold within the United States (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The initial purchasers, or U.S. affiliates of the initial purchasers may arrange for the sale of a portion of the Notes in the United States exclusively to persons reasonably believed by them to be QIBs in reliance on the exemption from registration provided by Rule 144A under the Securities Act and each United States purchaser of the Notes is hereby notified that the offer and sale of the Notes to it is being made in reliance upon such exemption. The offering of the Notes outside the United States will be made in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer is made otherwise than pursuant to Rule 144A under the Securities Act or another exemption from registration under the Securities Act.

Japan

The Notes have not been and will not be registered under the FIEA and are subject to the Special Taxation Measures Act. Each of the initial purchasers has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any of the Notes in Japan or to, or for the benefit of, any person resident in Japan (which term as used in this item (i) means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan; and (ii) it (a) has not, directly or indirectly, offered or sold any Notes to, or for the benefit of, any person other than a Gross Recipient (as defined below), and (b) will not, directly or indirectly, offer or sell any Notes as part of its initial distribution at any time, to, or for the benefit of, any person other than a Gross Recipient. A "Gross Recipient" as used in (ii) above means (a) a beneficial owner that is, for Japanese tax purposes, neither (x) a Resident Holder, nor (y) a Non-Resident Holder that in either case is a Specially-Related Person, (b) a Designated Financial Institution, or (c) a Resident Holder whose receipt of interest on the Notes will be made through a payment handling agent in Japan (as defined in Article 2-2, Paragraph (2) of the Cabinet Order).

Member States of the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering circular to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant initial purchaser nominated by us for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each initial purchaser has represented and agreed that:

- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each initial purchaser has represented, warranted and agreed that the Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

Each initial purchaser has acknowledged that this offering circular has not been registered as a prospectus with the MAS. Accordingly, each initial purchaser has represented, warranted and agreed that it has not offered or sold the Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee of which is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of which is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Canada

Prospective Canadian investors are advised that the information contained within this offering circular has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, prospective Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within the offering circular and as to the suitability of an investment in the Notes in their particular circumstances.

The offer and sale of the Notes in Canada will only be made in the provinces of Alberta, British Columbia, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan or to residents thereof and not in, or to the residents of, any other province or territory of Canada. Such offers and sales will be made only under exemptions from the requirement to file a prospectus in the above mentioned provinces.

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* ("NI 45-106") or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offerings.

We hereby notify prospective Canadian purchasers that: (a) we may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Notes purchased) ("personal information"), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the "OSC") in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase Notes in the offerings will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this offering circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

Stamp Taxes and Other Charges

Purchasers of the Notes offered by this offering circular may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the offering price on the cover page of this offering circular.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses. Citigroup Global Markets Japan Inc., an affiliate of Citigroup Global Markets Inc., one of the initial purchasers, is acting as our financial advisor in connection with our acquisition of Mitsui Life. Mitsubishi UFJ Morgan Stanley Co., Ltd. is acting as our financial advisor in connection with our acquisition of Mitsui Life and our proposed acquisition of MLC. For more information on the acquisition and the proposed acquisition, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Mitsui Life Acquisition" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Proposed Acquisition of MLC," respectively. Morgan Stanley & Co. LLC, one of the initial purchasers, is a wholly owned subsidiary of Morgan Stanley which owns a 40% stake in Mitsubishi UFJ Morgan Stanley Co., Ltd.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours, any of our affiliates or related to our business. If any of the initial purchasers or their affiliates have a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments or in respect of assets, currencies or commodities that may be related to our business, and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities, instruments, currencies or commodities.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Davis Polk & Wardwell LLP as to matters of U.S. federal and New York law and Mori Hamada & Matsumoto as to matters of Japanese law. Certain legal matters will be passed upon for the initial purchasers by Morrison & Foerster LLP as to matters of U.S. federal and New York law.

INDEPENDENT AUDITORS

Our consolidated financial statements and nonconsolidated financial statements as of and for the years ended March 31, 2013, 2014 and 2015, in each case prepared in accordance with Japanese GAAP, included elsewhere in this offering circular have been audited by Deloitte Touche Tohmatsu LLC, our independent auditors, as stated in their report included herein.

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Index to Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nippon Life Insurance Company:

We have audited the accompanying consolidated balance sheets of Nippon Life Insurance Company and its consolidated subsidiaries as of March 31, 2015, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Life Insurance Company and its consolidated subsidiaries as of March 31, 2015, 2014 and 2013, and the consolidated results of their operations and their cash flows for the years then ended in accordance with the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan.

Emphasis of Matter

As explained in Note 1(1) to the consolidated financial statements, the information provided in the consolidated financial statements including notes to the consolidated financial statements is limited to that required by the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry. Our opinion is not modified in respect of this matter.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC
May 26, 2015
(July 2, 2015 as to Note 23)

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

As of March 31	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
ASSETS:				
Cash and deposits (Notes 3 and 4)	¥ 529,509	¥ 497,125	¥ 551,338	$ 4,406
Call loans (Note 3)	572,600	349,400	203,900	4,764
Receivables under securities borrowing transactions	—	159,856	150,709	—
Monetary receivables purchased (Notes 3 and 4)	498,758	570,632	756,320	4,150
Investments in securities (Notes 3, 4, 6, 13 and 14)	49,898,791	44,411,714	42,317,119	415,235
Loans (Notes 4, 15 and 16)	8,333,838	8,488,309	8,519,927	69,350
Tangible fixed assets (Notes 5, 7, 13 and 18):	1,725,822	1,728,486	1,685,475	14,361
Land	1,173,623	1,185,348	1,144,483	9,766
Buildings	515,505	474,732	485,268	4,289
Lease assets	4,010	2,566	3,037	33
Construction in progress	7,985	42,930	31,132	66
Other tangible fixed assets	24,697	22,907	21,553	205
Intangible fixed assets:	167,618	176,733	182,541	1,394
Software	75,432	84,169	90,319	627
Lease assets	13	17	18	0
Other intangible fixed assets	92,171	92,546	92,203	767
Reinsurance receivables	636	503	377	5
Other assets	890,988	686,945	779,670	7,414
Deferred tax assets (Note 19)	4,648	4,619	5,495	38
Customers' liability for acceptances and guarantees	33,801	25,299	24,452	281
Allowance for doubtful accounts	(8,372)	(9,386)	(11,718)	(69)
Total assets	¥62,648,641	¥57,090,238	¥55,165,611	$521,333

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheets—(Continued)

As of March 31	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
LIABILITIES:				
Policy reserves and other reserves:				
Reserve for outstanding claims	¥ 202,171	¥ 204,408	¥ 207,375	$ 1,682
Policy reserves	49,202,876	47,517,202	46,162,817	409,443
Reserve for dividends to policyholders (Note 9)	1,037,472	1,070,852	1,105,093	8,633
Subtotal	**50,442,520**	**48,792,463**	**47,475,286**	**419,759**
Reinsurance payables	**557**	**377**	**308**	**4**
Corporate bonds (Notes 4 and 10)	**399,590**	**157,040**	**157,040**	**3,325**
Other liabilities	**1,707,220**	**1,832,055**	**2,376,234**	**14,206**
Accrued bonuses for directors and audit and supervisory board members	**74**	**50**	**52**	**0**
Accrued retirement benefits (Note 11)	**—**	**—**	**435,879**	**—**
Net defined benefit liability (Note 11)	**411,416**	**359,438**	**—**	**3,423**
Accrued retirement benefits for directors and audit and supervisory board members	**4,397**	**4,508**	**4,472**	**36**
Reserve for program points	**13,171**	**12,609**	**9,564**	**109**
Reserve for price fluctuations in investments in securities	**778,723**	**623,312**	**427,529**	**6,480**
Deferred tax liabilities (Note 19)	**1,223,642**	**340,794**	**124,185**	**10,182**
Deferred tax liabilities for land revaluation	**115,440**	**128,236**	**129,132**	**960**
Acceptances and guarantees	**33,801**	**25,299**	**24,452**	**281**
Total liabilities	**55,130,557**	**52,276,186**	**51,164,139**	**458,771**
NET ASSETS:				
Foundation funds (Note 12)	**200,000**	**250,000**	**300,000**	**1,664**
Reserve for redemption of foundation funds (Note 12)	**1,050,000**	**1,000,000**	**950,000**	**8,737**
Reserve for revaluation	**651**	**651**	**651**	**5**
Consolidated surplus	**541,573**	**477,329**	**424,922**	**4,506**
Total foundation funds and others	**1,792,225**	**1,727,980**	**1,675,573**	**14,914**
Net unrealized gains on available-for-sale securities, net of tax	**6,023,903**	**3,261,140**	**2,509,186**	**50,128**
Deferred losses on derivatives under hedge accounting, net of tax	**(231,060)**	**(134,156)**	**(74,128)**	**(1,922)**
Land revaluation losses	**(88,670)**	**(85,561)**	**(84,481)**	**(737)**
Foreign currency translation adjustments	**36,330**	**10,162**	**(37,957)**	**302**
Remeasurement of defined benefit plans (Note 11)	**(30,381)**	**20,085**	**—**	**(252)**
Total accumulated other comprehensive income	**5,710,121**	**3,071,671**	**2,312,619**	**47,517**
Minority interests	**15,736**	**14,399**	**13,278**	**130**
Total net assets	**7,518,084**	**4,814,051**	**4,001,471**	**62,562**
Total liabilities and net assets	**¥62,648,641**	**¥57,090,238**	**¥55,165,611**	**$521,333**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
[Consolidated Statements of Income]

For the fiscal years ended March 31	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
ORDINARY INCOME:				
Revenues from insurance and reinsurance	**¥5,370,865**	**¥4,860,167**	**¥5,366,675**	**$44,693**
Investment income:				
Interest, dividends, and other income	1,373,699	1,298,823	1,221,619	11,431
Gain from assets held in trust, net	4	5	13	0
Gain on sales of securities	242,571	260,538	192,733	2,018
Gain on redemptions of securities	5,039	350	285	41
Foreign exchange gains, net	—	1,703	1,197	—
Reversal of allowance for doubtful accounts	726	2,620	5,388	6
Other investment income	525	638	9,052	4
Gain from separate accounts, net	154,187	122,626	144,611	1,283
Subtotal	**1,776,754**	**1,687,307**	**1,574,902**	**14,785**
Other ordinary income	**262,474**	**281,760**	**259,759**	**2,184**
Total ordinary income	**7,410,093**	**6,829,236**	**7,201,337**	**61,663**
ORDINARY EXPENSES:				
Benefits and other payments:				
Death and other claims	1,022,477	1,017,022	1,059,942	8,508
Annuity payments	839,921	857,662	686,205	6,989
Health and other benefits	748,368	797,618	845,503	6,227
Surrender benefits	959,865	839,852	834,495	7,987
Other refunds	387,696	292,927	207,332	3,226
Reinsurance premiums	1,701	1,487	1,432	14
Subtotal	**3,960,031**	**3,806,572**	**3,634,912**	**32,953**
Provision for policy reserves:				
Provision for policy reserves	1,684,483	1,354,708	1,714,340	14,017
Provision for interest on reserve for dividends to policyholders (Note 9)	23,602	24,715	25,830	196
Subtotal	**1,708,085**	**1,379,423**	**1,740,170**	**14,213**
Investment expenses:				
Interest expenses	10,342	8,138	5,130	86
Loss on sales of securities	18,386	57,804	73,090	152
Loss on valuation of securities	3,258	22,285	98,931	27
Loss on redemptions of securities	21,595	24,635	30,530	179
Loss on derivative financial instruments, net	48,979	39,218	178,477	407
Foreign exchange losses, net	381	—	—	3
Write-offs of loans	20	42	395	0
Depreciation of rental real estate and other assets	14,917	14,993	24,588	124
Other investment expenses	25,982	22,136	23,369	216
Subtotal	**143,863**	**189,255**	**434,514**	**1,197**
Operating expenses (Note 17)	**586,062**	**583,082**	**584,854**	**4,876**
Other ordinary expenses	**393,447**	**347,662**	**404,651**	**3,274**
Total ordinary expenses	**6,791,489**	**6,305,995**	**6,799,103**	**56,515**
Ordinary profit	**¥ 618,604**	**¥ 523,240**	**¥ 402,234**	**$ 5,147**

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income [Consolidated Statements of Income]—(Continued)

For the fiscal years ended March 31	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
Extraordinary gains:				
Gain on disposals of fixed assets	¥ 4,025	¥ 2,926	¥ 58,790	$ 33
Reversal of reserve for loss on disaster	—	—	326	—
Other extraordinary gains (Note 20)	—	—	388	—
Subtotal	**4,025**	**2,926**	**59,505**	**33**
Extraordinary losses:				
Loss on disposals of fixed assets	3,459	6,302	31,145	28
Impairment losses (Note 18)	19,908	4,728	17,602	165
Provision for reserve for price fluctuations in investments in securities	155,411	195,783	93,819	1,293
Loss on reduction entry of real estate	136	96	2,531	1
Contributions for assisting social public welfare	2,977	1,477	1,477	24
Loss on liquidation of subsidiaries and affiliates	—	2,726	—	—
Subtotal	**181,891**	**211,114**	**146,575**	**1,513**
Surplus before income taxes and minority interests	**440,738**	**315,051**	**315,164**	**3,667**
Income taxes (Note 19)**:**				
Current	172,542	144,657	91,617	1,435
Deferred	(41,146)	(77,778)	(25,471)	(342)
Total income taxes	131,396	66,878	66,146	1,093
Surplus before minority interests	**309,342**	**248,173**	**249,018**	**2,574**
Minority interests	**1,271**	**1,020**	**1,080**	**10**
Net surplus	**¥308,070**	**¥247,152**	**¥247,937**	**$2,563**

The accompanying notes are an integral part of the consolidated financial statements.

Nippon Life Insurance Company and its Consolidated Subsidiaries

[Consolidated Statements of Comprehensive Income]

For the years ended March 31	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
Surplus before minority interests	¥ 309,342	¥248,173	¥ 249,018	$ 2,574
Other comprehensive income (Note 21):	2,649,292	736,864	1,452,577	22,046
Net unrealized gains on available-for-sale securities, net of tax	2,760,495	748,792	1,487,069	22,971
Deferred losses on derivatives under hedge accounting, net of tax	(96,904)	(60,027)	(67,159)	(806)
Land revaluation losses	7,615	—	1,952	63
Foreign currency translation adjustments	17,321	46,137	26,151	144
Remeasurement of defined benefit plans	(50,466)	—	—	(419)
Share of other comprehensive income of associates accounted for under the equity method	11,230	1,961	4,563	93
Comprehensive income:	2,958,634	985,038	1,701,595	24,620
Comprehensive income attributable to the parent company	2,957,245	983,864	1,700,407	24,608
Comprehensive income attributable to minority interests	¥ 1,388	¥ 1,173	¥ 1,188	$ 11

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2013	Millions of Yen — Foundation funds and others: Foundation funds (Note 12)	Reserve for redemption of foundation funds (Note 12)	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	¥300,000	¥900,000	¥651	¥ 379,311	¥1,579,962
Increase/decrease:					
Issuance of foundation funds	50,000				50,000
Additions to reserve for dividends to policyholders (Note 9)				(167,313)	(167,313)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(3,930)	(3,930)
Net surplus				247,937	247,937
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				18,917	18,917
Net change, excluding foundation funds and others					
Net change	—	50,000	—	45,611	95,611
Ending balance	¥300,000	¥950,000	¥651	¥ 424,922	¥1,675,573

For the year ended March 31, 2013	Millions of Yen — Accumulated other comprehensive income: Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Beginning balance	¥1,022,171	¥ (6,969)	¥(67,515)	¥(68,619)	¥ 879,066	¥12,141	¥2,471,169
Increase/decrease:							
Issuance of foundation funds							50,000
Additions to reserve for dividends to policyholders (Note 9)							(167,313)
Additions to reserve for redemption of foundation funds							—
Interest on foundation funds							(3,930)
Net surplus							247,937
Redemption of foundation funds							(50,000)
Reversal of land revaluation losses							18,917
Net change, excluding foundation funds and others	1,487,015	(67,159)	(16,965)	30,661	1,433,552	1,137	1,434,690
Net change	1,487,015	(67,159)	(16,965)	30,661	1,433,552	1,137	1,530,301
Ending balance	¥2,509,186	¥(74,128)	¥(84,481)	¥(37,957)	¥2,312,619	¥13,278	¥4,001,471

Consolidated Statements of Changes in Net Assets—(Continued)

	Millions of Yen				
	Foundation funds and others				
For the year ended March 31, 2014	Foundation funds (Note 12)	Reserve for redemption of foundation funds (Note 12)	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	¥300,000	¥ 950,000	¥651	¥424,922	¥1,675,573
Cumulative effect of change in accounting policies				24,705	24,705
Beginning balance after reflecting accounting policy changes	300,000	950,000	651	449,627	1,700,279
Increase/decrease:					
Additions to reserve for dividends to policyholders (Note 9)				(167,172)	(167,172)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(3,585)	(3,585)
Net surplus				247,152	247,152
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				1,080	1,080
Increase due to increase in number of associates accounted for under the equity method				225	225
Net change, excluding foundation funds and others					
Net change	(50,000)	50,000	—	27,701	27,701
Ending balance	¥250,000	¥1,000,000	¥651	¥477,329	¥1,727,980

	Millions of Yen							
	Accumulated other comprehensive income							
For the year ended March 31, 2014	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Foreign currency translation adjustments	Remeasurement of defined benefit plans (Note 11)	Total accumulated other comprehensive income	Minority interests	Total net assets
Beginning balance	¥2,509,186	¥ (74,128)	¥(84,481)	¥(37,957)	¥ —	¥2,312,619	¥13,278	¥4,001,471
Cumulative effect of change in accounting policies								24,705
Beginning balance after reflecting accounting policy changes	2,509,186	(74,128)	(84,481)	(37,957)	—	2,312,619	13,278	4,026,177
Increase/decrease:								
Additions to reserve for dividends to policyholders (Note 9)								(167,172)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(3,585)
Net surplus								247,152
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								1,080
Increase due to increase in number of associates accounted for under the equity method								225
Net change, excluding foundation funds and others	751,954	(60,027)	(1,080)	48,120	20,085	759,052	1,120	760,172
Net change	751,954	(60,027)	(1,080)	48,120	20,085	759,052	1,120	787,874
Ending balance	¥3,261,140	¥(134,156)	¥(85,561)	¥ 10,162	¥20,085	¥3,071,671	¥14,399	¥4,814,051

Consolidated Statements of Changes in Net Assets—(Continued)

	Millions of Yen				
	Foundation funds and others				
For the year ended March 31, 2015	Foundation funds (Note 12)	Reserve for redemption of foundation funds (Note 12)	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	¥250,000	¥1,000,000	¥651	¥ 477,329	¥1,727,980
Increase/decrease:					
Additions to reserve for dividends to policyholders (Note 9)				(201,765)	(201,765)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(2,785)	(2,785)
Net surplus				308,070	308,070
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				10,724	10,724
Net change, excluding foundation funds and others					
Net change	(50,000)	50,000	—	64,244	64,244
Ending balance	¥200,000	¥1,050,000	¥651	¥ 541,573	¥1,792,225

	Millions of Yen							
	Accumulated other comprehensive income							
For the year ended March 31, 2015	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Foreign currency translation adjustments	Remeasurement of defined benefit plans (Note 11)	Total accumulated other comprehensive income	Minority interests	Total net assets
Beginning balance	¥3,261,140	¥(134,156)	¥(85,561)	¥10,162	¥ 20,085	¥3,071,671	¥14,399	¥4,814,051
Increase/decrease:								
Additions to reserve for dividends to policyholders (Note 9)								(201,765)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(2,785)
Net surplus								308,070
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								10,724
Net change, excluding foundation funds and others	2,762,762	(96,904)	(3,108)	26,167	(50,466)	2,638,450	1,337	2,639,788
Net change	2,762,762	(96,904)	(3,108)	26,167	(50,466)	2,638,450	1,337	2,704,032
Ending balance	¥6,023,903	¥(231,060)	¥(88,670)	¥36,330	¥(30,381)	¥5,710,121	¥15,736	¥7,518,084

Consolidated Statements of Changes in Net Assets—(Continued)

For the year ended March 31, 2015	Foundation funds (Note 12)	Reserve for redemption of foundation funds (Note 12)	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
	Millions of U.S. Dollars				
	Foundation funds and others				
Beginning balance	$2,080	$8,321	$ 5	$ 3,972	$14,379
Increase/decrease:					
Additions to reserve for dividends to policyholders (Note 9)				(1,678)	(1,678)
Additions to reserve for redemption of foundation funds		416		(416)	—
Interest on foundation funds				(23)	(23)
Net surplus				2,563	2,563
Redemption of foundation funds	(416)				(416)
Reversal of land revaluation losses				89	89
Net change, excluding foundation funds and others					
Net change	(416)	416	—	534	534
Ending balance	$1,664	$8,737	$ 5	$ 4,506	$14,914

For the year ended March 31, 2015	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Foreign currency translation adjustments	Remeasurement of defined benefit plans (Note 11)	Total accumulated other comprehensive income	Minority interests	Total net assets
	Millions of U.S. Dollars							
	Accumulated other comprehensive income							
Beginning balance	$27,137	$(1,116)	$(711)	$ 84	$ 167	$25,561	$119	$40,060
Increase/decrease:								
Additions to reserve for dividends to policyholders (Note 9)								(1,678)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(23)
Net surplus								2,563
Redemption of foundation funds								(416)
Reversal of land revaluation losses								89
Net change, excluding foundation funds and others	22,990	(806)	(25)	217	(419)	21,955	11	21,967
Net change	22,990	(806)	(25)	217	(419)	21,955	11	22,501
Ending balance	$50,128	$(1,922)	$(737)	$302	$(252)	$47,517	$130	$62,562

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
I Cash flows from operating activities:				
Surplus before income taxes and minority interests	¥ 440,738	¥ 315,051	¥ 315,164	$ 3,667
Depreciation of rental real estate and other assets	14,917	14,993	24,588	124
Depreciation	47,265	47,536	58,308	393
Impairment losses	19,908	4,728	17,602	165
Net decrease in reserve for outstanding claims	(2,774)	(3,772)	(1,597)	(23)
Net increase in policy reserves	1,685,475	1,354,061	1,713,267	14,025
Provision for interest on reserve for dividends to policyholders	23,602	24,715	25,830	196
Net decrease in allowance for doubtful accounts	(806)	(2,680)	(6,455)	(6)
Net increase (decrease) in accrued bonuses for directors and audit and supervisory board members	24	(2)	(0)	0
Net decrease in accrued retirement benefits	—	—	(3,971)	—
Net decrease in net defined benefit liability	(7,387)	(11,806)	—	(61)
Net (decrease) increase in accrued retirement benefits for directors and audit and supervisory board members	(110)	36	(209)	(0)
Net increase in reserve for price fluctuations in investments in securities	155,411	195,783	93,819	1,293
Interest, dividends, and other income	(1,373,699)	(1,298,823)	(1,221,619)	(11,431)
Net gains from assets held in trust	—	—	(13)	—
Net (gains) losses on investments in securities	(204,487)	(156,181)	9,533	(1,701)
Net losses on policy loans	145,484	163,453	177,164	1,210
Losses on derivative financial instruments, net	48,979	39,218	178,477	407
Interest expenses	10,342	8,138	5,130	86
Net foreign exchange losses (gains)	575	(1,641)	(1,214)	4
Net (gains) losses on tangible fixed assets	(35)	3,707	(26,504)	(0)
Losses (gains) on equity method investments	97	(1,980)	977	0
Gains from separate accounts, net	(154,187)	(122,626)	(144,611)	(1,283)
Losses on liquidation of subsidiaries and affiliates	—	2,726	—	—
Net (increase) decrease in reinsurance receivables	(108)	(87)	126	(0)
Net increase in other assets (excluding those related to investing activities and financing activities)	(29,642)	(11,079)	(35,907)	(246)
Net increase (decrease) in reinsurance payables	176	61	(55)	1
Net increase (decrease) in other liabilities (excluding those related to investing activities and financing activities)	16,530	(26,479)	(10,656)	137
Others, net	(38,642)	(7,142)	8,901	(321)
Subtotal	**797,645**	**529,907**	**1,176,077**	**6,637**
Interest, dividends, and other income received	1,394,428	1,301,927	1,236,283	11,603
Interest paid	(7,687)	(8,146)	(2,809)	(63)
Dividends to policyholders paid	(193,741)	(194,119)	(198,791)	(1,612)
Others, net	4,659	6,562	(36)	38
Income taxes (paid) refunded	(207,110)	(114,690)	9,211	(1,723)
Net cash provided by operating activities	**¥ 1,788,193**	**¥ 1,521,441**	**¥ 2,219,934**	**$ 14,880**

Consolidated Statements of Cash Flows—(Continued)

For the years ended March 31	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
II Cash flows from investing activities:				
Net decrease in deposits	¥ 500	¥ 1,099	¥ 1,999	$ 4
Net decrease (increase) in receivables under securities borrowing transactions	159,856	(9,146)	61,219	1,330
Purchases of monetary receivables purchased	(17,500)	(22,300)	(17,500)	(145)
Proceeds from sales and redemptions of monetary receivables purchased	99,205	103,904	96,487	825
Purchases of securities	(8,529,358)	(8,881,679)	(8,825,996)	(70,977)
Proceeds from sales and redemptions of securities	7,500,525	8,748,961	7,054,782	62,415
Disbursements for loans	(1,136,208)	(1,369,346)	(1,323,328)	(9,455)
Proceeds from collections of loans	1,186,604	1,280,328	1,294,163	9,874
Net loss from the settlement of derivative financial instruments	(731,311)	(805,208)	(957,401)	(6,085)
Net (decrease) increase in cash received as collateral under securities lending transactions	(272,701)	(409,330)	276,436	(2,269)
Others, net	33,147	(128)	(2,936)	275
① Total of investing activities	**(1,707,240)**	**(1,362,845)**	**(2,342,075)**	**(14,206)**
[I + II①]	**[80,953]**	**[158,595]**	**[(122,140)]**	**[673]**
Purchases of tangible fixed assets	(50,695)	(101,879)	(55,143)	(421)
Proceeds from sales of tangible fixed assets	8,299	28,804	114,330	69
Others, net	(25,162)	(25,937)	(22,517)	(209)
Net cash used in investing activities	**(1,774,799)**	**(1,461,858)**	**(2,305,404)**	**(14,769)**
III Cash flows from financing activities:				
Proceeds from debt borrowing	220,448	216,289	265,313	1,834
Repayments of debt	(213,616)	(214,367)	(259,884)	(1,777)
Proceeds from issuance of corporate bonds	242,550	—	157,040	2,018
Proceeds from issuance of foundation funds	—	—	50,000	—
Redemption of foundation funds	(50,000)	(50,000)	(50,000)	(416)
Interest on foundation funds	(2,785)	(3,585)	(3,930)	(23)
Others, net	4,703	25,802	26,345	39
Net cash provided by (used in) financing activities	**201,300**	**(25,861)**	**184,884**	**1,675**
IV Effect of exchange rate changes on cash and cash equivalents	**(209)**	**17,513**	**13,945**	**(1)**
V Net increase in cash and cash equivalents	**214,485**	**51,234**	**113,360**	**1,784**
VI Cash and cash equivalents at the beginning of the year	**872,018**	**820,784**	**707,424**	**7,256**
VII Cash and cash equivalents at the end of the year	**¥ 1,086,504**	**¥ 872,018**	**¥ 820,784**	**$ 9,041**

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Basis of Presenting the Consolidated Financial Statements

(1) Accounting principles and presentation

The accompanying consolidated financial statements have been prepared from the accounts and records maintained by NIPPON LIFE INSURANCE COMPANY ("Nippon Life" or the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. Certain accounting and reporting practices required to be followed by the industry are regulated by the Financial Services Agency and the related ministry by means of ministerial ordinances and guidance. The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are in compliance with such requirements. The information provided in the consolidated financial statements including the notes to the consolidated financial statements is limited to that required by Japanese laws and regulations. Amounts of less than one million yen and one million U.S. dollars have been eliminated for financial statement presentation. As a result, totals may not add up exactly.

(2) United States dollar amounts

Nippon Life prepares its consolidated financial statements in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥120.17=U.S.$1, the effective rate of exchange at the balance sheet date of March 31, 2015. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at ¥120.17=U.S.$1 or at any other rate.

