November 24, 2017

Financial Results for the Six Months Ended September 30, 2017

Meiji Yasuda Life Insurance Company (President: Akio Negishi) announces financial results for the Six Months ended September 30, 2017.

≪Contents≫

Note:
This document is a translation from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Meiji Yasuda Life Insurance Company

1. Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
ASSETS:		
Cash and deposits	505,583	560,873
Call loans	90,000	90,000
Monetary claims bought	220,118	223,207
Money held in trust	200	4,107
Securities	32,046,079	32,505,470
Loans	5,422,653	5,355,890
Tangible fixed assets	923,175	918,840
Intangible fixed assets	517,358	485,932
Due from agents	1,592	1,020
Reinsurance receivables	120,163	116,398
Other assets	455,560	420,474
Net defined benefit assets	92,747	105,066
Deferred tax assets	2,498	2,431
Customers' liabilities under acceptances and guarantees	20,888	21,441
Allowance for possible loan losses	(5,848)	(5,105)
Total assets	40,412,770	40,806,049

1. Unaudited Consolidated Balance Sheets (continued)

(Millions of Yen)

	As of March 31, 2017	As of September 30, 2017
LIABILITIES:		
Policy reserves and other reserves	34,302,037	34,589,167
Reserve for outstanding claims	732,370	708,449
Policy reserves	33,332,707	33,575,400
Policyholders' dividend reserves	236,959	305,317
Due to agents	2,990	1,955
Reinsurance payables	815	985
Bonds payable	409,753	407,551
Other liabilities	531,235	475,575
Net defined benefit liabilities	8,769	8,445
Reserve for contingent liabilities	1	2
Reserve for price fluctuation	578,227	647,215
Deferred tax liabilities	433,794	483,782
Deferred tax liabilities for land revaluation	79,910	79,900
Acceptances and guarantees	20,888	21,441
Total liabilities	36,368,425	36,716,025
NET ASSETS:		
Foundation funds	310,000	260,000
Reserve for redemption of foundation funds	520,000	620,000
Reserve for revaluation	452	452
Surplus	514,726	344,843
Total funds, reserve and surplus	1,345,179	1,225,296
Net unrealized gains on available-for-sale securities	2,542,572	2,728,516
Deferred unrealized gains on derivatives under hedge accounting	39,643	36,138
Land revaluation differences	117,025	117,001
Foreign currency translation adjustments	(19,750)	(39,694)
Remeasurements of defined benefit plans	15,701	18,808
Total accumulated other comprehensive income	2,695,192	2,860,770
Non-controlling interests	3,974	3,958
Total net assets	4,044,345	4,090,024
Total liabilities and net assets	40,412,770	40,806,049

2. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30	
	2016	2017
ORDINARY INCOME:	1,939,787	2,028,127
Insurance premiums and other	1,467,875	1,482,827
Investment income	399,905	477,157
Interest, dividends and other income	360,903	407,239
Gains on money held in trust	—	14
Gains on sales of securities	9,141	4,594
Investment gains on separate accounts	—	35,574
Other ordinary income	72,006	68,141
ORDINARY EXPENSES:	1,870,419	1,843,342
Benefits and other payments	1,151,727	1,213,395
Claims paid	296,218	391,100
Annuity payments	318,523	318,750
Benefit payments	245,273	260,171
Surrender benefits	239,814	205,026
Provision for policy reserves and other reserves	243,920	213,021
Provision for policy reserves	243,839	212,966
Provision for interest on policyholders' dividend reserves	80	54
Investment expenses	171,000	93,040
Interest expenses	13,199	15,995
Losses on sales of securities	26,763	10,373
Losses on valuation of securities	63,230	562
Investment losses on separate accounts	14,952	—
Operating expenses	213,091	234,962
Other ordinary expenses	90,681	88,921
Ordinary profit	69,368	184,785
Extraordinary gains	55,346	0
Gains on disposals of fixed assets	201	0
Reversal of reserve for price fluctuation	55,145	—
Extraordinary losses	1,370	70,119
Losses on disposals of fixed assets	632	572
Impairment losses	432	142
Provision for reserve for contingent liabilities	0	0
Provision for reserve for price fluctuation	—	68,999
Contributions for promotion of social welfare project	303	402
Other extraordinary losses	1	—
Surplus before income taxes and non-controlling interests	123,344	114,666
Income taxes	15,545	12,695
Current	6,291	29,801
Deferred	9,253	(17,105)
Net surplus	107,799	101,970
Net surplus attributable to non-controlling interests	460	217
Net surplus attributable to the Parent Company	107,339	101,752

3. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six months ended September 30	
	2016	2017
Net surplus	107,799	101,970
Other comprehensive income (loss)	(332,052)	165,603
Net unrealized gains (losses) on available-for-sale securities	(274,402)	185,394
Deferred unrealized gains (losses) on derivatives under hedge accounting	9,680	(3,504)
Foreign currency translation adjustments	(60,619)	(23,853)
Remeasurements of defined benefit plans	10,416	3,109
Share of other comprehensive income (loss) of associates accounted for under the equity method	(17,128)	4,457
Comprehensive income (loss)	(224,253)	267,574
Comprehensive income (loss) attributable to the Parent Company	(224,751)	267,355
Comprehensive income (loss) attributable to non-controlling interests	498	218

4. Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30	
	2016	2017
I. Cash flows from operating activities		
Surplus before income taxes and non-controlling interests	123,344	114,666
Depreciation	19,195	23,520
Impairment losses	432	142
Amortization of goodwill	2,393	3,907
Increase (Decrease) in reserve for outstanding claims	(866)	(185)
Increase (Decrease) in policy reserves	272,838	246,520
Provision for interest on policyholders' dividend reserves	80	54
Increase (Decrease) in allowance for possible loan losses	(361)	(743)
Increase (Decrease) in net defined benefit liabilities	34	(39)
Increase (Decrease) in accrued retirement benefits for directors and executive officers	(74)	—
Increase (Decrease) in reserve for price fluctuation	(55,145)	68,999
Interest, dividends, and other income	(360,903)	(407,239)
Losses (Gains) on securities	315,129	(59,537)
Interest expenses	13,199	15,995
Losses (Gains) on tangible fixed assets	627	550
Others, net	1,744	606
Subtotal	331,671	7,221
Interest, dividends, and other income received	403,767	438,799
Interest paid	(13,868)	(16,322)
Policyholders' dividends paid	(100,230)	(101,536)
Income taxes refunded (paid)	4,908	(11,565)
Net cash provided by operating activities	626,248	316,598

4. Unaudited Consolidated Statements of Cash Flows (continued)

(Millions of Yen)

	Six months ended September 30 2016	Six months ended September 30 2017
Ⅱ. Cash flows from investing activities		
Net decrease (increase) in deposits	24,487	(10,656)
Purchase of monetary claims bought	(18,000)	(14,000)
Proceeds from sales and redemption of monetary claims bought	23,042	10,710
Increase of money held in trust	—	(2,500)
Purchase of securities	(1,518,331)	(1,525,924)
Proceeds from sales and redemption of securities	1,143,385	1,404,729
Loans extended	(506,042)	(565,745)
Proceeds from collection of loans	587,898	601,963
Net increase (decrease) in cash collateral under securities borrowing / lending transactions	(20,090)	(96,299)
Total investment activities (IIa)	(283,649)	(197,721)
[I + IIa]	342,599	118,876
Purchase of tangible fixed assets	(6,265)	(7,196)
Proceeds from sales of tangible fixed assets	1	290
Purchase of intangible fixed assets	(8,533)	(8,261)
Others, net	(511)	(476)
Net cash used in investing activities	(298,957)	(213,365)
Ⅲ. Cash flows from financing activities		
Repayments of debt	(100,000)	—
Proceeds from issuance of foundation funds	100,000	50,000
Redemption of foundation funds	(50,000)	(100,000)
Payment of interest on foundation funds	(2,101)	(1,846)
Acquisition of stock of subsidiaries without change in scope of consolidation	(841)	—
Others, net	(325)	(1,487)
Net cash used in financing activities	(53,267)	(53,333)
Ⅳ. Effect of foreign exchange rate changes on cash and cash equivalents	(9,443)	(3,579)
Ⅴ. Net increase (decrease) in cash and cash equivalents	264,580	46,319
Ⅵ. Cash and cash equivalents at the beginning of the year	532,547	577,833
Ⅶ. Cash and cash equivalents at the end of the period	797,127	624,152

5. Unaudited Consolidated Statements of Changes in Net Assets

(Millions of Yen)

