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## Financial Results for the Nine Months Ended December 31, 2019

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Nippon Life Insurance Company (the “Company,” President: Hiroshi Shimizu) announces financial results for the nine months ended December 31, 2019.

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## 1. Business Highlights

### (1) Annualized Premium

- Policies in Force

(100 Million Yen, %)

|   | As of December 31, 2019 |                                      | As of March 31, 2019 |
|---|-------------------------|--------------------------------------|----------------------|
|   |                         | As a percentage of<br>March 31, 2019 |                      |
| Individual insurance                              | 27,150                  | 99.1                                 | 27,383               |
| Individual annuities                              | 10,466                  | 103.7                                | 10,096               |
| Total   | 37,616                  | 100.4                                | 37,479               |
| Medical coverages, living<br>benefits, and others | 6,538                   | 102.4                                | 6,383                |

- New Policies

(100 Million Yen, %)

|   | Nine months ended December 31, 2019 |  | Nine months ended<br>December 31, 2018 |
|---|-------------------------------------|--|--|
|   |                                     | As a percentage of<br>nine months ended<br>December 31, 2018 |  |
| Individual insurance                              | 1,211                               | 74.4   | 1,629                                  |
| Individual annuities                              | 631                                 | 134.1  | 471                                    |
| Total   | 1,843                               | 87.8   | 2,100                                  |
| Medical coverages, living<br>benefits, and others | 440                                 | 124.5  | 354                                    |

Notes: 1. The amount of annualized premium is calculated by multiplying a single premium payment by a factor according to the premium payment method (for single premium policies, the annualized 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) Amount of Policies in Force and New Policies

### • Policies in Force

|                      | As of December 31, 2019 |  |                         |  | As of March 31, 2019              |   |
|----------------------|-------------------------|--|-------------------------|--|-----------------------------------|---|
|                      | Number of policies      |  | Amount of policies      |  | Number of policies<br>(thousands) | Amount of policies<br>(100 million yen) |
|                      | (thousands)             | As a<br>percentage of<br>March 31,<br>2019 (%) | (100<br>million<br>yen) | As a<br>percentage of<br>March 31,<br>2019 (%) |                                   |   |
| Individual insurance | 28,803                  | 103.2  | 1,331,342               | 98.4   | 27,907                            | 1,353,326                               |
| Individual annuities | 4,047                   | 102.1  | 247,193                 | 103.3  | 3,964                             | 239,372                                 |
| Group insurance      | —                       | —  | 981,821                 | 101.1  | —                                 | 971,022                                 |
| Group annuities      | —                       | —  | 134,184                 | 101.8  | —                                 | 131,770                                 |

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, 2019 |   |                         |   |                 |                                     | Nine months ended December 31, 2018  |                         |                 |                                     |
|----------------------|-------------------------------------|---|-------------------------|---|-----------------|-------------------------------------|--------------------------------------|-------------------------|-----------------|-------------------------------------|
|                      | Number of policies                  |   | Amount of policies      |   |                 |                                     | Number of<br>policies<br>(thousands) | Amount of policies      |                 |                                     |
|                      | (thousands)                         | As a<br>percentage<br>of nine<br>months<br>ended<br>December<br>31, 2018<br>(%) | (100<br>million<br>yen) | As a<br>percentage<br>of nine<br>months<br>ended<br>December<br>31, 2018<br>(%) | New<br>policies | Net<br>increase<br>by<br>conversion |                                      | (100<br>million<br>yen) | New<br>policies | Net<br>increase<br>by<br>conversion |
| Individual insurance | 3,598                               | 100.9   | 47,254                  | 91.4  | 46,733          | 521                                 | 3,567                                | 51,684                  | 51,186          | 497                                 |
| Individual annuities | 195                                 | 116.2   | 14,502                  | 133.5   | 14,312          | 190                                 | 168                                  | 10,862                  | 10,808          | 54                                  |
| Group insurance      | —                                   | —   | 1,512                   | 28.7  | 1,512           |                                     | —                                    | 5,270                   | 5,270           |                                     |
| Group annuities      | —                                   | —   | 2                       | 44.3  | 2               |                                     | —                                    | 5                       | 5               |                                     |

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 amounts of new policies for group annuities represent the first-time premium.

## 2. Investment Management Performance (General Account)

### (1) Asset Composition

(100 Million Yen, %)

|   | As of December 31, 2019 |       | As of March 31, 2019 |       |
|---|-------------------------|-------|----------------------|-------|
|   | Amount                  | %     | Amount               | %     |
| Cash, deposits, and call loans                      | 10,291                  | 1.5   | 10,793               | 1.6   |
| Receivables under resale agreements                 | —                       | —     | —                    | —     |
| Receivables under securities borrowing transactions | —                       | —     | —                    | —     |
| Monetary receivables purchased                      | 2,109                   | 0.3   | 2,440                | 0.4   |
| Proprietary trading securities                      | —                       | —     | —                    | —     |
| Assets held in trust                                | 35                      | 0.0   | 131                  | 0.0   |
| Investments in securities:                          | 582,400                 | 83.8  | 555,143              | 83.1  |
| Domestic bonds                                      | 240,657                 | 34.6  | 235,275              | 35.2  |
| Domestic stocks                                     | 95,801                  | 13.8  | 89,554               | 13.4  |
| Foreign securities:                                 | 211,184                 | 30.4  | 198,595              | 29.7  |
| Foreign bonds                                       | 142,555                 | 20.5  | 138,710              | 20.8  |
| Foreign stocks and other securities                 | 68,629                  | 9.9   | 59,884               | 9.0   |
| Other securities                                    | 34,756                  | 5.0   | 31,717               | 4.7   |
| Loans:  | 74,256                  | 10.7  | 74,387               | 11.1  |
| Policy loans  | 5,572                   | 0.8   | 5,827                | 0.9   |
| Industrial and consumer loans                       | 68,684                  | 9.9   | 68,559               | 10.3  |
| Real estate:  | 16,539                  | 2.4   | 16,496               | 2.5   |
| Investment properties                               | 10,593                  | 1.5   | 10,484               | 1.6   |
| Deferred tax assets                                 | —                       | —     | —                    | —     |
| Other assets  | 9,164                   | 1.3   | 8,919                | 1.3   |
| Allowance for doubtful accounts                     | (32)                    | (0.0) | (44)                 | (0.0) |
| Total assets (general account):                     | 694,764                 | 100.0 | 668,267              | 100.0 |
| Foreign currency-denominated assets                 | 202,519                 | 29.1  | 187,195              | 28.0  |