2. Summary of Significant Accounting Policies

(1) Principles of consolidation

i) Consolidated subsidiaries

The consolidated financial statements include the accounts of Nippon Life and its subsidiaries. Consolidated subsidiaries as of March 31, 2015, 2014 and 2013, are listed as follows:

Nissay Computer Co., Ltd. (Japan)

Nissay Asset Management Corporation (Japan)

Nissay Information Technology Co., Ltd. (Japan)

Nissay Capital Co., Ltd. (Japan)

Nissay Leasing Co., Ltd. (Japan)

Nissay Credit Guarantee Co., Ltd. (Japan)

Nippon Life Insurance Company of America (U.S.A.)

NLI Properties West, Inc. (U.S.A.)
(up to the fiscal year ended March 31, 2013)

NLI Commercial Mortgage Fund, LLC (U.S.A.)

NLI Commercial Mortgage Fund II, LLC (U.S.A.)

The major subsidiaries excluded from consolidation are NLI International Inc., Nissay Card Service Co., Ltd., Nissay Trading Corporation and Nissay Business Service Co., Ltd.

From the fiscal year ended March 31, 2014, NLI Properties West, Inc. has been removed from the scope of consolidation due to its dissolution.

The respective and aggregate effects of the companies which are excluded from consolidation, based on total assets, revenues, net income and surplus for the fiscal years ended March 31, 2015, 2014 and 2013, are immaterial. This exclusion from consolidation does not prevent a reasonable assessment of the consolidated financial position of Nippon Life and its subsidiaries and the results of their operations.

ii) Affiliates

Affiliates accounted for under the equity method as of March 31, 2015, 2014 and 2013, are listed as follows:

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

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

Nissay-Greatwall Life Insurance Co., Ltd. (China)

Reliance Life Insurance Company Limited (India)

Bangkok Life Assurance Public Company Limited (Thailand) (From the fiscal year ended March 31, 2014)

Bangkok Life Assurance Public Company Limited has become more significant to the Company and has therefore been included as an affiliate accounted for under the equity method from the fiscal year ended March 31, 2014.

The subsidiaries not consolidated, e.g., NLI International Inc., Nissay Card Service Co., Ltd., Nissay Trading Corporation and others, and affiliates other than those listed above, e.g., Reliance Capital Asset Management Limited, are not accounted for under the equity method. The respective and aggregate effects of such companies on consolidated net income and surplus for the fiscal years ended March 31, 2015, 2014 and 2013, are immaterial.

The number of consolidated subsidiaries and affiliates as of March 31, 2015, 2014 and 2013, was as follows:

	2015	2014	2013
Consolidated subsidiaries	9	9	10
Subsidiaries not consolidated but accounted for under the equity method	0	0	0
Affiliates accounted for under the equity method	5	5	4

iii) The fiscal year-end dates of consolidated subsidiaries and affiliates

The fiscal years of consolidated overseas subsidiaries and affiliates end on December 31. The consolidated financial statements are prepared using data as of December 31, and necessary adjustments are made to reflect significant transactions that occurred between the Company's fiscal year-end date of March 31 and December 31.

iv) Valuation of assets and liabilities of consolidated subsidiaries and affiliates

Assets and liabilities of consolidated subsidiaries and affiliates acquired by the Company are initially measured at fair value as of the date of the acquisition.

v) Amortization of goodwill

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

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

vi) All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits/losses included in assets/liabilities resulting from transactions within the Group are eliminated.

(2) Cash and cash equivalents

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

(3) Securities and hedging activities

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

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

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

   iii) Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line), in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the Japanese Institute of Certified Public Accountants (JICPA).

   iv) Investments in subsidiaries and affiliates that are not consolidated nor accounted for by the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act excluding subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are valued at cost using the moving average method.

   v) Available-for-sale securities

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

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

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

Hedge accounting is applied by the Company based on the following method:

1) The Company mainly applies fair value hedge accounting and deferred hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds denominated in foreign currencies. The Company also applies the exceptional accounting treatment ("*Tokurei-shori*") for interest rate swaps to hedge the cash flow volatility of certain loans and applies designated hedge accounting ("*Furiate-shori*") for foreign exchange forward contracts and currency swaps for certain financial assets denominated in foreign currencies. The Company also applies designated hedge accounting ("*Furiate-shori*") for currency swaps for the foreign currency-denominated subordinated corporate bonds issued by the Company.

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

3) Derivative financial instruments utilized for other than hedging purposes are stated at fair value.

(4) Policy-reserve-matching bonds

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

(5) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).

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

(6) Tangible fixed assets

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

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

(i) Buildings as of March 31, 2015 and 2014 and buildings acquired on or after April 1, 1998 (except for fixtures and structures) as of March 31, 2013

Straight-line method.

(ii) Assets other than the above

Declining-balance method.

b. Lease assets of the Company

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

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

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

Straight-line method based on lease period.

c. Tangible fixed assets of consolidated subsidiaries

Depreciated based mainly on the straight-line method in the fiscal years ended March 31, 2015 and 2014. Depreciated based mainly on the declining-balance method in the fiscal year ended March 31, 2013.

The estimated useful lives of major items are as follows:

Buildings	2 to 50 years
Other tangible fixed assets	2 to 20 years

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses.

Previously, tangible fixed assets of the Company were depreciated mainly based on the declining-balance method. Beginning with the fiscal year ended March 31, 2014, the depreciation method for buildings and others has been changed to the straight-line method.

This change was made because the Company concluded that straight-line depreciation over the useful lives of buildings better reflects the future use of tangible fixed assets given that the Company now expects to make more consistent use of buildings and others over the long term. This decision was based on several factors. First, investments in remodeling and renovations, which slow the aging of real estate, now represent a relatively higher share of investments. Remodeling and renovations have progressively replaced the acquisition and construction of new buildings, which now represent a lower share of investments. Previously, acquisitions and construction of new buildings accounted for the bulk of investments, and therefore the declining-balance method of depreciation was adopted as a depreciation method suited to the use of these assets. Second, the Company has recently formulated standards such as an overall building renovation plan and specifications for renovation work in order to conduct real estate renovations more systematically. Following the completion of the development of a system for managing fixed assets in support of these changes during the fiscal year ended March 31, 2014, the Company changed the depreciation method for tangible fixed assets.

As a result, ordinary profit and surplus before income taxes and minority interests both increased by ¥3,027 million in comparison with the previous depreciation method for the fiscal year ended March 31, 2014.

Furthermore, in the course of formulating the above overall building renovation plan, the Company surveyed the remaining useful lives and residual values of buildings and others. Consequently, in conjunction with the change in depreciation method, the Company revised these parameters to better reflect actual conditions. Accordingly, the Company adjusted certain useful lives and residual values from the fiscal year ended March 31, 2014.

As a result, ordinary profit and surplus before income taxes and minority interests both increased by ¥7,325 million in comparison with the previous depreciation method for the fiscal year ended March 31, 2014.

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

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

The Act on Revaluation of Land requires companies to disclose when the total fair value of land on the balance sheet date is below the total book value of this land after revaluation. The excess of the total book value of this land after revaluation as of March 31, 2013, over the total fair value of land used in operations, as revalued in accordance with Article 10 of the Act on Revaluation of Land as of the same date, was ¥3,351 million.

(7) Software

Capitalized software for internal use, which is included within intangible fixed assets, is amortized using the straight-line method over their estimated useful lives as internally determined (5 years).

(8) Leases

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

Financial leases where the Company or a consolidated subsidiary is the lessee, ownership is not transferred, and the lease start date is March 31, 2008, or prior are accounted for under the accounting treatment applied to ordinary operating leases.

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

(9) Allowance for doubtful accounts

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

   i) An allowance for loans from borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at 4) below).

   ii) An allowance for loans from borrowers who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

   iii) An allowance for loans from borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

2) All credits extended by the Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

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

4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amounts were ¥743 million (U.S.$6 million) (including ¥197 million (U.S.$1 million) of credits secured and/or guaranteed), ¥1,082 million (including ¥288 million of credits secured and/or guaranteed) and ¥1,570 million (including ¥757 million of credits secured and/or guaranteed) as of March 31, 2015, 2014 and 2013, respectively.

(10) Accrued bonuses for directors and audit and supervisory board members

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

(11) Net defined benefit liability and accrued retirement benefits

1) Net defined benefit liability is the amount of retirement benefit obligations prepared for payment of employee retirement benefits less pension plan assets, based on the projected amounts as of March 31, 2015 and 2014.

2) The accounting methods of the Company used for retirement benefits as of March 31, 2015 and 2014, are as follows:

   1) Attribution method for estimated retirement benefits: Benefit formula basis

   2) Period of amortizing actuarial (gains) losses: 5 years

   3) Period of amortizing prior service costs: 5 years

Accrued retirement benefits of the Company are recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets for future severance payments to employees on the balance sheet date for the fiscal year ended March 31, 2013.

From the fiscal year ended March 31, 2014, the Company has applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and the "Guidance on Accounting Standard for

Retirement Benefits" (ASBJ Guidance No. 25). The revised accounting standard permits companies to change the calculation method of retirement benefit obligations and service costs from the start of fiscal years beginning on or after April 1, 2013. Accordingly, from the fiscal year ended March 31, 2014, the Company has changed the periodic allocation method of estimated retirement benefits from the straight-line basis to the benefit formula basis. At the end of the fiscal year ended March 31, 2014, the amount of retirement benefit obligations minus pension assets was recorded as net defined benefit liability, and unrecognized actuarial (gains) losses and unrecognized prior service costs were recorded in the net defined benefit liability.

With respect to the application of the revised accounting standard, in accordance with Article 37 of the standard, the amount of the impact of changes to the method of calculation of retirement benefit obligations and service costs has been included in consolidated surplus as of the beginning of the fiscal year ended March 31, 2014. Furthermore, at the end of the fiscal year ended March 31, 2014, the amount of the impact of recording the amount of retirement benefit obligations minus pension assets as a net defined benefit liability was recorded as a remeasurement of defined benefit plans under total accumulated other comprehensive income.

As a result, consolidated surplus as of April 1, 2013 increased by ¥24,705 million, while ordinary profit and surplus before income taxes and minority interests increased by ¥1,558 million. Furthermore, as of March 31, 2014, the Company recorded net defined benefit liability of ¥359,438 million and total accumulated other comprehensive income of ¥20,085 million.

(12) Accrued retirement benefits for directors and audit and supervisory board members

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

(13) Reserve for program points

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

(14) Reserve for price fluctuations in investments in securities

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

(15) Accounting for consumption taxes

Consumption taxes and local consumption taxes of the Company are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.

(16) Policy reserves

Policy reserves of the Company are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized based on the following methodology:

1) Reserves for contracts concluded in or after April 1996, other than those in which factors used as a basis for computing policy reserves and insurance premiums are alterable and those for variable insurance, are computed by the net level premium method based on the assumption rates locked in at the sales and renewal prescribed by the Insurance Business Act and the statement of calculation procedures*.

2) Reserves for other contracts are determined by the net level premium method using the assumption rates locked in at the sales and renewal prescribed by the statement of calculation procedures*.

* Documents approved by the Financial Services Agency that describe the specific calculation methods for insurance premiums and policy reserves.

Additional policy reserve amounts are included to cover a possible deficiency in the amount of the reserve for certain individual annuity policy-holders in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

(17) Revenue recognition

Regarding revenues, insurance premiums are recognized when cash is received and insurance premiums due but not collected are not recognized as revenues. Unearned insurance premiums are recognized as policy reserves.

(18) Policy acquisition costs

Policy acquisition costs are recorded to expense as incurred.

(19) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the enacted statutory tax rates to the temporary differences.

3. Cash and Cash Equivalents

The reconciliation of "Cash and cash equivalents" in the consolidated statements of cash flows and "Cash and deposits" in the consolidated balance sheets as of March 31, 2015, 2014 and 2013, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2015	2014	2013	2015
Cash and deposits	¥ 529,509	¥497,125	¥551,338	$4,406
Call loans	572,600	349,400	203,900	4,764
Monetary receivables purchased	36,996	26,996	56,992	307
Investments in securities	—	1,599	62,758	—
Time deposits with initial term of over 3 months to maturity and others	(52,601)	(3,103)	(54,205)	(437)
Cash and cash equivalents	¥1,086,504	¥872,018	¥820,784	$9,041

4. Financial Instruments

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

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

The Company mainly applies fair value hedge accounting and deferred hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds denominated in foreign currencies. The Company also applies the exceptional accounting treatment ("*Tokurei-shori*") for interest rate swaps to hedge the cash flow volatility of certain loans and applies designated hedge accounting ("*Furiate-shori*") for foreign exchange forward contracts and currency swaps for certain financial assets denominated in foreign currencies. The Company also applies designated hedge accounting ("*Furiate-shori*") for currency swaps for the foreign currency-denominated subordinated corporate bonds issued by the Company. The effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company's internal risk management policies.

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

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

To manage credit risk, the Company has built a thorough monitoring system involving the Assessment Management Department which is independent of the departments handling investment and finance activities. The Company also continues to build a sound portfolio through the establishment of interest guidelines to ensure the returns the Company obtains are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company or group.

In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the Company's portfolio as a whole and monitors whether the magnitude of risk stays within an appropriate range.

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

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2015			2014			2013			2015		
	Balance sheet amount(*1)	Fair value(*2)	Difference	Balance sheet amount(*1)	Fair value(*2)	Difference	Balance sheet amount(*1)	Fair value(*2)	Difference	Balance sheet amount(*1)	Fair value(*2)	Difference
Cash and deposits (negotiable certificates of deposit):	¥ 313,499	¥ 313,499	¥ —	¥ 236,999	¥ 236,999	¥ —	¥ 298,997	¥ 298,997	¥ —	$ 2,608	$ 2,608	$ —
Available-for-sale securities	313,499	313,499	—	236,999	236,999	—	298,997	298,997	—	2,608	2,608	—
Monetary receivables purchased:	498,758	534,726	35,968	570,632	611,996	41,364	756,320	810,224	53,904	4,150	4,449	299
Policy-reserve-matching bonds	459,891	495,860	35,968	542,574	583,939	41,364	698,039	751,943	53,904	3,827	4,126	299
Available-for-sale securities	38,866	38,866	—	28,057	28,057	—	58,281	58,281	—	323	323	—
Securities:	48,719,245	51,316,611	2,597,365	43,213,594	45,016,895	1,803,300	41,098,992	43,138,884	2,039,891	405,419	427,033	21,614
Trading securities	1,005,262	1,005,262	—	1,098,298	1,098,298	—	1,160,434	1,160,434	—	8,365	8,365	—
Held-to-maturity debt securities	49,201	49,339	137	47,077	47,315	237	39,999	40,532	532	409	410	1
Policy-reserve-matching bonds	20,214,005	22,796,569	2,582,564	19,593,801	21,352,447	1,758,645	18,905,385	20,908,019	2,002,633	168,211	189,702	21,490
Investments in subsidiaries and affiliates	22,810	37,474	14,663	17,361	61,779	44,417	7,711	44,436	36,725	189	311	122
Available-for-sale securities	27,427,965	27,427,965	—	22,457,054	22,457,054	—	20,985,462	20,985,462	—	228,243	228,243	—
Loans(*3):	8,327,360	8,660,317	332,956	8,481,445	8,748,579	267,133	8,511,070	8,830,097	319,026	69,296	72,067	2,770
Policy loans	736,402	736,402	—	782,113	782,113	—	835,281	835,281	—	6,128	6,128	—
Industrial and consumer loans	7,590,958	7,923,915	332,956	7,699,332	7,966,465	267,133	7,675,789	7,994,816	319,026	63,168	65,939	2,770
Derivative financial instruments(*4):	(215,282)	(215,282)	—	(278,716)	(278,716)	—	(259,261)	(259,261)	—	(1,791)	(1,791)	—
Hedge accounting not applied	515	515	—	(258)	(258)	—	37	37	—	4	4	—
Hedge accounting applied	(215,798)	(215,798)	—	(278,457)	(278,457)	—	(259,298)	(259,298)	—	(1,795)	(1,795)	—
Corporate bonds(*3,*5)	(399,590)	(417,493)	(17,903)	(157,040)	(172,429)	(15,389)	(157,040)	(159,039)	(1,999)	(3,325)	(3,474)	(148)
Cash received as collateral under securities lending transactions(*5)	¥ (529,989)	¥ (529,989)	¥ —	¥ (802,691)	¥ (802,691)	¥ —	¥ (1,212,021)	¥ (1,212,021)	¥ —	$ (4,410)	$ (4,410)	$ —

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.
(*2) For securities for which impairment losses were recognized in the fiscal years ended March 31, 2015, 2014 and 2013, the fair value is the balance sheet amount after the impairment losses are deducted.
(*3) The fair values of derivative financial instruments that are interest rate swaps under exceptional accounting treatment ("*Tokurei-shori*") or currency swaps under designated hedge accounting ("*Furiate-shori*") are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.
(*4) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.
(*5) Corporate bonds and cash received as collateral under securities lending transactions are recorded in liabilities and presented in parentheses.

(2) Fair value measurement methods for the Company's major financial instruments are as follows:

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

a. Items with a market price

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

b. Items without a market price

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

2) Loans

a. Policy loans

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

b. Industrial and consumer loans

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

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

Loans from legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectable amount from the book value directly prior to the decrease.

3) Derivative financial instruments

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

b. Fair value of stock options is measured by the price calculated by the Company based on volatility and other data obtained mainly from external information vendors as of March 31, 2015 and 2014.

Fair value of stock options is measured by the value obtained from financial institutions that are the counterparties in such transactions as of March 31, 2013.

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

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

4) Corporate bonds

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

5) Cash received as collateral under securities lending transactions

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

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

Balance sheet amounts by holding purpose were ¥240,764 million (U.S.$2,003 million), ¥174,894 million and ¥163,181 million for stocks of subsidiaries and affiliates and ¥938,781 million (U.S.$7,812 million), ¥1,023,225 million and ¥1,054,945 million for available-for-sale securities as of March 31, 2015, 2014 and 2013, respectively.

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

1) Trading securities

Investments in securities for separate accounts are classified as trading securities as of March 31, 2015, 2014 and 2013.

Valuation gains (losses) included in profit and loss were gains of ¥154,939 million (U.S.$1,289 million) and gains of ¥110,562 million and gains of ¥103,266 million for securities related to separate accounts for the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

2) Held-to-maturity debt securities

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

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2015			2014			2013			2015		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount:												
Domestic bonds	¥31,443	¥31,574	¥131	¥29,071	¥29,178	¥107	¥28,733	¥28,902	¥169	$261	$262	$ 1
Foreign securities	5,693	5,758	65	8,480	8,645	165	11,142	11,506	363	47	47	0
Subtotal	37,136	37,333	196	37,551	37,824	272	39,876	40,409	532	309	310	1
Fair value does not exceed the balance sheet amount:												
Domestic bonds	1,004	1,003	(0)	2,799	2,797	(1)	—	—	—	8	8	(0)
Foreign securities	11,061	11,002	(58)	6,726	6,693	(33)	123	123	(0)	92	91	(0)
Subtotal	12,065	12,006	(59)	9,526	9,491	(35)	123	123	(0)	100	99	(0)
Total	¥49,201	¥49,339	¥137	¥47,077	¥47,315	¥237	¥39,999	¥40,532	¥532	$409	$410	$ 1

3) Policy-reserve-matching bonds

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

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2015			2014			2013			2015		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount:												
Monetary receivables purchased	¥ 457,286	¥ 493,315	¥ 36,029	¥ 541,392	¥ 582,823	¥ 41,430	¥ 636,067	¥ 690,445	¥ 54,377	$ 3,805	$ 4,105	$ 299
Domestic bonds	20,047,635	22,626,539	2,578,904	19,100,466	20,863,889	1,763,422	18,734,266	20,741,509	2,007,243	166,827	188,287	21,460
Foreign securities	71,655	75,699	4,043	81,594	85,489	3,895	81,033	85,399	4,366	596	629	33
Subtotal	20,576,578	23,195,555	2,618,977	19,723,454	21,532,202	1,808,748	19,451,366	21,517,353	2,065,986	171,228	193,022	21,793
Fair value does not exceed the balance sheet amount:												
Monetary receivables purchased	2,604	2,544	(60)	1,182	1,115	(66)	61,971	61,498	(472)	21	21	(0)
Domestic bonds	94,532	94,148	(383)	411,307	402,636	(8,671)	89,276	80,303	(8,973)	786	783	(3)
Foreign securities	181	180	(0)	432	431	(1)	810	807	(2)	1	1	(0)
Subtotal	97,318	96,874	(444)	412,922	404,183	(8,738)	152,057	142,608	(9,448)	809	806	(3)
Total	¥20,673,896	¥23,292,429	¥2,618,532	¥20,136,376	¥21,936,386	¥1,800,009	¥19,603,424	¥21,659,962	¥2,056,538	$172,038	$193,828	$21,790

4) Available-for-sale securities

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

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2015			2014			2013			2015		
Type	Acquisition cost or amortized cost	Balance sheet amount	Difference	Acquisition cost or amortized cost	Balance sheet amount	Difference	Acquisition cost or amortized cost	Balance sheet amount	Difference	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost:												
Cash and deposits (negotiable certificates of deposit)	¥ 93,000	¥ 93,000	¥ 0	¥ 85,000	¥ 85,000	¥ 0	¥ 4,000	¥ 4,000	¥ 0	$ 773	$ 773	$ 0
Monetary receivables purchased	1,000	1,016	16	—	—	—	—	—	—	8	8	0
Domestic bonds	2,235,511	2,393,305	157,794	2,001,660	2,101,468	99,807	1,920,976	2,021,542	100,566	18,602	19,915	1,313
Domestic stocks	3,728,491	8,744,114	5,015,622	3,206,101	6,129,795	2,923,694	3,004,021	5,396,775	2,392,753	31,026	72,764	41,737
Foreign securities	11,576,691	14,706,905	3,130,213	9,744,502	11,450,124	1,705,621	10,054,172	11,436,744	1,382,572	96,335	122,384	26,048
Other securities	696,330	815,423	119,093	436,639	489,567	52,927	354,485	394,323	39,837	5,794	6,785	991
Subtotal	18,331,024	26,753,765	8,422,741	15,473,904	20,255,956	4,782,051	15,337,655	19,253,386	3,915,730	152,542	222,632	70,090
Balance sheet amount does not exceed acquisition cost or amortized cost:												
Cash and deposits (negotiable certificates of deposit)	220,500	220,498	(1)	152,000	151,999	(0)	295,000	294,997	(2)	1,834	1,834	(0)
Monetary receivables purchased	37,852	37,850	(2)	28,061	28,057	(4)	58,291	58,281	(10)	314	314	(0)
Domestic bonds	125,848	125,038	(809)	58,373	57,292	(1,081)	51,193	49,350	(1,843)	1,047	1,040	(6)
Domestic stocks	216,198	192,876	(23,321)	875,983	782,058	(93,924)	1,301,986	1,041,216	(260,769)	1,799	1,605	(194)
Foreign securities	344,802	335,046	(9,756)	1,395,733	1,373,740	(21,993)	639,181	624,648	(14,532)	2,869	2,788	(81)
Other securities	115,756	115,255	(500)	74,252	73,006	(1,245)	25,382	20,860	(4,521)	963	959	(4)
Subtotal	1,060,958	1,026,565	(34,393)	2,584,405	2,466,155	(118,250)	2,371,034	2,089,354	(281,680)	8,828	8,542	(286)
Total	¥19,391,983	¥27,780,331	¥8,388,348	¥18,058,310	¥22,722,111	¥4,663,801	¥17,708,690	¥21,342,741	¥3,634,050	$161,371	$231,175	$69,804

* Securities totaling ¥938,781 million (U.S.$7,812 million), ¥1,023,225 million and ¥1,054,945 million, whose fair values are extremely difficult to determine, as of March 31, 2015, 2014 and 2013, respectively, are not included.

¥17 million (U.S.$0 million), ¥21,415 million and ¥96,962 million in impairment losses were recognized for securities with a fair value during the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

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

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

a. A security for which the ratio of the average fair value in the month preceding the final day of the fiscal year to the acquisition cost is 50% or less.

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

   1. Average fair value in the month preceding the final day of the fiscal year is between 50% and 70% of its acquisition cost.

   2. The historical fair value, the business conditions of the issuing company and other aspects are subject to certain requirements.

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

As of March 31, 2015	Millions of Yen				Millions of U.S. Dollars			
	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	¥313,500	¥ —	¥ —	¥ —	$2,608	$ —	$ —	$ —
Available-for-sale securities	313,500	—	—	—	2,608	—	—	—
Monetary receivables purchased:	42,040	2,094	61,379	392,605	349	17	510	3,267
Policy-reserve-matching bonds	5,040	2,094	60,527	391,605	41	17	503	3,258
Available-for-sale securities	37,000	—	851	1,000	307	—	7	8
Securities:	925,782	5,165,746	6,268,357	23,494,898	7,703	42,986	52,162	195,513
Held-to-maturity debt securities	15,932	31,412	1,809	—	132	261	15	—
Policy-reserve-matching bonds	570,864	2,289,427	2,801,365	14,432,666	4,750	19,051	23,311	120,102
Available-for-sale securities	338,985	2,844,906	3,465,182	9,062,231	2,820	23,674	28,835	75,411
Loans	873,138	2,915,309	1,963,052	1,833,428	7,265	24,259	16,335	15,256
Corporate bonds	—	—	—	399,590	—	—	—	3,325
Cash received as collateral under securities lending transactions	529,989	—	—	—	4,410	—	—	—

* Assets such as policy loans, for which a period is not stipulated, are not included.
Also, ¥11,000 million (U.S.$91 million) in loans from legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are not included.

As of March 31, 2014	Millions of Yen 1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	¥237,000	¥ —	¥ —	¥ —
Available-for-sale securities	237,000	—	—	—
Monetary receivables purchased:	35,326	14,018	58,109	462,371
Policy-reserve-matching bonds	8,326	14,018	57,049	462,371
Available-for-sale securities	27,000	—	1,059	—
Securities:	847,147	4,812,991	5,556,733	22,206,240
Held-to-maturity debt securities	8,332	37,165	1,509	—
Policy-reserve-matching bonds	508,980	2,758,584	2,106,119	14,103,370
Available-for-sale securities	329,834	2,017,241	3,449,104	8,102,870
Loans	890,329	2,960,992	2,061,151	1,781,426
Corporate bonds	—	—	—	157,040
Cash received as collateral under securities lending transactions	802,691	—	—	—

* Assets such as policy loans, for which a period is not stipulated, are not included.
Also, ¥10,907 million in loans from legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are not included.

As of March 31, 2013	Millions of Yen 1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	¥ 299,000	¥ —	¥ —	¥ —
Available-for-sale securities	299,000	—	—	—
Monetary receivables purchased:	58,260	10,203	57,658	629,243
Policy-reserve-matching bonds	1,260	10,203	56,959	628,651
Available-for-sale securities	57,000	—	698	592
Securities:	729,653	4,890,305	5,260,291	20,716,068
Held-to-maturity debt securities	6,766	32,299	800	—
Policy-reserve-matching bonds	329,179	3,048,360	1,943,515	13,457,660
Available-for-sale securities	393,707	1,809,645	3,315,975	7,258,408
Loans	980,362	3,015,407	2,067,353	1,607,278
Corporate bonds	—	—	—	157,040
Cash received as collateral under securities lending transactions	1,212,021	—	—	—

* Assets such as policy loans, for which a period is not stipulated, are not included.
Also, ¥13,485 million in loans from legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are not included.

(6) Data on Fair Value of Derivative Transactions

a. Hedge accounting not applied

(i) Interest rate-related

No ending balance as of March 31, 2015, 2014 or 2013.