Six months ended September 30, 2016

	Funds, reserves and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus
Beginning balance	260,000	470,000	452	506,083	1,236,536
Changes in the period					
Issuance of foundation funds	100,000				100,000
Additions to policyholders' dividend reserves				(165,707)	(165,707)
Additions to reserve for redemption of foundation funds		50,000			50,000
Payment of interest on foundation funds				(2,101)	(2,101)
Net surplus attributable to the Parent Company				107,339	107,339
Redemption of foundation funds	(50,000)				(50,000)
Reversal of reserve for fund redemption				(50,000)	(50,000)
Reversal of land revaluation differences				(70)	(70)
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				(147)	(147)
Net changes, excluding funds, reserves and surplus					
Net changes in the period	50,000	50,000	—	(110,687)	(10,687)
Ending balance	310,000	520,000	452	395,396	1,225,849

	Accumulated other comprehensive income (loss)							
	Net unrealized gains (losses) on available -for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Beginning balance	2,291,022	38,659	119,894	(26,190)	(32,200)	2,391,186	3,947	3,631,671
Changes in the period								
Issuance of foundation funds								100,000
Additions to policyholders' dividend reserves								(165,707)
Additions to reserve for redemption of foundation funds								50,000
Payment of interest on foundation funds								(2,101)
Net surplus attributable to the Parent Company								107,339
Redemption of foundation funds								(50,000)
Reversal of reserve for fund redemption								(50,000)
Reversal of land revaluation differences								(70)
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests								(147)
Net changes, excluding funds, reserves and surplus	(273,750)	9,680	70	(78,431)	10,410	(332,020)	(473)	(332,493)
Net changes in the period	(273,750)	9,680	70	(78,431)	10,410	(332,020)	(473)	(343,180)
Ending balance	2,017,271	48,340	119,964	(104,621)	(21,789)	2,059,166	3,474	3,288,490

5. Unaudited Consolidated Statements of Changes in Net Assets (continued)

(Millions of Yen)

Six months ended September 30, 2017

	Funds, reserves and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus
Beginning balance	310,000	520,000	452	514,726	1,345,179
Changes in the period					
Issuance of foundation funds	50,000				50,000
Additions to policyholders' dividend reserves				(169,815)	(169,815)
Additions to reserve for redemption of foundation funds		100,000			100,000
Payment of interest on foundation funds				(1,846)	(1,846)
Net surplus attributable to the Parent Company				101,752	101,752
Redemption of foundation funds	(100,000)				(100,000)
Reversal of reserve for fund redemption				(100,000)	(100,000)
Reversal of land revaluation differences				24	24
Net changes, excluding funds, reserves and surplus					
Net changes in the period	(50,000)	100,000	—	(169,883)	(119,883)
Ending balance	260,000	620,000	452	344,843	1,225,296

	Accumulated other comprehensive income (loss)							
	Net unrealized gains (losses) on available -for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Beginning balance	2,542,572	39,643	117,025	(19,750)	15,701	2,695,192	3,974	4,044,345
Changes in the period								
Issuance of foundation funds								50,000
Additions to policyholders' dividend reserves								(169,815)
Additions to reserve for redemption of foundation funds								100,000
Payment of interest on foundation funds								(1,846)
Net surplus attributable to the Parent Company								101,752
Redemption of foundation funds								(100,000)
Reversal of reserve for fund redemption								(100,000)
Reversal of land revaluation differences								24
Net changes, excluding funds, reserves and surplus	185,944	(3,504)	(24)	(19,943)	3,106	165,577	(15)	165,561
Net changes in the period	185,944	(3,504)	(24)	(19,943)	3,106	165,577	(15)	45,678
Ending balance	2,728,516	36,138	117,001	(39,694)	18,808	2,860,770	3,958	4,090,024

Notes to the Unaudited Consolidated Financial Statements

Summary of Significant Accounting Policies

1. Consolidated subsidiaries

The number of consolidated subsidiaries was 17 as of September 30, 2017. The consolidated subsidiaries include as follows:

Meiji Yasuda General Insurance Co., Ltd.　(Japan)
Meiji Yasuda Asset Management Company Ltd.　(Japan)
Meiji Yasuda System Technology Company Limited　(Japan)
Pacific Guardian Life Insurance Company, Limited　(U.S.A.)
StanCorp Financial Group, Inc.　(U.S.A.)
Meiji Yasuda Realty USA Incorporated　(U.S.A.)

