
Financial Results for the Nine Months Ended December 31, 2018

Nippon Life Insurance Company (the “Company”; President: Hiroshi Shimizu) announces financial results for the nine months ended December 31, 2018.

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1. Business Highlights

(1) Amount of Policies in Force and New Policies

• Policies in Force

	As of December 31, 2018				As of March 31, 2018	
	Number of policies		Amount of policies		Number of policies (thousands)	Amount of policies (100 million yen)
	(thousands)	As a percentage of March 31, 2018 (%)	(100 million yen)	As a percentage of March 31, 2018 (%)		
Individual insurance	27,484	104.9	1,359,302	98.4	26,194	1,381,477
Individual annuities	3,943	101.5	239,779	101.7	3,886	235,809
Group insurance	—	—	972,140	101.8	—	955,119
Group annuities	—	—	131,096	102.0	—	128,541

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

• New Policies

	Nine months ended December 31, 2018						Nine months ended December 31, 2017			
	Number of policies		Amount of policies				Number of policies (thousands)	Amount of policies		
	(thousands)	As a percentage of nine months ended December 31, 2017 (%)	(100 million yen)	As a percentage of nine months ended December 31, 2017 (%)	New policies	Net increase (decrease) by conversion		(100 million yen)	New policies	Net increase (decrease) by conversion
Individual insurance	3,567	141.0	51,684	129.9	51,186	497	2,529	39,787	44,378	(4,590)
Individual annuities	168	101.6	10,862	107.2	10,808	54	165	10,134	10,042	92
Group insurance	—	—	5,270	196.2	5,270		—	2,686	2,686	
Group annuities	—	—	5	177.0	5		—	3	3	

Notes: 1. New policies include enrollment using the coverage enhancement system, and conversion indicates enrollment using the coverage revision system and partial coverage revision system.
2. The number of policies includes policies that were converted into new policies.
3. The amount of new policies and net increase in policies by conversion for individual annuities represents annuity resources at the start of annuity payments.
4. The amount of new policies for group annuities represents the first-time premium.

(2) Annualized Net Premium

• Policies in Force

(100 Million Yen, %)

	As of December 31, 2018		As of March 31, 2018
		As a percentage of March 31, 2018	
Individual insurance	27,040	100.7	26,861
Individual annuities	10,004	102.1	9,795
Total	37,044	101.1	36,657
Medical coverages, living benefits, and others	6,359	101.3	6,279

• New Policies

(100 Million Yen, %)

	Nine months ended December 31, 2018		Nine months ended December 31, 2017
		As a percentage of nine months ended December 31, 2017	
Individual insurance	1,629	83.9	1,941
Individual annuities	471	105.8	445
Total	2,100	88.0	2,386
Medical coverages, living benefits, and others	354	111.8	316

Notes: 1. The amount of annualized net premium is the annualized premium amount calculated by multiplying factors according to the premium payment method to a single premium payment amount (for lump-sum payment policies, the amount is the total premium divided by the insured period).
2. The amount of medical coverages, living benefits, and others represents annualized premium related to medical benefits (hospitalization benefits and surgical benefits), living benefits (specified illness benefits and nursing care benefits), and waiver of premium benefits (excluding disability benefits alone, but including specified illness and nursing care benefits).
3. Annualized new policy net premium includes net increases due to conversions.

2. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of December 31, 2018		As of March 31, 2018	
	Amount	%	Amount	%
Cash, deposits, and call loans	11,008	1.7	10,634	1.6
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	2,452	0.4	2,782	0.4
Proprietary trading securities	—	—	—	—
Assets held in trust	183	0.0	104	0.0
Investments in securities:	539,498	82.4	537,443	82.5
Domestic bonds	232,666	35.5	223,813	34.3
Domestic stocks	87,702	13.4	93,588	14.4
Foreign securities:	190,515	29.1	193,710	29.7
Foreign bonds	135,867	20.7	144,335	22.1
Foreign stocks and other securities	54,648	8.3	49,375	7.6
Other securities	28,613	4.4	26,330	4.0
Loans:	74,994	11.5	74,683	11.5
Policy loans	5,931	0.9	6,190	0.9
Industrial and consumer loans	69,062	10.5	68,492	10.5
Real estate:	16,560	2.5	16,073	2.5
Investment properties	10,549	1.6	10,105	1.6
Deferred tax assets	—	—	—	—
Other assets	10,241	1.6	10,087	1.5
Allowance for doubtful accounts	(28)	(0.0)	(24)	(0.0)
Total assets (general account):	654,910	100.0	651,785	100.0
Foreign currency-denominated assets	179,862	27.5	180,158	27.6

Notes: 1. The above assets include cash received as collateral under securities lending transactions. Cash collateral received through these transactions is also recorded in liabilities as cash received as collateral under securities lending transactions (¥426.9 billion and ¥330.7 billion as of December 31, 2018, and March 31, 2018, respectively).