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 (¥0 and ¥32.6 billion as of December 31, 2019, and March 31, 2019, 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, 2019 |            |                  |                  |         | As of March 31, 2019 |            |                  |                  |         |
|--|-------------------------|------------|------------------|------------------|---------|----------------------|------------|------------------|------------------|---------|
|  | Book value              | Fair value | Net gains/losses | Net gains/losses |         | Book value           | Fair value | Net gains/losses | Net gains/losses |         |
|  |                         |            |                  | Gains            | Losses  |                      |            |                  | Gains            | Losses  |
| Policy-reserve-matching bonds *            | 211,736                 | 251,525    | 39,788           | 39,886           | (97)    | 206,963              | 247,738    | 40,774           | 40,777           | (2)     |
| Held-to-maturity debt securities           | —                       | —          | —                | —                | —       | —                    | —          | —                | —                | —       |
| Investments in subsidiaries and affiliates | 1,339                   | 2,915      | 1,576            | 1,576            | —       | 640                  | 1,368      | 728              | 728              | —       |
| Available-for-sale securities:             | 275,965                 | 355,810    | 79,845           | 82,463           | (2,618) | 269,616              | 337,085    | 67,469           | 70,368           | (2,898) |
| Domestic bonds                             | 29,681                  | 31,997     | 2,315            | 2,340            | (25)    | 28,953               | 31,307     | 2,353            | 2,364            | (10)    |
| Domestic stocks                            | 42,497                  | 90,421     | 47,923           | 50,008           | (2,084) | 42,682               | 84,459     | 41,777           | 43,862           | (2,084) |
| Foreign securities:                        | 171,224                 | 198,019    | 26,795           | 27,266           | (470)   | 166,482              | 187,236    | 20,753           | 21,533           | (780)   |
| Foreign bonds                              | 123,687                 | 141,314    | 17,626           | 17,949           | (322)   | 123,905              | 137,743    | 13,837           | 14,350           | (512)   |
| Foreign stocks and other securities        | 47,536                  | 56,705     | 9,168            | 9,316            | (148)   | 42,576               | 49,492     | 6,916            | 7,183            | (267)   |
| Other securities                           | 30,957                  | 33,762     | 2,804            | 2,842            | (37)    | 28,270               | 30,854     | 2,584            | 2,606            | (22)    |
| Monetary receivables purchased             | 305                     | 311        | 5                | 5                | (0)     | 434                  | 434        | 0                | 1                | (0)     |
| Negotiable certificates of deposit         | 1,298                   | 1,297      | (0)              | 0                | (0)     | 2,793                | 2,792      | (0)              | 0                | (0)     |
| Total                                      | 489,041                 | 610,251    | 121,210          | 123,925          | (2,715) | 477,219              | 586,192    | 108,972          | 111,874          | (2,901) |
| Domestic bonds                             | 238,341                 | 280,304    | 41,963           | 42,083           | (119)   | 232,921              | 275,912    | 42,990           | 43,001           | (10)    |
| Domestic stocks                            | 42,497                  | 90,421     | 47,923           | 50,008           | (2,084) | 42,682               | 84,459     | 41,777           | 43,862           | (2,084) |
| Foreign securities:                        | 173,833                 | 202,255    | 28,422           | 28,895           | (472)   | 168,103              | 189,618    | 21,515           | 22,297           | (782)   |
| Foreign bonds                              | 124,966                 | 142,644    | 17,678           | 18,003           | (324)   | 124,895              | 138,767    | 13,871           | 14,386           | (514)   |
| Foreign stocks and other securities        | 48,867                  | 59,610     | 10,743           | 10,891           | (148)   | 43,207               | 50,851     | 7,643            | 7,911            | (267)   |
| Other securities                           | 30,967                  | 33,773     | 2,805            | 2,843            | (37)    | 28,279               | 30,864     | 2,585            | 2,607            | (22)    |
| Monetary receivables purchased             | 2,103                   | 2,198      | 94               | 95               | (0)     | 2,439                | 2,544      | 104              | 106              | (1)     |
| Negotiable certificates of deposit         | 1,298                   | 1,297      | (0)              | 0                | (0)     | 2,793                | 2,792      | (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 Whose Fair Value is Extremely Difficult to be Determined]

(100 Million Yen)

|   | As of December 31, 2019 | As of March 31, 2019 |
|---|-------------------------|----------------------|
| Policy-reserve-matching bonds                                   | —                       | —                    |
| Held-to-maturity debt securities:                               | —                       | —                    |
| Unlisted foreign bonds  | —                       | —                    |
| Others  | —                       | —                    |
| Investments in subsidiaries and affiliates                      | 10,916                  | 10,251               |
| Available-for-sale securities:                                  | 6,024                   | 5,398                |
| Unlisted domestic stocks<br>(excluding over-the-counter stocks) | 599                     | 532                  |
| Unlisted foreign stocks<br>(excluding over-the-counter stocks)  | 752                     | 1,200                |
| Unlisted foreign bonds  | 0                       | —                    |
| Others  | 4,671                   | 3,665                |
| Total   | 16,940                  | 15,650               |

Note: Of securities whose fair value is extremely difficult to be determined, the net gains (losses) on currency exchange valuation of assets denominated in foreign currencies were as follows:  
¥(10.9) billion and ¥3.6 billion as of December 31, 2019, and March 31, 2019, respectively.

(3) Fair Value Information of Assets Held in Trust

(100 Million Yen)

|                      | As of December 31, 2019 |            |                  |        |                      | As of March 31, 2019 |                  |        |   |   |
|----------------------|-------------------------|------------|------------------|--------|----------------------|----------------------|------------------|--------|---|---|
|                      | Balance sheet amount    | Fair value | Net gains/losses |        | Balance sheet amount | Fair value           | Net gains/losses |        |   |   |
|                      |                         |            | Gains            | Losses |                      |                      | Gains            | Losses |   |   |
| Assets held in trust | 35                      | 35         | —                | —      | —                    | 131                  | 131              | —      | — | — |

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, 2019 |  | As of March 31, 2019 |  |
|---|-------------------------|--|----------------------|--|
|   | 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 | 35                      | (39)   | 131                  | (15)   |

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, 2019, and March 31, 2019.

### 3. Nonconsolidated Balance Sheets

(Million Yen)

|  | As of December 31, 2019 | As of March 31, 2019 |
|--|-------------------------|----------------------|
| <b>Assets:</b>   |                         |                      |
| Cash and deposits  | 931,603                 | 977,580              |
| Call loans   | 469,628                 | 429,912              |
| Monetary receivables purchased   | 210,977                 | 244,043              |
| Assets held in trust   | 3,595                   | 13,157               |
| Investments in securities:   | 59,089,465              | 56,383,725           |
| National government bonds  | 21,553,618              | 21,140,721           |
| Local government bonds   | 763,099                 | 790,372              |
| Corporate bonds  | 2,102,026               | 1,969,571            |
| Domestic stocks  | 9,727,400               | 9,110,036            |
| Foreign securities   | 21,382,434              | 20,121,556           |
| Loans:   | 7,425,622               | 7,438,736            |
| Policy loans   | 557,220                 | 582,774              |
| Industrial and consumer loans  | 6,868,402               | 6,855,961            |
| Tangible fixed assets  | 1,678,913               | 1,680,589            |
| Intangible fixed assets  | 190,991                 | 192,502              |
| Reinsurance receivables  | 78                      | 587                  |
| Other assets   | 718,829                 | 688,042              |
| Customers' liability for acceptances and guarantees                                | 74,526                  | 69,893               |
| Allowance for doubtful accounts  | (3,236)                 | (4,463)              |
| Allowance for investment loss  | (32,150)                | (29,597)             |
| <b>Total assets</b>  | <b>70,758,846</b>       | <b>68,084,710</b>    |
| <b>Liabilities:</b>  |                         |                      |
| Policy reserves and other reserves:  | 57,344,445              | 56,347,264           |
| Reserve for outstanding claims   | 176,827                 | 238,428              |
| Policy reserves  | 56,075,289              | 55,088,621           |
| Reserve for dividends to policyholders   | 1,092,329               | 1,020,213            |
| Reinsurance payables   | 99                      | 624                  |
| Corporate bonds  | 1,028,889               | 1,028,889            |
| Other liabilities:   | 2,236,384               | 1,694,384            |
| Income taxes payable   | 1,445                   | 40,348               |
| Lease obligations  | 7,803                   | 9,341                |
| Asset retirement obligations   | 4,870                   | 4,850                |
| Other liabilities  | 2,222,264               | 1,639,844            |
| Accrued bonuses for directors, and audit and supervisory board members             | 77                      | 106                  |
| Accrued retirement benefits  | 374,940                 | 365,897              |
| Accrued retirement benefits for directors, and audit and supervisory board members | 4,172                   | 4,225                |
| Reserve for program points   | 9,379                   | 9,203                |
| Reserve for price fluctuations in investments in securities                        | 1,444,914               | 1,381,653            |
| Deferred tax liabilities   | 750,885                 | 496,857              |
| Deferred tax liabilities for land revaluation                                      | 103,371                 | 103,748              |
| Acceptances and guarantees   | 74,526                  | 69,893               |
| <b>Total liabilities</b>   | <b>63,372,088</b>       | <b>61,502,747</b>    |