The subsidiaries excluded from consolidation include subsidiaries such as Meiji Yasuda Life Planning Center Company, Limited.

The respective and aggregate effects of the companies which are excluded from consolidation, based on total assets, revenues, net income and surplus for the six months ended September 30, 2017 are immaterial. This exclusion from consolidation would not prevent a reasonable understanding of the consolidated financial position of MEIJI YASUDA LIFE INSURANCE COMPANY (hereafter, “the Company”) and its subsidiaries and the results of their operations.

2. Affiliates

The number of affiliates accounted for by the equity method was 10 as of September 30, 2017. The affiliates accounted for by the equity method include as follows:

Founder Meiji Yasuda Life Insurance Co., Ltd.　(China)
PT Avrist Assurance　(Indonesia)
TU Europa S.A.　(Poland)
TUiR Warta S.A.　(Poland)
Thai Life Insurance Public Company Limited　(Thailand)

The subsidiaries not consolidated, e.g., Meiji Yasuda Life Planning Center Company, Limited and others, and certain affiliates are excluded from the scope of the equity method due to their immaterial effect, individually and in aggregate, on the consolidated net income and consolidated surplus.

3. Interim closing dates of consolidated subsidiaries

The interim closing dates of consolidated overseas subsidiaries are June 30. The consolidated financial statements include the accounts of such subsidiaries as of June 30, 2017, with appropriate adjustments made for material transactions occurring between their respective interim closing dates and the date of the consolidated financial statements.

Notes to the Unaudited Consolidated Balance Sheet as of September 30, 2017

1. Securities
Securities held by the Company are classified and accounted for as follows:

a. Trading securities are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.

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

c. Policy-reserve-matching bonds are stated at amortized cost in accordance with the "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," (Japanese Institute of Certified Public Accountants (JICPA), issued on November 16, 2000). The cost of sales is determined by the moving average method and the amortization of discount/premium is calculated using the straight-line method.

d. Equity securities issued by subsidiaries and affiliates are stated at cost using the moving average method. The subsidiaries are prescribed under Article 2, Paragraph 12 of the "Insurance Business Act" and Article 13-5-2, Paragraph 3 of the "Order for Enforcement of the Insurance Business Act." The affiliates are under Paragraph 4 of the order.

e. Available-for-sale securities
i) Securities of which market value is readily available
Stocks are stated at the average of the market value during the final month of the six months ended September 30, 2017. Others are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.

ii) Securities of which market value is extremely difficult to determine
Bonds (including foreign bonds) of which premium or discount are regarded as interest rate adjustment are stated at amortized cost using the moving average method. The amortization is calculated using the straight-line method. Other securities are stated at cost using the moving average method.

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

2. Policy-reserve-matching bonds
The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance, individual annuities and group pensions as policy-reserve-matching bonds in accordance with the "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry" (JICPA, issued on November 16, 2000).

3. Derivative transactions
Derivative transactions are stated at fair value.

4. Revaluation of land
The Company revalued certain parcels of land owned for operational use as of March 31, 2000, as

permitted by the “Act on Revaluation of Land”.

The difference in value before and after revaluation is directly included in net assets in the consolidated balance sheets and presented as land revaluation differences, after net of income taxes which is presented as deferred tax liabilities for land revaluation in the consolidated balance sheets. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the “Order for Enforcement of the Act on Revaluation of Land”) for the revaluation.

The Company also revalued certain parcels of land acquired from former Yasuda Mutual Life Insurance Company upon the merger on January 1, 2004 as of March 31, 2001, as permitted by the act. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the former company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the order) and appraisal value (detailed in Article 2, Item 5 of the order) for the revaluation.

5. Tangible fixed assets

Tangible fixed assets (excluding leased assets) owned by the Company are depreciated as follows:

a. Buildings

Calculated using the straight-line method.

b. Other tangible fixed assets

Calculated using the declining-balance method.

Tangible fixed assets owned by the Company’s overseas consolidated subsidiaries are depreciated by mainly using the straight-line method.

Leased assets related to finance leases that do not transfer ownership to the lessees are depreciated by using the straight-line method, with the lease period being considered as useful lives of assets and residual value being set at zero.

6. Foreign currency translation

Assets and liabilities denominated in foreign currencies, except for equity securities issued by unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Equity securities issued by unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rates on the dates of acquisition.
Assets, liabilities, revenues and expenses of the Company’s overseas consolidated subsidiaries are translated into Japanese yen at the exchange rate at the end of their period, and translation adjustments are included in “foreign currency translation adjustments” in the net assets section of the consolidated balance sheets.