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

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

(100 Million Yen)

		As of December 31, 2018					As of March 31, 2018				
		Book value	Fair value	Net gains/losses			Book value	Fair value	Net gains/losses		
					Gains	Losses				Gains	Losses
	Policy-reserve-matching bonds *	204,919	241,277	36,357	36,408	(51)	195,283	232,296	37,013	37,072	(59)
	Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
	Investments in subsidiaries and affiliates	640	1,153	513	513	—	640	1,695	1,055	1,055	—
	Available-for-sale securities:	264,390	321,822	57,431	62,334	(4,902)	264,467	331,872	67,404	71,298	(3,893)
	Domestic bonds	28,627	30,542	1,914	1,949	(34)	29,458	31,406	1,947	2,004	(56)
	Domestic stocks	42,696	82,611	39,915	41,953	(2,038)	41,660	89,654	47,993	48,881	(887)
	Foreign securities:	164,525	178,473	13,948	16,630	(2,682)	166,001	181,594	15,592	18,438	(2,846)
	Foreign bonds	125,438	135,179	9,740	11,497	(1,756)	134,692	143,863	9,171	11,756	(2,585)
	Foreign stocks and other securities	39,086	43,294	4,207	5,133	(926)	31,309	37,730	6,421	6,681	(260)
	Other securities	26,116	27,772	1,656	1,799	(143)	23,681	25,553	1,872	1,973	(100)
	Monetary receivables purchased	375	372	(2)	0	(3)	390	388	(1)	0	(2)
	Negotiable certificates of deposit	2,049	2,049	0	0	(0)	3,275	3,275	0	0	(0)
Total		469,950	564,253	94,302	99,256	(4,953)	460,391	565,864	105,473	109,426	(3,953)
	Domestic bonds	230,751	268,919	38,167	38,236	(68)	221,865	260,700	38,835	38,941	(106)
	Domestic stocks	42,696	82,611	39,915	41,953	(2,038)	41,660	89,654	47,993	48,881	(887)
	Foreign securities:	165,871	180,334	14,462	17,161	(2,698)	167,115	183,771	16,655	19,511	(2,855)
	Foreign bonds	126,153	135,896	9,742	11,515	(1,772)	135,175	144,354	9,179	11,774	(2,595)
	Foreign stocks and other securities	39,717	44,438	4,720	5,646	(926)	31,940	39,416	7,476	7,737	(260)
	Other securities	26,126	27,783	1,656	1,800	(143)	23,690	25,562	1,872	1,973	(100)
	Monetary receivables purchased	2,455	2,555	99	103	(3)	2,784	2,900	116	118	(2)
	Negotiable certificates of deposit	2,049	2,049	0	0	(0)	3,275	3,275	0	0	(0)

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

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

[Book Value of Securities of which the Fair Value is extremely difficult to be determined]

(100 Million Yen)

	As of December 31, 2018	As of March 31, 2018
Policy-reserve-matching bonds	—	—
Held-to-maturity debt securities:	—	—
Unlisted foreign bonds	—	—
Others	—	—
Investments in subsidiaries and affiliates	10,208	8,954
Available-for-sale securities:	6,361	6,695
Unlisted domestic stocks (excluding over-the-counter stocks)	536	549
Unlisted foreign stocks (excluding over-the-counter stocks)	2,400	3,170
Unlisted foreign bonds	—	—
Others	3,425	2,975
Total	16,570	15,649

Note: Of securities of which the fair value is extremely difficult to be determined, the net gains on currency exchange valuation of assets denominated in foreign currencies were as follows:

¥2.4 billion and ¥7.5 billion as of December 31, 2018, and March 31, 2018, respectively.

(3) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of December 31, 2018					As of March 31, 2018				
	Balance sheet amount	Fair Value	Net gains/losses			Balance sheet amount	Fair Value	Net gains/losses		
			Gains	Losses				Gains	Losses	
Assets held in trust	183	183	—	—	—	104	104	—	—	—

Notes: 1. Fair value is based on a price reasonably calculated by the trustee of the assets held in trust.

2. The balance sheet amounts include net gains/losses on derivative transactions within assets held in trust.

- Assets Held in Trust for Trading Purposes

(100 Million Yen)

	As of December 31, 2018		As of March 31, 2018	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Assets held in trust for trading purposes	183	37	104	(32)

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

- Assets Held in Trust Classified as Policy-Reserve-Matching, Held-to-Maturity, and Available-for-Sale

There were no ending balances as of December 31, 2018, and March 31, 2018.