(ii) Currency-related

As of March 31						Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
Over-the-counter	**Foreign exchange forward contracts**	**Sold**		U.S. dollar	Contract amount	¥ 31,946	¥ 72,671	¥ 66,544	$ 265
					Over 1 year	—	—	—	—
					Fair value	31,943	73,077	66,635	265
					Net gains (losses)	3	(406)	(90)	0
				Euro	Contract amount	52,841	79,330	57,061	439
					Over 1 year	—	—	—	—
					Fair value	52,039	79,796	56,717	433
					Net gains (losses)	801	(465)	343	6
				Total including others	**Contract amount**	**128,722**	**191,560**	**151,890**	**1,071**
					Over 1 year	**—**	**—**	**—**	**—**
					Fair value	**127,145**	**192,802**	**151,738**	**1,058**
					Net gains (losses)	**1,577**	**(1,241)**	**151**	**13**
		Purchased		U.S. dollar	Contract amount	38,747	74,003	40,318	322
					Over 1 year	—	—	—	—
					Fair value	38,465	74,385	39,993	320
					Net (losses) gains	(282)	382	(324)	(2)
				Euro	Contract amount	31,021	41,009	36,163	258
					Over 1 year	—	—	—	—
					Fair value	30,721	41,147	36,192	255
					Net (losses) gains	(300)	137	28	(2)
				Total including others	**Contract amount**	**101,518**	**138,392**	**90,556**	**844**
					Over 1 year	**—**	**—**	**—**	**—**
					Fair value	**100,493**	**139,137**	**90,243**	**836**
					Net (losses) gains	**(1,024)**	**745**	**(312)**	**(8)**
	Currency options	**Sold**	**Call**	U.S. dollar	Contract amount	— [—]	— [—]	— [—]	— [—]
					Over 1 year	— [—]	— [—]	— [—]	— [—]
					Fair value	—	—	—	—
					Net gains (losses)	—	—	—	—
				Euro	Contract amount	— [—]	— [—]	— [—]	— [—]
					Over 1 year	— [—]	— [—]	— [—]	— [—]
					Fair value	—	—	—	—
					Net gains (losses)	—	—	—	—
				Total including others	**Contract amount**	**— [—]**	**— [—]**	**— [—]**	**— [—]**
					Over 1 year	**— [—]**	**— [—]**	**— [—]**	**— [—]**
					Fair value	**—**	**—**	**—**	**—**
					Net gains (losses)	**—**	**—**	**—**	**—**
			Put	U.S. dollar	Contract amount	— [—]	— [—]	— [—]	— [—]
					Over 1 year	— [—]	— [—]	— [—]	— [—]
					Fair value	—	—	—	—
					Net gains (losses)	—	—	—	—
				Euro	Contract amount	— [—]	— [—]	— [—]	— [—]
					Over 1 year	— [—]	— [—]	— [—]	— [—]
					Fair value	—	—	—	—
					Net gains (losses)	—	—	—	—
				Total including others	**Contract amount**	**— [—]**	**— [—]**	**— [—]**	**— [—]**
					Over 1 year	**— [—]**	**— [—]**	**— [—]**	**— [—]**
					Fair value	**—**	**—**	**—**	**—**
					Net gains (losses)	**¥ —**	**¥ —**	**¥ —**	**$ —**

						Millions of Yen			Millions of U.S. Dollars
As of March 31						2015	2014	2013	2015
Over-the-counter	**Currency options**	**Purchased**	**Call**	U.S. dollar	Contract amount	¥ —	¥ —	¥ —	$ —
						[—]	[—]	[—]	[—]
					Over 1 year	—	—	—	—
						[—]	[—]	[—]	[—]
					Fair value	—	—	—	—
					Net gains (losses)	—	—	—	—
				Euro	Contract amount	—	—	—	—
						[—]	[—]	[—]	[—]
					Over 1 year	—	—	—	—
						[—]	[—]	[—]	[—]
					Fair value	—	—	—	—
					Net gains (losses)	—	—	—	—
				Total including others	**Contract amount**	**—**	**—**	**—**	**—**
						[—]	**[—]**	**[—]**	**[—]**
					Over 1 year	**—**	**—**	**—**	**—**
						[—]	**[—]**	**[—]**	**[—]**
					Fair value	**—**	**—**	**—**	**—**
					Net gains (losses)	**—**	**—**	**—**	**—**
			Put	U.S. dollar	Contract amount	—	—	—	—
						[—]	[—]	[—]	[—]
					Over 1 year	—	—	—	—
						[—]	[—]	[—]	[—]
					Fair value	—	—	—	—
					Net gains (losses)	—	—	—	—
				Euro	Contract amount	—	—	—	—
						[—]	[—]	[—]	[—]
					Over 1 year	—	—	—	—
						[—]	[—]	[—]	[—]
					Fair value	—	—	—	—
					Net gains (losses)	—	—	—	—
				Total including others	**Contract amount**	**—**	**—**	**—**	**—**
						[—]	**[—]**	**[—]**	**[—]**
					Over 1 year	**—**	**—**	**—**	**—**
						[—]	**[—]**	**[—]**	**[—]**
					Fair value	**—**	**—**	**—**	**—**
					Net gains (losses)	**—**	**—**	**—**	**—**
	Currency swaps			U.S. dollar	Contract amount	—	—	—	—
					Over 1 year	—	—	—	—
					Fair value	—	—	—	—
					Net gains (losses)	—	—	—	—
				Euro	Contract amount	—	—	—	—
					Over 1 year	—	—	—	—
					Fair value	—	—	—	—
					Net gains (losses)	—	—	—	—
				Total including others	**Contract amount**	**—**	**—**	**—**	**—**
					Over 1 year	**—**	**—**	**—**	**—**
					Fair value	**—**	**—**	**—**	**—**
					Net gains (losses)	**—**	**—**	**—**	**—**
Total					**Net gains (losses)**	**¥552**	**¥(496)**	**¥(161)**	**$ 4**

Notes: 1. [ ] show option fees recorded on the consolidated balance sheets. However, these option fees already include contracted options as of the balance sheet date.
2. Net gains (losses) shows the difference between the contract amount and fair value for forward agreements, the difference between the option fees and fair value for option transactions, and the current fair value (present value) for swap transactions.

(iii) Stock-related

As of March 31					Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
Exchange	**Stock price index futures**	**Sold**		Contract amount	¥22,669	¥12,476	¥ —	$188
				Over 1 year	—	—	—	—
				Fair value	22,876	12,598	—	190
				Net losses	(206)	(121)	—	(1)
		Purchased		Contract amount	7,155	9,811	11,241	59
				Over 1 year	—	—	—	—
				Fair value	7,187	10,089	11,370	59
				Net gains	31	277	129	0
Over-the-counter	**Stock forward contracts**	**Sold**		Contract amount	—	—	—	—
				Over 1 year	—	—	—	—
				Fair value	—	—	11	—
				Net losses	—	—	(11)	—
		Purchased		Contract amount	—	—	—	—
				Over 1 year	—	—	—	—
				Fair value	—	—	—	—
				Net gains (losses)	—	—	—	—
	Stock options	**Sold**	**Call**	Contract amount	— [—]	— [—]	— [—]	— [—]
				Over 1 year	— [—]	— [—]	— [—]	— [—]
				Fair value	—	—	—	—
				Net gains (losses)	—	—	—	—
			Put	Contract amount	— [—]	— [—]	— [—]	— [—]
				Over 1 year	— [—]	— [—]	— [—]	— [—]
				Fair value	—	—	—	—
				Net gains (losses)	—	—	—	—
		Purchased	**Call**	Contract amount	295 [55]	227 [55]	233 [65]	2 [0]
				Over 1 year	295 [55]	227 [55]	190 [55]	2 [0]
				Fair value	138	81	69	1
				Net gains	82	25	4	0
			Put	Contract amount	— [—]	— [—]	— [—]	— [—]
				Over 1 year	— [—]	— [—]	— [—]	— [—]
				Fair value	—	—	—	—
				Net gains (losses)	—	—	—	—
Total				**Net (losses) gains**	**¥ (92)**	**¥ (181)**	**¥ 121**	**$ (0)**

Notes: 1. [ ] show option fees recorded on the consolidated balance sheets. However, these option fees already include contracted options as of the balance sheet date.
2. Net gains (losses) shows the difference between the contract amount and fair value for forward agreements and the difference between the option fees and fair value for option transactions.

(iv) Bond-related

No ending balance as of March 31, 2015, 2014 or 2013.

(v) Others

No ending balance as of March 31, 2015, 2014 or 2013.

b. Hedge accounting applied

(i) Interest-rate related

No ending balance as of March 31, 2015, 2014 or 2013.

(ii) Currency-related

As of March 31								Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
Over-the-counter	Fair value hedge accounting	Foreign exchange forward contacts	Sold		U.S. dollar	Foreign currency-denominated bonds (main hedged items)	Contract amount	¥3,923,249	¥3,363,587	¥3,726,261	$32,647
							Over 1 year	—	—	—	—
							Fair value	3,924,230	3,381,228	3,812,650	32,655
							Net losses	(980)	(17,640)	(86,388)	(8)
					Euro		Contract amount	1,177,636	1,167,211	946,879	9,799
							Over 1 year	—	—	—	—
							Fair value	1,096,973	1,178,973	945,466	9,128
							Net gains (losses)	80,663	(11,761)	1,413	671
					Total including others		**Contract amount**	**6,359,778**	**5,907,965**	**6,061,628**	**52,923**
							Over 1 year	**—**	**—**	**—**	**—**
							Fair value	**6,250,878**	**5,992,835**	**6,213,941**	**52,016**
							Net gains (losses)	**108,900**	**(84,869)**	**(152,312)**	**906**
			Purchased		U.S. dollar		Contract amount	—	—	—	—
							Over 1 year	—	—	—	—
							Fair value	—	—	—	—
							Net gains (losses)	—	—	—	—
					Euro		Contract amount	—	—	—	—
							Over 1 year	—	—	—	—
							Fair value	—	—	—	—
							Net gains (losses)	—	—	—	—
					Total including others		**Contract amount**	**—**	**—**	**—**	**—**
							Over 1 year	**—**	**—**	**—**	**—**
							Fair value	**—**	**—**	**—**	**—**
							Net gains (losses)	**—**	**—**	**—**	**—**
		Currency options	Sold	Call	U.S. dollar		Contract amount	—	—	—	—
								[—]	[—]	[—]	[—]
							Over 1 year	—	—	—	—
								[—]	[—]	[—]	[—]
							Fair value	—	—	—	—
							Net gains (losses)	—	—	—	—
					Euro		Contract amount	—	—	—	—
								[—]	[—]	[—]	[—]
							Over 1 year	—	—	—	—
								[—]	[—]	[—]	[—]
							Fair value	—	—	—	—
							Net gains (losses)	—	—	—	—
					Total including others		**Contract amount**	**—**	**—**	**—**	**—**
								[—]	**[—]**	**[—]**	**[—]**
							Over 1 year	**—**	**—**	**—**	**—**
								[—]	**[—]**	**[—]**	**[—]**
							Fair value	**—**	**—**	**—**	**—**
							Net gains (losses)	**—**	**—**	**—**	**—**
				Put	U.S. dollar		Contract amount	—	—	—	—
								[—]	[—]	[—]	[—]
							Over 1 year	—	—	—	—
								[—]	[—]	[—]	[—]
							Fair value	—	—	—	—
							Net gains (losses)	—	—	—	—
					Euro		Contract amount	—	—	—	—
								[—]	[—]	[—]	[—]
							Over 1 year	—	—	—	—
								[—]	[—]	[—]	[—]
							Fair value	—	—	—	—
							Net gains (losses)	—	—	—	—
					Total including others		**Contract amount**	**—**	**—**	**—**	**—**
								[—]	**[—]**	**[—]**	**[—]**
							Over 1 year	**—**	**—**	**—**	**—**
								[—]	**[—]**	**[—]**	**[—]**
							Fair value	**—**	**—**	**—**	**—**
							Net gains (losses)	**¥ —**	**¥ —**	**¥ —**	**$ —**

As of March 31								Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
Over-the-counter	**Fair value hedge accounting**	**Currency options**	**Purchased**	**Call**	U.S. dollar	**Foreign currency-denominated bonds (main hedged items)**	Contract amount	¥ —	¥ —	¥ —	$ —
								[—]	[—]	[—]	[—]
							Over 1 year	—	—	—	—
								[—]	[—]	[—]	[—]
							Fair value	—	—	—	—
							Net gains (losses)	—	—	—	—
					Euro		Contract amount	—	—	—	—
								[—]	[—]	[—]	[—]
							Over 1 year	—	—	—	—
								[—]	[—]	[—]	[—]
							Fair value	—	—	—	—
							Net gains (losses)	—	—	—	—
					Total including others		**Contract amount**	**—**	**—**	**—**	**—**
								[—]	**[—]**	**[—]**	**[—]**
							Over 1 year	**—**	**—**	**—**	**—**
								[—]	**[—]**	**[—]**	**[—]**
							Fair value	**—**	**—**	**—**	**—**
							Net gains (losses)	**—**	**—**	**—**	**—**
				Put	U.S. dollar		Contract amount	—	—	—	—
								[—]	[—]	[—]	[—]
							Over 1 year	—	—	—	—
								[—]	[—]	[—]	[—]
							Fair value	—	—	—	—
							Net gains (losses)	—	—	—	—
					Euro		Contract amount	—	—	—	—
								[—]	[—]	[—]	[—]
							Over 1 year	—	—	—	—
								[—]	[—]	[—]	[—]
							Fair value	—	—	—	—
							Net gains (losses)	—	—	—	—
					Total including others		**Contract amount**	**—**	**—**	**—**	**—**
								[—]	**[—]**	**[—]**	**[—]**
							Over 1 year	**—**	**—**	**—**	**—**
								[—]	**[—]**	**[—]**	**[—]**
							Fair value	**—**	**—**	**—**	**—**
							Net gains (losses)	**—**	**—**	**—**	**—**
	Deferred hedge accounting	**Currency swaps**			U.S. dollar		Contract amount	455,251	360,642	243,995	3,788
							Over 1 year	446,215	360,642	242,749	3,713
							Fair value	(168,560)	(69,508)	(48,224)	(1,402)
							Net losses	(168,560)	(69,508)	(48,224)	(1,402)
					Euro		Contract amount	398,270	365,624	279,075	3,314
							Over 1 year	388,559	365,624	279,075	3,233
							Fair value	(131,035)	(116,616)	(56,394)	(1,090)
							Net losses	(131,035)	(116,616)	(56,394)	(1,090)
					Total including others		**Contract amount**	**956,429**	**775,154**	**532,131**	**7,958**
							Over 1 year	**937,682**	**775,154**	**530,884**	**7,802**
							Fair value	**(324,523)**	**(193,587)**	**(106,974)**	**(2,700)**
							Net losses	**(324,523)**	**(193,587)**	**(106,974)**	**(2,700)**
Total							**Net losses**	**¥(215,623)**	**¥(278,457)**	**¥(259,287)**	**$(1,794)**

Notes 1. [ ] show option fees recorded on the consolidated balance sheets.
2. Net gains (losses) shows the difference between the contract amount and fair value for forward agreements, the difference between the option fees and fair value for option transactions, and the current fair value (present value) for swap transactions.

(iii) Stock-related

No ending balance as of March 31, 2015, 2014 or 2013.

(iv) Bond-related

No ending balance as of March 31, 2015, 2014 or 2013.

(v) Others

No ending balance as of March 31, 2015, 2014 or 2013.

5. Disclosures about Fair Value of Investment and Rental Property

The balance sheet amounts for investment and rental properties were ¥1,153,345 million (U.S.$9,597 million), ¥1,141,146 million and ¥1,098,084 million, with a fair value of ¥1,231,926 million (U.S.$10,251 million), ¥1,148,000 million and ¥1,081,619 million as of March 31, 2015, 2014 and 2013, respectively. The Company owns rental office buildings and commercial facilities, the fair value of which at year-end is the amount measured based mainly on the "Real Estate Appraisal Standards." Asset retirement obligations that were included in the balance sheet amounts of investment and rental properties were ¥336 million (U.S.$2 million), ¥359 million and ¥391 million as of March 31, 2015, 2014 and 2013, respectively.

6. Securities Loaned and Borrowed

The amounts of securities lent under lending agreements were ¥2,607,789 million (U.S.$21,700 million), ¥2,808,047 million and ¥3,129,761 million as of March 31, 2015, 2014 and 2013, respectively.

Assets that can be sold or re-secured are marketable securities lent under lending agreements. These assets were being held without disposal totaling ¥149,418 million (U.S.$1,243 million), ¥259,102 million and ¥372,031 million at fair value as of March 31, 2015, 2014 and 2013, respectively.

7. Accumulated Depreciation

The amounts of accumulated depreciation of tangible fixed assets were ¥1,181,183 million (U.S.$9,829 million), ¥1,155,636 million and ¥1,139,705 million as of March 31, 2015, 2014 and 2013, respectively.

8. Separate Accounts

Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,113,510 million (U.S.$9,266 million), ¥1,227,398 million and ¥1,238,818 million as of March 31, 2015, 2014 and 2013, respectively, and a corresponding liability is recorded in the same amount. The amounts of separate accounts are included in each account balance of the consolidated balance sheets.

9. Reserve for Dividends to Policyholders

Changes in the reserve for dividends to policyholders included in policy reserves for the fiscal years ended March 31, 2015, 2014 and 2013, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2015	2014	2013	2015
Balance at the beginning of the fiscal year	¥1,070,852	¥1,105,093	¥1,120,336	$ 8,911
Transfer to reserve from surplus in the previous fiscal year	201,765	167,172	167,313	1,678
Dividends to policyholders paid out during the fiscal year	(258,747)	(226,128)	(208,387)	(2,153)
Increase in interest	23,602	24,715	25,830	196
Balance at the end of the fiscal year	¥1,037,472	¥1,070,852	¥1,105,093	$ 8,633

10. Corporate Bonds

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

The foreign currency-denominated subordinated corporate bonds issued in October 2012 are callable on each interest payment date on or after October 2022, and the foreign currency-denominated subordinated corporate bonds issued in October 2014 are callable on the tenth anniversary date after the issue date and on each fifth anniversary date thereafter at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

On April 30, 2015, the Company issued corporate bonds as follows:

1) Name
JPY-denominated subordinated and unsecured corporate bonds due 2045 with interest deferral options (the corporate bonds were first issued to qualified institutional investors and a small number of investors in domestic securities markets)

2) Offering price
100% of principal amount

3) Principal amount
¥75.0 billion

4) Interest rate
A fixed rate of 1.52% per annum before April 30, 2025 and a fixed rate reset with step-up thereafter (reset every 5 years).

5) Maturity
April 30, 2045 (However, the corporate bonds are callable on April 30, 2025 and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.)

6) Collateral and guarantees
The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.

7) Use of funds
General working capital

11. Accrued Retirement Benefits and Net Defined Benefit Liability

(1) Summary of retirement benefit plans

In terms of defined benefit plans, the Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan for non-sales personnel and sales management personnel, etc. In terms of defined contribution plans, the Company has a defined contribution pension plan. The Company also has a defined benefit plan for sales representatives, etc., in the form of a lump-sum retirement payment plan and an in-house pension plan. The main consolidated subsidiaries have a lump-sum retirement payment plan as a defined benefit plan.

(2) Defined benefit plan

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

For the years ended March 31, 2015 and 2014	Millions of Yen 2015	Millions of Yen 2014	Millions of U.S. Dollars 2015
Retirement benefit obligations at the beginning of the year	¥626,210	¥646,754	$5,211
Service costs	22,956	24,079	191
Interest cost	9,997	10,326	83
Actuarial losses (gains) accrued during the year	70,759	(6,606)	588
Retirement benefit payments	(47,916)	(48,553)	(398)
Others	108	55	0
Retirement benefit obligations at the end of the year	¥682,116	¥626,055	$5,676

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

For the years ended March 31, 2015 and 2014	Millions of Yen 2015	Millions of Yen 2014	Millions of U.S. Dollars 2015
Pension plan assets at the beginning of the year	¥268,186	¥269,678	$2,231
Expected return on plan assets	4,290	4,314	35
Actuarial gains accrued during the year	9,920	4,436	82
Contributions by business proprietor	7,665	7,432	63
Retirement benefit payments	(17,775)	(17,675)	(147)
Pension plan assets at the end of the year	¥272,288	¥268,186	$2,265

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

For the years ended March 31, 2015 and 2014	Millions of Yen 2015	Millions of Yen 2014	Millions of U.S. Dollars 2015
Net defined benefit liability at the beginning of the year	¥1,414	¥1,318	$11
Benefit costs	273	325	2
Retirement benefit payments	(99)	(73)	(0)
Net defined benefit liability at the end of the year	¥1,588	¥1,569	$13

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

For the years ended March 31, 2015 and 2014	Millions of Yen 2015	Millions of Yen 2014	Millions of U.S. Dollars 2015
Retirement benefit obligations for funded plans	¥ 311,041	¥ 285,269	$ 2,588
Pension plan assets	(272,288)	(268,186)	(2,265)
	38,752	17,083	322
Retirement benefit obligations for non-funded plans	372,663	342,355	3,101
Net defined benefit liability recorded in the consolidated balance sheets	411,416	359,438	3,423
Net defined benefit liability	411,416	359,438	3,423
Net defined benefit liability recorded in the consolidated balance sheets	¥ 411,416	¥ 359,438	$ 3,423

5) Losses (gains) relating to retirement benefits

For the years ended March 31, 2015 and 2014	Millions of Yen 2015	Millions of Yen 2014	Millions of U.S. Dollars 2015
Service costs	¥22,956	¥24,079	$191
Interest cost	9,997	10,326	83
Expected return on plan assets	(4,290)	(4,314)	(35)
Amortization of actuarial (gains) losses for the period	(6,049)	870	(50)
Amortization of prior service costs for the period	(4,765)	(4,765)	(39)
Benefit cost under the simplified valuation method	273	325	2
Other	108	55	0
Benefit cost for defined benefit plans	¥18,230	¥26,577	$151

6) Breakdown of items included in other comprehensive income

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

For the year ended March 31, 2015	Millions of Yen	Millions of U.S Dollars
Actuarial gains	¥(66,888)	$(556)
Prior service costs	(4,765)	(39)
Total	¥(71,654)	$(596)

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

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

For the years ended March 31, 2015 and 2014	Millions of Yen 2015	Millions of Yen 2014	Millions of U.S. Dollars 2015
Unrecognized actuarial losses (gains)	¥47,038	¥(19,850)	$391
Unrecognized prior service costs	(4,368)	(9,133)	(36)
Total	¥42,670	¥(28,983)	$355

8) Pension plan assets consist of the following:

	2015	2014
General account of Nippon Life	52.3%	54.3%
Domestic bonds	26.9%	22.0%
Foreign bonds	17.3%	15.1%
Domestic stocks	2.7%	4.4%
Cash and deposits	0.8%	4.2%
Total	100.0%	100.0%

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

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

10) Matters relating to the basis for actuarial calculations

The main items in the basis for actuarial calculations as of March 31, 2015 and 2014, are as follows:

	2015	2014
Discount rate	0.6%	1.6%
Long-term expected rate of return on plan assets	1.6%	1.6%

11) Accrued retirement benefits as of March 31, 2013, consisted of the following:

	Millions of Yen
	2013
Retirement benefit obligations	¥(683,722)
Pension plan assets	269,678
Accrued retirement benefit cost	(414,044)
Unrecognized actuarial gains	(7,936)
Unrecognized prior service costs	(13,898)
Accrued retirement benefits	¥(435,879)

Basic information for the calculation of accrued retirement benefits is as follows:

Periodic allocation method of estimated retirement benefits	Straight-line
Discount rate	2013: 1.6%
Expected rate of return on plan assets	2013: 1.6%
Method of amortizing actuarial (gains) losses	Amortization occurs over a certain period (5 years) within the average remaining years of service of employees one year after the accrual of liabilities, using the straight-line method.
Method of amortizing prior service costs	Amortization occurs over a certain period (5 years) within the average remaining years of service of employees upon accrual of liabilities, using the straight-line method.

12) Benefit cost of accrued retirement benefits for the fiscal year ended March 31, 2013, consists of the following:

	Millions of Yen
	2013
Service costs	¥25,265
Interest cost	11,132
Expected return on plan assets	(4,283)
Amortization of actuarial (gains) losses	9,354
Amortization of prior service costs	(4,765)
Income from abolishment of a part of the retirement benefit system	—
Others	2,740
Net periodic benefit cost	¥39,444

(3) Defined contribution plans

The Company and its consolidated subsidiaries contributed ¥2,455 million (U.S.$20 million) and ¥2,470 million to defined contribution plans during the fiscal years ended March 31, 2015 and 2014, respectively.

12. Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest on foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption. Foundation funds are therefore positioned as a mutual company's core capital, which is equivalent to the stated capital of a joint-stock company. The Company redeemed ¥ 50,000 million (U.S.$416 million), ¥50,000 million and ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act for the fiscal years ended March 31, 2015, 2014 and 2013, respectively. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the fiscal year ended March 31, 2013.

13. Pledged Assets

Assets pledged as collateral in the form of securities, lease receivables, and investments in leases, land and buildings as of March 31, 2015, were ¥1,482,181 million (U.S.$12,334 million), ¥18,857 million (U.S.$156 million), ¥252 million (U.S.$2 million) and ¥53 million (U.S.$0 million), respectively. The total amount of loans covered by the aforementioned assets was ¥545,030 million (U.S.$4,535 million) as of March 31, 2015.

These amounts included ¥518,628 million (U.S.$4,315 million) of securities deposited and ¥530,062 million (U.S.$4,410 million) of cash received as collateral under the securities lending transactions secured by cash as of March 31, 2015.

Assets pledged as collateral in the form of securities, lease receivables, and investments in leases, land and buildings as of March 31, 2014, were ¥1,790,241 million, ¥18,790 million, ¥252 million and ¥56 million, respectively. The total amount of loans covered by the aforementioned assets was ¥816,568 million as of March 31, 2014.

These amounts included ¥905,314 million of securities deposited and ¥802,691 million of cash received as collateral under the securities lending transactions secured by cash as of March 31, 2014.

Assets pledged as collateral in the form of securities, lease receivables, and investments in leases, land and buildings as of March 31, 2013, were ¥2,134,013 million, ¥15,109 million, ¥252 million and ¥59 million, respectively. The total amount of loans covered by the aforementioned assets was ¥1,223,162 million as of March 31, 2013.

These amounts included ¥1,334,903 million of securities deposited and ¥1,212,149 million of cash received as collateral under the securities lending transactions secured by cash as of March 31, 2013.

14. Investments in Nonconsolidated Subsidiaries

The total amounts of stocks and investments in nonconsolidated subsidiaries and affiliates were ¥263,575 million (U.S.$2,193 million), ¥192,256 million and ¥170,892 million as of March 31, 2015, 2014 and 2013, respectively.

15. Loans

1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and restructured loans, which were included in loans, was ¥38,417 million (U.S.$319 million), ¥39,160 million and ¥43,153 million as of March 31, 2015, 2014 and 2013, respectively.

   i) The balances of loans to bankrupt borrowers and delinquent loans were ¥2,181 million (U.S.$18 million) and ¥32,127 million (U.S.$267 million), respectively, as of March 31, 2015, and ¥2,336 million and ¥32,074 million, respectively, as of March 31, 2014 and ¥2,663 million and ¥34,890 million, respectively, as of March 31, 2013.

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

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

ii) There were no loans delinquent for over three months as of March 31, 2015. The balance of loans delinquent for over three months was ¥23 million as of March 31, 2014. There were no loans delinquent for over three months as of March 31, 2013.

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

iii) The balances of restructured loans were ¥4,107 million (U.S.$34 million), ¥4,726 million and ¥5,599 million as of March 31, 2015, 2014 and 2013, respectively.

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

2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥315 million (U.S.$2 million) and ¥427 million (U.S.$3 million), respectively, as of March 31, 2015, and ¥356 million and ¥726 million, respectively, as of March 31, 2014 and ¥495 million and ¥1,075 million, respectively, as of March 31, 2013.

16. Loan Commitments

The amounts of commitments related to loans and loans outstanding were ¥108,416 million (U.S.$902 million), ¥98,655 million and ¥127,665 million as of March 31, 2015, 2014 and 2013, respectively.

17. Contributions to the Life Insurance Policyholder Protection Fund and Organization

Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amounts applied to the Company were estimated to be ¥85,914 million (U.S.$714 million), ¥85,750 million and ¥86,176 million as of March 31, 2015, 2014 and 2013, respectively. The amounts contributed to the aforementioned corporation were recorded within operating expenses for the fiscal year.