### 3. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

|  | As of December 31, 2019 | As of March 31, 2019 |
|--|-------------------------|----------------------|
| Net assets:  |                         |                      |
| Foundation funds   | 100,000                 | 100,000              |
| Reserve for redemption of foundation funds                 | 1,300,000               | 1,250,000            |
| Reserve for revaluation                                    | 651                     | 651                  |
| Surplus:   | 326,824                 | 434,526              |
| Legal reserve for deficiencies                             | 18,394                  | 17,578               |
| Other surplus reserves:                                    | 308,430                 | 416,948              |
| Equalized reserve for dividends to policyholders           | —                       | 10,000               |
| Contingency funds  | 71,917                  | 71,917               |
| Reserve for social public welfare assistance               | 351                     | 351                  |
| Reserve for reduction entry of real estate                 | 63,729                  | 49,836               |
| Reserve for reduction entry of real estate to be purchased | 14,790                  | 28,603               |
| Other reserves   | 170                     | 170                  |
| Unappropriated surplus                                     | 157,471                 | 256,070              |
| Total foundation funds and others                          | 1,727,475               | 1,785,178            |
| Net unrealized gains on available-for-sale securities      | 5,767,775               | 4,882,692            |
| Deferred losses on derivatives under hedge accounting      | (54,092)                | (31,216)             |
| Land revaluation losses                                    | (54,401)                | (54,690)             |
| Total valuations, conversions, and others                  | 5,659,282               | 4,796,785            |
| Total net assets   | 7,386,757               | 6,581,963            |
| Total liabilities and net assets                           | 70,758,846              | 68,084,710           |

Note: Unappropriated surplus on the condensed balance sheet as of March 31, 2019, represents the current-year unappropriated surplus.

Notes to the Nonconsolidated Balance Sheet as of December 31, 2019

1. The corporate tax, inhabitant tax, and income tax adjustments for the nine months ended December 31, 2019, 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. Effective from the three months ended June 30, 2019, Nippon Life has applied the consolidated taxation system with the Company as the parent company for consolidated taxation purposes.
3. Effective from the fiscal year ended March 31, 2019, the Company has provided additional policy reserves over a five-year period to cover a possible deficiency in the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥93,286 million, while ordinary profit and surplus before income taxes decreased by ¥93,286 million each, compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the nine months ended December 31, 2019.
4. Changes in the reserve for dividends to policyholders for the nine months ended December 31, 2019, were as follows:

|   | Million Yen                            |
|---|--|
|   | Nine months ended<br>December 31, 2019 |
| a. Balance at the beginning of the current fiscal year                  | ¥1,020,213                             |
| b. Transfer to reserve from surplus for the previous fiscal year        | 211,818                                |
| c. Dividends paid to policyholders during the current nine-month period | 156,114                                |
| d. Increase in interest   | 16,411                                 |
| e. Balance at the end of the current nine-month period (a+b-c+d)        | ¥1,092,329                             |

5. On January 23, 2020, the Company issued corporate bonds as follows:

|                           |  |
|---------------------------|--|
| Name                      | US dollar-denominated subordinated bonds due 2050 with interest deferral options   |
| Issue price               | 100% of par value  |
| Total amount issued       | US\$1,150 million  |
| Interest rate             | A fixed rate of 3.40% per annum until January 2030 and a fixed rate with step-up thereafter (reset every five years)   |
| Maturity                  | January 2050 (The corporate bonds are callable on January 23, 2030, and on each fifth anniversary date of the issuance date thereafter at the discretion of the Company, subject to prior approval by the regulatory authorities.) |
| Collateral and guarantees | The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.  |
| Use of funds              | General working capital  |

Designated hedge accounting has been applied to these bonds using the currency swap as a hedging instrument.

6. The Company has offered foundation funds (*kikin*) of ¥50,000 million as provided in Article 60 of the Insurance Business Act during the nine months ended December 31, 2019.
7. The Company redeemed ¥50,000 million of the foundation funds and credited the same amount to reserve for redemption of the foundation funds as prescribed in Article 56 of the Insurance Business Act.
8. The amount of securities lent under lending agreements was ¥2,937,633 million as of December 31, 2019.

#### 4. Nonconsolidated Statements of Income

(Million Yen)

|   | Nine months ended<br>December 31, 2019 | Nine months ended<br>December 31, 2018 |
|---|--|--|
| Ordinary income:  | 4,739,743                              | 4,776,021                              |
| Revenues from insurance and reinsurance:                                  | 3,370,300                              | 3,446,098                              |
| Insurance premiums  | 3,369,871                              | 3,445,686                              |
| Investment income:  | 1,226,129                              | 1,199,348                              |
| Interest, dividends, and other income                                     | 1,018,570                              | 1,027,009                              |
| Gain from assets held in trust, net                                       | —                                      | 2,723                                  |
| Gain on sales of securities   | 161,349                                | 166,445                                |
| Gain on separate accounts, net  | 39,826                                 | —                                      |
| Other ordinary income   | 143,314                                | 130,573                                |
| Ordinary expenses:  | 4,514,218                              | 4,459,020                              |
| Benefits and other payments:  | 2,656,370                              | 2,654,269                              |
| Death and other claims  | 759,856                                | 779,498                                |
| Annuity payments  | 582,126                                | 576,384                                |
| Health and other benefits   | 508,257                                | 477,242                                |
| Surrender benefits  | 672,820                                | 695,201                                |
| Other refunds   | 132,576                                | 125,294                                |
| Provision for policy reserves:  | 1,003,079                              | 886,418                                |
| Provision for policy reserves   | 986,667                                | 869,722                                |
| Provision for interest on reserve for dividends to policyholders          | 16,411                                 | 16,695                                 |
| Investment expenses:  | 229,936                                | 292,141                                |
| Interest expenses   | 24,739                                 | 23,014                                 |
| Loss from assets held in trust, net                                       | 11,462                                 | —                                      |
| Loss on sales of securities   | 29,310                                 | 106,078                                |
| Loss on valuation of securities   | 19,869                                 | 13,950                                 |
| Loss on derivative financial instruments, net                             | 98,966                                 | 76,120                                 |
| Loss on separate accounts, net  | —                                      | 29,793                                 |
| Operating expenses  | 446,944                                | 451,548                                |
| Other ordinary expenses   | 177,888                                | 174,642                                |
| Ordinary profit   | 225,525                                | 317,000                                |
| Extraordinary gains:  | 1,378                                  | 486                                    |
| Gain on disposals of fixed assets   | 1,378                                  | 486                                    |
| Extraordinary losses:   | 71,827                                 | 122,621                                |
| Loss on disposals of fixed assets   | 3,632                                  | 1,805                                  |
| Impairment losses   | 1,934                                  | 1,551                                  |
| Provision for reserve for price fluctuations in investments in securities | 63,261                                 | 116,265                                |
| Contributions for assisting social public welfare                         | 3,000                                  | 3,000                                  |
| Surplus before income taxes   | 155,076                                | 194,865                                |
| Income taxes — current  | 86,202                                 | 97,048                                 |
| Income taxes — deferred   | (85,886)                               | (84,777)                               |
| Total income taxes  | 315                                    | 12,270                                 |
| Net surplus   | 154,760                                | 182,595                                |