3. Nonconsolidated Balance Sheets

(Million Yen)

	As of December 31, 2018	As of March 31, 2018
Assets:		
Cash and deposits	896,771	834,511
Call loans	517,207	471,113
Monetary receivables purchased	245,258	278,235
Assets held in trust	18,344	10,421
Investments in securities:	54,795,858	54,703,507
National government bonds	20,838,664	19,842,086
Local government bonds	852,622	883,461
Corporate bonds	1,960,419	2,089,678
Domestic stocks	8,914,441	9,521,609
Foreign securities	19,294,226	19,661,925
Loans:	7,499,468	7,468,329
Policy loans	593,183	619,030
Industrial and consumer loans	6,906,284	6,849,298
Tangible fixed assets	1,688,027	1,630,859
Intangible fixed assets	189,052	185,042
Reinsurance receivables	207	512
Other assets	840,777	868,603
Customers' liability for acceptances and guarantees	59,910	52,065
Allowance for doubtful accounts	(2,812)	(2,401)
Allowance for investment loss	(30,326)	(28,138)
Total assets	66,717,743	66,472,661
Liabilities:		
Policy reserves and other reserves:	55,923,413	55,021,894
Reserve for outstanding claims	238,795	285,702
Policy reserves	54,610,747	53,741,024
Reserve for dividends to policyholders	1,073,870	995,167
Reinsurance payables	228	594
Corporate bonds	1,028,889	1,028,889
Other liabilities:	1,824,383	1,466,056
Income taxes payable	26,294	37,406
Lease obligations	9,903	12,059
Asset retirement obligations	4,843	2,192
Other liabilities	1,783,341	1,414,398
Accrued bonuses for directors, and audit and supervisory board members	66	90
Accrued retirement benefits	365,999	361,114
Accrued retirement benefits for directors, and audit and supervisory board members	4,094	4,840
Reserve for program points	9,875	9,411
Reserve for price fluctuations in investments in securities	1,398,459	1,282,194
Deferred tax liabilities	225,353	577,415
Deferred tax liabilities for land revaluation	104,146	104,828
Acceptances and guarantees	59,910	52,065
Total liabilities	60,944,820	59,909,395

3. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of December 31, 2018	As of March 31, 2018
Net assets:		
Foundation funds	100,000	150,000
Reserve for redemption of foundation funds	1,250,000	1,200,000
Reserve for revaluation	651	651
Surplus:	365,802	450,600
Legal reserve for deficiencies	17,578	16,804
Other surplus reserves:	348,224	433,796
Equalized reserve for dividends to policyholders	10,000	40,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	351	351
Reserve for reduction entry of real estate	49,836	49,708
Reserve for reduction entry of real estate to be purchased	28,603	23,422
Other reserves	170	170
Unappropriated surplus	187,346	248,227
Total foundation funds and others	1,716,453	1,801,251
Net unrealized gains on available-for-sale securities	4,160,487	4,882,103
Deferred losses on derivatives under hedge accounting	(41,276)	(59,099)
Land revaluation losses	(62,740)	(60,989)
Total valuations, conversions, and others	4,056,469	4,762,014
Total net assets	5,772,923	6,563,265
Total liabilities and net assets	66,717,743	66,472,661

Basis of Presenting the Nonconsolidated Balance Sheet as of December 31, 2018

1. The corporate tax, inhabitant tax, and income tax adjustments for the nine months ended December 31, 2018, 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.
2. Changes in the reserve for dividends to policyholders for the nine months ended December 31, 2018, were as follows:

	Million Yen
	Nine months ended December 31, 2018
a. Balance at the beginning of the current fiscal year	¥995,167
b. Transfer to reserve from surplus for the previous fiscal year	¥218,353
c. Dividends paid to policyholders during the current nine-month period	¥156,345
d. Increase in interest	¥16,695
e. Balance at the end of the current nine-month period (a+b-c+d)	¥1,073,870

3. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act.
4. Nissay Seiho Preparatory Company Ltd. (the “Preparatory Company”), which was established by the Company on July 2, 2018, changed its name to HANASAKU LIFE INSURANCE Co., Ltd. (“HANASAKU LIFE”) on February 1, 2019, following the completion of the acquisition of 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 by the Company and the acquisition of a life insurance business license pursuant to Article 3 of the Insurance Business Act by the Preparatory Company on the same day.