18. Impairment Losses

i) Method for grouping the assets

Leased property and idle property are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.

ii) Circumstances causing impairment losses

The Company observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses for the fiscal years ended March 31, 2015, 2014 and 2013.

iii) Breakdown of asset groups that recognized impairment losses:

For the year ended March 31, 2015

	Millions of Yen			
Purpose of use	Land	Land lease rights	Buildings	Total
Leased property	¥ 1,846	¥1,489	¥2,242	¥ 5,578
Idle property	13,700	—	628	14,329
Total	¥15,547	¥1,489	¥2,871	¥19,908

For the year ended March 31, 2014

	Millions of Yen			
Purpose of use	Land	Land lease rights	Buildings	Total
Leased property	¥2,475	¥—	¥1,749	¥4,224
Idle property	373	14	116	504
Total	¥2,848	¥14	¥1,865	¥4,728

For the year ended March 31, 2013

	Millions of Yen			
Purpose of use	Land	Land lease rights	Buildings	Total
Leased property	¥ 8,808	¥1,105	¥4,234	¥14,148
Idle property	1,964	30	1,459	3,453
Total	¥10,772	¥1,135	¥5,693	¥17,602

For the year ended March 31, 2015

	Millions of U.S. Dollars			
Purpose of use	Land	Land lease rights	Buildings	Total
Leased property	$ 15	$12	$18	$ 46
Idle property	114	—	5	119
Total	$129	$12	$23	$165

iv) Calculation method of recoverable amount

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

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

19. Deferred Tax Assets and Liabilities

(1) Deferred tax assets/liabilities consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2015	2014	2013	2015
Deferred tax assets	¥ 1,273,191	¥ 1,212,549	¥ 1,129,639	$ 10,594
Valuation allowance for deferred tax assets	(39,693)	(55,380)	(73,841)	(330)
Subtotal	1,233,498	1,157,168	1,055,798	10,264
Deferred tax liabilities	(2,452,492)	(1,493,344)	(1,174,488)	(20,408)
Net deferred tax liabilities	¥(1,218,994)	¥ (336,175)	¥ (118,690)	$(10,143)

The major components resulting in deferred tax assets/liabilities were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2015	2014	2013	2015
Deferred tax assets:				
Policy reserves and other reserves	¥ 758,723	¥ 747,389	¥ 698,811	$ 6,313
Reserve for price fluctuations in investments in securities	224,272	191,356	135,897	1,866
Accrued retirement benefits	—	—	135,434	—
Net defined benefit liability	118,611	119,401	—	987
Allowance for doubtful accounts	2,738	3,192	4,325	22
Deferred tax liabilities:				
Net unrealized gains on available-for-sale securities	¥2,404,751	¥1,435,895	¥1,133,731	$20,011

(2) The statutory tax rate was 30.7% for the fiscal year ended March 31, 2015 and 33.2% for the fiscal years ended March 31, 2014 and 2013. The main factors for the difference between the statutory tax rates and the effective income tax rates were as follows:

	2015	2014	2013
Reserve for dividends to policyholders	(17.9)%	(21.2)%	(17.6)%
Loss on valuation of securities	—	2.8%	1.9%
Impact from a change in the tax rate	16.2%	2.9%	—

(3) In conjunction with the promulgation of the "Act for Partial Revision to the Income Tax Act" (Act No. 9 of 2015), the statutory tax rate applied to the calculation of deferred tax assets and deferred tax liabilities of 30.7% was changed to 28.8%.

As a result of this change, deferred tax liabilities at the end of the period decreased by ¥81,543 million (U.S.$678 million), deferred tax liabilities for land revaluation decreased by ¥7,615 million (U.S.$63 million) and deferred tax assets decreased by ¥1,082 million (U.S.$9 million), while net unrealized gains on available-for-sale securities, net of tax increased by ¥158,896 million (U.S.$1,322 million) and land revaluation losses increased by ¥7,615 million (U.S.$63 million). At the same time, income taxes—deferred increased by ¥71,459 million (U.S.$594 million).

In conjunction with the promulgation of the "Act for Partial Revision to the Income Tax Act" (Act No. 10 of 2014), the statutory tax rate applied to the calculation of deferred tax assets and deferred tax liabilities of 33.2% was changed to 30.7% for collections and payments expected to be made in the period from April 1, 2014 to March 31, 2015.

As a result of this change, as of March 31, 2014, deferred tax liabilities increased by ¥8,478 million, net unrealized gains on available-for-sale securities, net of tax increased by ¥598 million, and land revaluation losses increased by ¥1 million, while deferred tax assets decreased by ¥152 million and deferred tax liabilities for land revaluation decreased by ¥1 million. At the same time, income taxes—deferred increased by ¥9,231 million.

20. Other Extraordinary Gains

In the fiscal year ended March 31, 2013, other extraordinary gains represent a reversal of accrued losses from supporting closely related companies.

21. Other Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2015, 2014 and 2013, were as follows:

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

For the year ended March 31, 2015

	Millions of Yen		Millions of U.S. Dollars	
Net unrealized gains on available-for-sale securities, net of tax:				
Gains arising during the year	¥3,939,987		$32,786	
Reclassification adjustments to profit or loss	(205,480)	¥3,734,506	(1,709)	$31,076
Deferred losses on derivatives under hedge accounting, net of tax:				
Losses arising during the year	(134,408)		(1,118)	
Reclassification adjustments to profit or loss	3,472	(130,935)	28	(1,089)
Foreign currency translation adjustments:				
Gains arising during the year	17,321		144	
Reclassification adjustments to profit or loss	—	17,321	—	144
Remeasurement of defined benefit plans:				
Losses arising during the year	(60,814)		(506)	
Reclassification adjustments to profit or loss	(10,839)	(71,654)	(90)	(596)
Share of other comprehensive income of associates accounted for under the equity method:				
Gains arising during the year	11,917		99	
Reclassification adjustments to profit or loss	(686)	11,230	(5)	93
Amount before income tax effect		3,560,469		29,628
Income tax effect		(911,176)		(7,582)
Total other comprehensive income		¥2,649,292		$22,046

For the year ended March 31, 2014

	Millions of Yen	
Net unrealized gains on available-for-sale securities, net of tax:		
Gains arising during the year	¥1,194,238	
Reclassification adjustments to profit or loss	(146,497)	¥1,047,740
Deferred losses on derivatives under hedge accounting, net of tax:		
Losses arising during the year	(86,933)	
Reclassification adjustments to profit or loss	320	(86,613)
Foreign currency translation adjustments:		
Gains arising during the year	43,410	
Reclassification adjustments to profit or loss	2,726	46,137
Share of other comprehensive income of associates accounted for under the equity method:		
Gains arising during the year	2,203	
Reclassification adjustments to profit or loss	(241)	1,961
Amount before income tax effect		1,009,226
Income tax effect		(272,362)
Total other comprehensive income		¥ 736,864

For the year ended March 31, 2013

	Millions of Yen	
Net unrealized gains on available-for-sale securities, net of tax:		
Gains arising during the year.	¥2,045,785	
Reclassification adjustments to profit or loss.	80,364	¥2,126,149
Deferred losses on derivatives under hedge accounting, net of tax:		
Losses arising during the year	(94,119)	
Reclassification adjustments to profit or loss.	(2,805)	(96,924)
Foreign currency translation adjustments:		
Gains arising during the year.	26,151	
Reclassification adjustments to profit or loss.	—	26,151
Share of other comprehensive income of associates accounted for under the equity method:		
Gains arising during the year.	4,696	
Reclassification adjustments to profit or loss.	(132)	4,563
Amount before income tax effect		2,059,940
Income tax effect		(607,362)
Total other comprehensive income		¥1,452,577

(2) Income tax effect relating to other comprehensive income

For the year ended March 31, 2015

	Millions of Yen			Millions of U.S. Dollars		
	Before income tax effect	Income tax effect	After income tax effect	Before income tax effect	Income tax effect	After income tax effect
Net unrealized gains on available-for-sale securities, net of tax.	¥3,734,506	¥(974,010)	¥2,760,495	$31,076	$(8,105)	$22,971
Deferred losses on derivatives under hedge accounting, net of tax	(130,935)	34,031	(96,904)	(1,089)	283	(806)
Land revaluation losses.	—	7,615	7,615	—	63	63
Foreign currency translation adjustments	17,321	—	17,321	144	—	144
Remeasurement of defined benefit plans.	(71,654)	21,187	(50,466)	(596)	176	(419)
Share of other comprehensive income of associates accounted for under the equity method	11,230	—	11,230	93	—	93
Total other comprehensive income.	¥3,560,469	¥(911,176)	¥2,649,292	$29,628	$(7,582)	$22,046

For the year ended March 31, 2014

	Millions of Yen		
	Before income tax effect	Income tax effect	After income tax effect
Net unrealized gains on available-for-sale securities, net of tax	¥ 1,047,740	¥(298,947)	¥748,792
Deferred losses on derivatives under hedge accounting, net of tax	(86,613)	26,585	(60,027)
Foreign currency translation adjustments	46,137	—	46,137
Share of other comprehensive income of associates accounted for under the equity method	1,961	—	1,961
Total other comprehensive income	¥ 1,009,226	¥(272,362)	¥736,864

For the year ended March 31, 2013

	Millions of Yen		
	Before income tax effect	Income tax effect	After income tax effect
Net unrealized gains on available-for-sale securities, net of tax	¥2,126,149	¥(639,080)	¥1,487,069
Deferred losses on derivatives under hedge accounting, net of tax	(96,924)	29,765	(67,159)
Land revaluation losses	—	1,952	1,952
Foreign currency translation adjustments	26,151	—	26,151
Share of other comprehensive income of associates accounted for under the equity method	4,563	—	4,563
Total other comprehensive income	¥2,059,940	¥(607,362)	¥1,452,577

22. Others

The following items are disclosed in the nonconsolidated financial statements and not required to be disclosed in the consolidated financial statements by the Japanese Insurance Business Act.

- Net Assets Provided for in the Ordinance for Enforcement of the Insurance Business Act
- Policy Reserves for Reinsurance Contracts Provided in Accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act
- Investment Income and Expenses
- Policy Reserves for Ceded Reinsurance

23. Subsequent Events

(1) Approval of proposed appropriation of surplus at the annual meeting of the representatives of policyholders.

The nonconsolidated proposed appropriations of surplus for the fiscal year ended March 31, 2015, were approved as planned at the annual meeting of the representatives of policyholders held on July 2, 2015.

(2) Foundation funds offering of ¥50,000 million

During the annual meeting of representatives of policyholders on July 2, 2015, a resolution was passed to partially amend the Articles of Incorporation in connection with an issuance of foundation funds of ¥50,000 million during the year ending March 31, 2016.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nippon Life Insurance Company:

We have audited the accompanying nonconsolidated balance sheets of Nippon Life Insurance Company as of March 31, 2015, 2014 and 2013, and the related nonconsolidated statements of income, and changes in net assets, and the nonconsolidated proposed appropriations of surplus for the years then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements in accordance with the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the nonconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of Nippon Life Insurance Company as of March 31, 2015, 2014 and 2013, and the results of its operations for the years then ended in accordance with the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry and accounting principles generally accepted in Japan.

Emphasis of Matter

As explained in Note 1(1) to the nonconsolidated financial statements, the information provided in the nonconsolidated financial statements including notes to the nonconsolidated financial statements is limited to that required by the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry. Our opinion is not modified in respect of this matter.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the nonconsolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC
May 21, 2015
(July 2, 2015 as to Note 27)

NONCONSOLIDATED FINANCIAL STATEMENTS

Nonconsolidated Balance Sheets

As of March 31	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
ASSETS:				
Cash and deposits (Note 3):	¥ **492,198**	¥ **467,727**	¥ **502,956**	$ **4,095**
Cash	268	310	550	2
Deposits	491,930	467,416	502,405	4,093
Call loans	**572,600**	**349,400**	**203,900**	**4,764**
Receivables under securities borrowing transactions	**—**	**159,856**	**150,709**	**—**
Monetary receivables purchased (Note 3)	**498,758**	**570,632**	**756,320**	**4,150**
Investments in securities (Notes 3, 5, 14 and 15)**:**				
National government bonds	18,760,470	17,578,858	16,543,499	156,116
Local government bonds	1,441,843	1,522,414	1,586,508	11,998
Corporate bonds	2,783,481	2,944,847	3,092,231	23,162
Domestic stocks	9,311,147	7,334,077	6,917,409	77,483
Foreign securities	16,450,680	14,258,244	13,556,511	136,895
Other securities	1,091,615	730,571	578,037	9,083
Subtotal	**49,839,240**	**44,369,012**	**42,274,197**	**414,739**
Loans (Notes 3, 16 and 17)**:**				
Policy loans	736,564	782,280	835,460	6,129
Industrial and consumer loans	7,621,055	7,746,698	7,746,341	63,418
Subtotal	**8,357,620**	**8,528,979**	**8,581,801**	**69,548**
Tangible fixed assets (Notes 4, 6, 14 and 22)**:**				
Land	1,173,623	1,185,348	1,144,344	9,766
Buildings	514,952	474,175	484,567	4,285
Lease assets	5,007	3,740	2,713	41
Construction in progress	7,985	42,930	31,132	66
Other tangible fixed assets	11,679	12,020	13,543	97
Subtotal	**1,713,248**	**1,718,217**	**1,676,301**	**14,256**
Intangible fixed assets:				
Software	78,574	87,100	93,186	653
Other intangible fixed assets	91,821	92,191	91,804	764
Subtotal	**170,395**	**179,292**	**184,990**	**1,417**
Reinsurance receivables	**445**	**260**	**222**	**3**
Other assets:				
Accounts receivable	130,753	91,782	152,896	1,088
Prepaid expenses	9,412	7,871	8,706	78
Accrued income	265,437	255,976	236,498	2,208
Money on deposit	36,753	37,310	38,575	305
Deposits for futures transactions	8,849	5,753	6,285	73
Futures transactions variation margin	135	—	46	1
Derivative financial instruments (Note 3)	140,355	10,151	71,453	1,167
Suspense	4,845	6,331	6,411	40
Other assets	9,852	9,052	10,019	81
Subtotal	**606,397**	**424,228**	**530,894**	**5,046**
Customers' liability for acceptances and guarantees	**38,686**	**30,137**	**29,233**	**321**
Allowance for doubtful accounts	**(6,585)**	**(7,024)**	**(8,704)**	**(54)**
Total assets	**¥62,283,004**	**¥56,790,719**	**¥54,882,824**	**$518,290**

The accompanying notes are an integral part of the nonconsolidated financial statements.

Nippon Life Insurance Company

Nonconsolidated Balance Sheets—(Continued)

As of March 31	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
LIABILITIES:				
Policy reserves and other reserves:				
Reserve for outstanding claims	¥ 197,929	¥ 199,582	¥ 203,848	$ 1,647
Policy reserves (Notes 18 and 21)	49,201,314	47,515,496	46,161,263	409,430
Reserve for dividends to policyholders (Note 9)	1,037,472	1,070,852	1,105,093	8,633
Subtotal	**50,436,716**	**48,785,930**	**47,470,205**	**419,711**
Reinsurance payables	**523**	**343**	**271**	**4**
Corporate bonds (Notes 3 and 10)	**399,590**	**157,040**	**157,040**	**3,325**
Other liabilities:				
Cash received as collateral under securities lending transactions	529,989	802,691	1,212,021	4,410
Loans payable	10,649	9,127	25	88
Income taxes payable	78,462	101,948	45,091	652
Accounts payable	149,740	124,982	264,435	1,246
Accrued expenses	63,134	57,257	63,373	525
Deferred income	23,217	22,870	22,246	193
Deposits received	99,396	98,158	99,495	827
Guarantee deposits received	84,777	84,102	84,171	705
Futures transactions variation margin	22	296	155	0
Derivative financial instruments	355,637	288,867	330,715	2,959
Cash collateral received for financial instruments	33,074	—	—	275
Lease obligations	5,512	4,930	4,262	45
Asset retirement obligations	1,966	2,031	2,035	16
Suspense receipts	15,773	9,868	19,758	131
Other liabilities	73	—	128	0
Subtotal	**1,451,427**	**1,607,132**	**2,147,917**	**12,078**
Accrued bonuses for directors and audit and supervisory board members	**74**	**50**	**52**	**0**
Accrued retirement benefits (Note 12)	**365,302**	**385,283**	**433,184**	**3,039**
Accrued retirement benefits for directors and audit and supervisory board members	**4,274**	**4,403**	**4,374**	**35**
Reserve for program points	**13,171**	**12,609**	**9,564**	**109**
Reserve for price fluctuations in investments in securities	**778,723**	**623,312**	**427,529**	**6,480**
Deferred tax liabilities (Note 23)	**1,231,729**	**328,632**	**123,652**	**10,249**
Deferred tax liabilities for land revaluation	**115,440**	**128,236**	**129,132**	**960**
Acceptances and guarantees	**38,686**	**30,137**	**29,233**	**321**
Total liabilities	**54,835,660**	**52,063,111**	**50,932,158**	**456,317**

Nonconsolidated Balance Sheets—(Continued)

As of March 31	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
NET ASSETS:				
Foundation funds (Note 13)	**200,000**	**250,000**	**300,000**	**1,664**
Reserve for redemption of foundation funds (Note 13)	**1,050,000**	**1,000,000**	**950,000**	**8,737**
Reserve for revaluation	**651**	**651**	**651**	**5**
Surplus:				
Legal reserve for deficiencies	14,208	13,270	12,571	118
Other surplus reserves:	485,746	426,752	338,006	4,042
Equalized reserve for dividends to policyholders	50,000	—	—	416
Contingency funds	71,917	71,917	71,917	598
Reserve for social public welfare assistance	282	259	236	2
Reserve for reduction entry of real estate	45,882	42,693	34,666	381
Reserve for reduction entry of real estate to be purchased	34	33	—	0
Other reserves	170	170	170	1
Unappropriated surplus	317,459	311,679	231,016	2,641
Total surplus	**499,954**	**440,022**	**350,577**	**4,160**
Total foundation funds and others	**1,750,605**	**1,690,674**	**1,601,228**	**14,567**
Net unrealized gains on available-for-sale securities, net of tax	**6,016,469**	**3,256,652**	**2,508,046**	**50,066**
Deferred losses on derivatives under hedge accounting, net of tax	**(231,060)**	**(134,156)**	**(74,128)**	**(1,922)**
Land revaluation losses	**(88,670)**	**(85,561)**	**(84,481)**	**(737)**
Total valuations, conversions, and others	**5,696,737**	**3,036,934**	**2,349,436**	**47,405**
Total net assets	**7,447,343**	**4,727,608**	**3,950,665**	**61,973**
Total liabilities and net assets	**¥62,283,004**	**¥56,790,719**	**¥54,882,824**	**$518,290**

The accompanying notes are an integral part of the nonconsolidated financial statements.

Nonconsolidated Statements of Income

For the years ended March 31	Millions of Yen 2015	2014	2013	Millions of U.S. Dollars 2015
ORDINARY INCOME:				
Revenues from insurance and reinsurance:				
Insurance premiums	¥5,336,204	¥4,824,669	¥5,342,079	$44,405
Reinsurance revenue	913	907	777	7
Subtotal	**5,337,118**	**4,825,577**	**5,342,857**	**44,413**
Investment income (Note 20)**:**				
Interest, dividends, and other income:	1,371,789	1,296,640	1,217,010	11,415
Interest on deposits and savings	276	268	272	2
Interest on securities and dividends	1,113,858	1,029,275	935,962	9,269
Interest on loans	161,231	171,827	178,296	1,341
Real estate rental income	82,716	79,237	82,608	688
Other income	13,706	16,031	19,870	114
Gain from assets held in trust, net	4	5	13	0
Gain on sales of securities	242,024	260,438	192,348	2,014
Gain on redemptions of securities	5,023	248	284	41
Foreign exchange gains, net	—	1,693	1,201	—
Reversal of allowance for doubtful accounts	431	1,667	4,561	3
Other investment income	489	441	857	4
Gain from separate accounts, net	154,187	122,626	144,611	1,283
Subtotal	**1,773,951**	**1,683,763**	**1,560,888**	**14,762**
Other ordinary income:				
Income from annuity riders	7,329	7,836	7,769	60
Income from deferred benefits	126,913	153,912	152,482	1,056
Reversal of reserve for outstanding claims	1,652	4,266	2,786	13
Other ordinary income	46,729	38,733	27,445	388
Subtotal	**182,625**	**204,748**	**190,483**	**1,519**
Total ordinary income	**7,293,695**	**6,714,089**	**7,094,229**	**60,694**
ORDINARY EXPENSES:				
Benefits and other payments:				
Death and other claims	1,022,096	1,016,847	1,059,742	8,505
Annuity payments	839,921	857,662	686,205	6,989
Health and other benefits	721,112	769,645	828,082	6,000
Surrender benefits	959,865	839,852	834,495	7,987
Other refunds	387,696	292,927	207,332	3,226
Reinsurance premiums	1,491	1,284	1,271	12
Subtotal	**3,932,183**	**3,778,221**	**3,617,129**	**32,721**
Provision for policy reserves:				
Provision for policy reserves	1,685,817	1,354,233	1,713,183	14,028
Provision for interest on reserve for dividends to policyholders (Note 9)	23,602	24,715	25,830	196
Subtotal	**1,709,420**	**1,378,948**	**1,739,014**	**14,225**
Investment expenses (Note 20)**:**				
Interest expenses	9,876	7,792	4,717	82
Loss on sales of securities	18,357	57,738	72,088	152
Loss on valuation of securities	3,258	22,254	98,668	27

Nonconsolidated Statements of Income—(Continued)

For the years ended March 31	Millions of Yen 2015	Millions of Yen 2014	Millions of Yen 2013	Millions of U.S. Dollars 2015
Loss on redemptions of securities	21,595	24,628	30,526	179
Loss on derivative financial instruments, net	46,342	36,508	176,689	385
Foreign exchange losses, net	417	—	—	3
Write-offs of loans	0	0	1	0
Depreciation of rental real estate and other assets	15,307	15,410	23,954	127
Other investment expenses	25,839	21,976	21,503	215
Subtotal	**140,994**	**186,309**	**428,149**	**1,173**
Operating expenses (Note 19)	**563,371**	**561,860**	**566,920**	**4,688**
Other ordinary expenses:				
Deferred benefit payments	232,820	197,808	243,173	1,937
Taxes	44,508	34,643	37,376	370
Depreciation	46,455	47,308	57,839	386
Other ordinary expenses	16,700	16,371	15,883	138
Subtotal	**340,484**	**296,133**	**354,273**	**2,833**
Total ordinary expenses	**6,686,454**	**6,201,473**	**6,705,486**	**55,641**
Ordinary profit	**¥ 607,241**	**¥ 512,616**	**¥ 388,742**	**$ 5,053**
Extraordinary gains:				
Gain on disposals of fixed assets	¥ 4,025	¥ 2,750	¥ 4,138	$ 33
Reversal of reserve for loss on disaster	—	—	326	—
Gain on liquidation of subsidiaries and affiliates	—	40,486	—	—
Other extraordinary gains (Note 26)	—	—	388	—
Subtotal	**4,025**	**43,236**	**4,853**	**33**
Extraordinary losses:				
Loss on disposals of fixed assets	3,423	6,252	31,130	28
Impairment losses (Note 22)	19,908	4,728	17,602	165
Provision for reserve for price fluctuations in investments in securities	155,411	195,783	93,819	1,293
Loss on reduction entry of real estate	136	96	2,531	1
Contributions for assisting social public welfare	2,977	1,477	1,477	24
Subtotal	**181,855**	**208,338**	**146,560**	**1,513**
Surplus before income taxes	**429,411**	**347,515**	**247,035**	**3,573**
Income taxes (Note 23):				
Current	167,465	142,385	66,158	1,393
Deferred	(41,811)	(79,286)	(29,745)	(347)
Total income taxes	125,653	63,098	36,412	1,045
Net surplus	**¥ 303,758**	**¥ 284,416**	**¥ 210,622**	**$ 2,527**

The accompanying notes are an integral part of the nonconsolidated financial statements.

Nonconsolidated Statements of Changes in Net Assets

	Millions of Yen										
	Foundation funds and others										
				Surplus							
					Other surplus reserves						
For the year ended March 31, 2013	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Legal reserve for deficiencies	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Other reserves	Un-appropriated surplus	Total surplus	Total foundation funds and others
Beginning balance	¥300,000	¥900,000	¥ 651	¥11,889	¥71,917	¥213	¥31,746	¥170	¥226,344	¥342,281	¥1,542,932
Increase/decrease:											
Issuance of foundation funds	50,000										50,000
Additions to reserve for dividends to policyholders (Note 9)									(167,313)	(167,313)	(167,313)
Additions to legal reserve for deficiencies				682					(682)	—	—
Additions to reserve for redemption of foundation funds		50,000							(50,000)	(50,000)	—
Interest on foundation funds									(3,930)	(3,930)	(3,930)
Net surplus									210,622	210,622	210,622
Redemption of foundation funds	(50,000)										(50,000)
Additions to reserve for social public welfare assistance						1,500			(1,500)	—	—
Reversal of reserve for social public welfare assistance						(1,477)			1,477	—	—
Additions to reserve for reduction entry of real estate							3,604		(3,604)	—	—
Reversal of reserve for reduction entry of real estate							(685)		685	—	—
Reversal of land revaluation losses									18,917	18,917	18,917
Net change, excluding foundation funds and others											
Net change	—	50,000	—	682	—	23	2,919	—	4,672	8,296	58,296
Ending balance	¥300,000	¥950,000	¥ 651	¥12,571	¥71,917	¥236	¥34,666	¥170	¥231,016	¥350,577	¥1,601,228

	Millions of Yen				
	Valuations, conversions, and others				
For the year ended March 31, 2013	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Total valuations, conversions, and others	Total net assets
Beginning balance	¥1,021,724	¥ (6,969)	¥(67,515)	¥ 947,239	¥2,490,171
Increase/decrease:					
Issuance of foundation funds					50,000
Additions to reserve for dividends to policyholders (Note 9)					(167,313)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(3,930)
Net surplus					210,622
Redemption of foundation funds					(50,000)
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Reversal of land revaluation losses					18,917
Net change, excluding foundation funds and others	1,486,322	(67,159)	(16,965)	1,402,197	1,402,197
Net change	1,486,322	(67,159)	(16,965)	1,402,197	1,460,493
Ending balance	¥2,508,046	¥(74,128)	¥(84,481)	¥2,349,436	¥3,950,665

Nonconsolidated Statements of Changes in Net Assets—(Continued)

	Millions of Yen											
	Foundation funds and others											
				Surplus								
					Other surplus reserves							
For the year ended March 31, 2014	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Legal reserve for deficiencies	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Un-appropriated surplus	Total surplus	Total foundation funds and others
Beginning balance	¥300,000	¥ 950,000	¥651	¥12,571	¥71,917	¥236	¥34,666	¥—	¥170	¥231,016	¥350,577	¥1,601,228
Cumulative effect of change in accounting policies										24,705	24,705	24,705
Beginning balance after reflecting accounting policy changes	300,000	950,000	651	12,571	71,917	236	34,666	—	170	255,722	375,282	1,625,934
Increase/decrease:												
Additions to reserve for dividends to policyholders (Note 9)										(167,172)	(167,172)	(167,172)
Additions to legal reserve for deficiencies				699						(699)	—	—
Additions to reserve for redemption of foundation funds		50,000								(50,000)	(50,000)	—
Interest on foundation funds										(3,585)	(3,585)	(3,585)
Net surplus										284,416	284,416	284,416
Redemption of foundation funds	(50,000)											(50,000)
Additions to reserve for social public welfare assistance						1,500				(1,500)	—	—
Reversal of reserve for social public welfare assistance						(1,477)				1,477	—	—
Additions to reserve for reduction entry of real estate							9,868			(9,868)	—	—
Reversal of reserve for reduction entry of real estate							(1,841)			1,841	—	—
Additions to reserve for reduction entry of real estate to be purchased								33		(33)	—	—
Reversal of land revaluation losses										1,080	1,080	1,080
Net change, excluding foundation funds and others												
Net change	(50,000)	50,000	—	699	—	23	8,027	33	—	55,957	64,740	64,740
Ending balance	¥250,000	¥1,000,000	¥651	¥13,270	¥71,917	¥259	¥42,693	¥33	¥170	¥311,679	¥440,022	¥1,690,674

	Millions of Yen				
	Valuations, conversions, and others				
For the year ended March 31, 2014	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Total valuations, conversions, and others	Total net assets
Beginning balance	¥2,508,046	¥ (74,128)	¥(84,481)	¥2,349,436	¥3,950,665
Cumulative effect of change in accounting policies					24,705
Beginning balance after reflecting accounting policy changes	2,508,046	(74,128)	(84,481)	2,349,436	3,975,371
Increase/decrease:					
Additions to reserve for dividends to policyholders (Note 9)					(167,172)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(3,585)
Net surplus					284,416
Redemption of foundation funds					(50,000)
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					1,080
Net change, excluding foundation funds and others	748,605	(60,027)	(1,080)	687,497	687,497
Net change	748,605	(60,027)	(1,080)	687,497	752,237
Ending balance	¥3,256,652	¥(134,156)	¥(85,561)	¥3,036,934	¥4,727,608

Nonconsolidated Statements of Changes in Net Assets—(Continued)