7. Allowance for possible loan losses

Allowance for possible loan losses of the Company is provided pursuant to its standards for self assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses.

For loans to borrowers that are legally bankrupt (hereafter, “bankrupt borrowers”) and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt (hereafter, “substantially bankrupt borrowers”), an allowance is provided based on the total amounts of the loans after deduction of charge-offs and any amounts expected to be collected through the disposal of collaterals and the execution of guarantees.

For loans to borrowers that have high possibility of bankruptcy (hereafter, “borrowers with high possibility of bankruptcy”), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection by disposal of collaterals and by executing guarantees.

For other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company’s actual default experience for a certain period in the past.

All loans are assessed by the department concerned based on the Company’s standards for the self-assessment of asset quality and an independent department is responsible for audit of its self-assessment. The allowance for possible loan losses is provided based on the result of the assessment.

For loans with collaterals to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals or execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the period amounted to ¥369 million.

8. Net defined benefit liabilities and assets

Net defined benefit liabilities and assets are provided based on the estimate of retirement benefit obligations and plan assets at the balance sheet date.

Assumptions of the Company used in accounting for the defined benefit plans for the six months ended September 30, 2017 were as follows:

Method of attributing benefit to period of service	Benefit formula basis
Amortization period for actuarial differences	10 years
Amortization period for past service cost	10 years

9. Reserve for Contingent Liabilities

Reserve for contingent liabilities of the Company is provided for the amount of estimated possible losses in the future with respect to the loan commitments outstanding pursuant to Article 24-4 of the “Ordinance for Enforcement of the Insurance Business Act”.

10. Reserve for price fluctuation

Reserve for price fluctuation of the Company and the domestic consolidated insurance subsidiary is calculated pursuant to Article 115 of the “Insurance Business Act”.

11. Method of hedge accounting

Methods of hedge accounting of the Company are in accordance with the “Accounting Standard for Financial Instruments” (ASBJ, issued on March 10, 2008). These methods consist primarily of:

- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans receivable;
- the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the deferred hedge accounting using currency swaps to hedge against exchange rate

fluctuation risk related to foreign currency denominated bonds;
- the allocation method using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated loans and bonds payable; and
- the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Hedge effectiveness for the deferred hedge accounting to hedge against interest rate fluctuation risk related to insurance liabilities is assessed by verifying the correlation between interest rates that would be used in calculating theoretical prices of hedged items and hedging instruments.

12. Policy reserves

Policy reserves of the Company are provided pursuant to Article 116 of the "Insurance Business Act".

Premium reserves, a main component of policy reserves, are calculated according to the following method:

a. For contracts that are subject to the standard policy reserve requirements, the premium reserves are calculated pursuant to the method stipulated by the Prime Minister (Ministry of Finance Notification No. 48 in 1996).

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

The policy reserves of the Company include an amount to be additionally set aside as the difference arising from calculations of premium reserves using the expected rate of interest of 2.75% for individual annuity contracts concluded on or before April 1, 1996 pursuant to Article 69, Paragraph 5 of the "Ordinance for Enforcement of the Insurance Business Act". The accumulation of the amount was completed on schedule over a period of three years starting in the year ended March 31, 2008. Besides, an additional reserve corresponding to the period after the beginning of annuity payment shall be accumulated at the beginning of the payment of the above annuity contracts.

The policy reserves also include reserves which are additionally set aside for variable life insurance contracts, and single premium endowment contracts concluded on or after September 2, 1995 pursuant to Article 69, Paragraph 5 of the ordinance.

Policy reserves of certain overseas consolidated subsidiaries are calculated based on the each country's accounting standard, such as U.S. GAAP.

13. Accounting for consumption taxes

National and local consumption taxes of the Company are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as prepaid expenses and amortized over a five-year period on the straight-line basis pursuant to the "Corporation Tax Act".

14. Intangible fixed assets

Capitalized software for internal use owned by the Company and subsidiaries (included in intangible fixed assets in the consolidated balance sheets) is amortized using the straight-line method over the estimated useful lives. Intangible fixed assets owned by certain overseas consolidated subsidiaries are amortized based on the each country's accounting standard, such as U.S. GAAP.