1) Purpose of establishing the company

The purpose of establishing the company is to flexibly and dynamically provide services to independent insurance agencies and related entities in order to more appropriately address diversifying customer needs and growing sales channels.

2) Overview of HANASAKU LIFE

- a. Company name: HANASAKU LIFE INSURANCE Co., Ltd.
- b. The location of its head office: Minato-ku, Tokyo
- c. Capital stock: ¥10 billion

On February 5, 2019, the Company approved a capital increase of ¥20 billion in HANASAKU LIFE, with plans to carry out the capital increase as of April 1, 2019.

3) Date of establishment

July 2, 2018

4) Percentage of voting rights held by the Company

100%

5. The amount of securities lent under lending agreements was ¥3,860,593 million as of December 31, 2018.

4. Nonconsolidated Statements of Income

(Million Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Ordinary income:	4,776,021	4,696,379
Revenues from insurance and reinsurance:	3,446,098	3,380,396
Insurance premiums	3,445,686	3,380,025
Investment income:	1,199,348	1,231,483
Interest, dividends, and other income	1,027,009	1,007,091
Gain from assets held in trust, net	2,723	—
Gain on sales of securities	166,445	129,858
Gain on separate accounts, net	—	75,936
Other ordinary income	130,573	84,499
Ordinary expenses:	4,459,020	4,378,458
Benefits and other payments:	2,654,269	2,626,361
Death and other claims	779,498	765,152
Annuity payments	576,384	584,914
Health and other benefits	477,242	471,998
Surrender benefits	695,201	659,433
Other refunds	125,294	144,212
Provision for policy reserves:	886,418	956,443
Provision for policy reserves	869,722	939,688
Provision for interest on reserve for dividends to policyholders	16,695	16,755
Investment expenses:	292,141	181,800
Interest expenses	23,014	15,821
Loss from assets held in trust, net	—	4,909
Loss on sales of securities	106,078	49,599
Loss on valuation of securities	13,950	3,927
Loss on derivative financial instruments, net	76,120	58,639
Loss on separate accounts, net	29,793	—
Operating expenses	451,548	447,312
Other ordinary expenses	174,642	166,540
Ordinary profit	317,000	317,921
Extraordinary gains:	486	16,268
Gain on disposals of fixed assets	486	16,268
Extraordinary losses:	122,621	152,054
Loss on disposals of fixed assets	1,805	4,894
Impairment losses	1,551	1,105
Provision for reserve for price fluctuations in investments in securities	116,265	144,405
Contributions for assisting social public welfare	3,000	1,650
Surplus before income taxes	194,865	182,135
Income taxes - current	97,048	94,886
Income taxes - deferred	(84,777)	(82,760)
Total income taxes	12,270	12,125
Net surplus	182,595	170,009

1. Impairment losses are as follows:

1) Method for grouping the assets

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

2) Recognition of impairment losses

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

3) Breakdown of asset groups for which impairment losses were recognized for the nine months ended December 31, 2018, is as follows:

Purpose of use	Million Yen		
	Land	Buildings	Total
Idle properties	¥1,158	¥392	¥1,551
Total	¥1,158	¥392	¥1,551

4) Measurement of recoverable amount

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

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

5. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Core operating profit (A)	468,084	449,079
Capital gains:	193,672	133,310
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	2,723	—
Gain on trading securities	—	—
Gain on sales of securities	166,445	129,858
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	—	1,348
Other capital gains	24,503	2,104
Capital losses:	207,311	142,724
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	—	4,909
Loss on trading securities	—	—
Loss on sales of securities	106,078	49,599
Loss on valuation of securities	13,950	3,927
Loss on derivative financial instruments, net	76,120	58,639
Foreign exchange losses, net	664	—
Other capital losses	10,496	25,648
Net capital losses (B)	(13,639)	(9,413)
Core operating profit, including net capital losses (A+B)	454,444	439,666
Nonrecurring gains:	—	1,915
Reinsurance revenue	—	—
Reversal of contingency reserve	—	—
Reversal of specific allowance for doubtful accounts	—	91
Other nonrecurring gains	—	1,823
Nonrecurring losses:	137,444	123,661
Reinsurance premiums	—	—
Provision for contingency reserve	132,713	123,661
Provision for specific allowance for doubtful accounts	2,542	—
Provision for allowance for specific overseas debts	—	—
Write-offs of loans	—	—
Other nonrecurring losses	2,188	—
Net nonrecurring losses (C)	(137,444)	(121,745)
Ordinary profit (A+B+C)	317,000	317,921