For the year ended March 31, 2015	Millions of Yen												
	Foundation funds and others												
				Surplus									
					Other surplus reserves								
	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Un-appropriated surplus	Total surplus	Total foundation funds and others
Beginning balance	¥250,000	¥1,000,000	¥651	¥13,270	¥ —	¥71,917	¥259	¥42,693	¥33	¥170	¥311,679	¥440,022	¥1,690,674
Increase/decrease:													
Additions to reserve for dividends to policyholders (Note 9)											(201,765)	(201,765)	(201,765)
Additions to legal reserve for deficiencies				938							(938)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(2,785)	(2,785)	(2,785)
Net surplus											303,758	303,758	303,758
Redemption of foundation funds	(50,000)												(50,000)
Additions to equalized reserve for dividends to policyholders					50,000						(50,000)	—	—
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(2,977)				2,977	—	—
Additions to reserve for reduction entry of real estate								3,866			(3,866)	—	—
Reversal of reserve for reduction entry of real estate								(677)			677	—	—
Additions to reserve for reduction entry of real estate to be purchased									1		(1)	—	—
Reversal of land revaluation losses											10,724	10,724	10,724
Net change, excluding foundation funds and others													
Net change	(50,000)	50,000	—	938	50,000	—	23	3,189	1	—	5,780	59,931	59,931
Ending balance	¥200,000	¥1,050,000	¥651	¥14,208	¥50,000	¥71,917	¥282	¥45,882	¥34	¥170	¥317,459	¥499,954	¥1,750,605

For the year ended March 31, 2015	Millions of Yen				
	Valuations, conversions, and others				
	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Total valuations, conversions, and others	Total net assets
Beginning balance	¥ 3,256,652	¥ (134,156)	¥ (85,561)	¥ 3,036,934	¥ 4,727,608
Increase/decrease:					
Additions to reserve for dividends to policyholders (Note 9)					(201,765)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(2,785)
Net surplus					303,758
Redemption of foundation funds					(50,000)
Additions to equalized reserve for dividends to policyholders					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					10,724
Net change, excluding foundation funds and others	2,759,816	(96,904)	(3,108)	2,659,803	2,659,803
Net change	2,759,816	(96,904)	(3,108)	2,659,803	2,719,735
Ending balance	¥6,016,469	¥(231,060)	¥(88,670)	¥5,696,737	¥7,447,343

Nonconsolidated Statements of Changes in Net Assets—(Continued)

	Millions of U.S. Dollars												
	Foundation funds and others												
				Surplus									
					Other surplus reserves								
For the year ended March 31, 2015	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Un-appropriated surplus	Total surplus	Total foundation funds and others
Beginning balance	$2,080	$8,321	$ 5	$110	$ —	$598	$2	$355	$0	$1	$2,593	$3,661	$14,069
Increase/decrease:													
Additions to reserve for dividends to policyholders (Note 9)											(1,678)	(1,678)	(1,678)
Additions to legal reserve for deficiencies				7							(7)	—	—
Additions to reserve for redemption of foundation funds		416									(416)	(416)	—
Interest on foundation funds											(23)	(23)	(23)
Net surplus											2,527	2,527	2,527
Redemption of foundation funds	(416)												(416)
Additions to equalized reserve for dividends to policyholders					416						(416)	—	—
Additions to reserve for social public welfare assistance							24				(24)	—	—
Reversal of reserve for social public welfare assistance							(24)				24	—	—
Additions to reserve for reduction entry of real estate								32			(32)	—	—
Reversal of reserve for reduction entry of real estate								(5)			5	—	—
Additions to reserve for reduction entry of real estate to be purchased									0		(0)	—	—
Reversal of land revaluation losses											89	89	89
Net change, excluding foundation funds and others													
Net change	(416)	416	—	7	416	—	0	26	0	—	48	498	498
Ending balance	$1,664	$8,737	$ 5	$118	$416	$598	$2	$381	$0	$1	$2,641	$4,160	$14,567

Nonconsolidated Statements of Changes in Net Assets—(Continued)

For the year ended March 31, 2015	Millions of U.S. Dollars: Valuations, conversions, and others: Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Total valuations, conversions, and others	Total net assets
Beginning balance	$27,100	$(1,116)	$(711)	$25,271	$39,341
Increase/decrease:					
Additions to reserve for dividends to policyholders (Note 9)					(1,678)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(23)
Net surplus					2,527
Redemption of foundation funds					(416)
Additions to equalized reserve for dividends to policyholders					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					89
Net change, excluding foundation funds and others	22,965	(806)	(25)	22,133	22,133
Net change	22,965	(806)	(25)	22,133	22,632
Ending balance	$50,066	$(1,922)	$(737)	$47,405	$61,973

The accompanying notes are an integral part of the consolidated financial statements.

Nippon Life Insurance Company

Nonconsolidated Proposed Appropriations of Surplus

For the years ended March 31	Thousands of Yen 2015	Thousands of Yen 2014	Thousands of Yen 2013	Thousands of U.S. Dollars 2015
Unappropriated surplus	**¥317,459,726**	**¥311,679,459**	**¥231,016,619**	**$2,641,755**
Reversal from voluntary surplus reserves:	**635,726**	**677,396**	**1,841,308**	**5,290**
Reversal of reserve for reduction entry of real estate	601,326	677,396	1,841,308	5,003
Reversal of reserve for reduction entry of real estate to be purchased	34,400	—	—	286
Total	**¥318,095,453**	**¥312,356,855**	**¥232,857,928**	**$2,647,045**
Appropriations:	**¥318,095,453**	**¥312,356,855**	**¥232,857,928**	**$2,647,045**
Reserve for dividends to policyholders	257,299,416	201,765,958	167,172,049	2,141,128
Net surplus	60,796,036	110,590,897	65,685,879	505,916
Legal reserve for deficiencies	955,000	938,000	699,000	7,947
Reserve for redemption of foundation funds	50,000,000	50,000,000	50,000,000	416,077
Interest on foundation funds	1,935,000	2,785,000	3,585,000	16,102
Voluntary surplus reserves:	7,906,036	56,867,897	11,401,879	65,790
Equalized reserve for dividends to policyholders	—	50,000,000	—	—
Reserve for social public welfare assistance	3,000,000	3,000,000	1,500,000	24,964
Reserve for reduction entry of real estate	4,906,036	3,866,656	9,868,719	40,825
Reserve for reduction entry of real estate to be purchased	—	1,241	33,159	—
Surplus carried forward	**—**	**—**	**—**	**—**

Of the surplus available for disposition, a minimum ratio for the reserve for dividends to policyholders needs to be established in the Articles of Incorporation.
Nippon Life applies mutatis mutandis Article 30-6 of the Ordinance for Enforcement of the Insurance Business Act in the Articles of Incorporation and has established the ratio (20/100) stipulated in said Article 30-6 as the minimum ratio in the Articles of Incorporation. The ratio of provision of the appropriation of surplus in the fiscal year ended March 31, 2015 was 98.35%.
Amounts of less than one thousand yen and one thousand of U.S. dollars have been eliminated in the table above.

Nippon Life Insurance Company

Notes to the Nonconsolidated Financial Statements

1. Basis of Presenting the Nonconsolidated Financial Statements

(1) Accounting principles and presentation

The accompanying nonconsolidated financial statements have been prepared from the accounts and records maintained by NIPPON LIFE INSURANCE COMPANY (“Nippon Life” or the “Company”) in accordance with the provisions set forth in the Insurance Business Act and the related rules and regulations applicable to the mutual life insurance industry, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. Certain accounting and reporting practices required to be followed by the industry are regulated by the Financial Services Agency and the related ministry by means of ministerial ordinances and guidance. The accompanying nonconsolidated financial statements of Nippon Life are in compliance with such requirements. However, while the business report and supporting schedules have been prepared by the management of Nippon Life as a part of the disclosures required by the Japanese Commercial Code and the Insurance Business Act, they are not provided herein. The information provided in the nonconsolidated financial statements including the notes to the nonconsolidated financial statements is limited to that required by Japanese laws and regulations. Amounts of less than one million yen and one million U.S. dollars have been eliminated for financial statement presentation. As a result, totals may not add up exactly. As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, nonconsolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting principles generally accepted in Japan.

(2) United States dollar amounts

Nippon Life prepares its nonconsolidated financial statements in Japanese yen. The U.S. dollar amounts included in the nonconsolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥120.17=U.S.$1, the effective rate of exchange at the balance sheet date of March 31, 2015. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at ¥120.17=U.S.$1 or at any other rate.

2. Summary of Significant Accounting Policies

(1) Securities and hedging activities

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

   i) Trading securities are stated at fair value on the balance sheet date.

      The moving average method is used for calculating cost of sales.

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

   iii) Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line), in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the Japanese Institute of Certified Public Accountants (JICPA).

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

v) Available-for-sale securities

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

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

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

Hedge accounting is applied based on the following method:

1) The Company mainly applies fair value hedge accounting and deferred hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds denominated in foreign currencies. The Company also applies the exceptional accounting treatment ("*Tokurei-shori*") for interest rate swaps to hedge the cash flow volatility of certain loans and applies designated hedge accounting ("F*uriate-shori*") for foreign exchange forward contracts and currency swaps for certain financial assets denominated in foreign currencies. The Company also applies designated hedge accounting ("*Furiate-shori*") for currency swaps for foreign currency-denominated subordinated corporate bonds issued by the Company.

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

3) Derivative financial instruments utilized for other than hedging purposes are stated at fair value.

(2) Policy-reserve-matching bonds

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

(3) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).

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

(4) Tangible fixed assets

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

a. Tangible fixed assets (except for lease assets)

(i) Buildings as of March 31, 2015 and 2014 and buildings acquired on or after April 1, 1998 (except for fixtures and structures) as of March 31, 2013

Straight-line method.

(ii) Assets other than the above

Declining-balance method.

b. Lease assets

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

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

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

Straight-line method based on lease period.

The estimated useful lives of major items are as follows:

Buildings	2 to 50 years
Other tangible fixed assets	2 to 20 years

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses.

Previously, tangible fixed assets of the Company were depreciated mainly based on the declining-balance method. From the fiscal year ended March 31, 2014, the depreciation method for buildings and others has been changed to the straight-line method.

This change was made because the Company concluded that straight-line depreciation over the useful lives of buildings better reflects the future use of tangible fixed assets given that the Company now expects to make more consistent use of buildings and others over the long term. This decision was based on several factors. First, investments in remodeling and renovations, which slow the aging of real estate, now represent a relatively higher share of the Company's investments. Remodeling and renovations have progressively replaced the acquisition and construction of new buildings, which now represent a lower share of investments. Previously, acquisitions and construction of new buildings accounted for the bulk of investments, and therefore the declining-balance method of depreciation was adopted as a depreciation method suited to the use of these assets. Second, the Company has recently formulated standards such as an overall building renovation plan and specifications for renovation work in order to conduct real estate renovations more systematically. Following the completion of the development of a system for managing fixed assets in support of these changes during the fiscal year ended March 31, 2014, the Company changed the depreciation method for tangible fixed assets.

As a result, ordinary profit and surplus before income taxes both increased by ¥3,027 million in comparison with the previous depreciation method for the fiscal year ended March 31, 2014.

Furthermore, in the course of formulating the above overall building renovation plan, the Company surveyed the remaining useful lives and residual values of buildings and others. Consequently, in conjunction with the change in depreciation method, the Company revised these parameters to better reflect actual conditions. Accordingly, the Company adjusted certain useful lives and residual values from the fiscal year ended March 31, 2014.

As a result, ordinary profit and surplus before income taxes both increased by ¥7,325 million in comparison with the previous depreciation method for the fiscal year ended March 31, 2014.

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

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

The Act on Revaluation of Land requires companies to disclose when the total fair value of land on the balance sheet date is below the total book value of this land after revaluation.

The excess of the total book value of this land after revaluation as of March 31, 2013, over the total fair value of land used in operations, as revalued in accordance with Article 10 of the Act on Revaluation of Land as of the same date, was ¥3,351 million.

(5) Software

Capitalized software for internal use, which is included within intangible fixed assets, is amortized using the straight-line method over their estimated useful lives as internally determined (5 years).

(6) Leases

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

(7) Allowance for doubtful accounts

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

   i) An allowance for loans from borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at 3) below).

   ii) An allowance for loans from borrowers who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of the borrowers’ overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

   iii) An allowance for loans from borrowers other than the above is provided based on the borrowers’ balance multiplied by the historical average (of a certain period) percentage of bad debt.

2) All credits are assessed by responsible sections in accordance with the Company’s internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

3) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amounts were ¥501 million (U.S.$4 million) (including ¥168 million (U.S.$1 million) of credits secured

and/or guaranteed), ¥703 million (including ¥240 million of credits secured and/or guaranteed) and ¥831 million (including ¥313 million of credits secured and/or guaranteed) as of March 31, 2015, 2014 and 2013, respectively.

(8) Accrued bonuses for directors and audit and supervisory board members

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

(9) Accrued retirement benefits

Accrued retirement benefits are recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets for future severance payments to employee on the balance sheet date as of March 31, 2015, 2014 and 2013.

The accounting methods used for retirement benefits as of March 31, 2015 and 2014, are as follows:

1) Attribution method for estimated retirement benefits: Benefit formula basis
2) Period of amortizing actuarial (gains) losses: 5 years
3) Period of amortizing prior service costs: 5 years

From the fiscal year ended March 31, 2014, the Company has applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25). The revised accounting standard permits companies to change the calculation method of retirement benefit obligations and service costs from the start of fiscal years beginning on or after April 1, 2013. Accordingly, from the fiscal year ended March 31, 2014, the Company has changed the periodic allocation method of estimated retirement benefits from the straight-line basis to the benefit formula basis.

With respect to the application of the revised accounting standard, in accordance with Article 37 of the standard, the amount of the impact of changes to the method of calculation of retirement benefit obligations and service costs has been included in unappropriated surplus as of the beginning of the fiscal year ended March 31, 2014.

As a result, unappropriated surplus as of April 1, 2013 increased by ¥24,705 million. Ordinary profit and surplus before income taxes increased by ¥1,558 million.

(10) Accrued retirement benefits for directors and audit and supervisory board members

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

(11) Reserve for program points

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

(12) Reserve for price fluctuations in investments in securities

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

(13) Accounting for consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.

(14) Policy reserves

Policy reserves of the Company are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized based on the following methodology:

1) Reserves for contracts concluded in or after April 1996, other than those in which factors used as a basis for computing policy reserves and insurance premiums are alterable and those for variable insurance, are computed by the net level premium method based on the assumption rates locked in at the sales and renewal prescribed by the Insurance Business Act and the statement of calculation procedures*.
2) Reserves for other contracts are determined by the net level premium method using the assumption rates locked in at the sales and renewal prescribed by the statement of calculation procedures*.

Additional policy reserve amounts are included to cover a possible deficiency in the amount of the reserve for certain individual annuity policy-holders in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

(15) Revenue recognition

Regarding revenues, insurance premiums are recognized when cash is received and insurance premiums due but not collected are not recognized as revenues. Unearned insurance premiums are recognized as policy reserves.

(16) Policy acquisition costs

Policy acquisition costs are recorded to expense as incurred.

(17) Income taxes

The provision for income taxes is computed based on the pretax income included in the nonconsolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the enacted statutory tax rates to the temporary differences.

3. Financial Instruments

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

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

The Company mainly applies fair value hedge accounting and deferred hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds denominated in foreign currencies. The Company also applies the exceptional accounting treatment ("*Tokurei-shori*") for interest rate swaps to hedge the cash flow volatility of certain loans and applies designated hedge accounting ("*Furiate-shori*") for foreign exchange forward contracts and currency swaps for certain financial assets denominated in foreign currencies. The Company also applies designated hedge

* Documents approved by the Financial Services Agency that describe the specific calculation methods for insurance premiums and policy reserves.

accounting ("*Furiate-shori*") for currency swaps for foreign currency-denominated subordinated corporate bonds issued by the Company. The effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company's internal risk management policies.

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

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

To manage credit risk, the Company has built a thorough monitoring system involving the Assessment Management Department which is independent of the departments handling investment and finance activities. The Company also continues to build a sound portfolio through the establishment of interest guidelines to ensure the returns the Company obtains are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company or group.

In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the Company's portfolio as a whole and monitors whether the magnitude of risk stays within an appropriate range.

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

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2015			2014			2013			2015		
	Balance sheet amount(*1)	Fair value(*2)	Difference	Balance sheet amount(*1)	Fair value(*2)	Difference	Balance sheet amount(*1)	Fair value(*2)	Difference	Balance sheet amount(*1)	Fair value(*2)	Difference
Cash and deposits (negotiable certificates of deposit):	¥ 302,999	¥ 302,999	¥ —	¥ 234,999	¥ 234,999	¥ —	¥ 298,997	¥ 298,997	¥ —	$ 2,521	$ 2,521	$ —
Available-for-sale securities	302,999	302,999	—	234,999	234,999	—	298,997	298,997	—	2,521	2,521	—
Monetary receivables purchased:	498,758	534,726	35,968	570,632	611,996	41,364	756,320	810,224	53,904	4,150	4,449	299
Policy-reserve-matching bonds	459,891	495,860	35,968	542,574	583,939	41,364	698,039	751,943	53,904	3,827	4,126	299
Available-for-sale securities	38,866	38,866	—	28,057	28,057	—	58,281	58,281	—	323	323	—
Securities:	48,607,816	51,220,143	2,612,327	43,113,992	44,926,705	1,812,713	40,934,073	42,973,432	2,039,358	404,492	426,230	21,738
Trading securities	1,005,262	1,005,262	—	1,098,298	1,098,298	—	1,072,950	1,072,950	—	8,365	8,365	—
Policy-reserve-matching bonds	20,214,005	22,796,569	2,582,564	19,593,801	21,352,447	1,758,645	18,905,385	20,908,019	2,002,633	168,211	189,702	21,490
Investments in subsidiaries and affiliates	7,711	37,474	29,763	7,711	61,779	54,068	7,711	44,436	36,725	64	311	247
Available-for-sale securities	27,380,837	27,380,837	—	22,414,180	22,414,180	—	20,948,026	20,948,026	—	227,850	227,850	—
Loans*3:	8,327,360	8,660,317	332,956	8,523,357	8,791,565	268,207	8,574,646	8,894,847	320,200	69,296	72,067	2,770
Policy loans	736,402	736,402	—	782,113	782,113	—	835,281	835,281	—	6,128	6,128	—
Industrial and consumer loans	7,590,958	7,923,915	332,956	7,741,243	8,009,451	268,207	7,739,365	8,059,565	320,200	63,168	65,939	2,770
Derivative financial instruments(*4):	(215,282)	(215,282)	—	(278,716)	(278,716)	—	(259,261)	(259,261)	—	(1,791)	(1,791)	—
Hedge accounting not applied	515	515	—	(258)	(258)	—	37	37	—	4	4	—
Hedge accounting applied	(215,798)	(215,798)	—	(278,457)	(278,457)	—	(259,298)	(259,298)	—	(1,795)	(1,795)	—
Corporate bonds(*3,*5)	(399,590)	(417,493)	(17,903)	(157,040)	(172,429)	(15,389)	(157,040)	(159,039)	(1,999)	(3,325)	(3,474)	(148)
Cash received as collateral under securities lending transactions(*5)	¥ (529,989)	¥ (529,989)	¥ —	¥ (802,691)	¥(802,691)	¥ —	¥(1,212,021)	¥(1,212,021)	¥ —	$ (4,410)	$ (4,410)	$ —

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.
(*2) For securities for which impairment losses were recognized in the fiscal years ended March 31, 2015, 2014 and 2013, the fair value is the balance sheet amount after the impairment losses are deducted.
(*3) The fair values of derivative financial instruments that are interest rate swaps under exceptional accounting treatment ("Tokurei-shori") or currency swaps under designated hedge accounting ("Furiate-shori") are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.
(*4) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.
(*5) Corporate bonds and cash received as collateral under securities lending transactions are recorded in liabilities and presented in parentheses.

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

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

a. Items with a market price

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

b. Items without a market price

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

2) Loans

a. Policy loans

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

b. Industrial and consumer loans

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

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

Loans from legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectable amount from the book value directly prior to the decrease.

3) Derivative financial instruments

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

b. Fair value of stock options is measured by the price calculated by the Company based on volatility and other data obtained mainly from external information vendors as of March 31, 2015 and 2014. Fair value of stock options is measured by the value obtained from financial institutions that are the counterparties in such transactions as of March 31, 2013.

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

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

4) Corporate bonds

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

5) Cash received as collateral under securities lending transactions

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

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

Balance sheet amounts by holding purpose were ¥292,859 million (U.S.$2,437 million), ¥231,983 million and ¥285,945 million for stocks of subsidiaries and affiliates, and ¥938,564 million (U.S.$7,810 million), ¥1,023,037 million and ¥1,054,178 million for available-for-sale securities as of March 31, 2015, 2014 and 2013, respectively.

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

1) Trading securities

Investments in securities for separate accounts are classified as trading securities as of March 31, 2015, 2014 and 2013.

Valuation gains (losses) included in profit and loss were gains of ¥154,939 million (U.S.$1,289 million), gains of ¥110,562 million and gains of ¥103,266 million for securities related to separate accounts for the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

2) Held-to-maturity debt securities

No ending balance as of March 31, 2015, 2014 and 2013.

3) Policy-reserve-matching bonds

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

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2015			2014			2013			2015		
Type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount:												
Monetary receivables purchased	¥ 457,286	¥ 493,315	¥ 36,029	¥ 541,392	¥ 582,823	¥ 41,430	¥ 636,067	¥ 690,445	¥ 54,377	$ 3,805	$ 4,105	$ 299
Domestic bonds	20,047,635	22,626,539	2,578,904	19,100,466	20,863,889	1,763,422	18,734,266	20,741,509	2,007,243	166,827	188,287	21,460
Foreign securities	71,655	75,699	4,043	81,594	85,489	3,895	81,033	85,399	4,366	596	629	33
Subtotal	20,576,578	23,195,555	2,618,977	19,723,454	21,532,202	1,808,748	19,451,366	21,517,353	2,065,986	171,228	193,022	21,793
Fair value does not exceed the balance sheet amount:												
Monetary receivables purchased	2,604	2,544	(60)	1,182	1,115	(66)	61,971	61,498	(472)	21	21	(0)
Domestic bonds	94,532	94,148	(383)	411,307	402,636	(8,671)	89,276	80,303	(8,973)	786	783	(3)
Foreign securities	181	180	(0)	432	431	(1)	810	807	(2)	1	1	(0)
Subtotal	97,318	96,874	(444)	412,922	404,183	(8,738)	152,057	142,608	(9,448)	809	806	(3)
Total	¥20,673,896	¥23,292,429	¥2,618,532	¥20,136,376	¥21,936,386	¥1,800,009	¥19,603,424	¥21,659,962	¥2,056,538	$172,038	$193,828	$21,790

4) Available-for-sale securities

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

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2015			2014			2013			2015		
Type	Acquisition cost or amortized cost	Balance sheet amount	Difference	Acquisition cost or amortized cost	Balance sheet amount	Difference	Acquisition cost or amortized cost	Balance sheet amount	Difference	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost:												
Cash and deposits (negotiable certificates of deposit)	¥ 93,000	¥ 93,000	¥ 0	¥ 85,000	¥ 85,000	¥ 0	¥ 4,000	¥ 4,000	¥ 0	$ 773	$ 773	$ 0
Monetary receivables purchased	1,000	1,016	16	—	—	—	—	—	—	8	8	0
Domestic bonds	2,231,394	2,389,176	157,781	1,998,843	2,098,646	99,802	1,917,151	2,017,712	100,561	18,568	19,881	1,312
Domestic stocks	3,728,318	8,743,582	5,015,264	3,205,936	6,129,206	2,923,269	3,003,896	5,396,584	2,392,688	31,025	72,760	41,734
Foreign securities	11,561,325	14,690,856	3,129,530	9,732,154	11,437,129	1,704,975	10,041,063	11,422,644	1,381,580	96,208	122,250	26,042
Other securities	690,908	807,614	116,705	431,137	482,272	51,134	349,996	388,421	38,425	5,749	6,720	971
Subtotal	18,305,947	26,725,246	8,419,299	15,453,071	20,232,254	4,779,182	15,316,107	19,229,363	3,913,256	152,333	222,395	70,061
Balance sheet amount does not exceed acquisition cost or amortized cost:												
Cash and deposits (negotiable certificates of deposit)	210,000	209,998	(1)	150,000	149,999	(0)	295,000	294,997	(2)	1,747	1,747	(0)
Monetary receivables purchased	37,852	37,850	(2)	28,061	28,057	(4)	58,291	58,281	(10)	314	314	(0)
Domestic bonds	123,945	123,138	(807)	57,473	56,392	(1,081)	51,193	49,350	(1,843)	1,031	1,024	(6)
Domestic stocks	216,198	192,876	(23,321)	875,973	782,049	(93,923)	1,301,935	1,041,168	(260,767)	1,799	1,605	(194)
Foreign securities	328,342	318,709	(9,633)	1,377,572	1,356,047	(21,525)	626,364	611,958	(14,406)	2,732	2,652	(80)
Other securities	115,380	114,883	(496)	73,669	72,437	(1,231)	24,623	20,185	(4,437)	960	956	(4)
Subtotal	1,031,720	997,457	(34,263)	2,562,750	2,444,983	(117,767)	2,357,409	2,075,941	(281,467)	8,585	8,300	(285)
Total	¥19,337,667	¥27,722,703	¥8,385,035	¥18,015,822	¥ 22,677,237	¥4,661,415	¥17,673,517	¥21,305,305	¥3,631,788	$160,919	$230,695	$69,776

* Securities totaling ¥938,564 million (U.S.$7,810 million), ¥1,023,037 million and ¥1,054,178 million, whose fair values are extremely difficult to determine, as of March 31, 2015, 2014 and 2013, respectively, are not included.

¥17 million (U.S.$0 million), ¥21,401 million and ¥96,901 million in impairment losses were recognized for securities with a fair value during the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

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

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

a. A security for which the ratio of the average fair value in the month preceding the final day of the fiscal year to the acquisition cost is 50% or less.

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

    1. Average fair value in the month preceding the final day of the fiscal year is between 50% and 70% of its acquisition cost.

    2. The historical fair value, the business conditions of the issuing company and other aspects are subject to certain requirements.

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

As of March 31, 2015	Millions of Yen				Millions of U.S. Dollars			
	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	¥303,000	¥ —	¥ —	¥ —	$ 2,521	$ —	$ —	$ —
Available-for-sale securities	303,000	—	—	—	2,521	—	—	—
Monetary receivables purchased:	42,040	2,094	61,379	392,605	349	17	510	3,267
Policy-reserve-matching bonds	5,040	2,094	60,527	391,605	41	17	503	3,258
Available-for-sale securities	37,000	—	851	1,000	307	—	7	8
Securities:	897,067	5,114,528	6,258,606	23,491,609	7,464	42,560	52,081	195,486
Policy-reserve-matching bonds	570,864	2,289,427	2,801,365	14,432,666	4,750	19,051	23,311	120,102
Available-for-sale securities	326,203	2,825,100	3,457,240	9,058,942	2,714	23,509	28,769	75,384
Loans	887,826	2,937,264	1,955,871	1,830,903	7,388	24,442	16,275	15,235
Corporate bonds	—	—	—	399,590	—	—	—	3,325
Cash received as collateral under securities lending transactions	529,989	—	—	—	4,410	—	—	—

* Assets such as policy loans, for which a period is not stipulated, are not included.
Also, ¥7,657 million (U.S.$63 million) in loans from legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are not included.

As of March 31, 2014	Millions of Yen			
	1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	¥235,000	¥ —	¥ —	¥ —
Available-for-sale securities	235,000	—	—	—
Monetary receivables purchased:	35,326	14,018	58,109	462,371
Policy-reserve-matching bonds	8,326	14,018	57,049	462,371
Available-for-sale securities	27,000	—	1,059	—
Securities:	823,819	4,760,898	5,547,656	22,202,625
Policy-reserve-matching bonds	508,980	2,758,584	2,106,119	14,103,370
Available-for-sale securities	314,839	2,002,314	3,441,537	8,099,255
Loans	911,003	2,991,945	2,056,098	1,778,876
Corporate bonds	—	—	—	157,040
Cash received as collateral under securities lending transactions	802,691	—	—	—

* Assets such as policy loans, for which a period is not stipulated, are not included.
Also, ¥7,174 million in loans from legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are not included.