15. Income taxes

The corporate income tax, inhabitant tax, and income taxes-deferred for the six months ended September 30, 2017, are calculated based on the assumption of additions and reversals of the policyholders' dividend reserves and the reserve for reduction entry of real estate due to the appropriation of surplus in the current fiscal year.

16. Financial Instruments

The amounts of the principal financial assets and liabilities reported in the consolidated balance sheets as of September 30, 2017, and fair values and the differences between them, were as follows:

			Millions of Yen
	Balance sheet amount	Fair value	Difference
Cash and deposits	¥560,873	¥560,873	¥ —
Available-for-sale securities (CDs)	31,999	31,999	—
Monetary claims bought	223,207	232,142	8,935
Held-to-maturity debt securities	201,982	210,917	8,935
Available-for-sale securities	21,224	21,224	—
Money held in trust	4,107	4,107	—
Available-for-sale securities	4,107	4,107	—
Securities	31,869,344	34,001,887	2,132,543
Trading securities	1,632,727	1,632,727	—
Held-to-maturity debt securities	4,470,414	5,267,412	796,998
Policy-reserve-matching bonds	7,387,344	8,722,889	1,335,545
Available-for-sale securities	18,378,858	18,378,858	—
Loans	5,355,890	5,648,858	292,968
Policy loans	257,559	257,559	—
Industrial and consumer loans	5,098,330	5,391,299	292,968
Allowance for possible loan losses (*1)	(3,681)	—	—
	5,352,208	5,648,858	296,650
Bonds payable	407,551	441,171	33,619
Payables under securities borrowing transactions	99,980	99,980	—
Derivative financial instruments (*2)	(17,100)	(17,100)	—
Hedge accounting is not applied	(1,080)	(1,080)	—
Hedge accounting is applied	(16,019)	(16,019)	—

(*1) The amounts are general allowance for possible losses on loans and specific allowance for possible loan losses related to the loans.

(*2) The amounts of receivables and payables arising from derivative transactions are shown as net amounts.

Note:

a. Method used to determine the fair value of financial instruments

i) Assets

Cash and deposits

The Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value due to short-term nature of these contracts. Fair value of deposits deemed as securities transactions based on “Accounting Standard for Financial Instruments” (ASBJ, issued on March 10, 2008) is calculated in the same method shown in “Securities.”

Monetary claims bought

Fair value of monetary claims bought deemed as securities transactions based on “Accounting Standard for Financial Instruments” (ASBJ, issued on March 10, 2008) is calculated using the same method shown in “Securities” and the fair value of these monetary claims bought is stated at theoretical prices calculated by discounting the future cash flows to the present value or at the fair value obtained from counterparties at the balance sheet date.

Money held in trust

Securities managed as assets in trust of which market value is readily available are stated at market value at the balance sheet date.

The Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value due to short-term nature of the jointly invested money held in trust with the same characteristics as deposits.

Securities

As for available-for-sale securities, domestic stocks of which market value is readily available are stated at the average of the market value during the final month of the six months ended September 30, 2017. Other securities are stated at market value at the balance sheet date.

Unlisted stocks and others of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because these are regarded as extremely difficult to determine fair value. The amount of the unlisted stocks and others reported in the consolidated balance sheets was ¥636,126 million as of September 30, 2017. Impairment losses on the unlisted stocks and others were ¥19 million for the six months ended September 30, 2017.

Loans

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

As for industrial and consumer loans, their fair value of these loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans of the Company to bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy is stated at the amounts arrived at by deducting estimated losses from the book value before direct write-off.

ii) Liabilities

Bonds payable

The fair value of bonds payable is stated at the market price at the balance sheet date, or based on data provided by pricing vendors.

Payables under securities borrowing transactions
The Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value due to short-term nature of these contracts.

iii) Derivative financial instruments
Listed transactions
The fair value of listed transactions, such as stock index futures and bond futures, is stated at the closing or settlement prices at the balance sheet date.

OTC transactions
The fair value of Over–the-Counter (OTC) transactions, such as foreign exchange contracts, is stated at theoretical prices based on the TTM, WM Reuters rate or discount rate at the balance sheet date, or a price based on data provided by pricing vendors.

Since OTC transactions of currency swaps contracts subject to the allocation method are treated as an integral part of the hedged foreign currency denominated loans and bonds payable, their fair value is included in the fair value of hedged loans and bonds payable in the table above.