(Reference) Breakdown of “Other” items

(Million Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Core operating profit	(14,007)	23,543
Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	10,496	8,569
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	(22,922)	17,078
Impact of movements in surrender benefits related to market value adjustment	(1,581)	(2,104)
Other capital gains	24,503	2,104
Interest income related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	—	—
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	22,922	—
Impact of movements in surrender benefits related to market value adjustment	1,581	2,104
Other capital losses	10,496	25,648
Interest expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	10,496	8,569
Impact of market exchange rate movements related to foreign currency-denominated insurance policies	—	17,078
Impact of movements in surrender benefits related to market value adjustment	—	—
Other nonrecurring gains	—	1,823
Reversal of allowance for investment loss	—	1,823
Other nonrecurring losses	2,188	—
Provision for allowance for investment loss	2,188	—

6. Solvency Margin Ratio

(Million Yen)

	As of December 31, 2018	As of March 31, 2018
Solvency margin gross amount (A):	13,122,362	13,584,981
Foundation funds (<i>kikin</i>) and other reserve funds:	5,173,322	4,790,201
Foundation funds and others	1,716,453	1,582,107
Reserve for price fluctuations in investments in securities	1,398,459	1,282,194
Contingency reserve	1,796,073	1,663,360
General allowance for doubtful accounts	994	1,197
Others	261,341	261,341
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	5,107,771	5,996,439
Net unrealized gains on real estate × 85%	274,971	259,736
Excess of continued Zillmerized reserve	1,446,920	1,476,998
Qualifying subordinated debt	1,248,889	1,028,889
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(2,070)	(344)
Others	(127,443)	33,061
Total amount of risk (B):		
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	2,913,134	2,959,907
Underwriting risk (R ₁)	118,089	119,879
Underwriting risk of third-sector insurance (R ₈)	80,735	79,238
Anticipated yield risk (R ₂)	374,256	371,230
Minimum guarantee risk (R ₇)	5,696	5,564
Investment risk (R ₃)	2,465,360	2,514,457
Business management risk (R ₄)	60,882	61,807
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	900.9%	917.9%

Notes: 1. The amounts and figures as of March 31, 2018, in the table above are calculated based on the provisions of Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50 of 1996.

Those as of December 31, 2018, are calculated based on the methods deemed reasonable by the Company in accordance with the aforementioned provisions.

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

7. Status of Separate Accounts

(1) Balance of Separate Account Assets

(Million Yen)

	As of December 31, 2018	As of March 31, 2018
Individual variable insurance	104,526	114,872
Individual variable annuities	38,603	43,478
Group annuities	1,083,557	1,135,789
Separate account total	1,226,687	1,294,140

(2) Policies in Force

- Individual Variable Insurance

	As of December 31, 2018		As of March 31, 2018	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	7,386	5,413	2,273	2,610
Variable insurance (whole life type)	32,149	453,494	32,628	463,376
Total	39,535	458,908	34,901	465,987

- Individual Variable Annuities

	As of December 31, 2018		As of March 31, 2018	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	32,196	38,597	23,519	43,472

8. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Ordinary income	59,689	56,714
Ordinary profit	3,592	3,709
Net surplus attributable to the parent company	2,090	1,913
Comprehensive (loss) income	(5,435)	14,374

	As of December 31, 2018	As of March 31, 2018
Total assets	772,582	743,925
Solvency margin ratio	963.2%	968.0%

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

	As of December 31, 2018
Number of consolidated subsidiaries	12
Number of subsidiaries not consolidated but accounted for under the equity method	0
Number of affiliates accounted for under the equity method	14
Changes in significant subsidiaries and affiliates during the period	Addition: 1 MassMutual Life Insurance Company

(3) Basis of Preparing the Consolidated Financial Statements for the Nine Months Ended December 31, 2018

Under Article 59-7 of the Ordinance for Enforcement of the Insurance Business Act, an insurance company shall, for each quarter, make an effort to disclose the matters which would serve as reference information for policyholders provided in Article 111, paragraph 6 of the Insurance Business Act and any other customers so that they may acquire knowledge on the status of business and properties of the insurance company, its subsidiaries, and others which are especially important. The consolidated financial statements for the nine months ended December 31, 2018, have been prepared based on the model format for the announcement of first-quarter and third-quarter financial results (the “Quarterly Reporting Model”) created by The Life Insurance Association of Japan, and generally accepted standards for preparation of quarterly consolidated financial statements in Japan. However, the Quarterly Reporting Model is prepared for the purpose of fulfilling the obligation above to make an effort to disclose information. Accordingly, disclosures in the Quarterly Reporting Model differ from those prescribed by the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements.