As of March 31, 2013	Millions of Yen 1 year or under	Over 1 year under 5 years	Over 5 years under 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	¥ 299,000	¥ —	¥ —	¥ —
Available-for-sale securities	299,000	—	—	—
Monetary receivables purchased:	58,260	10,203	57,658	629,243
Policy-reserve-matching bonds	1,260	10,203	56,959	628,651
Available-for-sale securities	57,000	—	698	592
Securities:	707,937	4,847,012	5,253,063	20,712,734
Policy-reserve-matching bonds	329,179	3,048,360	1,943,515	13,457,660
Available-for-sale securities	378,758	1,798,652	3,309,547	7,255,074
Loans	1,001,027	3,060,813	2,071,488	1,603,324
Corporate bonds	—	—	—	157,040
Cash received as collateral under securities lending transactions	1,212,021	—	—	—

* Assets such as policy loans, for which a period is not stipulated, are not included.
Also, ¥8,028 million in loans from legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are not included.

4. Disclosures about Fair Value of Investment and Rental Property

The balance sheet amounts for investment and rental properties were ¥1,176,798 million (U.S.$9,792 million), ¥1,164,094 million and ¥1,121,383 million, with a fair value of ¥1,260,401 million (U.S.$10,488 million), ¥1,174,628 million and ¥1,107,845 million as of March 31, 2015, 2014 and 2013, respectively. The Company owns rental office buildings and commercial facilities, the fair value of which at year-end is the amount measured based mainly on the “Real Estate Appraisal Standards.” Asset retirement obligations that were included in the balance sheet amounts of investment and rental properties were ¥343 million (U.S.$2 million), ¥366 million and ¥398 million as of March 31, 2015, 2014 and 2013, respectively.

5. Securities Loaned and Borrowed

The amounts of securities lent under lending agreements were ¥2,607,789 million (U.S.$21,700 million), ¥2,808,047 million and ¥3,129,761 million as of March 31, 2015, 2014 and 2013, respectively.

Assets that can be sold or re-secured are marketable securities lent under lending agreements. These assets were being held without disposal totaling ¥149,418 million (U.S.$1,243 million), ¥259,102 million and ¥372,031 million at fair value as of March 31, 2015, 2014 and 2013, respectively.

6. Accumulated Depreciation

The amounts of accumulated depreciation of tangible fixed assets were ¥1,159,761 million (U.S.$9,651 million), ¥1,132,867 million and ¥1,132,993 million as of March 31, 2015, 2014 and 2013, respectively.

7. Separate Accounts

Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,113,510 million (U.S.$9,266 million), ¥1,227,398 million and ¥1,238,818 million as of March 31, 2015, 2014 and 2013, respectively, and a corresponding liability is recorded in the same amount. The amounts of separate accounts are included in each account balance of the nonconsolidated balance sheets.

8. Monetary Receivables from/and Monetary Liabilities to Subsidiaries

The total amount of credits and debits to subsidiaries as of March 31, 2015, 2014 and 2013 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2015	2014	2013	2015
Monetary receivables	¥130,314	¥139,879	¥155,070	$1,084
Monetary liabilities	3,545	3,932	4,388	29

9. Reserve for Dividends to Policyholders

Changes in the reserve for dividends to policyholders included in policy reserves for the fiscal years ended March 31, 2015, 2014 and 2013, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2015	2014	2013	2015
Balance at the beginning of the fiscal year	¥1,070,852	¥1,105,093	¥1,120,336	$ 8,911
Transfer to reserve from surplus in the previous fiscal year	201,765	167,172	167,313	1,678
Dividends to policyholders paid out during the fiscal year	(258,747)	(226,128)	(208,387)	(2,153)
Increase in interest	23,602	24,715	25,830	196
Balance at the end of the fiscal year	¥1,037,472	¥1,070,852	¥1,105,093	$ 8,633

10. Corporate Bonds

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

The foreign currency-denominated subordinated corporate bonds issued in October 2012 are callable on each interest payment date on or after October 2022, and the foreign currency-denominated subordinated corporate bonds issued in October 2014 are callable on the tenth anniversary date after the issue date and on each fifth anniversary date thereafter at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

On April 30, 2015, the Company issued corporate bonds as follows:

1) Name
JPY-denominated subordinated and unsecured corporate bonds due 2045 with interest deferral options (the corporate bonds were first issued to qualified institutional investors and a small number of investors in domestic securities markets)

2) Offering price
100% of principal amount

3) Principal amount
¥75.0 billion

4) Interest rate
A fixed rate of 1.52% per annum before April 30, 2025 and a fixed rate reset with step-up thereafter (reset every 5 years).

5) Maturity
April 30, 2045. (However, the corporate bonds are callable on April 30, 2025 and on each fifth anniversary date thereafter at the discretion of the Company subject to prior approval by the regulatory authority.)

6) Collateral and guarantees
The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.

7) Use of funds
General working capital

11. Net Assets Provided for in the Ordinance for Enforcement of the Insurance Business Act

The amounts per Article 30, Paragraph 2 of the Ordinance for Enforcement of the Insurance Business Act were ¥5,786,059 million (U.S.$48,148 million), ¥3,123,147 million and ¥2,434,569 million as of March 31, 2015, 2014 and 2013, respectively.

12. Accrued Retirement Benefits

(1) Summary of retirement benefit plans

In terms of defined benefit plans, the Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan for non-sales personnel and sales management personnel, etc. In terms of defined contribution plans, the Company has a defined contribution pension plan. The Company also has a defined benefit plan for sales representatives, etc., in the form of a lump-sum retirement payment plan and an in-house pension plan.

(2) Defined benefit plan

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2015 and 2014	**2015**	**2014**	**2015**
Retirement benefit obligations at the beginning of the year	¥624,485	¥645,377	$5,196
Service costs	22,839	23,883	190
Interest cost	9,991	10,326	83
Actuarial losses (gains) accrued during the year	70,734	(6,606)	588
Retirement benefit payments	(47,790)	(48,494)	(397)
Retirement benefit obligations at the end of the year	¥680,261	¥624,485	$5,660

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2015 and 2014	**2015**	**2014**	**2015**
Pension plan assets at the beginning of the year	¥268,186	¥269,678	$2,231
Expected return on plan assets	4,290	4,314	35
Actuarial gains accrued during the year	9,920	4,436	82
Contributions by business proprietor	7,665	7,432	63
Retirement benefit payments	(17,775)	(17,675)	(147)
Pension plan assets at the end of the year	¥272,288	¥268,186	$2,265

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

For the years ended March 31, 2015 and 2014	Millions of Yen 2015	Millions of Yen 2014	Millions of U.S. Dollars 2015
Retirement benefit obligations for funded plans	¥ 311,041	¥ 285,269	$ 2,588
Pension plan assets	(272,288)	(268,186)	(2,265)
	38,752	17,083	322
Retirement benefit obligations for non-funded plans	369,219	339,216	3,072
Unrecognized actuarial (gains) losses	(47,038)	19,850	(391)
Unrecognized prior service costs	4,368	9,133	36
Accrued retirement benefits	¥ 365,302	¥ 385,283	$ 3,039

4) Losses (gains) relating to retirement benefits

For the years ended March 31, 2015 and 2014	Millions of Yen 2015	Millions of Yen 2014	Millions of U.S. Dollars 2015
Service costs	¥22,839	¥23,883	$190
Interest cost	9,991	10,326	83
Expected return on plan assets	(4,290)	(4,314)	(35)
Amortization of actuarial (gains) losses for the period	(6,074)	870	(50)
Amortization of prior service costs for the period	(4,765)	(4,765)	(39)
Benefit cost for defined benefit plans	¥17,699	¥26,000	$147

5) Pension plan assets consist of the following:

	2015	2014
General account of Nippon Life	52.3%	54.3%
Domestic bonds	26.9%	22.0%
Foreign bonds	17.3%	15.1%
Domestic stocks	2.7%	4.4%
Cash and deposits	0.8%	4.2%
Total	100.0%	100.0%

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

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

7) Matters relating to the basis for actuarial calculations

The main items in the basis for actuarial calculations as of March 31, 2015 and 2014 are as follows:

	2015	2014
Discount rate	0.6%	1.6%
Long-term expected rate of return on plan assets	1.6%	1.6%

8) Accrued retirement benefits as of March 31, 2013, consisted of the following:

	Millions of Yen 2013
Retirement benefit obligations	¥(681,027)
Pension plan assets	269,678
Accrued retirement benefit cost	(411,349)
Unrecognized actuarial (gains) losses	(7,936)
Unrecognized prior service costs	(13,898)
Accrued retirement benefits	¥(433,184)

Basic information for the calculation of accrued retirement benefits is as follows:

Periodic allocation method of estimated retirement benefits	Straight-line
Discount rate	2013: 1.6%
Expected rate of return on plan assets	2013: 1.6%
Method of amortizing actuarial (gains) losses	Amortization occurs over a certain period (5 years) within the average remaining years of service of employees one year after the accrual of liabilities, using the straight-line method.
Method of amortizing prior service costs	Amortization occurs over a certain period (5 years) within the average remaining years of service of employees upon accrual of liabilities, using the straight-line method.

9) Benefit cost of accrued retirement benefits for the fiscal year ended March 31, 2013, consisted of the following:

	Millions of Yen
	2013
Service costs	¥25,265
Interest cost	11,132
Expected return on plan assets	(4,283)
Amortization of actuarial (gains) losses	9,354
Amortization of prior service costs	(4,765)
Others	2,005
Net periodic benefit cost	¥38,709

(3) Defined contribution plans

The Company contributed ¥2,140 million (U.S.$17 million) and ¥2,161 million to defined contribution plans during the fiscal years ended March 31, 2015 and 2014, respectively.

13. Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest on foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption. Foundation funds are therefore positioned as a mutual company's core capital, which is equivalent to the stated capital of a joint-stock company. The Company redeemed ¥50,000 million (U.S.$416 million), ¥50,000 million and ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act for the fiscal years ended March 31, 2015, 2014 and 2013, respectively. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the fiscal year ended March 31, 2013.

14. Pledged Assets

Assets pledged as collateral in the form of securities, land and buildings as of March 31, 2015, were ¥1,482,181 million (U.S.$12,334 million), ¥252 million (U.S.$2 million) and ¥53 million (U.S.$0 million), respectively. The total amount of loans covered by the aforementioned assets was ¥530,074 million (U.S.$4,411 million) as of March 31, 2015.

These amounts included ¥518,628 million (U.S.$4,315 million) of securities deposited and ¥530,062 million (U.S.$4,410 million) of cash received as collateral under the securities lending transactions secured by cash as of March 31, 2015.

Assets pledged as collateral in the form of securities, land and buildings as of March 31, 2014, were ¥1,790,241 million, ¥252 million and ¥56 million, respectively. The total amount of loans covered by the aforementioned assets was ¥802,706 million as of March 31, 2014.

These amounts included ¥905,314 million of securities deposited and ¥802,691 million of cash received as collateral under the securities lending transactions secured by cash as of March 31, 2014.

Assets pledged as collateral in the form of securities, land and buildings as of March 31, 2013, were ¥2,134,013 million, ¥252 million and ¥59 million, respectively. The total amount of loans covered by the aforementioned assets was ¥1,212,170 million as of March 31, 2013.

These amounts included ¥1,334,903 million of securities deposited and ¥1,212,149 million of cash received as collateral under the securities lending transactions secured by cash as of March 31, 2013.

15. Investments in Subsidiaries

The total amounts of stocks and investments in subsidiaries were ¥300,570 million (U.S.$2,501 million), ¥239,694 million and ¥293,656 million as of March 31, 2015, 2014 and 2013, respectively.

16. Loans

(1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and restructured loans, which were included in loans, was ¥38,297 million (U.S.$318 million), ¥39,030 million and ¥42,052 million as of March 31, 2015, 2014 and 2013, respectively.

i) The balances of loans to bankrupt borrowers and delinquent loans were ¥2,179 million (U.S.$18 million) and ¥32,009 million (U.S.$266 million), respectively, as of March 31, 2015, ¥2,339 million and ¥31,941 million, respectively, as of March 31, 2014, and ¥2,658 million and ¥33,794 million, respectively, as of March 31, 2013.

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

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

ii) There were no loans delinquent for over three months as of March 31, 2015. The balance of loans delinquent for over three months was ¥23 million as of March 31, 2014. There were no loans delinquent for over three months as of March 31, 2013.

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

iii) The balances of restructured loans were ¥4,107 million (U.S.$34 million), ¥4,726 million and ¥5,599 million as of March 31, 2015, 2014 and 2013, respectively.

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

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥277 million (U.S.$2 million) and ¥224 million (U.S.$1 million), respectively, as of March 31, 2015, ¥299 million and ¥403 million, respectively, as of March 31, 2014, and ¥449 million and ¥382 million, respectively, as of March 31, 2013.

17. Loan Commitments

The amounts of commitments related to loans and loans outstanding were ¥184,916 million (U.S.$1,538 million), ¥179,531 million and ¥201,481 million as of March 31, 2015, 2014 and 2013, respectively.

18. Policy Reserves for Reinsurance Contracts Provided in Accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act

The amounts of policy reserves provided for the portion of reinsurance (hereafter referred to as "policy reserves for ceded reinsurance") as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act were ¥192 million (U.S.$1 million), ¥188 million and ¥179 million as of March 31, 2015, 2014 and 2013, respectively.

19. Contributions to the Life Insurance Policyholder Protection Fund and Organization

Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amounts applied to the Company were estimated to be ¥85,914 million (U.S.$714 million), ¥85,750 million and ¥86,176 million as of March 31, 2015, 2014 and 2013, respectively. The amounts contributed to the aforementioned corporation were recorded within operating expenses for the fiscal year.

20. Investment Income and Expenses

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

	Millions of Yen			Millions of U.S. Dollars
	2015	2014	2013	2015
Domestic bonds including national government bonds	¥ 12,929	¥ 16,879	¥76,133	$ 107
Domestic stocks	216,749	239,424	54,060	1,803
Foreign securities	12,345	4,135	62,155	102

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

	Millions of Yen			Millions of U.S. Dollars
	2015	2014	2013	2015
Domestic bonds including national government bonds	¥1,468	¥ 1,774	¥ 263	$12
Domestic stocks	9,889	13,678	56,528	82
Foreign securities	6,998	42,277	15,295	58

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

	Millions of Yen			Millions of U.S. Dollars
	2015	2014	2013	2015
Domestic stocks	¥ 113	¥21,477	¥97,749	$ 0
Foreign securities	3,083	713	675	25

Loss on derivative financial instruments, net, included net valuation gains of ¥1,513 million (U.S.$12 million), gains of ¥2,709 million and gains of ¥81,709 million for the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

21. Policy Reserves for Ceded Reinsurance

Provision for policy reserves for ceded reinsurance that was deducted from the calculation of provision for policy reserves was ¥4 million (U.S.$0 million), ¥8 million and ¥14 million for the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

22. Impairment Losses

i) Method for grouping the assets

Leased property and idle property are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.

ii) Circumstances causing impairment losses

The Company observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses for the fiscal years ended March 31, 2015, 2014 and 2013.

iii) Breakdown of asset groups that recognized impairment losses:

For the year ended March 31, 2015 Purpose of use	Millions of Yen Land	 Land lease rights	 Buildings	 Total
Leased property	¥ 1,846	¥1,489	¥2,242	¥ 5,578
Idle property	13,700	—	628	14,329
Total	¥15,547	¥1,489	¥2,871	¥19,908

For the year ended March 31, 2014 Purpose of use	Millions of Yen Land	 Land lease rights	 Buildings	 Total
Leased property	¥ 2,475	¥ —	¥1,749	¥ 4,224
Idle property	373	14	116	504
Total	¥ 2,848	¥ 14	¥1,865	¥ 4,728

For the year ended March 31, 2013 Purpose of use	Millions of Yen Land	 Land lease rights	 Buildings	 Total
Leased property	¥ 8,808	¥1,105	¥4,234	¥14,148
Idle property	1,964	30	1,459	3,453
Total	¥10,772	¥1,135	¥5,693	¥17,602

For the year ended March 31, 2015 Purpose of use	Millions of U.S. Dollars Land	 Land lease rights	 Buildings	 Total
Leased property	$ 15	$ 12	$ 18	$ 46
Idle property	114	—	5	119
Total	$ 129	$ 12	$ 23	$ 165

iv) Calculation method of recoverable amount

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

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

23. Deferred Tax Assets and Liabilities

(1) Deferred tax assets/liabilities consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2015	2014	2013	2015
Deferred tax assets	¥ 1,254,315	¥ 1,206,414	¥ 1,122,651	$ 10,437
Valuation allowance for deferred tax assets	(39,012)	(55,202)	(74,031)	(324)
Subtotal	1,215,303	1,151,212	1,048,620	10,113
Deferred tax liabilities	(2,447,032)	(1,479,843)	(1,172,272)	(20,363)
Net deferred tax liabilities	¥(1,231,729)	¥ (328,631)	¥ (123,652)	$(10,249)

The major components resulting in deferred tax assets/liabilities were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2015	2014	2013	2015
Deferred tax assets:				
Policy reserves and other reserves	¥ 758,723	¥ 747,389	¥ 698,811	$ 6,313
Reserve for price fluctuations in investments in securities	224,272	191,356	135,897	1,866
Accrued retirement benefits	105,207	118,282	134,473	875
Allowance for doubtful accounts	2,234	2,575	3,332	18
Deferred tax liabilities:				
Net unrealized gains on available-for-sale securities	¥2,403,751	¥1,434,983	¥1,132,875	$20,002

(2) The statutory rate was 30.7% for the fiscal year ended March 31, 2015 and 33.2% for the fiscal years ended March 31, 2014 and 2013. The main factors for the difference between the statutory tax rates and the effective income tax rates were as follows:

	2015	2014	2013
Reserve for dividends to policyholders	(18.4)%	(19.3)%	(22.5)%
Impact from a change in the tax rate	16.6%	—	—

(3) In conjunction with the promulgation of the “Act for Partial Revision to the Income Tax Act” (Act No. 9 of 2015), the statutory tax rate applied to the calculation of deferred tax assets and deferred tax liabilities of 30.7% was changed to 28.8%.

As a result of this change, deferred tax liabilities at the end of the period decreased by ¥81,259 million (U.S.$676 million) and deferred tax liabilities for land revaluation decreased by ¥7,615 million (U.S.$63 million), while net unrealized gains on available-for-sale securities, net of tax increased by ¥158,817 million (U.S.$1,321 million) and land revaluation losses increased by ¥7,615 million (U.S.$63 million). At the same time, income taxes—deferred increased by ¥71,392 million (U.S.$594 million).

In conjunction with the promulgation of the “Act for Partial Revision to the Income Tax Act” (Act No. 10 of 2014), the statutory tax rate applied to the calculation of deferred tax assets and deferred tax liabilities of 33.2% was changed to 30.7% for collections and payments expected to be made in the period from April 1, 2014 to March 31, 2015.

As a result of this change, as of March 31, 2014, deferred tax liabilities increased by ¥8,487 million, net unrealized gains on available-for-sale securities, net of tax increased by ¥582 million, and land revaluation losses increased by ¥1 million, while deferred tax liabilities for land revaluation decreased by ¥1 million. At the same time, income taxes—deferred increased by ¥9,070 million.

24. Transactions with Subsidiaries

The total income and expenses from transactions with subsidiaries for the fiscal years ended March 31, 2015, 2014 and 2013, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2015	2014	2013	2015
Total income	¥18,423	¥53,430	¥11,377	$153
Total expenses	29,908	29,359	29,759	248

25. Transactions with Related Parties

For the fiscal year ended March 31, 2014

Transactions with related parties are as follows:

Subsidiaries:

Type:	Subsidiary
Company name:	NLI Properties West, Inc.
Location:	Delaware, U.S.A. (New York, U.S.A.)
Capital as of March 31, 2014:	$290 million
Main business:	Acquisition, management, disposal, and mortgage lending services for real estate for lease
Percentage of shareholder voting rights:	—*
Nature of relationship between parties:	—*

Details of transaction: Gain on liquidation of subsidiaries and affiliates*

Transaction amount for the fiscal year ended March 31, 2014:	¥40,486 million

* NLI Properties West, Inc. was liquidated in February 2014. Gain on liquidation of subsidiaries and affiliates represents a liquidation dividend from this company.

26. Other Extraordinary Gains

In the fiscal year ended March 31, 2013, other extraordinary gains represent a reversal of accrued losses from supporting closely related companies.

27. Subsequent Events

(1) Approval of proposed appropriation of surplus at the annual meeting of the representatives of policyholders.

The nonconsolidated proposed appropriations of surplus for the fiscal year ended March 31, 2015, were approved as planned at the annual meeting of the representatives of policyholders held on July 2, 2015.

(2) Foundation funds offering of ¥50,000 million

During the annual meeting of representatives of policyholders on July 2, 2015, a resolution was passed to partially amend the Articles of Incorporation in connection with an issuance of foundation funds of ¥50,000 million during the year ending March 31, 2016.

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Policies of Presenting the Consolidated Financial Statements

1. Consolidated subsidiaries

   The consolidated financial statements include the accounts of the Company and the Company's subsidiaries. Consolidated subsidiaries as of September 30, 2015, are listed as follows:

   Nissay Credit Guarantee Co., Ltd. (Japan)

   Nissay Leasing Co., Ltd. (Japan)

   Nissay Capital Co., Ltd. (Japan)

   Nissay Asset Management Corporation (Japan)

   Nissay Information Technology Co., Ltd. (Japan)

   Nippon Life Insurance Company of America (U.S.A.)

   NLI Commercial Mortgage Fund, LLC (U.S.A.)

   NLI Commercial Mortgage Fund II, LLC (U.S.A.)

   NLI US Investments, Inc. (U.S.A.)

   The major subsidiaries excluded from consolidation are Nippon Life Global Investors Americas, Inc.,

   Nissay Trading Corporation, and Nissay Card Service Co., Ltd.

   Nissay Computer Co., Ltd. has been removed from the scope of consolidation due to being merged with the Company's subsidiary Nissay Information Technology Co., Ltd.

   NLI US Investments, Inc. has become more important to the Company, and has therefore been included within the scope of consolidation from the six months ended September 30, 2015.

   The respective and aggregate effects of the companies that are excluded from consolidation, based on total assets, revenues, net income, and surplus for the six months ended September 30, 2015, are immaterial.

   This exclusion from consolidation does not prevent a reasonable judgment of the consolidated financial position of the Company and the Company's subsidiaries and the result of their operations.

2. Affiliates

   Affiliates accounted for under the equity method as of September 30, 2015, are listed as follows:

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

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

   PanAgora Asset Management, Inc.

   Nissay-Greatwall Life Insurance Co., Ltd. (China)

   Bangkok Life Assurance Public Company Limited (Thailand)

   Reliance Life Insurance Company Limited (India)

   Reliance Capital Asset Management Limited

   Post Advisory Group, LLC

   PT Sequis

   PT Asuransi Jiwa Sequis Life

   PanAgora Asset Management, Inc., Reliance Capital Asset Management Limited, Post Advisory Group, LLC, PT Sequis, and PT Asuransi Jiwa Sequis Life have become more important to the Company, and have therefore been included within the scope of consolidation as affiliates under the equity method from the six months ended September 30, 2015.

The subsidiaries not consolidated, e.g., Nippon Life Global Investors Americas, Inc., Nissay Trading Corporation, and others, and affiliates other than those listed above, e.g., SL Towers Co., Ltd. and others, are not accounted for under the equity method. The respective and aggregate effects of such companies on consolidated net income and surplus for the six months ended September 30, 2015, are immaterial.

The numbers of consolidated subsidiaries and affiliates as of September 30, 2015, were as follows:

Consolidated subsidiaries	9
Subsidiaries not consolidated but accounted for under the equity method	0
Affiliates accounted for under the equity method	10

3. Closing dates of consolidated subsidiaries

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

Consolidated Balance Sheets

	Million Yen	
	As of September 30, 2015	As of March 31, 2015
Assets:		
Cash and deposits	562,291	529,509
Call loans	1,121,300	572,600
Monetary receivables purchased	465,243	498,758
Investments in securities	49,287,754	49,898,791
Loans	8,266,706	8,333,838
Tangible fixed assets	1,721,009	1,725,822
Intangible fixed assets	164,107	167,618
Reinsurance receivables	419	636
Other assets	791,088	890,988
Deferred tax assets	4,211	4,648
Customers' liability for acceptances and guarantees	35,098	33,801
Allowance for doubtful accounts	(6,003)	(8,372)
Total assets	62,413,226	62,648,641
Liabilities:		
Policy reserves and other reserves:	51,629,655	50,442,520
Reserve for outstanding claims	196,311	202,171
Policy reserves	50,309,163	49,202,876
Reserve for dividends to policyholders	1,124,180	1,037,472
Reinsurance payables	292	557
Corporate bonds	474,590	399,590
Other liabilities	1,603,558	1,707,220
Accrued bonuses for directors and audit and supervisory board members	24	74
Net defined benefit liability	408,010	411,416
Accrued retirement benefits for directors and audit and supervisory board members	4,302	4,397
Reserve for program points	13,155	13,171
Reserve for price fluctuations in investments in securities	880,267	778,723
Deferred tax liabilities	779,602	1,223,642
Deferred tax liabilities for land revaluation	115,213	115,440
Acceptances and guarantees	35,098	33,801
Total liabilities	55,943,771	55,130,557
Net assets:		
Foundation funds	200,000	200,000
Reserve for redemption of foundation funds	1,100,000	1,050,000
Reserve for revaluation	651	651
Consolidated surplus	369,266	541,573
Total foundation funds and others	1,669,917	1,792,225
Net unrealized gains on available-for-sale securities, net of tax	5,076,993	6,023,903
Deferred losses on derivatives under hedge accounting, net of tax	(215,283)	(231,060)
Land revaluation losses	(88,795)	(88,670)
Foreign currency translation adjustments	39,186	36,330
Remeasurement of defined benefit plans	(29,063)	(30,381)
Total accumulated other comprehensive income	4,783,038	5,710,121
Non-controlling interests	16,498	15,736
Total net assets	6,469,454	7,518,084
Total liabilities and net assets	62,413,226	62,648,641

Basis of Presenting the Consolidated Balance Sheet as of September 30, 2015

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

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

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

    3) Policy-reserve-matching bonds are valued using the moving-average method, net of accumulated amortization (straight-line) in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

    4) Investments in subsidiaries and affiliates that are not consolidated nor accounted for by the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act excluding subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are valued at cost using the moving-average method.

    5) Available-for-sale securities

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

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

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

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

3. Derivative financial instruments are stated at fair value.

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

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

        (i) Buildings

        Straight-line method.

        (ii) Assets other than the above

        Declining-balance method.

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

b. Lease assets of the Company

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

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

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

Straight-line method based on lease period.

c. Tangible fixed assets of consolidated subsidiaries

Depreciated based mainly on the straight-line method.

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

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

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

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

1) An allowance for loans from borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (4) below).

2) An allowance for loans from borrowers who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

3) An allowance for loans from borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

(2) All credits of the Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Dept. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

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

(4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥2,483 million (including ¥173 million of credits secured and/or guaranteed) as of September 30, 2015.

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

8. (1) Net defined benefit liability is the amount of retirement benefit obligations prepared for payment of employee retirement benefits less pension plan assets, based on the deemed amount as of September 30, 2015 defined from the projected amounts of the current fiscal year.

(2) The accounting methods of the Company used for retirement benefits are as follows:

1) Attribution method for estimated retirement benefits: Benefit formula basis

2) Period of amortizing actuarial (gains) losses: 5 years

3) Period of amortizing prior service costs: 5 years

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

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

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

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

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

13. Hedge accounting of the Company is applied based on the following method:

1) The Company mainly applies fair value hedge accounting and deferred hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds denominated in foreign currencies. The Company also applies the exceptional accounting treatment (*"Tokurei-shori"*) for interest rate swaps to hedge the cash flow volatility of certain loans and applies designated hedge accounting (*"Furiate-shori"*) for foreign exchange forward contracts and currency swaps for certain financial assets denominated in foreign currencies. The Company also applies designated hedge accounting (*"Furiate-shori"*) for currency swaps for the foreign currency-denominated subordinated corporate bonds issued by the Company. The Company applies deferred hedge accounting to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry" issued by the JICPA.

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

14. Consumption taxes and local consumption taxes of the Company are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred as of September 30, 2015.

15. Policy reserves of the Company are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for a portion of the individual annuity policyholders.

1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (Ordinance No. 48 issued by the Ministry of Finance in 1996).

2) Reserves for other contracts are computed based on the net level premium method.

16. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the six months ended September 30, 2015, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders due to the appropriation of surplus in the current fiscal year.

17. From the six months ended September 30, 2015, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the

"Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013), and the "Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013)," and other standards. As a result, the Company has changed its accounting treatment so that the difference due to changes in the Company's equity interest in the subsidiaries over which the Company continues to exercise control are recorded as consolidated surplus, and expenses related to acquisitions are recorded as expenses for the fiscal year in which they are incurred. In addition, the method of presentation of net surplus has been changed, along with a change in presentation from minority interests to non-controlling interests.