Interest rate swap transactions
The fair value of interest rate swap transactions is stated at theoretical prices calculated by discounting the net future cash flows to the present value.

Since interest rate swaps subject to the special hedge accounting are treated as an integral part of the hedged loan, their fair value is included in the fair value of hedged loans in the table above.

b. Securities by holding purpose

Held-to-maturity debt securities
The amounts reported in the consolidated balance sheets and fair values of the held-to-maturity debt securities by security type at the end of the period, and the differences between them, were shown in the following table.

			Millions of Yen
	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount			
1) National & local government bonds	¥3,798,363	¥4,513,737	¥715,374
2) Corporate bonds	544,856	619,983	75,127
3) Others	269,752	286,920	17,168
Total	4,612,972	5,420,642	807,669
Securities whose fair value does not exceed the balance sheet amount			
1) National & local government bonds	927	917	(10)
2) Corporate bonds	2,800	2,784	(15)
3) Others	55,696	53,987	(1,709)
Total	59,424	57,688	(1,736)

(*) This table includes financial instruments that are deemed appropriate to be treated as securities under the “Financial Instruments and Exchange Act”.

Policy-reserve-matching bonds

The carrying amounts in the consolidated balance sheets of policy-reserve-matching bonds by security type were shown in the following table, along with their fair values and the differences between these amounts.

			Millions of Yen
	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount			
1) National & local government bonds	¥7,301,411	¥8,634,051	¥1,332,639
2) Corporate bonds	38,076	41,300	3,223
3) Others	4,874	4,893	18
Total	7,344,363	8,680,244	1,335,881
Securities whose fair value does not exceed the balance sheet amount			
1) National & local government bonds	—	—	—
2) Corporate bonds	500	499	(0)
3) Others	42,481	42,144	(336)
Total	42,981	42,644	(336)

Available-for-sale securities

With regard to available-for-sale securities, acquisition costs, amortized costs, the amounts reported in the consolidated balance sheets and the respective differences by each type of securities were shown in the following table.

			Millions of Yen
	Acquisition or amortized costs	Balance sheet amount	Difference
Securities whose balance sheet amount exceeds the acquisition or amortized costs			
(1) Domestic stocks	¥1,562,874	¥4,053,297	¥2,490,423
(2) Bonds	4,860,755	5,303,291	442,535
1) National & local government bonds	3,343,677	3,705,021	361,344
2) Corporate bonds	1,517,078	1,598,269	81,191
(3) Others	5,835,042	6,747,624	912,581
Total	12,258,673	16,104,213	3,845,540
Securities whose balance sheet amount does not exceed the acquisition or amortized costs			
(1) Domestic stocks	106,892	97,913	(8,978)
(2) Bonds	121,786	121,159	(627)
1) National & local government bonds	32,540	32,438	(101)
2) Corporate bonds	89,246	88,720	(526)
(3) Others	2,161,572	2,112,902	(48,669)
Total	2,390,252	2,331,975	(58,276)

(*) This table includes financial instruments that are deemed appropriate to be treated as securities under the "Financial Instruments and Exchange Act". "Acquisition or amortized costs" in the table above refers to book values after deduction of impairment losses.

17. Fair Values of Investment and Rental Property

The note of fair values of investment and rental property was omitted due to no significant changes in the balance sheet amounts and fair values from the end of the previous fiscal year.

18. Loans

The aggregate amounts of risk-monitored loans, which comprised of (1) loans to bankrupt borrowers, (2) loans in arrears, (3) loans in arrears for three months or longer, and (4) restructured loans, were ¥29,163 million as of September 30, 2017.

There were no loans to bankrupt borrowers as of September 30, 2017. The aggregate amount of loans in arrears was ¥3,572 million as of September 30, 2017.

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets as of September 30, 2017 were ¥368 million for loans to bankrupt borrowers, and ¥1 million for loans in arrears.

Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikelihood of repayment of principal or interest resulting from delinquent principal or interest for a certain period or for other reasons (hereafter, "non-accrual loans") and also meet the conditions stipulated in Article 96, Paragraph 1, Items 3 and 4 of the "Order for Enforcement of the Corporation Tax Act" (Cabinet Order No. 97 in 1965). Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties.

There were no loans in arrears for three months or longer as of September 30, 2017.

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

The amount of restructured loans was ¥25,590 million as of September 30, 2017.