(4) Policies for Preparing the Consolidated Financial Statements for the Nine Months Ended December 31, 2018

Consolidated subsidiaries

As the Company acquired equity interest in MassMutual Life Insurance Company, it is included within the scope of consolidation starting from the period of three months ended June 30, 2018. The said company was renamed as Nippon Wealth Life Insurance Company Limited on January 1, 2019.

(5) Consolidated Balance Sheets

(Million Yen)

	As of December 31, 2018	As of March 31, 2018
Assets:		
Cash and deposits	1,453,122	1,405,704
Call loans	517,207	471,113
Monetary receivables purchased	404,518	288,752
Assets held in trust	18,544	10,621
Investments in securities	62,658,129	60,106,713
Loans	8,593,832	8,630,122
Tangible fixed assets	1,910,435	1,857,734
Intangible fixed assets	261,547	255,722
Reinsurance receivables	8,573	11,577
Other assets	1,361,903	1,299,200
Deferred tax assets	13,699	6,154
Customers' liability for acceptances and guarantees	60,925	52,928
Allowance for doubtful accounts	(4,173)	(3,828)
Total assets	77,258,264	74,392,516
Liabilities:		
Policy reserves and other reserves:	64,961,710	61,523,014
Reserve for outstanding claims	303,978	332,590
Policy reserves	63,521,987	60,130,178
Reserve for dividends to policyholders (mutual company)	1,073,870	995,167
Reserve for dividends to policyholders (limited company)	61,873	65,078
Reinsurance payables	8,306	6,566
Corporate bonds	1,175,589	1,108,889
Other liabilities	2,624,341	2,244,558
Accrued bonuses for directors, and audit and supervisory board members	66	90
Net defined benefit liability	439,835	443,161
Accrued retirement benefits for directors, and audit and supervisory board members	4,824	5,503
Reserve for program points	9,875	9,411
Reserve for price fluctuations in investments in securities	1,475,593	1,345,987
Deferred tax liabilities	264,215	625,202
Deferred tax liabilities for land revaluation	104,146	104,828
Acceptances and guarantees	60,925	52,928
Total liabilities	71,129,430	67,470,142

(5) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of December 31, 2018	As of March 31, 2018
Net assets:		
Foundation funds	100,000	150,000
Reserve for redemption of foundation funds	1,250,000	1,200,000
Reserve for revaluation	651	651
Consolidated surplus	566,789	625,131
Total foundation funds and others	1,917,440	1,975,782
Net unrealized gains on available-for-sale securities	4,167,829	4,918,602
Deferred losses on derivatives under hedge accounting	(41,125)	(59,092)
Land revaluation losses	(62,740)	(60,989)
Foreign currency translation adjustments	7,189	28,706
Remeasurement of defined benefit plans	(12,712)	(18,632)
Total accumulated other comprehensive income	4,058,440	4,808,594
Noncontrolling interests	152,952	137,996
Total net assets	6,128,833	6,922,373
Total liabilities and net assets	77,258,264	74,392,516

Basis of Presenting the Consolidated Balance Sheet as of December 31, 2018

1. In the three months ended December 31, 2018, Mitsui Life Insurance Company Limited, a subsidiary of the Company, revised the subcategory of insurance products covered by policy-reserve-matching bonds in order to further promote its asset liability management. Specifically, Mitsui Life Insurance Company Limited has created the subcategory for whole life insurance and annuity insurance (up to 40 years) by extending the covered term for the previous subcategory for whole life insurance and annuity insurance (from eight to 27 years).

As a result, the subcategories for the nine months ended December 31, 2018, of the company were as follows:

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

There has been no impact on profit or loss for the nine months ended December 31, 2018, as a result of this revision.

2. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the nine months ended December 31, 2018, 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 of a mutual company due to the appropriation of surplus in the current fiscal year.
3. Changes in the reserve for dividends to policyholders of a mutual company for the nine months ended December 31, 2018, were as follows:

	Million Yen
	Nine months ended December 31, 2018
a. Balance at the beginning of the current fiscal year	¥995,167
b. Transfer to reserve from surplus for the previous fiscal year	¥218,353
c. Dividends paid to policyholders of a mutual company during the current nine-month period	¥156,345
d. Increase in interest	¥16,695
e. Balance at the end of the current nine-month period (a+b-c+d)	¥1,073,870

4. Changes in the reserve for dividends to policyholders of a limited company for the nine months ended December 31, 2018, were as follows:

	Million Yen
	Nine months ended December 31, 2018
a. Balance at the beginning of the current fiscal year	¥65,078
b. Dividends paid to policyholders of a limited company during the current nine-month period	¥13,327
c. Increase in interest	¥9
d. Provision for reserve for dividends to policyholders (limited company)	¥9,483
e. Increase due to changes in the scope of consolidation	¥629
f. Balance at the end of the current nine-month period (a-b+c+d+e)	¥61,873

5. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act.