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, 2019, is as follows:

| Purpose of use  | Million Yen |                             |           | Total  |
|-----------------|-------------|-----------------------------|-----------|--------|
|                 | Land        | Leasehold interests in land | Buildings |        |
| Idle properties | ¥1,190      | ¥168                        | ¥575      | ¥1,934 |
| Total           | ¥1,190      | ¥168                        | ¥575      | ¥1,934 |

4) Measurement of recoverable amount

The recoverable amount is based on either the value in use or net selling price of the asset depending on the type of 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<br>December 31, 2019 | Nine months ended<br>December 31, 2018 |
|--|--|--|
| Core operating profit (A)                                | 429,389                                | 468,084                                |
| Capital gains:   | 188,135                                | 193,672                                |
| Gain on proprietary trading securities                   | —                                      | —                                      |
| Gain from assets held in trust, net                      | —                                      | 2,723                                  |
| Gain on trading securities                               | —                                      | —                                      |
| Gain on sales of securities                              | 161,349                                | 166,445                                |
| Gain on derivative financial instruments, net            | —                                      | —                                      |
| Foreign exchange gains, net                              | 2,675                                  | —                                      |
| Other capital gains                                      | 24,110                                 | 24,503                                 |
| Capital losses:  | 234,798                                | 207,311                                |
| Loss on proprietary trading securities                   | —                                      | —                                      |
| Loss from assets held in trust, net                      | 11,462                                 | —                                      |
| Loss on trading securities                               | —                                      | —                                      |
| Loss on sales of securities                              | 29,310                                 | 106,078                                |
| Loss on valuation of securities                          | 19,869                                 | 13,950                                 |
| Loss on derivative financial instruments, net            | 98,966                                 | 76,120                                 |
| Foreign exchange losses, net                             | —                                      | 664                                    |
| Other capital losses                                     | 75,190                                 | 10,496                                 |
| Net capital losses (B)                                   | (46,663)                               | (13,639)                               |
| Core operating profit, including net capital gains (A+B) | 382,725                                | 454,444                                |
| Nonrecurring gains:                                      | 1,533                                  | —                                      |
| Reinsurance revenue                                      | —                                      | —                                      |
| Reversal of contingency reserve                          | —                                      | —                                      |
| Reversal of specific allowance for doubtful accounts     | 1,533                                  | —                                      |
| Other nonrecurring gains                                 | —                                      | —                                      |
| Nonrecurring losses:                                     | 158,734                                | 137,444                                |
| Reinsurance premiums                                     | —                                      | —                                      |
| Provision for contingency reserve                        | 62,895                                 | 132,713                                |
| Provision for specific allowance for doubtful accounts   | —                                      | 2,542                                  |
| Provision for allowance for specific overseas debts      | —                                      | —                                      |
| Write-offs of loans                                      | —                                      | —                                      |
| Other nonrecurring losses                                | 95,839                                 | 2,188                                  |
| Net nonrecurring losses (C)                              | (157,200)                              | (137,444)                              |
| Ordinary profit (A+B+C)                                  | 225,525                                | 317,000                                |

## (Reference) Breakdown of “Other” items

(Million Yen)

|  | Nine months ended<br>December 31, 2019 | Nine months ended<br>December 31, 2018 |
|--|--|--|
| Core operating profit (loss)   | 51,080                                 | (14,007)                               |
| Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes | 13,575                                 | 10,496                                 |
| Impact of market exchange rate movements related to foreign currency-denominated insurance policies  | (24,110)                               | (22,922)                               |
| Impact of movements in surrender benefits related to market value adjustment   | 61,615                                 | (1,581)                                |
| Other capital gains  | 24,110                                 | 24,503                                 |
| Interest income and expenses 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  | 24,110                                 | 22,922                                 |
| Impact of movements in surrender benefits related to market value adjustment   | —                                      | 1,581                                  |
| Other capital losses   | 75,190                                 | 10,496                                 |
| Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes | 13,575                                 | 10,496                                 |
| Impact of market exchange rate movements related to foreign currency-denominated insurance policies  | —                                      | —                                      |
| Impact of movements in surrender benefits related to market value adjustment   | 61,615                                 | —                                      |
| Other nonrecurring gains   | —                                      | —                                      |
| Reversal of allowance for investment loss  | —                                      | —                                      |
| Other nonrecurring losses  | 95,839                                 | 2,188                                  |
| Provision for allowance for investment loss  | 2,553                                  | 2,188                                  |
| Provision for policy reserves pursuant to Article 69, paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act in Japan                | 93,286                                 | —                                      |

## 6. Solvency Margin Ratio

(Million Yen)

|  | As of December 31, 2019 | As of March 31, 2019 |
|--|-------------------------|----------------------|
| Solvency margin gross amount (A):  | 15,601,160              | 14,177,668           |
| Foundation funds ( <i>kikin</i> ) and other reserve funds:   | 5,274,334               | 4,992,846            |
| Foundation funds and others  | 1,727,475               | 1,573,004            |
| Reserve for price fluctuations in investments in securities  | 1,444,914               | 1,381,653            |
| Contingency reserve  | 1,840,006               | 1,777,111            |
| General allowance for doubtful accounts  | 1,655                   | 794                  |
| Others   | 260,282                 | 260,282              |
| Net unrealized gains on available-for-sale securities (before tax) and deferred gains on derivatives under hedge accounting (before tax) × 90% | 7,071,492               | 5,995,119            |
| Net unrealized gains on real estate × 85%  | 382,648                 | 358,288              |
| Excess of continued Zillmerized reserve  | 1,620,436               | 1,566,354            |
| Qualifying subordinated debt   | 1,418,889               | 1,248,889            |
| Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations                                   | —                       | —                    |
| Deduction clause   | (35,096)                | (13,021)             |
| Others   | (131,543)               | 29,191               |
| Total amount of risk (B):  |                         |                      |
| $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$   | 3,200,208               | 3,038,049            |
| Underwriting risk (R <sub>1</sub> )  | 116,164                 | 117,577              |
| Underwriting risk of third-sector insurance (R <sub>8</sub> )  | 80,098                  | 81,303               |
| Anticipated yield risk (R <sub>2</sub> )   | 359,244                 | 364,647              |
| Minimum guarantee risk (R <sub>7</sub> )   | 5,452                   | 5,576                |
| Investment risk (R <sub>3</sub> )  | 2,762,881               | 2,597,831            |
| Business management risk (R <sub>4</sub> )   | 66,476                  | 63,338               |
| Solvency margin ratio  |                         |                      |
| $\frac{(A)}{(1/2) \times (B)} \times 100$  | 975.0%                  | 933.3%               |