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

19. Separate Accounts

The total amount of assets held in separate account defined in Article 118, Paragraph 1 of the "Insurance Business Act" was ¥852,746 million as of September 30, 2017. The amount of separate account liabilities was the same as this figure.

20. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the six months ended September 30, 2017 were as follows:

	Millions of Yen
Balance at the beginning of the fiscal year	¥236,959
Transfer from surplus in the previous fiscal year	169,815
Dividend payments to policyholders during the period	(101,536)
Interest accrued during the period	79
Balance at the end of the period	¥305,317

21. Foundation Funds

The Company offered foundation funds in the amount of ¥50,000 million pursuant to Article 60 of the “Insurance Business Act” in the six months ended September 30, 2017.

22. Reserve for Redemption of Foundation Funds

The Company redeemed foundation funds and also established for reserve for redemption of foundation funds pursuant to Article 56 of the “Insurance Business Act” in the amount of ¥100,000 million as of September 30, 2017.

23. Pledged Assets

Assets pledged as collateral were cash and deposits in the amount of ¥149 million, securities in the amount of ¥7,343 million, and loans in the amount of ¥85,893 million as of September 30, 2017.

24. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,906,054 million as of September 30, 2017.

25. Loan Commitments

The amount of loan commitments outstanding was ¥67,606 million as of September 30, 2017.

26. Subordinated Bonds

As of September 30, 2017, bonds payable in liabilities included subordinated bonds and foreign currency-denominated subordinated bonds of ¥378,677 million, and the repayments of which are subordinated to other obligations.

27. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥48,499 million as of September 30, 2017, pursuant to Article 259 of the “Insurance Business Act”.

These contributions are recognized as operating expenses when contributed.

28. Issuance of Subordinated Notes

The Company issued subordinated notes on November 6, 2017, as follows:

(1) Type

JPY denominated subordinated notes due 2047 with interest deferral options (the “2047 Notes”)

(2) Offering price

100% of principal amount

(3) Principal amount
JPY 100 billion

(4) Interest rate
A fixed rate of 1.11% per annum before November 6, 2027 and a fixed rate reset with step-up thereafter (reset every 5 years)

(5) Maturity
November 6, 2047
The 2047 Notes are callable on November 6, 2027 and every date which falls five, or a multiple of five, years thereafter until the 2047 Notes are fully redeemed at the discretion of Meiji Yasuda, subject to prior approval by the regulatory authority, etc.

(6) Collateral and guarantees
The 2047 Notes are not secured or guaranteed, and there are no particular assets reserved for them.

(7) Use of funds
For general business

Notes to the Unaudited Consolidated Statements of Income for the Six Months Ended September 30, 2017

1. Impairment of Fixed Assets

The details of the impairment losses on fixed assets are as follows:

(1) Method for grouping the assets

The Company and certain consolidated subsidiaries group all the fixed assets held and utilized mainly for the insurance business as one asset group for the impairment test.

For real estate for non-insurance business and idle assets, each asset is treated as an independent unit for the impairment test.

(2) Description of impairment losses recognized

For the six months ended September 30, 2017, the Company recognized impairment losses on real estate for non-insurance business that experienced a significant deterioration of profitability and on the idle assets that experienced a significant decline in fair value. For these assets, the Company reduced the carrying amount to a recoverable amount which is either fair value less costs to dispose or value-in-use, and recognized impairment losses as extraordinary losses in the consolidated statements of income.

(3) Details of fixed assets resulting in impairment losses

For the six months ended September 30, 2017

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	0	¥ —	¥ —	¥ —
Idle assets	4	51	91	142
Total	4	¥51	¥91	¥142

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for non-insurance business are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value. Value in use is mainly determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 1.92% for the six months ended September 30, 2017. Net realizable value is calculated based on the appraisal value with reference to “Real Estate Appraisal Standards” or the publicly announced appraisal value.

Notes to the Unaudited Consolidated Statements of Cash Flows for the Six Months Ended September 30, 2017

1. Scope of Cash and Cash Equivalents
For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand, demand deposits and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present insignificant risk of change in value.

2. Reconciliation of Cash and Cash Equivalents
The components of cash and cash equivalents in the consolidated statements of cash flows as of September 30, 2017 were as follows:

	Millions of Yen
Cash and deposits	¥ 532,220
Call loans	90,000
Money held in trust	1,500
Securities	432
Cash and cash equivalents	¥ 624,152