6. Matters concerning business combinations through acquisitions and other matters are as follows:

(1) MassMutual Life Insurance Company

1) Overview of the business combination

a. Name and business of the acquiree

Name: MassMutual Life Insurance Company

Business: Life insurance business

b. Main reasons for executing the business combination

The purpose of the business combination is to build a structure that can accommodate a wide range of customers' needs in the financial institution bancassurance market in order to continuously expand policyholders' profit by expanding the profit base of group business.

c. Date of business combination

April 1, 2018 (deemed acquisition date)

d. Legal form of the business combination

Share acquisition for cash consideration

e. Name of the company after business combination

MassMutual Life Insurance Company

(Renamed as Nippon Wealth Life Insurance Company Limited on January 1, 2019)

f. Percentage of voting rights acquired

Approximately 85.1%

g. Main rationale for determining the acquirer

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

- 2) Period for which the acquiree's business results were included in the consolidated statement of income for the nine months ended December 31, 2018

The period from the date of business combination to the end of the nine months ended December 31, 2018

- 3) Acquisition cost and breakdown

Consideration for acquisition: Payment in cash

¥104,247 million

Acquisition cost

¥104,247 million

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

Advisory fees and others

¥873 million

- 5) Amount of and reasons for recognizing negative goodwill

- a. Amount of negative goodwill

¥10,347 million

- b. Reasons

Negative goodwill was recognized because the interest in the net amount of the assets acquired and the liabilities assumed was higher than the acquisition cost.

- 6) Amounts of the assets acquired and the liabilities assumed on the date of business combination and their main components

Total assets: ¥2,763,970 million

(including investment in securities of ¥2,449,174 million)

Total liabilities: ¥2,629,331 million

(including policy reserves and other reserves of ¥2,408,090 million)

- (2) Nissay Seihō Preparatory Company Ltd. (HANASAKU LIFE INSURANCE Co., Ltd.)

Nissay Seihō Preparatory Company Ltd. (the "Preparatory Company"), which was established by the Company on July 2, 2018, changed its name to HANASAKU LIFE INSURANCE Co., Ltd. ("HANASAKU LIFE") on February 1, 2019, following the completion of the acquisition of 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 by the Company and the acquisition of a life insurance business license pursuant to Article 3 of the Insurance Business Act by the Preparatory Company on the same day.

- 1) Purpose of establishing the company

The purpose of establishing the company is to flexibly and dynamically provide services to independent insurance agencies and related entities in order to more appropriately address diversifying customer needs and growing sales channels.

- 2) Overview of HANASAKU LIFE INSURANCE Co., Ltd.

- a. Company name: HANASAKU LIFE
- b. The location of its head office: Minato-ku, Tokyo
- c. Capital stock: ¥10 billion

On February 5, 2019, the Company approved a capital increase of ¥20 billion in HANASAKU LIFE, with plans to carry out the capital increase as of April 1, 2019.

3) Date of establishment

July 2, 2018

4) Percentage of voting rights held by the Company

100%

7. The amount of securities lent under lending agreements was ¥4,142,092 million as of December 31, 2018.

(6) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

(Million Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Ordinary income:	5,968,973	5,671,470
Revenues from insurance and reinsurance	4,410,979	4,059,666
Investment income:	1,341,252	1,447,196
Interest, dividends, and other income	1,147,402	1,069,767
Gain from assets held in trust, net	2,723	—
Gain on trading securities	12,185	12,573
Gain on sales of securities	174,551	159,795
Foreign exchange gains, net	—	89,079
Gain on separate accounts, net	—	99,637
Other ordinary income	216,742	164,607
Ordinary expenses:	5,609,685	5,300,497
Benefits and other payments:	3,363,076	3,186,858
Death and other claims	983,277	964,150
Annuity payments	710,666	663,247
Health and other benefits	625,253	595,484
Surrender benefits	859,747	780,930
Other refunds	151,298	152,326
Provision for policy reserves:	1,053,539	1,021,624
Provision for policy reserves	1,036,834	1,004,859
Provision for interest on reserve for dividends to policyholders (mutual company)	16,695	16,755
Provision for interest on reserve for dividends to policyholders (limited company)	9	9
Investment expenses:	341,788	277,078
Interest expenses	26,424	17,583
Loss from assets held in trust, net	—	4,909
Loss on sales of securities	111,317	56,174
Loss on valuation of securities	11,637	3,968
Loss on derivative financial instruments, net	89,074	141,238
Foreign exchange losses, net	17,485	—
Loss on separate accounts, net	38,268	—
Operating expenses	607,187	588,648
Other ordinary expenses	244,093	226,288
Ordinary profit	359,288	370,972
Extraordinary gains:	13,659	16,581
Gain on disposals of fixed assets	3,312	16,581
Gain on bargain purchase	10,347	—
Extraordinary losses:	127,241	154,717
Loss on disposals of fixed assets	2,806	5,441
Impairment losses	1,605	1,117
Provision for reserve for price fluctuations in investments in securities	119,829	146,509
Contributions for assisting social public welfare	3,000	1,650
Provision for reserve for dividends to policyholders (limited company)	9,483	12,786
Surplus before income taxes	236,222	220,049
Income taxes - current	112,790	109,721