Notes: 1. The amounts and figures as of March 31, 2019, 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, 2019, 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, 2019 | As of March 31, 2019 |
|-------------------------------|-------------------------|----------------------|
| Individual variable insurance | 112,114                 | 110,135              |
| Individual variable annuities | 41,726                  | 41,251               |
| Group annuities               | 1,128,533               | 1,106,612            |
| Separate account total        | 1,282,374               | 1,257,999            |

### (2) Policies in Force

- Individual Variable Insurance

|  | As of December 31, 2019 |                                     | As of March 31, 2019 |                                     |
|--|-------------------------|-------------------------------------|----------------------|-------------------------------------|
|  | Number of policies      | Amount of policies<br>(million yen) | Number of policies   | Amount of policies<br>(million yen) |
| Variable insurance (defined term type) | 10,912                  | 8,013                               | 8,395                | 6,510                               |
| Variable insurance (whole life type)   | 31,478                  | 440,453                             | 31,966               | 449,867                             |
| Total                                  | 42,390                  | 448,466                             | 40,361               | 456,377                             |

- Individual Variable Annuities

|                               | As of December 31, 2019 |                                     | As of March 31, 2019 |                                     |
|-------------------------------|-------------------------|-------------------------------------|----------------------|-------------------------------------|
|                               | Number of policies      | Amount of policies<br>(million yen) | Number of policies   | Amount of policies<br>(million yen) |
| Individual variable annuities | 34,909                  | 41,720                              | 33,554               | 41,240                              |

## 8. Status of the Company, Subsidiaries, and Affiliates

### (1) Selected Financial Data for Major Operations

(100 Million Yen)

|  | Nine months ended December 31, 2019 | Nine months ended December 31, 2018 |
|--|-------------------------------------|-------------------------------------|
| Ordinary income                                | 59,342                              | 59,689                              |
| Ordinary profit                                | 2,137                               | 3,592                               |
| Net surplus attributable to the parent company | 1,475                               | 2,090                               |
| Comprehensive income (loss)                    | 10,453                              | (5,435)                             |

|                       | As of December 31, 2019 | As of March 31, 2019 |
|-----------------------|-------------------------|----------------------|
| Total assets          | 819,341                 | 788,095              |
| Solvency margin ratio | 1,043.0%                | 997.3%               |

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

|   | As of December 31, 2019 |
|---|-------------------------|
| Number of consolidated subsidiaries   | 16                      |
| Number of subsidiaries not consolidated but accounted for under the equity method   | 0                       |
| Number of affiliates accounted for under the equity method  | 15                      |
| Changes in significant subsidiaries and affiliates during the period<br>Please refer to “(4) Policies for Preparing the Consolidated Financial Statements for the Nine Months Ended December 31, 2019.” |                         |

### (3) Basis of Preparing the Consolidated Financial Statements for the Nine Months Ended December 31, 2019

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, 2019, 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, 2019

1) Consolidated subsidiaries

HANASAKU LIFE INSURANCE CO., LTD., which has started its operation as a life insurance company, has been included in the scope of consolidation from the three months ended June 30, 2019, due to its increased significance.

Reliance Nippon Life Asset Management Limited (RNAM), which was an affiliate accounted for under the equity method in the previous fiscal year, and its four affiliated companies were included in the scope of consolidation from the six months ended September 30, 2019, due to the Company's additional acquisition of its shares.

RNAM changed its name to Nippon Life India Asset Management Limited on January 13, 2020.

NLI Commercial Mortgage Fund, LLC and NLI Commercial Mortgage Fund II, LLC have been excluded from the scope of consolidation from the nine months ended December 31, 2019, due to their declined significance.

2) Equity method affiliates

RNAM became a consolidated subsidiary due to the Company's additional acquisition of its shares.

Accordingly, RNAM has been excluded from the scope of application of the equity method from the six months ended September 30, 2019. Meanwhile, one affiliate of RNAM has been included in the scope of application of the equity method from the six months ended September 30, 2019.

Grand Guardian Nippon Life Insurance Company Limited has been included in the scope of application of the equity method from the nine months ended December 31, 2019, due to the acquisition of authorization from Myanmar financial authorities regarding a life insurance joint venture and its increased significance.

## (5) Consolidated Balance Sheets

(Million Yen)

|  | As of December 31, 2019 | As of March 31, 2019 |
|--|-------------------------|----------------------|
| <b>Assets:</b>   |                         |                      |
| Cash and deposits  | 1,619,208               | 1,541,390            |
| Call loans   | 469,628                 | 429,912              |
| Monetary receivables purchased   | 367,232                 | 401,938              |
| Assets held in trust   | 3,795                   | 13,357               |
| Investments in securities  | 67,298,353              | 64,458,905           |
| Loans  | 8,483,197               | 8,510,520            |
| Tangible fixed assets  | 1,910,076               | 1,907,653            |
| Intangible fixed assets  | 410,137                 | 263,513              |
| Reinsurance receivables  | 49,112                  | 9,368                |
| Other assets   | 1,248,540               | 1,199,998            |
| Deferred tax assets  | 4,674                   | 9,140                |
| Customers' liability for acceptances and guarantees                                | 75,518                  | 71,016               |
| Allowance for doubtful accounts  | (5,316)                 | (7,198)              |
| <b>Total assets</b>  | <b>81,934,161</b>       | <b>78,809,517</b>    |
| <b>Liabilities:</b>  |                         |                      |
| Policy reserves and other reserves:  | 66,710,907              | 65,483,705           |
| Reserve for outstanding claims   | 245,672                 | 302,778              |
| Policy reserves  | 65,314,737              | 64,100,386           |
| Reserve for dividends to policyholders (mutual company)                            | 1,092,329               | 1,020,213            |
| Reserve for dividends to policyholders (limited company)                           | 58,168                  | 60,326               |
| Reinsurance payables   | 6,998                   | 8,424                |
| Corporate bonds  | 1,172,089               | 1,175,589            |
| Other liabilities  | 3,198,734               | 2,518,762            |
| Accrued bonuses for directors, and audit and supervisory board members             | 77                      | 106                  |
| Net defined benefit liability  | 437,841                 | 440,556              |
| Accrued retirement benefits for directors, and audit and supervisory board members | 4,819                   | 4,905                |
| Reserve for program points   | 9,379                   | 9,203                |
| Reserve for price fluctuations in investments in securities                        | 1,527,292               | 1,460,182            |
| Deferred tax liabilities   | 853,783                 | 555,094              |
| Deferred tax liabilities for land revaluation                                      | 103,371                 | 103,748              |
| Acceptances and guarantees   | 75,518                  | 71,016               |
| <b>Total liabilities</b>   | <b>74,100,813</b>       | <b>71,831,296</b>    |