In the Consolidated Statement of Cash Flows for the six months ended September 30, 2015, the following change in the method of recording cash flows has been applied. Cash flows relating to the acquisition or sales of shares of the subsidiaries that do not result in change in scope of consolidation are classified under "Cash flows from financing activities." Moreover, cash flows relating to expenses for the acquisition of shares of the subsidiaries that result in change in scope of consolidation and expenses for the acquisition or sales of shares of the subsidiaries that do not result in change in scope of consolidation are classified under "Cash flows from operating activities."

In applying the Accounting Standard for Business Combinations and other standards, the Company has adopted the transitional treatments provided in Paragraph 58-2 (4) of the "Accounting Standard for Business Combinations", Paragraph 44-5 (4) of the "Accounting Standard for Consolidated Financial Statements", and Paragraph 57-4 (4) of the "Accounting Standard for Business Divestitures", and will apply these treatments prospectively from the beginning of the six months ended September 30, 2015.

Furthermore, the adoption of these standards and transitional treatments had no impact on the amounts of the Consolidated Balance Sheet and the Consolidated Statement of Income as of September 30, 2015, and for the six months ended September 30, 2015.

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

	Million Yen		
	Balance sheet amount(*1)	Fair value(*2)	Difference
Cash and deposits (negotiable certificates of deposit):	280,999	280,999	—
Available-for-sale securities	280,999	280,999	—
Monetary receivables purchased:	465,243	499,350	34,107
Policy-reserve-matching bonds	417,478	451,586	34,107
Available-for-sale securities	47,764	47,764	—
Securities:	48,138,167	50,697,986	2,559,818
Trading securities	1,269,385	1,269,385	—
Held-to-maturity debt securities	50,623	50,756	133
Policy-reserve-matching bonds	20,004,866	22,553,091	2,548,224
Investments in subsidiaries and affiliates	23,561	35,021	11,460
Available-for-sale securities	26,789,731	26,789,731	—
Loans(*3):	8,262,268	8,560,442	298,173
Policy loans	718,224	718,224	—
Industrial and consumer loans	7,544,044	7,842,218	298,173
Derivative financial instruments(*4):	(299,991)	(299,991)	—
Hedge accounting not applied	812	812	—
Hedge accounting applied	(300,804)	(300,804)	—
Corporate bonds(*3,*5)	(474,590)	(474,183)	406
Cash received as collateral under securities lending transactions(*5)	(485,390)	(485,390)	—

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

(*2) For securities for which impairment losses were recognized in the six months ended September 30, 2015, the fair value is the balance sheet amount after the impairment losses are deducted.

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

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

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

(2) Fair value measurement methods for the Company's major financial instruments are as follows:

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

a. Items with a market price

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

b. Items without a market price

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

2) Loans

a. Policy loans

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

b. Industrial and consumer loans

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

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

Loans from legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectable amount from the book value directly prior to the decrease.

3) Derivative financial instruments

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

b. Fair value of stock options is measured by the price calculated by the Company based on volatility and other data obtained mainly from external information vendors.

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

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

4) Corporate bonds

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

5) Cash received as collateral under securities lending transactions

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

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

Balance sheet amounts by holding purpose were ¥246,032 million for stocks of subsidiaries and affiliates, and ¥903,553 million for available-for-sale securities as of September 30, 2015.

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

1) Trading securities

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

Valuation gains (losses) included in profit were gains of ¥78,148 million for securities related to separate accounts.

2) Held-to-maturity debt securities

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

		Million Yen		
	Type	**Balance sheet amount**	**Fair value**	**Difference**
Fair value exceeds the balance sheet amount	Domestic bonds	31,833	31,973	140
	Foreign securities	6,242	6,279	36
	Subtotal	38,076	38,252	176
Fair value does not exceed the balance sheet amount	Domestic bonds	2,003	2,003	(0)
	Foreign securities	10,542	10,500	(42)
	Subtotal	12,546	12,503	(42)
Total		50,623	50,756	133

3) Policy-reserve-matching bonds

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

		Million Yen		
	Type	**Balance sheet amount**	**Fair value**	**Difference**
Fair value exceeds the balance sheet amount	Monetary receivables purchased	415,604	449,760	34,156
	Domestic bonds	19,919,155	22,463,938	2,544,782
	Foreign securities	71,686	75,304	3,618
	Subtotal	20,406,446	22,989,004	2,582,557
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	1,874	1,825	(49)
	Domestic bonds	13,900	13,723	(176)
	Foreign securities	124	124	(0)
	Subtotal	15,899	15,673	(225)
Total		20,422,345	23,004,677	2,582,331

4) Available-for-sale securities

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

	Type	Million Yen Acquisition cost or amortized cost	 Balance sheet amount	 Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	65,000	65,000	0
	Monetary receivables purchased	1,000	1,020	20
	Domestic bonds	2,381,972	2,533,724	151,752
	Domestic stocks	3,527,991	7,826,583	4,298,591
	Foreign securities	11,076,888	13,662,833	2,585,944
	Other securities	674,905	779,819	104,914
	Subtotal	17,727,758	24,868,981	7,141,223
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	216,000	215,999	(0)
	Monetary receivables purchased	46,747	46,744	(3)
	Domestic bonds	86,647	86,531	(116)
	Domestic stocks	447,466	408,242	(39,223)
	Foreign securities	1,242,818	1,197,735	(45,083)
	Other securities	299,256	294,260	(4,995)
	Subtotal	2,338,936	2,249,514	(89,422)
Total		20,066,695	27,118,495	7,051,800

* Securities totaling ¥903,553 million whose fair value is extremely difficult to determine are not included.

¥3,380 million in impairment losses was recognized for securities with a fair value during the six months ended September 30, 2015.

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

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

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

   1. Average fair value in the month preceding the balance sheet date is between 50% and 70% of its acquisition cost.

   2. The historical fair value, the business conditions of the issuing company, and other aspects are subject to certain requirements.

19. As of September 30, 2015, there were no significant changes in the balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

20. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and restructured loans, which were included in loans, was ¥38,340 million as of September 30, 2015.

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥2,085 million and ¥31,768 million, respectively, as of September 30, 2015.

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

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

2) There were no loans that were delinquent for over three months as of September 30, 2015. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement. These loans exclude loans classified as loans to bankrupt borrowers and delinquent loans.

3) The balance of restructured loans was ¥4,486 million as of September 30, 2015.

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

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥1,990 million and ¥492 million, respectively, as of September 30, 2015.

21. The amount of accumulated depreciation of tangible fixed assets was ¥1,180,450 million as of September 30, 2015.

22. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,422,812 million as of September 30, 2015, and a corresponding liability was recorded in the same amount.

23. Changes in the reserve for dividends to policyholders included in policy reserves for the six months ended September 30, 2015, were as follows:

	Million Yen
	Six months ended September 30, 2015
a. Balance at the beginning of the current fiscal year	¥1,037,472
b. Transfer to reserve from surplus in the previous fiscal year	¥ 257,299
c. Dividends to policyholders paid out in the current six-month period	¥ 182,177
d. Increase in interest	¥ 11,585
e. Balance at the end of the current six-month period (a+b-c+d)	¥1,124,180

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

The subordinated corporate bonds issued in October 2012 are callable on each interest payment date on or after October 2022, and the subordinated corporate bonds issued in October 2014 and April 2015 are callable on the tenth anniversary date after the issue date, and on each fifth anniversary date thereafter at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

25. Assets pledged as collateral in the form of securities, lease receivables and investments in lease, land, and buildings as of September 30, 2015, were ¥1,222,866 million, ¥16,568 million, ¥252 million, and ¥52 million, respectively. The total amount of loans covered by the aforementioned assets as of September 30, 2015, was ¥499,633 million.

These amounts included ¥475,488 million of securities deposited and ¥485,434 million of cash received as collateral under the securities lending transactions secured by cash as of September 30, 2015.

26. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the six months ended September 30, 2015.

27. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act as of September 30, 2015.

28. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥269,593 million as of September 30, 2015.

Matters concerning the acquisition of the subsidiaries and affiliates that were decided or agreed subsequently to the end of the six months ended September 30, 2015, are as follows:

(1) Mitsui Life Insurance Company Limited

The Company resolved at a Board of Directors' meeting held on November 4, 2015, to conduct a tender offer (the "Tender Offer") for all of the outstanding ordinary shares, class A shares and class B shares of Mitsui Life Insurance Company Limited ("Mitsui Life"), excluding treasury shares owned by Mitsui Life (collectively referred to as the "Shares").

1) Purpose of acquiring the Shares

On November 6, 2015, the Company and Mitsui Life signed a management integration agreement relating to the management integration of both companies (the "Transaction") and the policy for the Transaction. As part of the Transaction, the Company will conduct the Tender Offer. The purpose of the Transaction is as follows:

a. Further strengthen and develop the Company's competitive sales representative channels through mutual cooperation.

b. In order to meet diversified customer needs in a flexible manner, establish channels and foundations through mutual cooperation, which allow to provide appropriate products through the bancassurance and agency areas, on the premise that adequate underwriting systems are established and maintained.

c. In addition to a. and b. above, mutually cooperate, share knowledge, and leverage synergies to grow as a group.

2) Overview of Mitsui Life

a. Company name	Mitsui Life Insurance Company
b. Business	Life insurance business
c. Location	Chiyoda-ku, Tokyo
d. Revenues from insurance and reinsurance	¥545.1 billion (Fiscal year ended March 31, 2015)
e. Total assets	¥7,433.6 billion (As of March 31, 2015)

3) Period of the Tender Offer

The planned period is from November 9, 2015, to December 21, 2015 (30 business days).

4) Acquisition cost

The acquisition cost of the Shares is expected to be approximately ¥334.5 billion, and will be funded by the Company's cash on hand.

5) Ownership ratio after the acquisition

If the Tender Offer is successful, based on the result of the Tender Offer, the Company plans to implement procedures to acquire all of the Shares and make Mitsui Life a wholly-owned subsidiary. After Mitsui Life becomes a wholly-owned subsidiary of the Company, the Company plans to transfer around 17% of Mitsui Life's ordinary shares to Mitsui group companies for the purpose of preserving and developing business relationships between Mitsui Life and Mitsui group companies.

6) Other

The acquisition of Mitsui Life ordinary shares through the Tender Offer requires approvals of the Commissioner of the Financial Services Agency pursuant to Article 271-10, Paragraph 1 and Article 106, Paragraph 7 of the Insurance Business Act.

(2) MLC Limited

On October 27, 2015, the Company entered an agreement with National Australia Bank ("NAB") to commence procedures for acquiring 80% of the shares of the life insurance business of MLC Limited ("MLC"), a subsidiary of NAB.

1) Purpose of acquiring the shares

The Australian life insurance market is forecast to realize high rates of growth over the long term. By entering this market, the Company aims to sustainably expand policyholders' benefits through enhancing steady and sustainable operating profit bases of overseas insurance businesses.

2) Overview of MLC

a. Company name	MLC Limited
b. Business	Life insurance business (*) (*) MLC is currently conducting investment-related business in addition to life insurance business. The Company plans to acquire shares of the company specialized in life insurance business where the investment-related business is to be carved out from current MLC.
c. Location	Sydney, Australia
d. Premium revenue	A$1,780 million (approximately ¥151.0 billion) (Fiscal year ended September 30, 2015)

3) Timing of the share acquisition

The share acquisition is anticipated to close between September 2016 to December 2016.

4) Acquisition cost

The acquisition cost of the shares is expected to be approximately A$2,400 million (approximately ¥204.0 billion), and will be funded by the Company's cash on hand.

5) Ownership ratio after the acquisition

80%

6) Other

The acquisition is subject to approval of the regulatory authorities in Japan and Australia.

* Yen denominated amounts in parentheses are calculated at an exchange rate of A$1 = ¥85.

(3) Reliance Capital Asset Management Limited

On October 13, 2015, the Company reached an agreement with Reliance Capital Limited, the parent company of Reliance Capital Asset Management Limited ("Reliance Asset") for additionally acquiring up to 14% of the shares of Reliance Asset (currently 35% of shares were owned by the Company).

With this additional acquirement, Reliance Asset will be renamed Reliance Nippon Life Asset Management Limited.

29. The amount of securities lent under lending agreements was ¥2,640,283 million as of September 30, 2015.

30. Assets that can be sold or resecured are marketable securities lent under lending agreements. These assets were being held without disposal totaling ¥100,031 million at fair value as of September 30, 2015.

31. The amount of commitments related to loans and loans outstanding was ¥115,425 million as of September 30, 2015.

32. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company is estimated to be ¥85,754 million as of September 30, 2015.

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

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

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

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

	Million Yen	
	Six months ended September 30, 2015	Six months ended September 30, 2014
Ordinary income:	3,827,779	3,526,645
Revenues from insurance and reinsurance	2,912,683	2,485,352
Investment income:	792,002	914,768
Interest, dividends, and other income	738,562	665,957
Gain from assets held in trust, net	—	2
Gain on sales of securities	45,936	180,484
Gain from separate accounts, net	—	64,004
Other ordinary income	123,094	126,524
Ordinary expenses:	3,559,546	3,240,014
Benefits and other payments:	1,870,755	1,838,791
Death and other claims	480,781	518,472
Annuity payments	382,417	398,977
Health and other benefits	363,653	378,610
Surrender benefits	451,661	392,809
Other refunds	191,729	149,437
Provision for policy reserves:	1,117,199	864,258
Provision for policy reserves	1,105,613	852,337
Provision for interest on reserve for dividends to policyholders	11,585	11,920
Investment expenses:	111,715	71,737
Interest expenses	6,948	3,864
Loss on sales of securities	1,515	10,675
Loss on valuation of securities	3,636	997
Loss on derivative financial instruments, net	26,991	29,804
Loss from separate accounts, net	36,872	—
Operating expenses	295,378	293,067
Other ordinary expenses	164,497	172,161
Ordinary profit	268,233	286,630
Extraordinary gains:	116	368
Gain on disposals of fixed assets	116	368
Extraordinary losses:	108,290	127,110
Loss on disposals of fixed assets	2,919	997
Impairment losses	1,138	4,841
Provision for reserve for price fluctuations in investments in securities	101,544	118,584
Contributions for assisting social public welfare	2,688	2,688
Surplus before income taxes	160,059	159,888
Income taxes – current	77,495	97,858
Income taxes – deferred	(61,579)	(84,869)
Total income taxes	15,915	12,988
Net surplus	144,144	146,899
Net surplus attributable to non-controlling interests	856	554
Net surplus attributable to the Parent Company	143,287	146,345

Notes to the Consolidated Statement of Income for the Six Months Ended September 30, 2015

1. Impairment losses are as follows:

1) Method for grouping the assets

Leased property and idle property are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.

2) Circumstances causing impairment losses

The Company observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount, and impairment losses were recognized as extraordinary losses.

3) Breakdown of asset groups that recognized impairment losses for the six months ended September 30, 2015, is as follows:

		Million Yen	
Purpose of use	**Land**	**Buildings**	**Total**
Leased property	¥131	¥339	¥ 470
Idle property	¥562	¥105	¥ 667
Total	¥693	¥444	¥1,138

4) Calculation method of recoverable amount

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

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

[Consolidated Statements of Comprehensive Income]

	Million Yen	
	Six months ended September 30, 2015	Six months ended September 30, 2014
Net surplus	144,144	146,899
Other comprehensive income:	(938,966)	826,742
Net unrealized gains on available-for-sale securities, net of tax	(946,020)	866,167
Deferred losses on derivatives under hedge accounting, net of tax	15,777	(32,988)
Foreign currency translation adjustments	457	(5,543)
Remeasurement of defined benefit plans	1,317	(3,756)
Share of other comprehensive income of associates accounted for under the equity method	(10,499)	2,861
Comprehensive income:	(794,822)	973,641
Comprehensive income attributable to the Parent Company	(795,642)	973,095
Comprehensive income attributable to non-controlling interests	820	545

Consolidated Statements of Cash Flows

	Million Yen	
	Six months ended September 30, 2015	Six months ended September 30, 2014
I. Cash flows from operating activities:		
Surplus before income taxes	160,059	159,888
Depreciation of rental real estate and other assets	7,525	7,351
Depreciation	22,807	23,217
Impairment losses	1,138	4,841
Net decrease in reserve for outstanding claims	(5,914)	(18,931)
Net increase in policy reserves	1,106,266	853,035
Provision for interest on reserve for dividends to policyholders	11,585	11,920
Net (decrease) increase in allowance for doubtful accounts	(384)	55
Net decrease in accrued bonuses for directors and audit and supervisory board members	(49)	(33)
Net decrease in net defined benefit liability	(2,088)	(8,115)
Net decrease in accrued retirement benefits for directors and audit and supervisory board members	(95)	(287)
Net increase in reserve for price fluctuations in investments in securities	101,544	118,584
Interest, dividends, and other income	(738,562)	(665,957)
Net gains on investments in securities	(36,148)	(163,774)
Interest expenses	6,948	3,864
Net losses on tangible fixed assets	3,118	1,163
Losses (gains) from separate accounts, net	36,872	(64,004)
Others, net	18,249	(23,247)
Subtotal	692,874	239,567
Interest, dividends, and other income received	757,110	690,361
Interest paid	(6,007)	(3,393)
Dividends to policyholders paid	(97,862)	(101,755)
Others, net	(4,489)	(2,721)
Income taxes paid	(99,485)	(121,185)
Net cash provided by operating activities	1,242,141	700,871

Consolidated Statements of Cash Flows—(Continued)

	Million Yen	
	Six months ended September 30, 2015	Six months ended September 30, 2014
II. Cash flows from investing activities:		
Net decrease in deposits	0	300
Purchases of monetary receivables purchased	(8,400)	(8,900)
Proceeds from sales and redemptions of monetary receivables purchased	50,815	53,832
Purchases of securities	(4,219,202)	(4,363,288)
Proceeds from sales and redemptions of securities	3,468,208	3,821,755
Disbursements for loans	(521,549)	(488,371)
Proceeds from collections of loans	533,947	596,179
Others, net	(18,222)	(263,941)
①Total of investment activities	(714,403)	(652,434)
[I + II①]	[527,738]	[48,437]
Purchases of tangible fixed assets	(13,837)	(31,424)
Proceeds from sales of tangible fixed assets	443	1,508
Others, net	(11,679)	(12,272)
Net cash used in investing activities	(739,477)	(694,623)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	113,980	97,390
Repayments of debt	(100,054)	(99,742)
Proceeds from issuance of corporate bonds	75,000	—
Proceeds from issuance of foundation funds	50,000	—
Redemption of foundation funds	(50,000)	(50,000)
Interest on foundation funds	(1,935)	(2,785)
Others, net	3,626	(1,296)
Net cash provided by (used in) financing activities	90,617	(56,433)
IV. Effect of exchange rate changes on cash and cash equivalents	(3,044)	(2,252)
V. Net increase (decrease) in cash and cash equivalents	590,236	(52,437)
VI. Cash and cash equivalents at the beginning of the year	1,086,504	872,018
VII. Net increase in cash and cash equivalents resulting in change in scope of consolidation	513	—
VIII. Cash and cash equivalents at the end of the period	1,677,254	819,581

Basis of Presenting the Consolidated Statement of Cash Flows for the Six Months Ended September 30, 2015

Cash and cash equivalents

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

Consolidated Statements of Changes in Net Assets

Six months ended September 30, 2014

	Million Yen				
	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	250,000	1,000,000	651	477,329	1,727,980
Increase/decrease:					
Additions to reserve for dividends to policyholders				(201,765)	(201,765)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(2,785)	(2,785)
Net surplus attributable to the Parent Company				146,345	146,345
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				(16)	(16)
Net change, excluding foundation funds and others					
Net change	(50,000)	50,000	—	(108,222)	(108,222)
Ending balance	200,000	1,050,000	651	369,107	1,619,758

	Accumulated other comprehensive income							
	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Beginning balance	3,261,140	(134,156)	(85,561)	10,162	20,085	3,071,671	14,399	4,814,051
Increase/decrease:								
Additions to reserve for dividends to policyholders								(201,765)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(2,785)
Net surplus attributable to the Parent Company								146,345
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								(16)
Net change, excluding foundation funds and others	867,760	(32,988)	16	(4,265)	(3,756)	826,767	494	827,261
Net change	867,760	(32,988)	16	(4,265)	(3,756)	826,767	494	719,039
Ending balance	4,128,901	(167,144)	(85,545)	5,896	16,329	3,898,438	14,893	5,533,091

Consolidated Statements of Changes in Net Assets—(Continued)

Six months ended September 30, 2015

	Million Yen				
	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	200,000	1,050,000	651	541,573	1,792,225
Increase/decrease:					
Issuance of foundation funds	50,000				50,000
Additions to reserve for dividends to policyholders				(257,299)	(257,299)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(1,935)	(1,935)
Net surplus attributable to the Parent Company				143,287	143,287
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				125	125
Change in scope of consolidation and equity method				(6,486)	(6,486)
Net change, excluding foundation funds and others					
Net change	—	50,000	—	(172,307)	(122,307)
Ending balance	200,000	1,100,000	651	369,266	1,669,917

	Accumulated other comprehensive income							
	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Beginning balance	6,023,903	(231,060)	(88,670)	36,330	(30,381)	5,710,121	15,736	7,518,084
Increase/decrease:								
Issuance of foundation funds								50,000
Additions to reserve for dividends to policyholders								(257,299)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(1,935)
Net surplus attributable to the Parent Company								143,287
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								125
Change in scope of consolidation and equity method								(6,486)
Net change, excluding foundation funds and others	(946,909)	15,777	(125)	2,856	1,317	(927,083)	761	(926,321)
Net change	(946,909)	15,777	(125)	2,856	1,317	(927,083)	761	(1,048,629)
Ending balance	5,076,993	(215,283)	(88,795)	39,186	(29,063)	4,783,038	16,498	6,469,454

Nonconsolidated Balance Sheets

	Million Yen	
	As of September 30, 2015	As of March 31, 2015
Assets:		
Cash and deposits	524,217	492,198
Call loans	1,121,300	572,600
Monetary receivables purchased	465,243	498,758
Investments in securities:	49,230,389	49,839,240
National government bonds	19,214,766	18,760,470
Local government bonds	1,391,312	1,441,843
Corporate bonds	2,617,209	2,783,481
Domestic stocks	8,580,845	9,311,147
Foreign securities	16,207,807	16,450,680
Loans:	8,280,623	8,357,620
Policy loans	718,382	736,564
Industrial and consumer loans	7,562,240	7,621,055
Tangible fixed assets	1,708,741	1,713,248
Intangible fixed assets	167,186	170,395
Reinsurance receivables	247	445
Other assets	520,942	606,397
Customers' liability for acceptances and guarantees	35,002	38,686
Allowance for doubtful accounts	(4,576)	(6,585)
Total assets	62,049,317	62,283,004
Liabilities:		
Policy reserves and other reserves:	51,624,752	50,436,716
Reserve for outstanding claims	192,728	197,929
Policy reserves	50,307,843	49,201,314
Reserve for dividends to policyholders	1,124,180	1,037,472
Reinsurance payables	262	523
Corporate bonds	474,590	399,590
Other liabilities:	1,355,061	1,451,427
Cash received as collateral under securities lending transactions	485,390	529,989
Income taxes payable	56,953	78,462
Lease obligations	5,322	5,512
Asset retirement obligations	2,116	1,966
Other liabilities	805,278	835,496
Accrued bonuses for directors and audit and supervisory board members	24	74
Accrued retirement benefits	363,534	365,302
Accrued retirement benefits for directors and audit and supervisory board members	4,193	4,274
Reserve for program points	13,155	13,171
Reserve for price fluctuations in investments in securities	880,267	778,723
Deferred tax liabilities	786,780	1,231,729
Deferred tax liabilities for land revaluation	115,213	115,440
Acceptances and guarantees	35,002	38,686
Total liabilities	55,652,839	54,835,660

Nonconsolidated Balance Sheets—(Continued)

	Million Yen	
	As of September 30, 2015	As of March 31, 2015
Net assets:		
Foundation funds	200,000	200,000
Reserve for redemption of foundation funds	1,100,000	1,050,000
Reserve for revaluation	651	651
Surplus:	329,012	499,954
Legal reserve for deficiencies	15,163	14,208
Other surplus reserves:	313,849	485,746
Equalized reserve for dividends to policyholders	50,000	50,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	594	282
Reserve for reduction entry of real estate	50,187	45,882
Reserve for reduction entry of real estate to be purchased	—	34
Other reserves	170	170
Unappropriated surplus	140,980	317,459
Total foundation funds and others	1,629,663	1,750,605
Net unrealized gains on available–for–sale securities, net of tax	5,070,892	6,016,469
Deferred losses on derivatives under hedge accounting, net of tax	(215,283)	(231,060)
Land revaluation losses	(88,795)	(88,670)
Total valuations, conversions, and others	4,766,813	5,696,737
Total net assets	6,396,477	7,447,343
Total liabilities and net assets	62,049,317	62,283,004

Basis of Presenting the Nonconsolidated Balance Sheet as of September 30, 2015

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

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

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

    3) Policy-reserve-matching bonds are valued using the moving-average method, net of accumulated amortization (straight-line) in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA**.

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

    5) Available-for-sale securities

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

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

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

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

3. Derivative financial instruments are stated at fair value.

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

    a. Tangible fixed assets (except for lease assets)

        (i) Buildings

        Straight-line method.

        (ii) Assets other than the above

        Declining-balance method.

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

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* ASBJ: The Accounting Standards Board of Japan

** JICPA: Japanese Institute of Certified Public Accountants

b. Lease assets

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

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

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

Straight-line method based on lease period.

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

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

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

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

1) An allowance for loans from borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (3) below).

2) An allowance for loans from borrowers who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

3) An allowance for loans from borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

(2) All credits are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Dept. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

(3) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥2,169 million (including ¥145 million of credits secured and/or guaranteed) as of September 30, 2015.

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

8. (1) Accrued retirement benefits are recognized in the amount of the deemed obligations on September 30, 2015, based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets for future severance payments to employees on the balance sheet date of the current fiscal year.

(2) The accounting methods used for retirement benefit obligations and benefit costs are as follows:

1) Attribution method for estimated retirement benefits: Benefit formula basis

2) Period of amortizing actuarial (gains) losses: 5 years

3) Period of amortizing prior service costs: 5 years

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

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

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

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

13. Hedge accounting is applied based on the following method:

    1) The Company mainly applies fair value hedge accounting and deferred hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds denominated in foreign currencies. The Company also applies the exceptional accounting treatment (*"Tokurei-shori"*) for interest rate swaps to hedge the cash flow volatility of certain loans and applies designated hedge accounting (*"Furiate-shori"*) for foreign exchange forward contracts and currency swaps for certain financial assets denominated in foreign currencies. The Company also applies designated hedge accounting (*"Furiate-shori"*) for currency swaps for the foreign currency-denominated subordinated corporate bonds issued by the Company. The Company applies deferred hedge accounting to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry" issued by the JICPA.

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

14. Consumption taxes and local consumption taxes are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred as of September 30, 2015.

15. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for a portion of the individual annuity policyholders.

    1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (Ordinance No. 48 issued by the Ministry of Finance in 1996).

    2) Reserves for other contracts are computed based on the net level premium method.

16. The corporate tax, inhabitant tax, and income tax adjustments for the six months ended September 30, 2015, are calculated based on the assumption of accumulations and reversals of the reserve for reduction entry of real estate and the reserve for dividends to policyholders due to the appropriation of surplus in the current fiscal year.

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

	Million Yen		
	Balance sheet amount(*1)	Fair value(*2)	Difference
Cash and deposits (negotiable certificates of deposit):	269,999	269,999	—
Available-for-sale securities	269,999	269,999	—
Monetary receivables purchased:	465,243	499,350	34,107
Policy-reserve-matching bonds	417,478	451,586	34,107
Available-for-sale securities	47,764	47,764	—
Securities:	48,024,849	50,600,384	2,575,535
Trading securities	1,269,385	1,269,385	—
Policy-reserve-matching bonds	20,004,866	22,553,091	2,548,224
Investments in subsidiaries and affiliates	7,711	35,021	27,310
Available-for-sale securities	26,742,885	26,742,885	—
Loans(*3):	8,277,280	8,575,011	297,731
Policy loans	718,224	718,224	—
Industrial and consumer loans	7,559,056	7,856,787	297,731
Derivative financial instruments(*4):	(299,991)	(299,991)	—
Hedge accounting not applied	812	812	—
Hedge accounting applied	(300,804)	(300,804)	—
Corporate bonds(*3,*5)	(474,590)	(474,183)	406
Cash received as collateral under securities lending transactions(*5)	(485,390)	(485,390)	—

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.
(*2) For securities for which impairment losses were recognized in the six months ended September 30, 2015, the fair value is the balance sheet amount after the impairment losses are deducted.
(*3) The fair values of derivative financial instruments that are interest rate swaps under exceptional accounting treatment (*"Tokurei-shori"*) or currency swaps under designated hedge accounting ("*Furiate-shori*") are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.
(*4) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.
(*5) Corporate bonds and cash received as collateral under securities lending transactions are recorded in liabilities and presented in parentheses.