(6) [Consolidated Statements of Income] (Continued)

(Million Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Income taxes - deferred	(89,010)	(87,504)
Total income taxes	23,779	22,216
Net surplus	212,442	197,832
Net surplus attributable to noncontrolling interests	3,391	6,531
Net surplus attributable to the parent company	209,051	191,301

1. Impairment losses are as follows:

1) Method for grouping the assets

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

2) Recognition of impairment losses

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

3) Breakdown of asset groups for which impairment losses were recognized for the nine months ended December 31, 2018, is as follows:

Purpose of use	Million Yen		
	Land	Buildings and others	Total
Real estate for rental use	¥7	¥1	¥8
Idle properties	¥1,181	¥414	¥1,596
Total	¥1,189	¥416	¥1,605

4) Measurement of recoverable amount

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

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 3.0%-3.8%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

2. The total amount of depreciation of real estate for rental use and other assets for the nine months ended December 31, 2018, was ¥53,409 million. Amortization of goodwill for the nine months ended December 31, 2018, was ¥1,986 million.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Net surplus	212,442	197,832
Other comprehensive (loss) income:	(755,950)	1,239,637
Net unrealized (losses) gains on available-for-sale securities	(753,004)	1,276,832
Deferred gains (losses) on derivatives under hedge accounting	17,478	(53,462)
Foreign currency translation adjustments	(16,082)	6,138
Remeasurement of defined benefit plans	5,998	5,017
Share of other comprehensive (loss) income of associates accounted for under the equity method	(10,341)	5,111
Comprehensive (loss) income:	(543,507)	1,437,470
Comprehensive (loss) income attributable to the parent company	(539,352)	1,419,108
Comprehensive (loss) income attributable to noncontrolling interests	(4,155)	18,361

(7) Consolidated Solvency Margin Ratio

(Million Yen)

	As of December 31, 2018	As of March 31, 2018
Solvency margin gross amount (A):	13,886,647	14,150,865
Foundation funds (<i>kikin</i>) and other reserve funds:	5,606,438	5,143,211
Foundation funds and others	2,032,184	1,852,172
Reserve for price fluctuations in investments in securities	1,475,593	1,345,987
Contingency reserve	1,834,240	1,680,761
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	1,801	2,114
Others	262,617	262,175
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	5,126,790	6,048,444
Net unrealized gains on real estate × 85%	287,435	272,410
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(17,633)	(25,843)
Excess of continued Zillmerized reserve	1,675,776	1,679,917
Qualifying subordinated debt	1,512,089	1,208,889
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(247,787)	(249,989)
Others	(56,463)	73,824
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$	2,883,397	2,923,568
Underwriting risk (R_1)	165,216	159,546
General underwriting risk (R_5)	—	—
Huge disaster risk (R_6)	—	—
Underwriting risk of third-sector insurance (R_8)	92,153	90,205
Underwriting risk related to small amount and short-term insurance providers (R_9)	—	—
Anticipated yield risk (R_2)	441,754	425,986
Minimum guarantee risk (R_7)	9,590	10,593
Investment risk (R_3)	2,358,938	2,414,061
Business management risk (R_4)	61,353	62,007
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	963.2%	968.0%

- Notes: 1. The amounts and figures as of March 31, 2018, in the table above are calculated based on the provisions of Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and the Financial Services Agency Public Notice No. 23 of 2011. Those as of December 31, 2018, are calculated based on the methods deemed reasonable by the Company in accordance with the aforementioned provisions.
2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

(8) Segment Information

For the nine months ended December 31, 2018, the Company and its consolidated subsidiaries engaged in insurance business and insurance-related businesses (including asset management-related business and general administration-related business) in Japan and overseas. Segment information and its related information are omitted because there are no other significant segments to be reported.