## (5) Consolidated Balance Sheets (Continued)

(Million Yen)

|   | As of December 31, 2019 | As of March 31, 2019 |
|---|-------------------------|----------------------|
| Net assets:   |                         |                      |
| Foundation funds                                      | 100,000                 | 100,000              |
| Reserve for redemption of foundation funds            | 1,300,000               | 1,250,000            |
| Reserve for revaluation                               | 651                     | 651                  |
| Consolidated surplus                                  | 509,680                 | 629,555              |
| Total foundation funds and others                     | 1,910,331               | 1,980,206            |
| Net unrealized gains on available-for-sale securities | 5,877,677               | 4,943,922            |
| Deferred losses on derivatives under hedge accounting | (55,519)                | (31,643)             |
| Land revaluation losses                               | (54,401)                | (54,690)             |
| Foreign currency translation adjustments              | (27,322)                | (4,853)              |
| Remeasurement of defined benefit plans                | (5,967)                 | (13,494)             |
| Total accumulated other comprehensive income          | 5,734,466               | 4,839,241            |
| Share acquisition rights                              | 728                     | —                    |
| Noncontrolling interests                              | 187,820                 | 158,772              |
| Total net assets                                      | 7,833,347               | 6,978,221            |
| Total liabilities and net assets                      | 81,934,161              | 78,809,517           |

1. Matters concerning revisions to the subcategories of insurance products covered by policy-reserve-matching bonds are as follows:

- (1) TAIJU LIFE INSURANCE COMPANY LIMITED

From the nine months ended December 31, 2019, TAIJU LIFE INSURANCE COMPANY LIMITED has created, for policies commencing on or before September 30, 2019, subcategory 1 for foreign currency-denominated single-payment endowment insurance (U.S. dollar) (policies commencing from October 1, 2015 to September 30, 2019) and subcategory 1 for foreign currency-denominated single-payment endowment insurance (Australian dollar) (policies commencing from October 1, 2015 to September 30, 2019) by extending the commencement periods for the previous subcategories for foreign currency-denominated single-payment endowment insurance (U.S. dollar) (policies commencing on or after January 1, 2019) and foreign currency-denominated single-payment endowment insurance (Australian dollar) (policies commencing on or after October 1, 2017). Additionally, it has also created subcategory 2 for foreign-currency denominated single payment endowment insurance (U.S. dollar) (policies commencing on or after October 1, 2019) and subcategory 2 for foreign-currency denominated single payment endowment insurance (Australian dollar) (policies commencing on or after October 1, 2019) as new subcategories.

As a result, the subcategories for the nine months ended December 31, 2019, 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) Subcategory 1 for foreign currency-denominated single-payment endowment insurance (U.S. dollar) (foreign currency-denominated single-payment endowment insurance (U.S. dollar) commencing from October 1, 2015 to September 30, 2019)
- 4) Foreign currency-denominated single payment endowment insurance (U.S. dollar) (foreign currency-denominated single payment endowment insurance (U.S. dollar) commencing on or after October 1, 2019)
- 5) Subcategory 1 for foreign currency-denominated single-payment endowment insurance (Australian dollar) (foreign currency-denominated single-payment endowment insurance (Australian dollar) commencing from October 1, 2015 to September 30, 2019)
- 6) Foreign currency-denominated single payment endowment insurance (Australian dollar) (foreign currency-denominated single payment endowment insurance (Australian dollar) commencing on or after October 1, 2019)

There has been no impact on profit or loss for the nine months ended December 31, 2019, as a result of this revision.

(2) HANASAKU LIFE INSURANCE Co., Ltd.

From the nine months ended December 31, 2019, all insurance policy groups are classified as a single subcategory, and securities that are held for the purpose of matching the duration of these outstanding insurance liabilities are classified as policy-reserve-matching bonds.

2. The corporate tax, inhabitant tax, and income tax adjustments of the Company for the nine months ended December 31, 2019, 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. Effective from the three months ended June 30, 2019, the Company and certain subsidiaries have applied the consolidated taxation system with the Company as the parent company for consolidated taxation purposes.
4. The Company and some of its consolidated life insurance companies in Japan provided additional policy reserves in the nine months ended December 31, 2019. As a result, policy reserves increased by ¥103,232 million, while ordinary profit and surplus before income taxes decreased by ¥103,232 million each.
  - a. The Company  
Effective from the fiscal year ended March 31, 2019, the Company has provided additional policy reserves over a five-year period to cover a possible deficiency in the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥93,286 million, while ordinary profit and surplus before income taxes decreased by ¥93,286 million each compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the nine months ended December 31, 2019.
  - b. TAIJU LIFE INSURANCE COMPANY LIMITED  
TAIJU LIFE INSURANCE COMPANY LIMITED has provided additional policy reserves to cover a possible deficiency in the reserve for certain individual annuity policyholders. As a result, policy reserves increased by ¥9,946 million, while ordinary profit and surplus before income taxes decreased by ¥9,946 million each compared with amounts that would have been recorded if the additional policy reserve amounts had not been reserved in the nine months ended September 30, 2019.

5. Changes in the reserve for dividends to policyholders of a mutual company for the nine months ended December 31, 2019, were as follows:

|   | Million Yen                            |
|---|--|
|   | Nine months ended<br>December 31, 2019 |
| a. Balance at the beginning of the current fiscal year                                      | ¥1,020,213                             |
| b. Transfer to reserve from surplus for the previous fiscal year                            | 211,818                                |
| c. Dividends paid to policyholders of a mutual company during the current nine-month period | 156,114                                |
| d. Increase in interest   | 16,411                                 |
| e. Balance at the end of the current nine-month period (a+b-c+d)                            | ¥1,092,329                             |

6. Changes in the reserve for dividends to policyholders of a limited company for the nine months ended December 31, 2019, were as follows:

|  | Million Yen                            |
|--|--|
|  | Nine months ended<br>December 31, 2019 |
| a. Balance at the beginning of the current fiscal year                                       | ¥60,326                                |
| b. Dividends paid to policyholders of a limited company during the current nine-month period | 11,615                                 |
| c. Increase in interest  | 8                                      |
| d. Provision for reserve for dividends to policyholders (limited company)                    | 9,449                                  |
| e. Balance at the end of the current nine-month period (a-b+c+d)                             | ¥58,168                                |

7. On January 23, 2020, the Company issued corporate bonds as follows:

|                           |  |
|---------------------------|--|
| Name                      | US dollar-denominated subordinated bonds due 2050 with interest deferral options   |
| Issue price               | 100% of par value  |
| Total amount issued       | US\$1.15 billion   |
| Interest rate             | A fixed rate of 3.40% per annum until January 2030, and a fixed rate with step-up thereafter (reset every five years)  |
| Maturity                  | January 2050 (The corporate bonds are callable on January 23, 2030, and on each fifth anniversary date of the issuance date thereafter at the discretion of the Company, subject to prior approval by the regulatory authorities.) |
| Collateral and guarantees | The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them.  |
| Use of funds              | General working capital  |

Designated hedge accounting has been applied to these bonds using the currency swap as a hedging instrument.