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

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

a. Items with a market price

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

b. Items without a market price

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

2) Loans

a. Policy loans

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

b. Industrial and consumer loans

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

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

Loans from legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectable amount from the book value directly prior to the decrease.

3) Derivative financial instruments

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

b. Fair value of stock options is measured by the price calculated by the Company based on volatility and other data obtained mainly from external information vendors.

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

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

4) Corporate bonds

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

5) Cash received as collateral under securities lending transactions

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

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

Balance sheet amounts by holding purpose were ¥302,188 million for stocks of subsidiaries and affiliates, and ¥903,352 million for available-for-sale securities as of September 30, 2015.

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

1) Trading securities

Investments in securities for separate accounts are classified as trading securities. Valuation gains (losses) included in profit were gains of ¥78,148 million for securities related to separate accounts.

2) Held-to-maturity debt securities

No ending balance as of September 30, 2015.

3) Policy-reserve-matching bonds

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

	Type	Million Yen		
		Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	415,604	449,760	34,156
	Domestic bonds	19,919,155	22,463,938	2,544,782
	Foreign securities	71,686	75,304	3,618
	Subtotal	20,406,446	22,989,004	2,582,557
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	1,874	1,825	(49)
	Domestic bonds	13,900	13,723	(176)
	Foreign securities	124	124	(0)
	Subtotal	15,899	15,673	(225)
Total		20,422,345	23,004,677	2,582,331

4) Available-for-sale securities

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

	Type	Million Yen		
		Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	65,000	65,000	0
	Monetary receivables purchased	1,000	1,020	20
	Domestic bonds	2,375,154	2,526,882	151,728
	Domestic stocks	3,527,822	7,826,076	4,298,254
	Foreign securities	11,062,663	13,648,022	2,585,358
	Other securities	670,592	773,681	103,088
	Subtotal	17,702,232	24,840,682	7,138,449
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	205,000	204,999	(0)
	Monetary receivables purchased	46,747	46,744	(3)
	Domestic bonds	86,647	86,531	(116)
	Domestic stocks	447,466	408,242	(39,223)
	Foreign securities	1,224,918	1,180,012	(44,906)
	Other securities	298,314	293,437	(4,877)
	Subtotal	2,309,094	2,219,967	(89,127)
Total		20,011,327	27,060,649	7,049,322

* Securities totaling ¥903,352 million whose fair value is extremely difficult to determine are not included.

¥3,380 million in impairment losses was recognized for securities with a fair value during the six months ended September 30, 2015.

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

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

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

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

1. Average fair value in the month preceding the balance sheet date is between 50% and 70% of its acquisition cost.

2. The historical fair value, the business conditions of the issuing company, and other aspects are subject to certain requirements.

18. As of September 30, 2015, there were no significant changes in the balance sheet amounts and fair values of investment and rental properties from the end of the previous fiscal year.

19. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and restructured loans, which were included in loans, was ¥38,309 million as of September 30, 2015.

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥2,077 million and ¥31,745 million, respectively, as of September 30, 2015.

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

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

2) There were no loans that were delinquent for over three months as of September 30, 2015. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement. These loans exclude loans classified as loans to bankrupt borrowers and delinquent loans.

3) The balance of restructured loans was ¥4,486 million as of September 30, 2015.

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

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥1,951 million and ¥217 million, respectively, as of September 30, 2015.

20. The amount of accumulated depreciation of tangible fixed assets was ¥1,159,157 million as of September 30, 2015.

21. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,422,812 million as of September 30, 2015, and a corresponding liability was recorded in the same amount.

22. Changes in the reserve for dividends to policyholders included in policy reserves for the six months ended September 30, 2015, were as follows:

	Million Yen
	Six months ended September 30, 2015
a. Balance at the beginning of the current fiscal year	¥1,037,472
b. Transfer to reserve from surplus in the previous fiscal year	¥ 257,299
c. Dividends to policyholders paid out in the current six-month period	¥ 182,177
d. Increase in interest	¥ 11,585
e. Balance at the end of the current six-month period (a+b-c+d)	¥1,124,180

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

The subordinated corporate bonds issued in October 2012 are callable on each interest payment date on or after October 2022, and the subordinated corporate bonds issued in October 2014 and April 2015 are callable on the tenth anniversary date after the issue date, and on each fifth anniversary date thereafter at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

24. Assets pledged as collateral in the form of securities, land, and buildings as of September 30, 2015, were ¥1,222,866 million, ¥252 million, and ¥52 million, respectively. The total amount of loans covered by the aforementioned assets as of September 30, 2015, was ¥485,443 million.

These amounts included ¥475,488 million of securities deposited and ¥485,434 million of cash received as collateral under the securities lending transactions secured by cash as of September 30, 2015.

25. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the six months ended September 30, 2015.

26. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act as of September 30, 2015.

27. The total amount of stocks and investments in subsidiaries and affiliates was ¥309,899 million as of September 30, 2015.

Matters concerning the acquisition of the subsidiaries and affiliates that were decided or agreed subsequently to the end of the six months ended September 30, 2015, are as follows:

(1) Mitsui Life Insurance Company Limited

The Company resolved at a Board of Directors' meeting held on November 4, 2015, to conduct a tender offer (the "Tender Offer") for all of the outstanding ordinary shares, class A shares and class B shares of Mitsui Life Insurance Company Limited ("Mitsui Life"), excluding treasury shares owned by Mitsui Life (collectively referred to as the "Shares").

1) Purpose of acquiring the Shares

On November 6, 2015, the Company and Mitsui Life signed a management integration agreement relating to the management integration of both companies (the "Transaction") and the policy for the Transaction. As part of the Transaction, the Company will conduct the Tender Offer. The purpose of the Transaction is as follows:

a. Further strengthen and develop the Company's competitive sales representative channels through mutual cooperation.

b. In order to meet diversified customer needs in a flexible manner, establish channels and foundations through mutual cooperation, which allow to provide appropriate products through the bancassurance and agency areas, on the premise that adequate underwriting systems are established and maintained.

c. In addition to a. and b. above, mutually cooperate, share knowledge, and leverage synergies to grow as a group.

2) Overview of Mitsui Life

a. Company name	Mitsui Life Insurance Company
b. Business	Life insurance business
c. Location	Chiyoda-ku, Tokyo
d. Revenues from insurance and reinsurance	¥545.1 billion (Fiscal year ended March 31, 2015)
e. Total assets	¥7,433.6 billion (As of March 31, 2015)

3) Period of the Tender Offer

The planned period is from November 9, 2015, to December 21, 2015 (30 business days).

4) Acquisition cost

The acquisition cost of the Shares is expected to be approximately ¥334.5 billion, and will be funded by the Company's cash on hand.

5) Ownership ratio after the acquisition

If the Tender Offer is successful, based on the result of the Tender Offer, the Company plans to implement procedures to acquire all of the Shares and make Mitsui Life a wholly-owned subsidiary.

After Mitsui Life becomes a wholly-owned subsidiary of the Company, the Company plans to transfer around 17% of Mitsui Life's ordinary shares to Mitsui group companies for the purpose of preserving and developing business relationships between Mitsui Life and Mitsui group companies.

6) Other

The acquisition of Mitsui Life ordinary shares through the Tender Offer requires approvals of the Commissioner of the Financial Services Agency pursuant to Article 271-10, Paragraph 1 and Article 106, Paragraph 7 of the Insurance Business Act.

(2) MLC Limited

On October 27, 2015, the Company entered an agreement with National Australia Bank ("NAB") to commence procedures for acquiring 80% of the shares of the life insurance business of MLC Limited ("MLC"), a subsidiary of NAB.

1) Purpose of acquiring the shares

The Australian life insurance market is forecast to realize high rates of growth over the long term. By entering this market, the Company aims to sustainably expand policyholders' benefits through enhancing steady and sustainable operating profit bases of overseas insurance businesses.

2) Overview of MLC

a. Company name MLC Limited

b. Business Life insurance business (*)

(*) MLC is currently conducting investment-related business in addition to life insurance business.

The Company plans to acquire shares of the company specialized in life insurance business where the investment-related business is to be carved out from current MLC.

c. Location Sydney, Australia

d. Premium revenue A$1,780 million (approximately ¥151.0 billion)

(Fiscal year ended September 30, 2015)

3) Timing of the share acquisition

The share acquisition is anticipated to close between September 2016 to December 2016.

4) Acquisition cost

The acquisition cost of the shares is expected to be approximately A$2,400 million (approximately ¥204.0 billion), and will be funded by the Company's cash on hand.

5) Ownership ratio after the acquisition

80%

6) Other

The acquisition is subject to approval of the regulatory authorities in Japan and Australia.

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* Yen denominated amounts in parentheses are calculated at an exchange rate of A$1 = ¥85.

(3) Reliance Capital Asset Management Limited

On October 13, 2015, the Company reached an agreement with Reliance Capital Limited, the parent company of Reliance Capital Asset Management Limited ("Reliance Asset") for additionally acquiring up to 14% of the shares of Reliance Asset (currently 35% of shares were owned by the Company).

With this additional acquirement, Reliance Asset will be renamed Reliance Nippon Life Asset Management Limited.

28. The amount of securities lent under lending agreements was ¥2,640,283 million as of September 30, 2015.

29. Assets that can be sold or resecured are marketable securities lent under lending agreements. These assets were being held without disposal totaling ¥100,031 million at fair value as of September 30, 2015.

30. The amount of commitments related to loans and loans outstanding was ¥191,925 million as of September 30, 2015.

31. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company is estimated to be ¥85,754 million as of September 30, 2015.

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

32. Revaluation of land used in the operations is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between book value and the

revalued amount for land revaluation is recognized as deferred tax liabilities within the liability section. The valuation differences, excluding tax, are recognized as land revaluation losses within the net assets section.

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

33. The amount of policy reserves provided for the portion of reinsurance (hereafter referred to as "policy reserves for ceded reinsurance") as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥190 million as of September 30, 2015.

Nonconsolidated Statements of Income

	Million Yen	
	Six months ended September 30, 2015	Six months ended September 30, 2014
Ordinary income:	3,763,142	3,472,850
Revenues from insurance and reinsurance:	2,896,127	2,468,210
Insurance premiums	2,895,866	2,467,980
Investment income:	794,051	914,231
Interest, dividends, and other income	741,021	665,392
Gain from assets held in trust, net	—	2
Gain on sales of securities	45,803	180,353
Gain from separate accounts, net	—	64,004
Other ordinary income	72,964	90,407
Ordinary expenses:	3,504,159	3,189,993
Benefits and other payments:	1,856,972	1,824,446
Death and other claims	480,629	518,294
Annuity payments	382,417	398,977
Health and other benefits	350,118	364,549
Surrender benefits	451,661	392,809
Other refunds	191,729	149,437
Provision for policy reserves:	1,118,114	865,145
Provision for policy reserves	1,106,528	853,224
Provision for interest on reserve for dividends to policyholders	11,585	11,920
Investment expenses:	110,250	70,324
Interest expenses	6,829	3,621
Loss on sales of securities	1,514	10,655
Loss on valuation of securities	3,636	997
Loss on derivative financial instruments, net	25,426	28,519
Loss from separate accounts, net	36,872	—
Operating expenses	283,864	282,434
Other ordinary expenses	134,957	147,641
Ordinary profit	258,983	282,857
Extraordinary gains:	116	336
Gain on disposals of fixed assets	116	336
Extraordinary losses:	108,274	127,103
Loss on disposals of fixed assets	2,903	990
Impairment losses	1,138	4,841
Provision for reserve for price fluctuations in investments in securities	101,544	118,584
Contributions for assisting social public welfare	2,688	2,688
Surplus before income taxes	150,824	156,089
Income taxes—current	74,834	96,330
Income taxes—deferred	(62,176)	(85,291)
Total income taxes	12,657	11,038
Net surplus	138,167	145,051

Notes to the Nonconsolidated Statement of Income for the Six Months Ended September 30, 2015

1. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥6,860 million, ¥37,243 million, and ¥1,699 million, respectively, for the six months ended September 30, 2015.

2. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥609 million, ¥54 million, and ¥841 million, respectively, for the six months ended September 30, 2015.

3. Loss on valuation of securities includes losses on the valuation of domestic stocks and foreign securities of ¥3,140 million and ¥495 million, respectively, for the six months ended September 30, 2015.

4. Reversal of policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥2 million for the six months ended September 30, 2015.

5. Breakdown of interest, dividends, and other income for the six months ended September 30, 2015, is as follows:

	Million Yen
	Six months ended September 30, 2015
Interest on deposits and savings	¥ 133
Interest on securities and dividends	¥614,289
Interest on loans	¥ 77,657
Real estate rental income	¥ 42,754
Other income	¥ 6,185
Total	¥741,021

6. Impairment losses are as follows:

1) Method for grouping the assets

Leased property and idle property are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.

2) Circumstances causing impairment losses

The Company observed a marked decrease in profitability or fair value in some of the fixed asset groups.

The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses.

3) Breakdown of asset groups that recognized impairment losses for the six months ended September 30, 2015, is as follows:

	Million Yen		
Purpose of use	Land	Buildings	Total
Leased property	¥131	¥339	¥ 470
Idle property	¥562	¥105	¥ 667
Total	¥693	¥444	¥1,138

4) Calculation method of recoverable amount

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

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

Nonconsolidated Statements of Changes in Net Assets

Six months ended September 30, 2014

	Million Yen												
	Foundation funds and others												
				Surplus									
					Other surplus reserves								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds and others
Beginning balance	250,000	1,000,000	651	13,270	—	71,917	259	42,693	33	170	311,679	440,022	1,690,674
Increase/decrease:													
Additions to reserve for dividends to policyholders											(201,765)	(201,765)	(201,765)
Additions to legal reserve for deficiencies				938							(938)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(2,785)	(2,785)	(2,785)
Net surplus											145,051	145,051	145,051
Redemption of foundation funds	(50,000)												(50,000)
Additions to equalized reserve for dividends to policyholders					50,000						(50,000)	—	—
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(2,688)				2,688	—	—
Additions to reserve for reduction entry of real estate								3,866			(3,866)	—	—
Reversal of reserve for reduction entry of real estate								(677)			677	—	—
Additions to reserve for reduction entry of real estate to be purchased									1		(1)	—	—
Reversal of land revaluation losses											(16)	(16)	(16)
Net change, excluding foundation funds and others													
Net change	(50,000)	50,000	—	938	50,000	—	312	3,189	1	—	(163,956)	(109,515)	(109,515)
Ending balance	200,000	1,050,000	651	14,208	50,000	71,917	571	45,882	34	170	147,723	330,507	1,581,158

Nonconsolidated Statements of Changes in Net Assets—(Continued)

Six months ended September 30, 2014

	Million Yen				
	Valuations, conversions, and others				
	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Total valuations, conversions, and others	Total net assets
Beginning balance	3,256,652	(134,156)	(85,561)	3,036,934	4,727,608
Increase/decrease:					
Additions to reserve for dividends to policyholders					(201,765)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(2,785)
Net surplus					145,051
Redemption of foundation funds					(50,000)
Additions to equalized reserve for dividends to policyholders					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					(16)
Net change, excluding foundation funds and others	865,844	(32,988)	16	832,872	832,872
Net change	865,844	(32,988)	16	832,872	723,356
Ending balance	4,122,496	(167,144)	(85,545)	3,869,806	5,450,965

Nonconsolidated Statements of Changes in Net Assets—(Continued)

Six months ended September 30, 2015

	Million Yen												
	Foundation funds and others												
				Surplus									
					Other surplus reserves								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds and others
Beginning balance	200,000	1,050,000	651	14,208	50,000	71,917	282	45,882	34	170	317,459	499,954	1,750,605
Increase/decrease:													
Issuance of foundation funds	50,000												50,000
Additions to reserve for dividends to policyholders											(257,299)	(257,299)	(257,299)
Additions to legal reserve for deficiencies				955							(955)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(1,935)	(1,935)	(1,935)
Net surplus											138,167	138,167	138,167
Redemption of foundation funds	(50,000)												(50,000)
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(2,688)				2,688	—	—
Additions to reserve for reduction entry of real estate								4,906			(4,906)	—	—
Reversal of reserve for reduction entry of real estate								(601)			601	—	—
Reversal of reserve for reduction entry of real estate to be purchased									(34)		34	—	—
Reversal of land revaluation losses											125	125	125
Net change, excluding foundation funds and others													
Net change	—	50,000	—	955	—	—	312	4,304	(34)	—	(176,479)	(170,941)	(120,941)
Ending balance	200,000	1,100,000	651	15,163	50,000	71,917	594	50,187	—	170	140,980	329,012	1,629,663

Nonconsolidated Statements of Changes in Net Assets—(Continued)

Six months ended September 30, 2015

	Million Yen				
	Valuations, conversions, and others				
	Net unrealized gains on available-for-sale securities, net of tax	Deferred losses on derivatives under hedge accounting, net of tax	Land revaluation losses	Total valuations, conversions, and others	Total net assets
Beginning balance	6,016,469	(231,060)	(88,670)	5,696,737	7,447,343
Increase/decrease:					
Issuance of foundation funds					50,000
Additions to reserve for dividends to policyholders					(257,299)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(1,935)
Net surplus					138,167
Redemption of foundation funds					(50,000)
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					125
Net change, excluding foundation funds and others	(945,576)	15,777	(125)	(929,924)	(929,924)
Net change	(945,576)	15,777	(125)	(929,924)	(1,050,866)
Ending balance	5,070,892	(215,283)	(88,795)	4,766,813	6,396,477

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GLOSSARY OF CERTAIN TERMS

Administrative expense margin......	Administrative expense margin is the difference between the administrative expenses related to the relevant policy assumed by the insurer with respect to a given year in calculating premiums and the actual administrative expenses for that year.
Annuity	A product that provides periodic, typically annual, benefits from a designated time in the future until the death of the insured or for a specific period. A single-premium benefit payment is made upon the death of the insured prior to commencement of annuity payments. If the death of the insured occurs after annuity payments have commenced and prior to the end of the fixed annuity payment term, the remainder of the annuity payments may either be accelerated or may continue to be paid in accordance with the schedule outlined in the policy. Annuity products include both fixed return products and variable return products for which the return reflects the results of investment made in separate accounts.
Assumed yield......................	The rate of assumed investment yield, with respect to a given policy, used in pricing premiums of products and in calculation of policy reserves.
Capital.............................	The total of core capital and subordinated debt.
Cash value.........................	The amount of cash available to a policyholder on the surrender or lapse of a life insurance policy or annuity contract.
Ceding reinsurance commissions ...	A fee paid to the primary insurer by the reinsurer for underwriting expenses such as marketing, administration, premium tax, etc.
Contingency reserve	A reserve included as part of the policy reserves to account for (1) the risk of insurance payment events occurring at a higher than expected rate due to higher than expected mortality and morbidity rates and (2) the risk of actual yield on investments being lower than the assumed yields related to outstanding policies, etc.
Core capital	The total of foundation funds and others, reserve for price fluctuations in investments in securities, contingency reserve, general allowance for doubtful accounts and others.
Distributable interest surplus........	The amount of surplus a Japanese mutual life insurance company is permitted to distribute with respect to interest payments on foundation funds obligations in any given fiscal year as provided for in Article 55, paragraph 1 of the Insurance Business Act, which amount is therein described as net assets reflected in the balance sheet, less • foundation funds; • legal reserve for deficiencies (*sonshitsu-tenpo-junbi-kin*) and statutory reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*) (including any amount from the reserve for redemption of foundation funds used to cover losses in excess of the reserve for losses pursuant to Article 59, paragraph 2 of the Insurance Business Act); and • certain amounts including increased amount of capital pursuant to a market price evaluation, etc.

Distributable principal surplus — The amount of surplus a Japanese mutual life insurance company is permitted to distribute with respect to principal payments on foundation funds obligations in any given fiscal year as provided for in Article 55, paragraph 2 of the Insurance Business Act, which amount is therein described as net assets reflected in the balance sheet, less

- foundation funds;
- legal reserve for deficiencies (*sonshitsu-tenpo-junbi-kin*) and statutory reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*) (including any amount from the reserve for redemption of foundation funds used to cover losses in excess of the reserve for losses pursuant to Article 59, paragraph 2 of the Insurance Business Act);
- interest payment on foundation funds;
- legal reserve for deficiencies (*sonshitsu-tenpo-junbi-kin*) required to be provided in the year;
- deferred expenses for research and development booked as assets on the balance sheet; and
- certain amounts including increased amount of capital pursuant to a market price evaluation, etc.

Endowment — Life insurance payable to the policyholder, if living, on the maturity date stated in the policy, or to a beneficiary if the insured dies before that date.

General account — The aggregate of a life insurer's assets, other than those allocated to separate accounts. General account assets are invested by the insurer to meet fixed assumed yield for policyholders, and the insurer bears the investment risk on such assets.

In force — A policy that is shown on records to be in force on a given date and that has not matured by death or otherwise or been surrendered or otherwise terminated. "In force" refers to the period of coverage, *i.e.*, the period during which the occurrence of insured events can result in liabilities.

Investment yield margin — Investment yield margin is the difference, with respect to a given year, between the actual yield for that year and the assumed yield used in calculating premiums.

Lapse — The termination or temporary discontinuance of an insurance policy due to non-payment of premiums within a specified time period.

Morbidity — The relative incidence of disability due to disease or physical impairment.

Mortality rate — Rates of death, varying by such parameters as age, gender and health, used in pricing premiums of products and in calculation of policy reserves.

Mortality rate margin — Mortality rate margin is the difference between the mortality and morbidity rate assumed by the insurer, with respect to a given year, in calculating premiums and the actual mortality rate and morbidity for that year.

Negative spread . . . . Negative spread = Investment income included in core operating profit − (assumed yield amount + provision for accumulated interest on policyholder dividends)

Net level premium method . . . . Under the net level premium method, insurers must set aside policy reserves assuming that the ratio of net premium to total assumed yield premium paid remains constant over the term of the policy. The net level premium method increases an insurer's administrative expense burden in the early years of a policy, when actual administrative expenses exceed the portion of the premium received in such early years covering administrative expenses. Under an alternate method of calculating policy reserves, known as Zillmer's method, the net premium portion is reduced in the first year of the policy, allowing, in effect, policy acquisition costs to be deferred.

Net premium . . . . The portion of the premium covering insurance underwriting risk, based on factors such as mortality rates, assumed yield and policy surrender and lapse ratio, excluding the portion covering administrative expenses.

Non-participating policy . . . . Policies under which the policyholder receives no policyholder dividends. Non-participating policies generally feature lower premiums than participating policies and semi-participating policies.

Participating policy . . . . Policies under which the policyholder is eligible to share in the divisible surplus of the insurer—calculated based on mortality rate margin, investment yield margin and administrative expense margin—through the receipt of annual policyholder dividends.

Policy reserves . . . . Reserves established for the fulfillment of benefits and other payments related to the insurer's outstanding policies that are expected to be paid in the future. The policy reserves consist of a premium reserve, an unearned premium reserve, a reserve for refund and a contingency reserve. The insurer uses the net level premium method to calculate the amount it sets aside each year as policy reserves. The policy reserve is one of the three reserves composing the reserve for policy and other reserves.

Premium reserve . . . . A reserve included in the policy reserves to account for the payment of future payment obligations, other than with respect to unearned premiums.

Premiums. . . . . Payments and considerations received with respect to insurance policies issued or reinsured by an insurer.

Real net assets . . . . Real net assets are calculated by subtracting non-capital real liabilities from real assets. For this purpose, real assets are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) in accordance with the method promulgated by the Ordinance of the Cabinet Office and the Ministry of Finance, while non-capital real liabilities are equal to an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as the reserve for price fluctuations in investments in securities and the contingency reserve) in accordance with the method promulgated by the FSA and the Ministry of Finance.

Reinsurance . . . . The acceptance by one or more insurers of a portion of risk underwritten by another insurer (ceding insurer) that has directly written the coverage of a policy in return for a portion of the premium related thereto. The legal rights of the policyholder generally are not affected by the reinsurance transaction, and the insurer issuing the insurance contract remains liable to the policyholder for payment of policy benefits.

Reserve for dividends to policyholders . . . . A reserve used to fund the payment of policyholder dividends. The reserve for policyholder dividends is one of the three reserves composing the reserve for policy and other reserves. For a mutual life insurance company, transfer to reserve for policyholder dividends is treated as dispositions of net surplus.

Reserve for outstanding claims . . . . . A reserve used to fund payments that are due, but have not yet been paid, on outstanding claims existing as of the end of the year and expected to be paid in the following fiscal year. The reserve for outstanding claims is one of the three reserves composing the reserve for policy and other reserves.

Reserve for price fluctuations in investments in securities . . . . Pursuant to provisions of the Insurance Business Act, Japanese insurers are required to maintain a reserve to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in stock, bonds and foreign currency-denominated investments. This reserve may be used only to reduce deficits arising from price fluctuations of those assets unless otherwise approved by the Commissioner of the FSA.

Retention rate . . . . A rate calculated by dividing the number of employees remaining with a company at the end of a certain period of time following their initial employment.

Semi-participating policy. . . . . Policies under which the insurer does not distribute yearly policyholder dividends to its policyholders, but instead distributes a portion of the net positive return on investments in excess of the assumed yield as calculated at the end of every five-year period. Semi-participating policies generally feature lower premiums than participating policies and generally distribute smaller distributions relative to participating policies.

Separate account . . . . Assets related to the insurer’s individual variable insurance and group variable annuity products, including group employee pension fund insurance and national pension fund insurance, are allocated to the insurer’s separate account. Separate account assets and liabilities represent funds that are administered and invested by the insurer to meet specific investment objectives of policyholders. The investments in each separate account are maintained separately from those in other separate accounts and an insurer’s general account and are generally not subject to the general liabilities of the insurer.

The investment results of the separate account assets generally pass through to the separate account policyholders, less management fees, so that an insurer bears limited or no investment risk on such assets.

Surrender . . . . The surrender of a policy by a policyholder. The policyholder generally receives the “cash value” of the policy, an amount available in cash upon surrender of a policy before it becomes payable upon death or maturity, minus a surrender fee reflecting expenses incurred by the insurer in placing the policy on its books. After a "surrender period" (usually several years) has elapsed, there is generally no charge for ending the contract.

Surrender and lapse ratio. . . . . Surrender and lapse ratio = surrender and lapse amount ÷ policy amount at the beginning of the relevant fiscal year.

Third-sector insurance (also known as supplemental insurance). . . . . . . In the Japanese insurance industry, life insurance products and non-life insurance products are called "first-sector" and "second-sector" insurance products, respectively, and insurance products which have intermediate characteristics of both products are called "third-sector" insurance products. Third-sector insurance products consist of "third-sector life insurance products," which are similar in nature to first-sector insurance products and include medical, cancer and nursing-care insurance products, and "third-sector non-life insurance products," which are similar in nature to second-sector insurance products and include personal accident insurance and insurance for medical expenses.

Underwriting . . . . The process of examining, accepting and rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.

Unearned premium reserve. . . . . A reserve included in the policy reserves to account for the payment of future obligations based on the portion of premiums received by the insurer for which protection has not yet been provided.

Variable annuity . . . . Annuities in which the return to holders is variable, rather than fixed, and reflects the results of investments made in the insurer's separate accounts.

Yield on investments . . . . Investment return earned by the insurer on its invested assets.

Zillmer's method . . . . A method by which insurers may calculate policy reserves, which, in effect, allows policy acquisition costs to be deferred. Under this method, the net premium portion used in the calculation of policy reserves is reduced in the first year of the policy. This reduction makes the policy reserve provisions smaller than those under the net level premium method. In years following the first year, the reduction in policy reserve provisions in the first year are gradually adjusted to eliminate the difference between the net level premium method and Zillmer's method over a predetermined term of, for example, five or ten years.

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US$1,500,000,000

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4.70% Step-up Callable Subordinated Notes due 2046

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SMBC Nikko

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Nomura