8. The Company has offered foundation funds (*kikin*) of ¥50,000 million as provided in Article 60 of the Insurance Business Act during the nine months ended December 31, 2019.
9. The Company redeemed ¥50,000 million of the foundation funds and credited the same amount to reserve for redemption of the foundation funds as prescribed in Article 56 of the Insurance Business Act.
10. Matters concerning business combinations through acquisitions are as follows:
  - 1) Overview of the business combination
    - a. Name and business of the acquiree  
Name: RNAM  
Business: Asset management
    - b. Main reasons for executing the business combination  
RNAM's trust assets under management have grown steadily, and the Company intends to support RNAM's attempt to enhance its presence in the Indian asset management market, which is expected to show future growth driven by solid economic growth.
    - c. Date of business combination  
September 30, 2019 (deemed acquisition date)
    - d. Legal form of the business combination  
Open offer to the public shareholders as per Indian regulations and share acquisition based on an agreement with Reliance Capital Limited (RCAP) to acquire shares of RNAM held by RCAP (the "Open Offer").
    - e. Name of the company after business combination  
Reliance Nippon Life Asset Management Limited  
(Renamed as Nippon Life India Asset Management Limited on January 13, 2020)
    - f. Percentage of voting rights acquired  
Percentage of voting rights held before the Open Offer  
42.875%  
Percentage of voting rights acquired based on the Open Offer\*  
32.125%  
Percentage of voting rights after the acquisition  
75%  
\* Reflects the impact of changes in the percentage of voting rights due to the exercise of stock options for RNAM shares after the Open Offer.
    - 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, 2019

From October 1, 2019 to December 31, 2019

On the consolidated statement of income for the nine months ended December 31, 2019, profit or loss related to the acquiree from April 1, 2019, to September 30, 2019, is recorded as gain on equity method investments and presented in other ordinary income.

- 3) Acquisition cost and breakdown

Consideration for acquisition:

Fair value of RNAM shares held right before the Open Offer

¥92,940 million

Additional cash payment for RNAM shares acquired through the Open Offer

¥68,759 million

Acquisition cost

¥161,699 million

- 4) Difference between the acquisition cost and the total cost of individual transactions before obtaining control

Gain on step acquisitions

¥48,730 million

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

Advisory fees and others

¥1,160 million

- 6) Amount of and reasons for recognizing goodwill, and amortization method and period

- a. Amount of goodwill

¥98,115 million

The figure is a provisional amount estimated based on currently available information as the allocation of the acquisition cost has not yet been completed as of the end of December 2019.

- b. Reasons for recognizing goodwill

Goodwill was recognized because the equity interest in the net amount of the assets acquired and the liabilities assumed was lower than the acquisition cost.

- c. Amortization method and period

Straight-line amortization over 20 years

- 7) Amounts of the assets acquired and the liabilities assumed on the date of business combination and their main components
- Total assets: ¥116,050 million  
(including the amount allocated to intangible assets other than goodwill of ¥74,674 million)
- Total liabilities: ¥30,755 million  
(including deferred tax liabilities of ¥26,050 million)
- 8) Amount of acquisition cost allocated to intangible assets other than goodwill and amortization period
- Amount of intangible assets other than goodwill: ¥74,674 million,  
Amortization period: 19 years  
(including contract-related assets of ¥74,674 million and amortization period of 19 years)
- The figures are provisional amounts and amortization periods estimated based on currently available information as the allocation of the acquisition cost has not yet been completed as of the end of December 2019.
- 9) Estimated amount of impact on the consolidated statement of income for the nine months ended December 31, 2019, and calculation method, assuming that the business combination was completed as of the beginning of the nine months ended December 31, 2019
- Ordinary income was ¥16,280 million, ordinary profit was ¥1,558 million, and net surplus attributable to the parent company was ¥48,327 million.

The estimated amounts of the impact represent the difference between gain on equity method investments and gain on step acquisitions recorded by the Company for the nine months ended December 31, 2019, based on RNAM's ordinary income, ordinary profit, and net surplus attributable to the parent company for the nine months ended December 31, 2019. In addition, amortization and related amounts are calculated based on the assumption that goodwill was recognized at the time of the business combination and intangible assets were recognized as of the beginning of the nine months ended December 31, 2019. The estimated amounts do not represent RNAM's ordinary income, ordinary profit, and net surplus attributable to the parent company that would have been recorded if the business combination had actually been completed as of the beginning of the nine months ended December 30, 2019.

This note has not received audit certification.

11. The amount of securities lent under lending agreements was ¥3,186,795 million as of December 31, 2019.
12. TAIJU LIFE INSURANCE COMPANY, the Company's subsidiary, has concluded a modified coinsurance agreement (commencement date of reinsurance agreement: July 1, 2019) covering foreign currency-denominated single payment endowment insurance (U.S. dollar) and foreign currency-denominated single payment endowment insurance (Australian dollar).

Through this modified coinsurance agreement, insurance risk has been transferred, and reinsurance premiums, including additional policy reserves associated with market price adjustments upon interest rate fluctuations, have been recorded and presented in revenues from insurance and reinsurance.

The outstanding balance of reinsurance accounts receivable related to this modified coinsurance agreement stood at ¥38,002 million as of December 31, 2019. The outstanding balance of the policy reserve component associated with the modified coinsurance agreement stood at ¥726,541 million as of December 31, 2019.

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

(Million Yen)

|   | Nine months ended<br>December 31, 2019 | Nine months ended<br>December 31, 2018 |
|---|--|--|
| Ordinary income:  | 5,934,278                              | 5,968,973                              |
| Revenues from insurance and reinsurance   | 4,277,533                              | 4,410,979                              |
| Investment income:  | 1,417,430                              | 1,341,252                              |
| Interest, dividends, and other income   | 1,143,859                              | 1,147,402                              |
| Gain from assets held in trust, net   | —                                      | 2,723                                  |
| Gain on trading securities  | 35,421                                 | 12,185                                 |
| Gain on sales of securities   | 182,540                                | 174,551                                |
| Gain on separate accounts, net  | 50,785                                 | —                                      |
| Other ordinary income   | 239,314                                | 216,742                                |
| Ordinary expenses:  | 5,720,485                              | 5,609,685                              |
| Benefits and other payments:  | 3,346,962                              | 3,363,076                              |
| Death and other claims  | 942,683                                | 983,277                                |
| Annuity payments  | 719,912                                | 710,666                                |
| Health and other benefits   | 641,638                                | 625,253                                |
| Surrender benefits  | 813,978                                | 859,747                                |
| Other refunds   | 156,185                                | 151,298                                |
| Provision for policy reserves:  | 1,254,636                              | 1,053,539                              |
| Provision for policy reserves   | 1,238,216                              | 1,036,834                              |
| Provision for interest on reserve for dividends to policyholders<br>(mutual company)  | 16,411                                 | 16,695                                 |
| Provision for interest on reserve for dividends to policyholders<br>(limited company) | 8                                      | 9                                      |
| Investment expenses:  | 259,050                                | 341,788                                |
| Interest expenses   | 28,401                                 | 26,424                                 |
| Loss from assets held in trust, net   | 11,462                                 | —                                      |
| Loss on sales of securities   | 36,118                                 | 111,317                                |
| Loss on valuation of securities   | 22,149                                 | 11,637                                 |
| Loss on derivative financial instruments, net   | 74,439                                 | 89,074                                 |
| Foreign exchange losses, net  | 37,058                                 | 17,485                                 |
| Loss on separate accounts, net  | —                                      | 38,268                                 |
| Operating expenses  | 605,772                                | 607,187                                |
| Other ordinary expenses   | 254,062                                | 244,093                                |
| Ordinary profit   | 213,792                                | 359,288                                |
| Extraordinary gains:  | 51,883                                 | 13,659                                 |
| Gain on disposals of fixed assets   | 3,146                                  | 3,312                                  |
| Gain on bargain purchase  | —                                      | 10,347                                 |
| Gain on step acquisitions   | 48,730                                 | —                                      |
| Gain on reversal of share acquisition rights  | 6                                      | —                                      |
| Extraordinary losses:   | 106,535                                | 127,241                                |
| Loss on disposals of fixed assets   | 3,986                                  | 2,806                                  |
| Impairment losses   | 32,438                                 | 1,605                                  |
| Provision for reserve for price fluctuations in investments in securities             | 67,110                                 | 119,829                                |
| Contributions for assisting social public welfare                                     | 3,000                                  | 3,000                                  |

[Consolidated Statements of Income] (Continued)

(Million Yen)

|  | Nine months ended<br>December 31, 2019 | Nine months ended<br>December 31, 2018 |
|--|--|--|
| Provision for reserve for dividends to policyholders (limited company) | 9,449                                  | 9,483                                  |
| Surplus before income taxes  | 149,691                                | 236,222                                |
| Income taxes – current   | 89,848                                 | 112,790                                |
| Income taxes – deferred  | (85,269)                               | (89,010)                               |
| Total income taxes   | 4,578                                  | 23,779                                 |
| Net surplus  | 145,113                                | 212,442                                |
| Net (deficit) surplus attributable to noncontrolling interests         | (2,452)                                | 3,391                                  |
| Net surplus attributable to the parent company                         | 147,565                                | 209,051                                |

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. Real estate and other assets utilized for insurance business operations are classified into one asset group for the whole insurance business. Additionally, goodwill is classified into one asset group for each company.

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.

Impairment loss on goodwill has been recorded in connection with deteriorating profitability at MLC Limited, the Company's consolidated subsidiary, mainly due to an increase in payments for income-protection insurance.

3) Breakdown of asset groups for which impairment losses were recognized for the nine months ended December 31, 2019, is as follows:

| Purpose of use             | Million Yen |                             |                      |          | Total   |
|----------------------------|-------------|-----------------------------|----------------------|----------|---------|
|                            | Land        | Leasehold interests in land | Buildings and others | Goodwill |         |
| Real estate for rental use | ¥ 29        | ¥ —                         | ¥ 581                | ¥ —      | ¥ 610   |
| Idle properties            | 1,190       | 168                         | 575                  | —        | 1,934   |
| Others                     | —           | —                           | —                    | 29,893   | 29,893  |
| Total                      | ¥1,219      | ¥168                        | ¥1,157               | ¥29,893  | ¥32,438 |

4) Measurement of recoverable amount

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

a. Real estate and other assets

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 3.0% to 3.3%. Net selling price is determined based on appraisals performed in accordance with the "Real Estate Appraisal Standards" or standard land prices.

b. Goodwill

The value in use is determined as the discounted future cash flows using a discount rate of 7.25%.

2. The total amount of depreciation of real estate for rental use and other assets for the nine months ended December 31, 2019, was ¥65,378 million. Amortization of goodwill for the nine months ended December 31, 2019, was ¥3,062 million.
3. Reinsurance premiums included in revenues from insurance and reinsurance of TAIJU LIFE INSURANCE COMPANY, the Company's consolidated subsidiary, include reinsurance premiums of ¥79,188 million related to the modified coinsurance agreement for foreign currency-denominated single payment endowment insurance (U.S. dollar) and foreign currency-denominated single payment endowment insurance (Australian dollar). The breakdown of these premiums is as follows:
- |   |                 |
|---|-----------------|
| a. Adjustment to policy reserve for ceded reinsurance (excluding b.):   | ¥30,124 million |
| b. Additional policy reserves associated with market price adjustments: | ¥36,727 million |
| c. Others:  | ¥12,336 million |
- With the implementation of this reinsurance, ordinary profit and surplus before income taxes increased by ¥37,953 million each.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

|   | Nine months ended<br>December 31, 2019 | Nine months ended<br>December 31, 2018 |
|---|--|--|
| Net surplus   | 145,113                                | 212,442                                |
| Other comprehensive income (loss):  | 900,248                                | (755,950)                              |
| Net unrealized gains (losses) on available-for-sale securities                        | 938,485                                | (753,004)                              |
| Deferred gains (losses) on derivatives under hedge accounting                         | (23,347)                               | 17,478                                 |
| Foreign currency translation adjustments  | (21,782)                               | (16,082)                               |
| Remeasurement of defined benefit plans  | 7,626                                  | 5,998                                  |
| Share of other comprehensive loss of associates accounted for under the equity method | (732)                                  | (10,341)                               |
| Comprehensive income (loss):  | 1,045,361                              | (543,507)                              |
| Comprehensive income (loss) attributable to the parent company                        | 1,041,313                              | (539,352)                              |
| Comprehensive income (loss) attributable to noncontrolling interests                  | 4,048                                  | (4,155)                                |

(7) Consolidated Solvency Margin Ratio

(Million Yen)

|   | As of December 31, 2019 | As of March 31, 2019 |
|---|-------------------------|----------------------|
| Solvency margin gross amount (A):   | 16,490,235              | 15,040,262           |
| Foundation funds ( <i>kikin</i> ) and other reserve funds:  | 5,610,349               | 5,437,605            |
| Foundation funds and others   | 1,927,364               | 1,888,331            |
| Reserve for price fluctuations in investments in securities   | 1,527,292               | 1,460,182            |
| Contingency reserve   | 1,891,151               | 1,825,914            |
| Extraordinary contingency reserve   | —                       | —                    |
| General allowance for doubtful accounts   | 3,286                   | 2,213                |
| Others  | 261,254                 | 260,963              |
| Net unrealized gains on available-for-sale securities (before tax) and deferred gains (losses) on derivatives under hedge accounting (before tax) × 90% | 7,217,856               | 6,083,208            |
| Net unrealized gains on real estate × 85%   | 400,322                 | 374,311              |
| Total amount of unrecognized actuarial gains (losses) and unrecognized prior service cost   | (8,277)                 | (18,717)             |
| Excess of continued Zillmerized reserve   | 1,856,354               | 1,798,965            |
| Qualifying subordinated debt  | 1,678,589               | 1,512,089            |
| Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations  | —                       | —                    |
| Deduction clause  | (205,559)               | (249,621)            |
| Others  | (59,398)                | 102,421              |
| Total amount of risk (B): $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$   | 3,162,010               | 3,015,936            |
| Underwriting risk (R <sub>1</sub> )   | 159,833                 | 164,973              |
| General underwriting risk (R <sub>5</sub> )   | —                       | —                    |
| Huge disaster risk (R <sub>6</sub> )  | —                       | —                    |
| Underwriting risk of third-sector insurance (R <sub>8</sub> )   | 92,143                  | 93,010               |
| Underwriting risk related to small amount and short-term insurance providers (R <sub>9</sub> )  | —                       | —                    |
| Anticipated yield risk (R <sub>2</sub> )  | 426,895                 | 432,609              |
| Minimum guarantee risk (R <sub>7</sub> )  | 9,205                   | 9,302                |
| Investment risk (R <sub>3</sub> )   | 2,648,896               | 2,498,757            |
| Business management risk (R <sub>4</sub> )  | 66,739                  | 63,973               |
| Solvency margin ratio<br>$\frac{(A)}{(1/2) \times (B)} \times 100$  | 1,043.0%                | 997.3%               |

- Notes: 1. The amounts and figures as of March 31, 2019, 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, 2019, 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, 2019, 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.